GB GRAND BANKS YACHTS

TURNING THE TIDES

GRAND BANKS YACHTS LIMITED
ANNUAL REPORT 2015

AT GRAND BANKS YACHTS, 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 trawlerstyle 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, Johor, Malaysia.

In 2014, Grand Banks completed its first acquisition — of Palm Beach Motor Yachts, a manufacturer of luxury yachts with a reputation for impeccable quality that combines cutting-edge technology and modern designs. Palm Beach has its manufacturing facility at Berkeley Vale, Sydney, Australia, and builds yachts ranging between 42 feet to 65 feet.

Grand Banks has a global sales network and continues to attract new customers with its timeless style, unique innovation and unyielding commitment to quality.

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CORPORATE SOCIAL RESPONSIBILITY

At Grand Banks, we care for the environment and strive to do our part through our eco-friendly manufacturing system. This involves the use of computerised numerical control machines to reduce wastage, and a vacuum infusion process for fibreglass lamination that reduces resin fumes and overspray. Our tools are equipped with dust extraction systems that improve air quality, ensuring a cleaner and healthier workplace for our employees and environment.

We believe in investing in our people and community, and have established partnerships with various technical schools in Malaysia. We have specialised entry programmes for graduates, whom we groom to take on exciting new roles.

Employees are important to us and we provide a free meal to our staff at our Malaysian facility every quarter, and distribute rice and other staple food items to their families. Every year, our Malaysian factory also distributes festive food items during the start of the Ramadan fasting month, Hari Raya Puasa, Chinese New Year and Deepavali.

CHAIRMAN'S STATEMENT

WE HAVE EXCITING GROWTH AHEAD OF US AS A REVITALISED BUILDER AND MARKETER OF TWO WORLD-CLASS YACHT BRANDS

HEINE ASKAER-JENSEN
Chairman of the Board of Directors

DEAR SHAREHOLDERS,

This has been a year of great significance for Grand Banks Yachts Limited ("Grand Banks" or "the Group") which will no doubt lay the foundation of exciting growth ahead for us as a revitalised builder and marketer of two world-class yacht brands.

In what has been a hectic twelve months, we completed the acquisition of Australia-based Palm Beach Motor Yacht Pty Ltd ("Palm Beach"); exited the Singapore Exchange ("SGX") Watch List; executed major actions to improve design production processes (particularly in Malaysia); revamped the sales and distribution model; deliberately reduced production and sold off older inventory boats so as to focus on new designs or remodel existing boats; and marketed aggressively in boat shows around the world.

RESTRUCTURING TO BUILD A STRONGER COMPANY WITH TWO WORLD-CLASS BRANDS

As shareholders are aware, we completed the acquisition of Palm Beach on 1 August 2014. The strategic acquisition of this exciting Australian boat brand also meant we would appoint its charismatic CEO, boat racing champion Mark Richards, as the CEO of the enlarged Group. We now have two premium brands represented in the leading markets of the U.S., Australia, Asia and Europe. In terms of brands, design, manufacturing footprint and marketing presence, we are well and truly a global boat builder. Under Mark's leadership, the team got to work immediately.

Mark chose the arduous option of revamping the workflow and processes of both facilities. We made the decision to deliberately slow down production in Malaysia and to sell some stock boats to facilitate this transformation. While that inevitably affected revenue and the bottom-line, the Board realised that this bitter medicine was needed to achieve real transformation and corporate recovery.

I am confident that the bulk of our restructuring efforts has been completed and the Group now has a much stronger foundation in terms of boat design and production. The boat building capacity – with facilities at full capacity in Australia and under-utilised in Malaysia – has now been aligned, which should lead to better margin efficiency from FY2016.

FINANCIAL REVIEW

Our aggregate order book hit a six-year high of S$36.5 million as at 30 June 2015, on the back of five new boat orders in the last quarter of FY2015. Most of this will be recognised as revenue in the coming fiscal year ("FY2016").

The new boat orders confirm what we already felt in the last two years. The U.S. boat market is clearly on the path to recovery. Boating interest in Australia, Japan and Singapore is picking up. However, the European market remains weak.

CHAIRMAN'S STATEMENT

Chairman Heine Askaer-Jensen welcomes Mark Richards as CEO of Grand Banks Yachts

In addition, the restructuring also meant that production was affected and costs had to be incurred to streamline the process.

The Group reported a net loss of S$4.8 million for FY2015, due to restructuring expenses and one-off costs related to the Palm Beach acquisition.

Losses notwithstanding, Palm Beach itself recorded a profit for FY2015. Under the terms of the acquisition which included an earn-out model, Palm Beach had to achieve combined net profits before tax equal to or more than AUD2.64 million for FY2014 and FY2015. Palm Beach has exceeded this target and contributed positively to the Group's performance this year.

CORPORATE DEVELOPMENTS

We achieved a major milestone in the first quarter of FY2015 when we successfully exited the SGX Watch List, following a net profit in the previous financial year ("FY2014"). Our exit underscores the team's commendable efforts to increase sales, introduce new boat designs and improve operational and financial efficiencies.

As part of the Board's commitment to refresh itself, both Dr. Jeffrey Stewart Bland and Mr. Peter Poli will be stepping down from the Board as Independent Director and Executive Director, respectively. We thank Dr. Bland for his contributions over the past eight years and his loyalty as a customer of Grand Banks. We are also grateful to Mr. Poli for his services and active participation as an Executive Member of the Board. In addition, the Board has identified Mr. Gary James Weisman as a candidate for Independent Director. A veteran in the yachting industry, he will stand for election at the upcoming Annual General Meeting. We believe Mr. Weisman will be an invaluable asset to the Group.

OUTLOOK AND FORWARD STRATEGY

Beyond the initial results shown by the record-high order book, we have laid a firm foundation under Mark's leadership.

The Group will continue to drive synergies between our boat brands to develop fresh and innovative products that will position us as industry leaders, while leveraging improved market sentiments in the U.S., Australia and Asia. One development of note is our transition to a factory-direct sales model in the U.S., which will deliver a better customer experience with lower distribution costs and improved margins.

With the new designs, changes to the sales and distribution model, and ongoing marketing efforts – including participation at international boat shows – we expect performance to improve significantly in the coming fiscal year.

We remain committed to returning to profitability and enhancing shareholder value as we enter the year ahead.

On behalf of the Board, I would like to thank our customers, business partners and valued employees for their efforts and dedication. My heartfelt gratitude goes out to my fellow Board members for their support and counsel over the last 12 months.

To all our shareholders, thank you for standing by us during this eventful year.

In appreciation,

HEINE ASKAER-JENSEN
Chairman of the Board of Directors

CEO'S MESSAGE

"We now have a stronger foundation to propel us forward as a global designer and manufacturer of two world-class boat brands."

MARK J. RICHARDS
Executive Director & CEO

DEAR FELLOW SHAREHOLDERS,

Having been at the helm of Grand Banks Yachts Limited ("Grand Banks" or "the Group") for over a year now – and what an unbelievably busy year it has been – my confidence in our company's potential grows stronger every day.

The financial year ended 30 June 2015 ("FY2015") was an eventful year with many significant changes and developments. With the acquisition of Palm Beach Motor Yachts Pty Ltd ("Palm Beach") completed in August 2014, it was all hands on deck for the management team as we worked to integrate both brands and turn the Group into a leader in the global yachting industry.

Having exited the SGX Watch List in October 2014, we concentrated on the product line-up and the Group's manufacturing assets. With our Palm Beach facility in Australia running at full capacity, we focused on utilising the potential of the Grand Banks plant in Malaysia, where we now build the Palm Beach orders that do not fit into the Australian facility's production schedule. I am pleased to say that all of these yachts have received strong market interest.

We thus embarked on the uphill task of aligning our production processes and driving deeper synergies between both brands. This meant, amongst other actions, improving the design of older boats, introducing new models, and migrating some of the Palm Beach production – including boat models, components and personnel – from Australia to Malaysia, where we have also started building three Palm Beach boats, the first of which is scheduled for completion in the second quarter of FY2016.

The Malaysian facility has now been reorganised to streamline costs and operating efficiencies. We reduced the production schedule to focus on new models and invested in new boat-building resources at the Malaysian plant, which we believe will help us reap long-term rewards. We also gave discounts and sales incentives to expedite sales of older inventory yachts.

First new Palm Beach model being built in Malaysia – Palm Beach 42

Artist's impression of the new Palm Beach 42

CEO'S MESSAGE

"WE FOCUSED ON UTILISING THE POTENTIAL OF THE GRAND BANKS PLANT IN MALAYSIA, WHERE WE NOW BUILD THE PALM BEACH ORDERS THAT DO NOT FIT INTO THE AUSTRALIAN FACILITY'S PRODUCTION SCHEDULE"

Construction of the Palm Beach 50 hull #27 – the first Palm Beach boat to migrate production from Australia to Malaysia

Artist's impression of the new Grand Banks 44

Artist's impression of the new Grand Banks 60

CEO'S MESSAGE

An upgraded 55 Aleutian at the Grand Banks facility in Pasir Gudang, Malaysia

We refined and remodelled designs for both Grand Banks and Palm Beach and now have three exciting and better-performing boat models in the pipeline: the Grand Banks 60, Grand Banks 44 Eastbay and Palm Beach 42. Grand Banks' new boat models now incorporate manufacturing techniques used in the production of Palm Beach, thus offering enhanced quality, superior performance capabilities, and fuel efficiencies. Our new and existing yachts enjoyed very positive receptions at boat shows in Fort Lauderdale, Newport (Rhode Island), Miami, Singapore and Japan. We have secured two orders for the Grand Banks 60 as at the end of FY2015, and the first of the boats is scheduled for completion in the fourth quarter of FY2016.

We also revamped our sales and distribution model, and put together a new factory-direct sales team in the U.S. Thanks to the new sales team's hard work and dedication to service excellence, our orders for both Grand Banks and Palm Beach boats have improved rapidly.

While the overhaul drove up our expenses during the year, we have already started to reap rewards as shown by our six-year high order book achieved in FY2015. These milestones underscore our team's remarkable efforts and I am extremely glad to announce that we have completed most of the restructuring and laid the groundwork for FY2016.

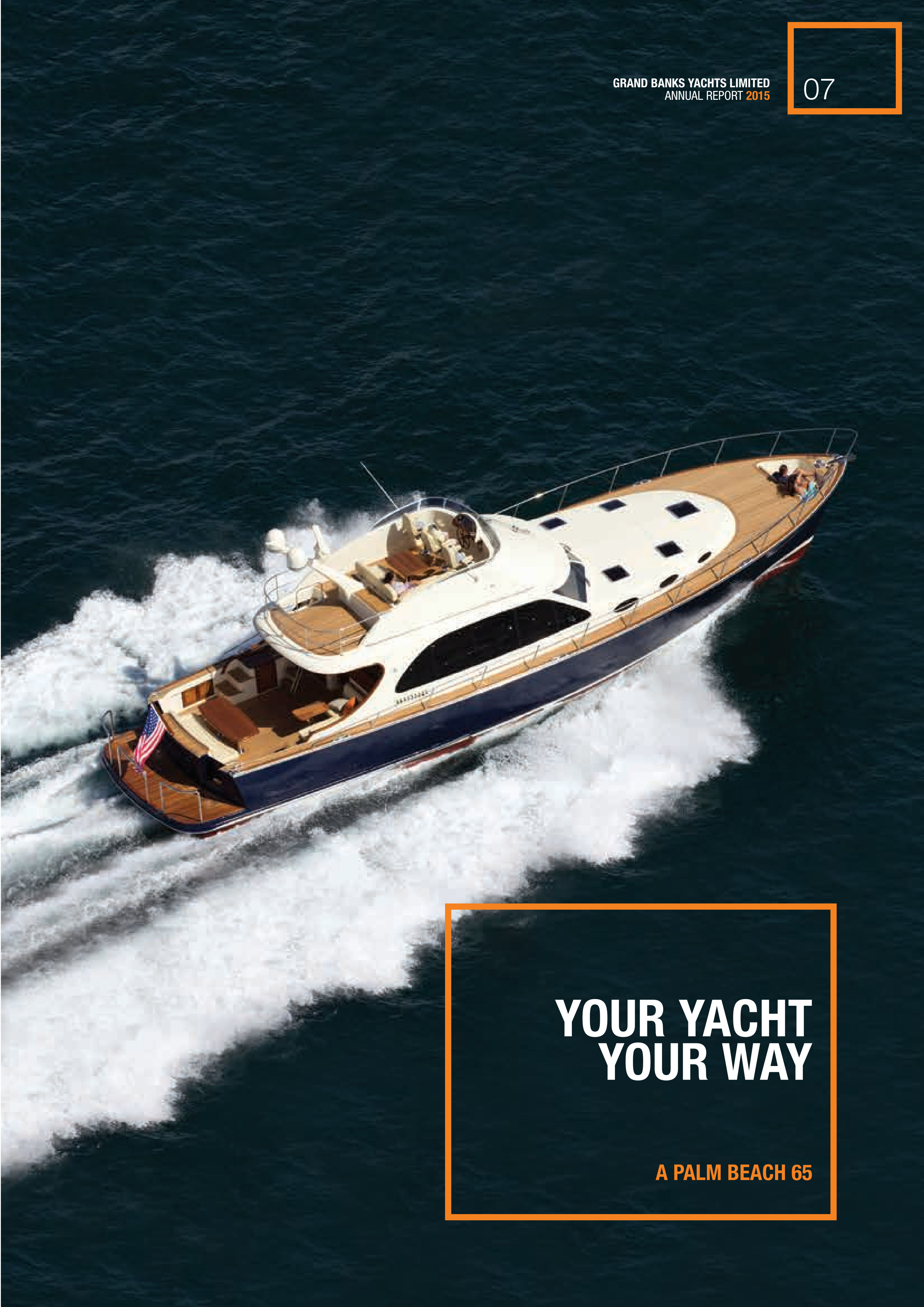
More importantly, I sincerely believe we now have a much stronger foundation to propel us forward as a global designer and manufacturer of two world-class boat brands. In the year ahead, we will continue to develop new designs and step up global marketing activities to capitalise on the resurgence of boating interest in the U.S., Australia, Asia and Europe.

Last but not least, I would like to express my heartfelt thanks to the indispensable teams at Grand Banks and Palm Beach. Our employees and their efforts have been instrumental in turning the group into an industry leader in the yachting world.

We will continue to invest in our boats, our factories and, most importantly, our people. I expect major improvements in our performance and product line over the coming year as we take our company – and both our brands – to new heights.

Thank you once again for your loyalty and support, and I look forward to an exciting year ahead with you all.

MARK J. RICHARDS
CEO, Grand Banks Yachts Limited



YOUR YACHT YOUR WAY

A PALM BEACH 65

2015 FINANCIAL HIGHLIGHTS

In the financial year ended 30 June 2015 ("FY2015"), revenue declined 2.9% to S$39.2 million from S$40.3 million a year earlier, impacted by a strategic reorganisation to integrate the design, production and marketing processes of the Group's two brands. The integration positions the Group to achieve sustainable growth for the long term.

The reorganisation exercise drove up operating expenses to S$8.6 million in FY2015 from S$6.5 million the previous year. Gross profit declined to S$3.9 million from S$7.8 million, while gross profit margin fell correspondingly to 9.9%. The Group ended up with a net loss of S$4.8 million compared to a profit of S$1.0 million in FY2014.

Notwithstanding the loss, the Group generated S$2.7 million in cash from operations in FY2015 compared to S$1.5 million in FY2014. This was mainly due to a drop in working capital as inventory decreased due to the sale of completed yachts and receivables were collected. The Group ended the year with cash and cash equivalents of S$21.7 million.

Loss per share for the year was 2.62 cents compared to earnings of 0.66 cent a share in FY2014. Net asset value per share stood at 24.34 cents, down from 29.46 cents the previous year.

On 1 August 2014, Grand Banks completed the acquisition of the entire share capital of Palm Beach. The terms of the acquisition included an earn-out model (resulting in the accrual of S$4.1 million recorded in FY2015) under which Palm Beach had to achieve combined net profits before tax of at least AUD2.64 million for FY2014 and FY2015 ("target profits"). Palm Beach has exceeded the target profits and recorded a profit for the whole of FY2015.

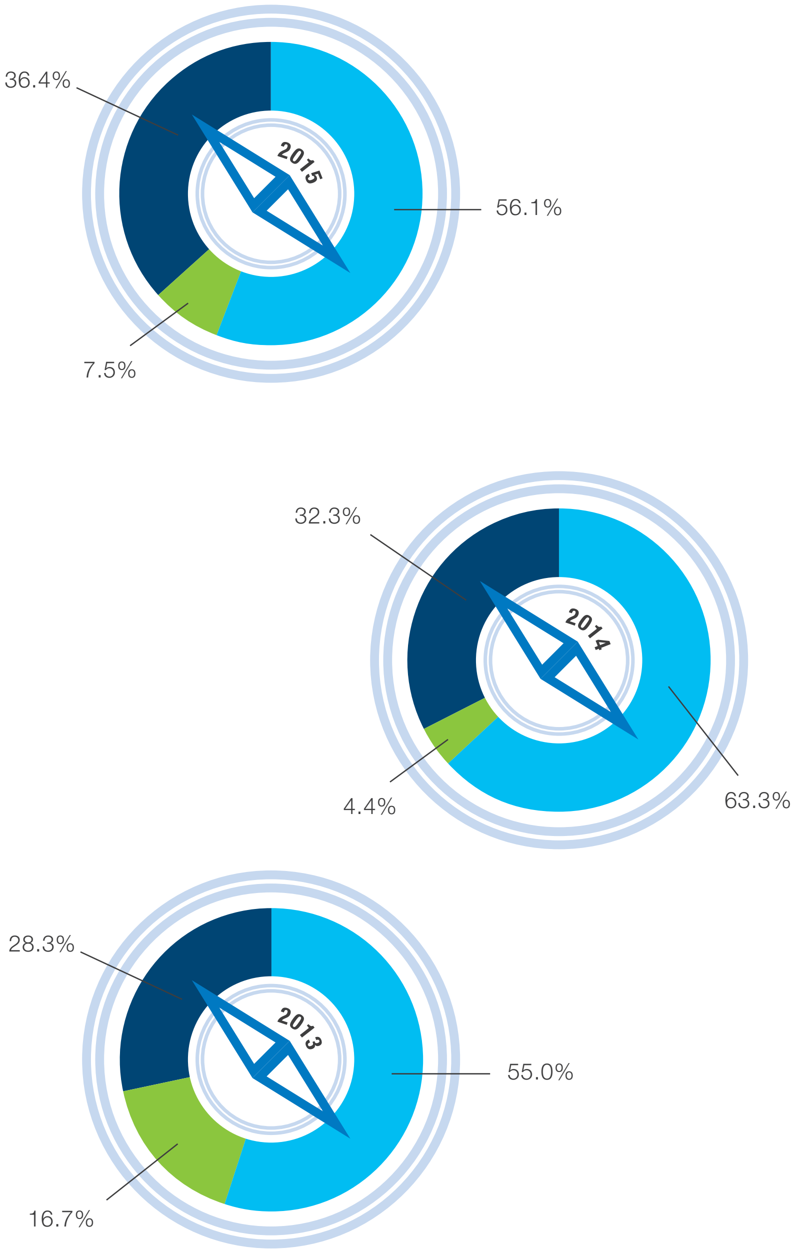
Sales in the U.S., which accounted for 56.1% of global sales, entered a third year of recovery after the 2008-2009 global financial crisis. Australian sales have also been on the rise after the Group's acquisition of Palm Beach, contributing 20.7% of total revenue for the year. Buyers from Asia, namely Japan and Singapore, together represented 15.7% of FY2015 sales.

The Group's aggregate net order book (inclusive of Palm Beach) rose to a six-year high of approximately S$36.5 million in FY2015, lifted by five new boat orders in Q4 FY2015. To further drive sales, the Group is developing new boat designs and increasing global marketing activities.

THREE-YEAR FINANCIAL HIGHLIGHTS

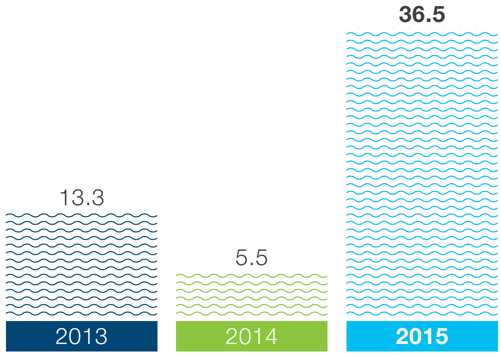
For the Financial Year ended 30 June

REVENUE BY REGION %

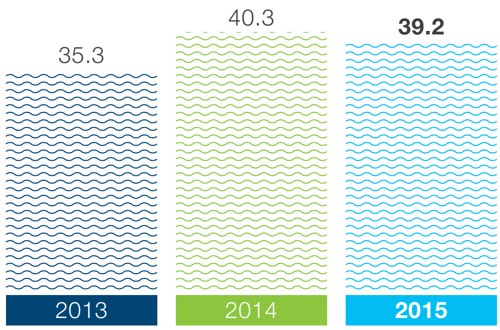


USA EUROPE OTHERS (including Australia, Singapore and Japan)

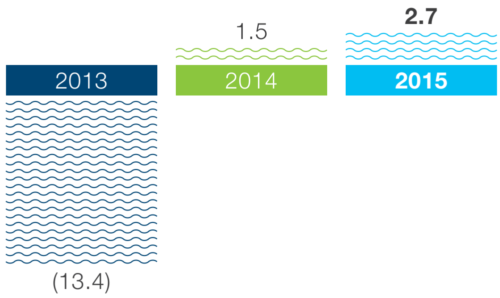
NET ORDER BOOK S$ million



REVENUE S$ million



OPERATING CASH FLOW S$ million



BOARD OF DIRECTORS

HEINE ASKAER-JENSEN
Chairman of the Board & Independent Director

Mr. Heine Askaer-Jensen was appointed to the Board on 14 November 2011. He was last re-elected to the Board on 22 October 2012.

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

Mr. Askaer-Jensen has significant executive experience from his role as the Group Managing Director/Executive Vice Chairman of Jebsen & Jessen (SEA) Pte Ltd from 1970-2011, a diversified ASEAN group of more than S$1 billion in revenue and 4,500+ employees 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 of the Singapore International Chamber of Commerce from 1994 to 2011, and an avid yachtsman who is intimately familiar with the Company's products as a Grand Banks owner.

MARK JONATHON RICHARDS
Chief Executive Officer & Executive Director

Mr. Mark Jonathon Richards was appointed Chief Executive Officer and Executive Director of Grand Banks Yachts in August 2014. He was last re-elected to the Board on 8 October 2014.

A qualified shipwright and passionate yacht designer, Mr. Richards founded Palm Beach Motor Yachts in 1995. Under his leadership, Palm Beach has developed a reputation for producing some of the highest quality and most fuel-efficient luxury motor yachts in the world.

Palm Beach's award-winning yachts are designed, built, and marketed from its facility in Australia's Berkeley Vale, just 100 km north of Sydney.

Mr. Richards is also a successful yachtsman. He is a two-time world champion and has won the prestigious Sydney-Hobart yacht race for a record eight times. He has represented Australia in dozens of international regattas, including two America's Cups and the 2003 Admiral's Cup in the U.K., where he led Australia to victory.

PETER KEVIN POLI
Chief Financial Officer & Executive Director

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 on 8 October 2014.

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 ten years and 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 organised by Singapore Management University and SID. Mr. Poli has also successfully completed both the Listed Company Director and the Effective Board Leadership Programmes organised by the SID and supported by SGX.

BASIL CHAN
Independent Director

Mr. Basil Chan was appointed to the Board on 14 November 2011. He was last re-elected to the Board on 8 October 2014.

Mr. Chan holds a Bachelor of Science (Economics) Honours degree majoring in Business Administration from the University of Wales Institute of Science & Technology, U.K. 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").

Mr. Chan was formerly a Council member and Director of the Singapore Institute of Directors ("SID") where he had served 12 years, chairing its Professional Development sub-committee and also as a Treasurer for a term of three years. He is a Chartered Accountant by training, having qualified in the U.K. with ICAEW. He was also a member of the Corporate Governance Committee in 2001 which published the Singapore Code of Corporate Governance. In addition, he previously sat on the Accounting Standards Committee and on the Audit and Assurance Standards Committee of ISCA. He currently sits on the Corporate Governance Committee of ISCA where he is its deputy chairman. He is the Founder and Managing Director of MBE Corporate Advisory which provides corporate and financial advisory to listed and private companies. Mr. Chan is also an independent director of five other SGX-listed companies.

BOARD OF DIRECTORS

Dr. Jeffrey Stewart Bland was appointed to the Board on 2 March 2007. He was last re-elected to the Board on 31 October 2013.

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. He has recently founded Marine Therapeutics, LLC which is providing unique pharmaceutical ingredients from fish waste from its manufacturing facility in Dutch Harbor, Alaska.

Dr. Bland is uniquely familiar with the business of the Company, with more than seven years of service as a Director and having owned more than 30 different vessels (including Grand Banks yachts). He is currently the proud owner of a Grand Banks 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 recognised as a leader in the nutritional medicine field for over 30 years and has served on numerous boards of both private and public companies.

JEFFREY STEWART BLAND
Independent Director

Mr. Gerard Lim Ewe Keng was appointed to the Board on 21 February 2013. He was last re-elected to the Board on 31 October 2013.

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

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 the 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 a 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 U.S., 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 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.

GERARD LIM EWE KENG
Non-Executive &
Non-Independent Director

PROPOSED DIRECTOR

Mr. Gary James Weisman holds a Bachelor of Science in Social Science from the California State University at San Diego. Mr. Weisman was President of North Sails, now the world's leading sailmaking company and the largest division in the North Technology Group ("NTG"). Mr. Weisman became President in 1998 and retired in 2013, having served with North Sails for almost 40 years since joining in 1974.

Mr. Weisman served as a director of NTG from 1998 to 2013. Mr. Weisman also served as director of the Edgewater Powerboat Company, an NTG portfolio company and Florida-based manufacturer of small luxury yachts and premium center console fishing boats from 2011 until the acquisition of NTG by Oakley Capital Group in 2014.

GARY JAMES WEISMAN
Independent Director

An expert yachtsman, Mr. Weisman has owned powerboats and sailboats for more than 25 years, and has fished and cruised over 50,000 miles aboard his vessels. He has also raced hundreds of thousands of miles on the Grand Prix yachting circuit. In 2016, his family will launch a new Grand Banks 60, to be named *Iluka*, for further adventures.

REALISE YOUR DREAMS

A GRAND BANKS 54 HERITAGE EU

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

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").

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 2012 (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 long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.*

Guidelines Of The Code	Grand Banks Corporate Governance Practices
1.1 The Board's role is to: (a) provide entrepreneurial leadership, set strategic objectives, 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; including safeguarding of shareholders' interests and the Company's assets; (c) review management performance; (d) identify the key shareholder groups and recognize that their perceptions affect the company's reputation; (e) set the company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and (f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.	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 values, standards, internal controls, budget, financial performance, quarterly reporting and risk management procedures as well as environmental and social issues. 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 discharge their duties and responsibilities at all times as fiduciaries 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.

CORPORATE GOVERNANCE REPORT

1.3	The Board may delegate the authority to make decisions to any board committee but without abdicating its responsibility. Any 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 a Risk Management and 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. All Committee recommendations are subsequently reviewed by the entire Board. 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 (or other constitutive documents) to provide for telephonic and video-conference meetings. The number of meetings of the Board and Board Committees 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 2015 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 2015 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	Every company should prepare a document with guidelines setting forth: (a) The matters reserved for the Board's decision; and (b) Clear direction to Management on matters that must be approved by the Board. The types of material transactions that require board approval under such guidelines should be disclosed in the Company's Annual Report.	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.

CORPORATE GOVERNANCE REPORT

1.6	Incoming directors should receive comprehensive and tailored induction on joining the Board. This should include his duties as a director and how to discharge those duties, and an orientation program to ensure that they are familiar with the company's business and governance practices. The Company should provide training for first-time director in areas such as accounting, legal and industry-specific knowledge as appropriate. It is equally important that all directors should receive regular 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 training 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. Such training is funded by the Company. 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, Management briefs the Directors at the Board meetings.
1.7	Upon appointment of each director, the Company should provide a formal letter to the director, setting out the director's duties and obligations.	The Company has issued a formal letter to all directors.

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 and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

	Guidelines Of The Code	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.	During the year, the Board of Directors consisted of three independent directors, one non-executive, non-independent director and two executive directors. 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 primarily of independent directors. Please refer to Table A for Board and Board Committees.

CORPORATE GOVERNANCE REPORT

2.2	The independent directors should make up at least half of the Board where: (a) The Chairman of the Board (the "Chairman") and the Chief Executive Officer (or equivalent) (the "CEO") is the same person; (b) The Chairman and the CEO are immediate family members; (c) The Chairman is part of the management team; or (d) The Chairman is not an independent director.	The Chairman of the Board of Directors is an independent director and not related to the Chief Executive Officer.
2.3	An "independent" director is one who has no relationship with the company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the company. The Board should identify in the Company's Annual Report each director it considers to be independent. The Board should determine, taking into account the views of the Nominating Committee ("NC"), whether the director is independent in character and judgement and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgement. If the Board wishes to consider the director as independent, in spite of the existence of one or more of these relationships as defined in the Code, 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 NC 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.
2.4	The independence of any director who has served on the Board beyond nine years from the date of his first appointment should be subjected to particularly rigorous review. In doing so, the Board should also take into account the need for progressive refreshing of the Board. The Board should also explain why any such director should be considered independent.	No independent director on the Board has served for more than nine years.

CORPORATE GOVERNANCE REPORT

2.5	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 requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board should not be so large as to be unwieldy.	The NC is satisfied that the Board continues to operate effectively for the Group given the current board size and composition.
2.6	The Board and its Board Committees should comprise directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the company. They should also 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 one non-executive director 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 10 and 11 of this Annual Report.
2.7	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 directors and management to develop strategies for the Group, review the performance of management, assess remuneration and discuss corporate governance matters.
2.8	To facilitate a more effective check on management, non-executive directors are encouraged to meet regularly without the presence of Management.	The Group's independent and non-executive directors hold regular conference calls and meetings without the presence of Management.

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Chairman And Chief Executive Officer

Principle 3: *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

Guidelines Of The Code	Grand Banks Corporate Governance Practices
3.1 The Chairman and 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, the Board should disclose the relationship between the Chairman and the CEO if they are immediate family members.	The role of the Chairman is separate from that of the CEO and they 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; (b) set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues; (c) promote a culture of openness and debate at the Board; (d) ensure that the directors receive complete, adequate and timely information; (e) ensure effective communication with shareholders; (f) encourage constructive relations within the Board and between the Board and Management; (g) facilitate the effective contribution of non-executive directors in particular; and (h) 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.

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3.3	Every company should appoint an independent director to be the lead independent director where (a) the Chairman and the CEO is the same person; (b) the Chairman and the CEO are immediate family members; (c) the Chairman is part of the management team; or (d) the Chairman is not an independent director. The lead independent director (if appointed) should be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, the CEO or the Chief Financial Officer (or equivalent) (the "CFO") has failed to resolve or is inappropriate.	This Guideline is not applicable as the Group's Chairman and CEO are two separate and unrelated persons. The Chairman is an independent and non-executive director.
3.4	Led by the lead independent director, the independent directors should meet periodically without the presence of the other directors, and the lead independent director should provide feedback to the Chairman after such meetings.	Please refer to the Company's practices for Guideline 3.3.

Board Membership

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

Guidelines Of The Code		Grand Banks Corporate Governance Practices
4.1	The Board should establish a NC to make recommendations to the Board on all board appointments, with written terms of reference which clearly set out its authority and duties. The NC should comprise at least three directors, the majority of whom, including the NC Chairman, should be independent. The lead independent director, if any, should be a member of the NC. The Board should disclose in the company's Annual Report the names of the members of the NC and the key terms of reference of the NC, explaining its role and the authority delegated to it by the Board.	The NC, whose terms of reference are approved by the Board, is comprised of three independent directors. The Group's NC met one time this past year. Please refer to Table A for the composition of the Committee.

CORPORATE GOVERNANCE REPORT

4.2	The NC should make recommendations to the Board on relevant matters relating to: (a) the review of Board succession plans for directors, in particular, the chairman and for the CEO; (b) the development of a process for evaluation of the performance of the Board, its Board Committees and directors; (c) the review of training and professional development programs for the Board; and (d) the appointment and re-appointment of directors (including alternative directors, if applicable). Important issues to be considered as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each directors' competencies, commitment, 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-appointment at regular intervals and at least once 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, one-third of the members (or, if the number is not three or a multiple of three, then the number nearest to one-third) of the Board of Directors shall retire from office annually. 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, and as and when circumstances require, if a director is independent, bearing in mind the circumstances set forth in Guidelines 2.3 and 2.4 and any other salient factors. If the NC considers that a director who has one or more of the relationships mentioned therein can be considered independent, it should provide its views to the Board for the Board's consideration. Conversely, the NC has the discretion to consider that a director is non-independent even if he does not fall under the circumstances set forth in Guideline 2.3 or Guideline 2.4, and should similarly provide its views to the Board for the Board's consideration.	A director who has no relationship with the Group or its officers 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, Dr. Bland and Mr. Chan are independent and that, no one individual or small group dominates the Board's decision-making process.

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4.4	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, taking into consideration the director's number of listed company board representations and other principal commitments. Guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards. The Board should determine the maximum number of listed company board representations which any director may hold, and disclose this in the company's Annual Report.	All directors declare their board memberships annually. The NC does not prescribe the maximum number of listed company board representations each director can have. The NC reviews each director on a case-to-case basis, taking into consideration the director's other commitments. 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 six directorships in listed companies concurrently.
4.5	Boards should generally avoid approving the appointment of alternate directors. Alternate directors should only be appointed for limited periods in exceptional cases such as when a director has a medical emergency. If an alternate director is appointed, the alternate director should be familiar with the company affairs, and be appropriately qualified. If a person is proposed to be appointed as an alternate director to an independent director, the NC and the Board should review and conclude that the person would similarly qualify as an independent director, before his appointment as an alternate director. Alternate directors bear all the duties and responsibilities of a director.	The Company does not have any alternate directors.
4.6	A description of the process for the selection, appointment and re-appointment of directors to the Board should be disclosed in the company's Annual Report. 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. The NC reviews the re-nomination of directors who retire by rotation, taking into consideration the director's contribution, performance and any other factors it may determine before submitting its recommendation to the Board for approval.

CORPORATE GOVERNANCE REPORT

4.7 The following information regarding directors, should be disclosed in the company's Annual Report: • academic and professional qualifications; • shareholdings in the company and its related corporations; • board committees served on (as a member or Chairman), date of first appointment and last re-appointment as a director; • directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments; • indicate which directors are executive, non-executive or considered by the NC to be independent; and • the names of the directors submitted for appointment or re-appointment 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 10 and 11 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 its Board Committees and the contribution by each director to the effectiveness of the Board.*

Guidelines Of The Code	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 its board committees and for assessing the contribution by the Chairman and each individual director to the effectiveness of the Board. The Board should state in the company's Annual Report how the assessment of the Board, its board committees and each director has been conducted. If an external facilitator has been used, the Board should disclose in the Company's Annual Report whether the external facilitator has any other connection with the company or any of its directors. This assessment process should be disclosed in the company's 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 a board evaluation 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. The Board is satisfied that it has met its performance and effectiveness objectives.

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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 shareholder value.	Please refer to the Group's practices in Guideline 5.1.
5.3	Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for meetings of the Board and Board Committees, and any other duties). The Chairman should act on the results of the performance evaluation, and, in conclusion with the NC, propose, where appropriate, new members to be appointed to the Board or seek the resignation of directors.	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.

Access To Information

Principle 6: *In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

Guidelines Of The Code		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 duties properly. Hence, the Board should have separate and independent access to Management. Directors are entitled to request from Management and should be provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner.	The Directors have separate and independent access to the Group's senior management and all Group 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.

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6.2	Information provided should include board papers and related materials, background or explanatory information relating to matters to be brought before the Board, and 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 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 Board Committees and between Management and non-executive directors, advising the Board on all governance matters, 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 CFO who is currently an Executive Director, attends all Board and Board Committee meetings of the Group and 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, as and when necessary, to discharge his responsibilities effectively. In addition, the Directors, either individually or as a group, may seek separate independent professional advice, if necessary. The cost of all such professional advice is borne by the Group.

CORPORATE GOVERNANCE REPORT

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 Of The Code	Grand Banks Corporate Governance Practices
7.1	The Board should establish a Remuneration Committee ("**RC**") with written terms of reference which clearly set out its authority and duties. The RC should comprise at least three directors, the majority of whom, including the RC Chairman, should be independent. All of the members of the RC should be non-executive directors. This is to minimise the risk of any potential conflict of interest. The Board should disclose in the company's Annual Report the names of the members of the RC and the key terms of reference of the RC, explaining its role and the authority delegated to it by the Board.	The Remuneration Committee ("RC") whose terms of reference are approved by the Board comprises three independent directors. It meets at least once a year. Please refer to Table A for composition of the Committee.
7.2	The RC should review and recommend to the Board a general framework of remuneration for the Board and key management personnel. The RC should also review and recommend to the Board the specific remuneration packages for each director as well as for the key management personnel. 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, share-based incentives and awards, and benefits-in-kind.	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.

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7.3	If necessary, the RC should seek expert advice inside and/or outside the company on remuneration of all directors. The RC should ensure that existing relationships, if any, between the company and its appointed remuneration consultants will not affect the independence and objectivity of the remuneration consultants. The company should also disclose the names and firms of the remuneration consultants in the annual remuneration report, and include a statement on whether the remuneration consultants have any such relationships with the company.	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. The Company's current remuneration consultant is Freshwater Advisers which has an independent and objective relationship with the Group.
7.4	The RC should review the company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance.	The RC reviews the Group's termination clauses and termination processes to ensure the clauses and processes are fair and reasonable.

Level And Mix Of Remuneration

Principle 8: *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

	Guidelines Of The Code	Grand Banks Corporate Governance Practices
8.1	A significant and appropriate proportion of executive directors and key management personnel's remuneration should be structured so as to link rewards to corporate and individual performance. Such performance-related remuneration should be aligned with the interests of shareholders and promote the long-term success of the company. It should take account of the risk policies of the company, be symmetric with risk outcomes and be sensitive to the time horizon of risks. There should be appropriate and meaningful measures for the purpose of assessing executive directors and key management personnel's performance.	In reviewing and determining the remuneration packages of the CEO and the Group's senior executives, the RC considers the executive's responsibilities, skills, expertise and contribution to the Group's performance when designing remuneration packages. An appropriate proportion of their remuneration is linked to individual and corporate performance and is aligned with the interests of shareholders.

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8.2	The RC should encourage long-term incentive schemes and review whether executive directors and key management personnel are eligible as well as to evaluate the costs and benefits of the schemes. Offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time using vesting schedules, whereby only a portion of the benefits can be exercised each year. Executive directors and key management personnel should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquiring the shares and associated tax liability.	In line with this Guideline which encourages long-term incentive schemes, the RC currently administers the Group's Performance Share Plan 2014 ("PSP") and Employee Share Option Scheme 2014 ("ESOS") which was approved by Shareholders at the EGM held on 8 October 2014 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 options and to allot and issue shares in accordance with the provisions of the PSP and ESOS in order to align the interests of management with shareholders.
8.3	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. The RC should also consider implementing schemes to encourage non-executive directors to hold shares in the company so as to better align the interests of such non-executive directors with the interests of shareholders.	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. The Company secured shareholders' approval to allow non-executive directors to participate in both the PSP and the ESOS. All non-executive directors participate in the ESOS. Please see Table D for the detailed schedule of annual fees for Independent and Non-Executive Directors being proposed to shareholders.
8.4	Companies are encouraged to consider the use of contractual provisions to allow the company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the company.	Currently the Company does not have contractual provisions allowing the Company to reclaim remuneration but will continue to consider such use in the future.

CORPORATE GOVERNANCE REPORT

Disclosure On Remuneration

Principle 9: *Each company should provide clear disclosure of its remuneration policies, 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 management personnel, and performance.*

Guidelines Of The Code		Grand Banks Corporate Governance Practices
9.1	The company should report to the shareholders each year on the remuneration of directors, the CEO and at least the top five key management personnel (who are not also directors or the CEO) 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 means through which the company reports to shareholders on remuneration matters.	Please refer to Table D for remuneration bands for the Directors and the top five key Executives.
9.2	The company should fully disclose the remuneration of each individual director and the CEO on a named basis. There should be a breakdown (in percentage or dollar terms) of each director's and the CEO's remuneration earned through base/fixed salary, variable or performance-related income/bonuses, benefits-in kind, stock options granted, share-based incentives and awards, and other long-term incentives.	Please refer to Table D for remuneration bands for the Directors and the top five key Executives.
9.3	The company should name and disclose the remuneration of at least the top five key management personnel (who are not directors or the CEO) in bands of S$250,000. In addition, the company should disclose in aggregate the total remuneration paid to the top five key management personnel (who are not directors or the CEO). As best practice, companies are encouraged to fully disclose the remuneration of said top five key management personnel.	Please refer to Table D for remuneration bands for the Directors and the top five key Executives.

CORPORATE GOVERNANCE REPORT

9.4	The annual remuneration report should disclose the remuneration of employees, on a name basis, who are immediate family members of a director or the CEO, and whose remuneration exceeds S$50,000 during the year. Disclosure of remuneration should be in incremental bands of S$50,000.	The Company has no employees related to a director or the CEO.
9.5	The annual remuneration 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.
9.6	The company should disclose more information on the link between remuneration paid to the executive directors and key management personnel, and performance.	The annual reviews of the remuneration are carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel is commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key management personnel) is reviewed periodically by the RC and the Board.

ACCOUNTABILITY AND AUDIT

Accountability

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

Guidelines Of The Code		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 Board should take adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the listing rules of the securities exchange, for instance, by establishing written policies where appropriate.	The Board reviews compliance issues, if any, with management on a quarterly basis.
10.3	Management should provide all members of the Board with management accounts and such explanation and information on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the company's performance, position and prospects.	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.

CORPORATE GOVERNANCE REPORT

Risk Management And Internal Controls

Principle 11: *The Board is responsible for the governance of risk. The Board should ensure that the Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

Guidelines Of The Code	Grand Banks Corporate Governance Practices
11.1 The Board should determine the company's level of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.	With the help of the external organization serving as the 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 Risk Management and Audit Committee (RMAC) 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 compliance and information technology risks. The RMAC is regularly updated on the Group's risk management program.
11.2 The Board should, at least annually, review the adequacy and effectiveness of the company's risk management and internal control systems, including financial, operational, compliance and information technology controls. Such review can be carried out internally or with the assistance of any competent third parties.	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 and effectiveness of the Group's risk management and internal controls.

CORPORATE GOVERNANCE REPORT

11.3	The Board should comment on the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the company's Annual Report. The Board's commentary should include information needed by stakeholders to make an informed assessment of the company's internal control and risk management systems.	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 RMAC and the Board are of the opinion that the Group's internal controls, addressing key financial, operational, compliance and information technology risks, were adequate as at 30 June 2015.
	The Board should also comment in the company's Annual Report on whether it has received assurance from the CEO and the CFO:	The Board has received assurance from the CEO and CFO.
	(a) That the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and (b) Regarding the effectiveness of the company's risk management and internal control systems.	The Board is of the opinion that financial records have been properly maintained and financial statements give a true and fair view of the Group's operation and finances. The Board is satisfied with the effectiveness of the Group's risk management and internal control systems.
11.4	The Board may establish a separate Board Risk Committee or otherwise assess appropriate means to assist it in carrying out its responsibility of overseeing the company's risk management framework and policies.	The RMAC has the responsibility of overseeing the Company's risk management framework and policies. A new charter for the RMAC was implemented in FY2015 to reflect the Revised Guidelines for Audit Committees released by the Monetary Authority of Singapore.

Audit Committee

Principle 12: *The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.*

Guidelines Of The Code		Grand Banks Corporate Governance Practices
12.1	The AC should comprise at least three directors, the majority of whom, including the AC Chairman, should be independent. All of the members of the AC should be non-executive directors. The Board should disclose in the company's Annual Report the names of the members of the AC and the key terms of reference of the AC, explaining its role and the authority delegated to it by the Board.	The RMAC is comprised of three independent directors and one non-executive non-independent director 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. Please refer to Table A for composition of RMAC.

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12.2	The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members, including the AC Chairman, should have recent and relevant 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 RMAC. The RMAC is suitably qualified to discharge its responsibilities. Three members are trained in accounting and financial management.
12.3	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 RMAC 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 RMAC has explicit authority to investigate any matter within its terms of reference.
12.4	The duties of the AC should include: (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;	The RMAC meets at least on a quarterly basis to review the quarterly results of the Group and the audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval. In the process, the RMAC 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.
	(b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the company's internal controls, including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);	The RMAC evaluates the adequacy and effectiveness of the internal control and regulatory compliance of the Group through discussion with Management and both its internal and external auditors.
	(c) reviewing the effectiveness of the company's internal audit function;	The RMAC 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.

CORPORATE GOVERNANCE REPORT

	(d) reviewing the scope and results of the external audit, and the independence and objectivity of the external auditors; and	The RMAC 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 RMAC 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.
	(e) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors.	The RMAC 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.
12.5	The AC should meet (a) with the external auditors, and (b) with the internal auditors, in each case without the presence of 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.
12.6	The AC should review the independence of the external auditors annually and should state (a) the aggregate amount of fees paid to the external auditors for that financial year, and (b) a breakdown of the fees paid in total for audit and non-audit services respectively, or an appropriate negative statement, in the company's Annual Report. Where the external 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 maintain objectivity.	The RMAC undertook the 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 RMAC that the non-audit services provided by the external auditor do not affect the independence of the external auditors. The RMAC is satisfied with their independence and recommends the re-appointment of the external auditors at the AGM of the Company. The breakdown of the fees paid in total to the external auditors for audit and non-audit services is shown on page 94.

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12.7	The AC should review the policy and arrangements by which staff of the company and any other persons 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 such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The existence of a whistle-blowing policy should be disclosed in the company's Annual Report, and procedures for raising such concerns should be publicly disclosed as appropriate.	The Group has established a Code of Conduct and Business Principles against Corruption that sets the guidelines regarding appropriate corporate behavior and business ethics within the Group. The Group has also established a whistle-blowing policy which provides the 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 FY2015.
12.8	The Board should disclose a summary of all AC's activities in the company's Annual Report. The Board should also disclose in the company's Annual Report measures taken by the AC members to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements.	Please refer to the Group's practices in Guideline 12.4.
12.9	A former partner or director of the company's existing auditing firm or auditing corporation should not act as a member of the company's AC: (a) within a period of 12 months commencing on the date of his ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case (b) for as long as he has any financial interest in the auditing firm or auditing corporation.	N.A.

Internal Audit

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

Guidelines Of The Code		Grand Banks Corporate Governance Practices
13.1	The Internal Auditor's ("IA") primary line of reporting should be to the AC Chairman although the Internal Auditor would also report administratively to the CEO. The AC approves the hiring, removal, evaluation and compensation of the head of the internal audit function, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. The Internal Auditor should have unfettered access to all the company's documents, records, properties and personnel, including access to the AC.	The internal auditor reports directly to the RMAC. The RMAC approves the hiring, removal, evaluation and the fees of the Internal Auditor. The Internal Auditor has unfettered access to all the Group's documents, records, personnel and the RMAC.

CORPORATE GOVERNANCE REPORT

13.2 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 be in-house, outsourced to a reputable accounting/auditing firm or corporation, or performed by a major shareholder, holding company or controlling enterprise with an internal audit staff.	The internal audit function is outsourced to an external organization, JF Virtus Pte Ltd.
13.3 The internal audit function should be staffed with persons with the relevant qualifications and experience.	The internal auditor is a Certified Internal Auditor and is guided by The Standards of The Institute of Internal Auditors in his work.
13.4 The Internal Auditor should carry out its function according to the standards set by nationally or internationally recognized professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.	Please refer to the Group's practices in Guideline 13.3.
13.5 The AC should, at least annually, review the adequacy and effectiveness of the internal audit function.	The RMAC has determined the internal audit firm has met or exceeded its obligations under the terms of engagement. The internal audit firm reports to the RMAC and has unrestricted, direct access to the RMAC. The RMAC 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.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: *Companies should treat all shareholders fairly and equitably, and should recognize, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.*

Guideline Of The Code	Grand Banks Corporate Governance Practices
14.1 Companies should facilitate the exercise of ownership rights by all shareholders. In particular, shareholders have the right to be sufficiently informed of changes in the company or its business which would be likely to materially affect the price or value of the company's shares.	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.

CORPORATE GOVERNANCE REPORT

14.2	Companies should ensure that shareholders have the opportunity to participate effectively in and vote at general meetings of shareholders. Shareholders should be informed of the rules, including voting procedures, that govern general meetings of shareholders.	The Company appoints a polling agent for general meetings. The polling agent explains the rules and voting procedures to shareholders at the meetings.
14.3	Companies should allow corporations which provide nominee or custodial services to appoint more than two proxies so that shareholders who hold shares through such corporations can attend and participate in general meetings as proxies.	The Company's Articles of Association do not place a limit on the number of proxies a shareholder can appoint.

Communication With Shareholders

Principle 15: *Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

Guidelines Of The Code		Grand Banks Corporate Governance Practices
15.1	Companies should devise an effective investor relations policy to regularly convey pertinent information to shareholders. 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. Similarly, shareholders of the Company receive the circulars and notices of Extraordinary General Meetings (EGMs) which are also advertised in the newspapers at least 14 days prior to the EGMs.

CORPORATE GOVERNANCE REPORT

15.2	Companies should disclose information on a timely basis through SGXNET and other information channels, including a well-maintained and updated corporate website. Where there is inadvertent disclosure made to a select group, companies should make the same disclosure publicly to all others as promptly as possible.	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 practice 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.
15.3	The Board should establish and maintain regular dialogue with shareholders, to gather views or inputs, and address shareholders' concerns.	Both Executive and Non-Executive Board members meet or speak with key shareholders regularly to gather their views and address concerns.
15.4	The Board should state in the company's Annual Report the steps it has taken to solicit and understand the views of the shareholders e.g. through analyst briefings, investor roadshows or Investors' Day briefing.	Refer to the Group's Practices for Guideline 15.3.
15.5	Companies are encouraged to have a policy on payment of dividends and should communicate it to shareholders. Where dividends are not paid, companies should disclose their reasons.	The Company has not paid dividends in recent years because of its performance. The Company intends to commence paying dividends when its financial performance improves and circumstances warrant such a decision.

Conduct Of Shareholder Meetings

Principle 16: *Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

	Guidelines Of The Code	Grand Banks Corporate Governance Practices
16.1	Shareholders should have the opportunity to participate effectively in and to vote at general meetings of shareholders. Companies should make the appropriate provisions in their Articles of Association (or other constitutive documents) to allow for absentia voting at general meetings of shareholders.	The Company's Articles of Association has been updated to allow for absentia voting.

CORPORATE GOVERNANCE REPORT

16.2	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.	All the resolutions at general meetings are single item resolutions.
16.3	All directors should attend general meetings of shareholders. In particular, the Chairman of the Board and the respective Chairman of the AC, NC and RC should be present and available to address shareholders' queries at these 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 RMAC, Remuneration and Nominating Committees are present at the AGM to answer queries raised at the meetings. The Chairman of the RMAC, 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 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.
16.4	Companies should prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders to the agenda of the meetings, and responses from the Board and Management, and to make these minutes available to shareholders upon their requests.	The Company prepares minutes of general meetings and makes them available upon request by shareholders.
16.5	Companies should put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. Companies are encouraged to employ electronic polling.	All resolutions are put to vote by poll and the detailed results of the poll is announced at the meetings as well as in SGXNET.

CORPORATE GOVERNANCE REPORT

OTHER CORPORATE GOVERNANCE MATTERS

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 RMAC 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.

CORPORATE GOVERNANCE REPORT

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

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Listing Manual Rule 920.

Interested person transactions during the year were:

Name of interested person	Aggregate value of all interested person transactions during FY2015 (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S$'000	Aggregate value of all interested person transactions during FY2015 which are conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'000
Heine Askaer-Jensen – The purchase from a subsidiary of a new Grand Banks yacht	2,319	0
Mark Jonathon Richards – Lease of manufacturing facility in Berkeley Vale, Australia to a subsidiary by an entity controlled by him	238	0

Both transactions have been reviewed by the Risk Management & Audit Committee ("RMAC") of the Company, and the RMAC is of the view that the terms of the transactions are on normal commercial terms, and are not prejudicial to the interest of the Company and its minority shareholders.

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 and Interested Person Transactions on this page. 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.

CORPORATE GOVERNANCE REPORT

Use of Proceeds
(Listing Manual Rule 1207(20))

Not applicable

Table A

Board comprises:
Heine Askaer-Jensen (Chairman, Independent)
Jeffrey Stewart Bland (Independent)
Basil Chan (Independent)
Gerard Lim Ewe Keng (Non-executive, Non-independent)
Mark Jonathon Richards (Executive)
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)

Risk Management and Audit Committee comprises:
Basil Chan (Chairman, Independent)
Heine Askaer-Jensen (Independent)
Jeffrey Stewart Bland (Independent)
Gerard Lim Ewe Keng (Non-executive, Non-independent)

CORPORATE GOVERNANCE REPORT

Table B

Name of Director	Board of Directors Meetings		RMAC Meetings		Remuneration Committee Meetings		Nominating Committee Meetings	
	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	1	1/1	1	1/1
Basil Chan	9	9/9	4	4/4	1	1/1	1	1/1
Jeffrey Stewart Bland	9	7/9	4	2/4	1	1/1	1	1/1
Gerard Lim Ewe Keng	9	9/9	4	4/4	NA	NA	NA	NA
Mark Jonathon Richards**	9	8/8	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 1 August 2014, therefore did not attend meetings prior to 1 August 2014.

Table C

The directors named below are retiring and being eligible, offer themselves for re-election at the next annual general meeting.

Board Member	Date of appointment	Date of last election
Heine Askaer-Jensen	14 November 2011	22 October 2012
Gerard Lim Ewe Keng	21 February 2013	31 October 2013

CORPORATE GOVERNANCE REPORT

Table D

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

Remuneration of Directors[6]

Remuneration Band & Name of Director	Base/Fixed Salary[1]	Share Plan[2]	Bonus	Directors' Fees	Other Benefits[3]	Total
$250,000 to $500,000						
Mark Jonathon Richards[4]	$378,802	$15,840	–	–	$5,945	$400,587
Peter Kevin Poli[5]	$299,850	$5,280	–	–	$95,191	$400,321
Below $250,000						
Jeffrey Stewart Bland[5]	–	$2,343	–	$51,000	–	$53,343
Heine Askaer-Jensen	–	$2,343	–	$62,000	–	$64,343
Basil Chan	–	$2,343	–	$56,000	–	$58,343
Gerard Lim Ewe Keng	–	$2,343	–	$38,000	–	$40,343

Director fee schedule:

Board member: $30,000

Chairman of the Board: additional $11,000

Member of the RMAC: $8,000

Chairman of the RMAC: additional $10,000

Member of other Committees: $4,000

Chairman of other Committees: additional $5,000

Notes:
(1) Inclusive of Central Provident Fund contributions, other defined contribution plans and other fixed monthly payments.
(2) Amount of fair value of share options amortised in FY2015.
(3) Inclusive of benefits-in-kind.
(4) Mr. Richards joined on 1 August 2014.
(5) Mr. Poli and Dr. Bland are stepping down as directors immediately after the Annual General Meeting on 28 October 2015.
(6) A former non-executive director received total remuneration of $7,500 for services rendered from 1 July 2014 to 8 October 2014.

CORPORATE GOVERNANCE REPORT

Remuneration of Top Five Key Executives (who are not Directors)

Remuneration Band & Name of Key Executive	Base/Fixed Salary(1)	Share Plan(2)	Bonus	Directors' Fees	Other Benefits(3)	Total
$250,000 to $500,000						
Samuel Henry Compton	73%	2%	6%	–	19%	100%
Paul Mark Wrench	80%	1%	–	–	19%	100%
Below $250,000						
Ler Ching Chua	100%	–	–	–	–	100%
Mohidin Pitchai Rowther	99%	1%	–	–	–	100%
Francis William Morey	100%	–	–	–	–	100%

Total remuneration of the top five key executives was S$1,138,877.

(1) Inclusive of Central Provident Fund contributions, other defined contribution plans and other fixed monthly payments.

(2) Amount of fair value of share options amortised in FY2015.

(3) 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 2015.

DIRECTORS

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

Heine Askaer-Jensen
Jeffrey Stewart Bland
Basil Chan
Gerard Lim Ewe Keng
Peter Kevin Poli
Mark Jonathon Richards

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:

	Ordinary Shares		Share Options	
The Company	**Holdings at beginning of year/ date of appointment**	**Holdings at end of year**	**Holdings at beginning of year**	**Holdings at end of year**
Heine Askaer-Jensen *	501,500	501,500	–	200,000
Jeffrey Stewart Bland +*	1,000	1,000	–	200,000
Basil Chan *	101,500	101,500	–	200,000
Gerard Lim Ewe Keng *	12,000	12,000	–	200,000
Mark Jonathon Richards *	11,025,400	11,025,400	–	1,350,000
Peter Kevin Poli *	200,000	200,000	–	450,000

\+ The 1,000 shares are held in trust.

* The Company's Articles of Association require each director to hold at least 1,000 shares.

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, or date of appointment if later, 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 2015.

Except as disclosed under the "Share awards and share options" section of this report, 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.

DIRECTORS' REPORT

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 AWARDS AND SHARE OPTIONS

Grand Banks Performance Share Plan 2014 ("PSP") and Grand Banks Employee Share Option Scheme 2014 ("ESOS") were approved and adopted by its members at an Extraordinary General Meeting of the Company held on 8 October 2014. The PSP and the ESOS are 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, to give recognition to outstanding employees who have contributed to the Group and to align the interests of the participants with the interests of shareholders.

The PSP and ESOS is administered by the Company's Remuneration Committee, which comprises three independent directors. The Plan and the Scheme shall continue in force, at the discretion of the Remuneration Committee, subject to a maximum of ten years commencing 8 October 2014. Any awards and options made to participants prior to such expiry or termination will continue to remain valid.

Members of the Remuneration Committee are:
Heine Askaer-Jensen (Chairman)
Jeffrey Stewart Bland
Basil Chan

Other information regarding the PSP and ESOS are set out below:

(i) 200,000 PSP granted by the Company to two executives on 2 March 2015 to take up unissued shares in the Company upon the vesting of two years' service condition from the grant date; and

(ii) 3,450,000 ESOS granted by the Company to five executives (including executive directors) and four non-executive directors on 2 March 2015 to take up unissued shares in the Company; and

- The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant.

- The 3,450,000 options granted on 2 March 2015 were issued at market price which was the average of the last dealt prices of the Company's shares over the five consecutive market days immediately preceding the grant date.

- The options can be exercised 2 years after the date of grant.

- All options are to be settled by physical delivery of shares.

- The options granted to key management personnel expire after ten years and options granted to non-executive directors expire after five years.

DIRECTORS' REPORT

The following options were granted to directors of the Company:

	Number of Options
Heine Askaer-Jensen	200,000
Jeffrey Stewart Bland	200,000
Basil Chan	200,000
Gerard Lim Ewe Keng	200,000
Mark Jonathon Richards	1,350,000
Peter Kevin Poli	450,000

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share $	Options outstanding at 1 July 2014	Options granted	Options exercised	Options forfeited/ expired	Options outstanding at 30 June 2015	Number of option holders at 30 June 2015	Exercise period
2 March 2015	0.228	–	2,650,000	–	–	2,650,000	5	2/3/2017 to 1/3/2025
2 March 2015	0.228	–	800,000	–	–	800,000	4	2/3/2017 to 1/3/2020

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Size of the PSP and ESOS

The total number of new shares which may be allotted and issued to the participants shall not exceed 15% of the total number of issued shares of the Company.

No awards or options have been granted to an associate of a controlling shareholder of the Company.

No individual recipients of awards or options have been granted more than 5% of the total number of awards or options that can be granted under the PSP and the ESOS.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

DIRECTORS' REPORT

RISK MANAGEMENT AND AUDIT COMMITTEE

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

Basil Chan	(Chairman, Non-executive and independent director)
Jeffrey Stewart Bland	(Non-executive and independent director)
Heine Askaer-Jensen	(Non-executive and independent director)
Gerard Lim Ewe Keng	(Non-executive and non-independent director)

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

The Risk Management and Audit Committee has held four meetings since the last directors' report. In performing its functions, the Risk Management and 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 Risk Management and 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 Risk Management and Audit Committee has full access to 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 Risk Management and Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Risk Management and 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

Mark Jonathon Richards
Director

18 September 2015

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 54 to 107 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2015 and the financial performance, 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

Mark Jonathon Richards
Director

18 September 2015

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 2015, 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 54 to 107.

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 financial statements 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.

INDEPENDENT AUDITORS' REPORT

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

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 so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2015 and of the financial performance, 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 those subsidiary corporations 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
18 September 2015

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2015

		Group		Company	
	Note	2015	2014	2015	2014
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	4	10,966	7,166	–	–
Subsidiaries	5	–	–	29,609	19,000
Intangible assets	6	9,083	–	–	–
Deferred tax assets	8	307	–	–	–
		20,356	7,166	29,609	19,000
Current assets					
Inventories	9	17,887	22,656	–	–
Trade and other receivables	11	307	882	10,892	8,356
Prepayments	12	1,686	1,129	7	28
Current tax recoverable		–	15	–	–
Debt securities held-for-trading	13	310	322	310	322
Cash and cash equivalents	14	21,701	26,604	5,089	13,779
		41,891	51,608	16,298	22,485
Total assets		62,247	58,774	45,907	41,485
Current liabilities					
Trade and other payables	15	14,323	6,177	4,423	547
Hire purchase payable		27	–	–	–
Provision for warranty claims	16	1,295	1,611	–	–
Current tax payable		193	21	–	–
		15,838	7,809	4,423	547
Non-current liabilities					
Deferred tax liabilities	8	1,606	–	–	–
Total liabilities		17,444	7,809	4,423	547
Capital and reserves					
Share capital	17	42,999	41,251	42,999	41,251
Share-based compensation reserve	18	190	142	190	142
Foreign currency translation reserve	19	(25,283)	(22,121)	–	–
Accumulated profits/(losses)		26,897	31,693	(1,705)	(455)
Total equity		44,803	50,965	41,484	40,938
Total equity and liabilities		62,247	58,774	45,907	41,485

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

CONSOLIDATED INCOME STATEMENT

Year ended 30 June 2015

	Note	2015 $'000	2014 $'000
Revenue	20	39,190	40,349
Cost of sales		(35,317)	(32,509)
Gross profit		3,873	7,840
Selling and marketing expenses		(3,947)	(3,755)
Administrative expenses		(3,655)	(2,774)
Other operating expense, net		(1,007)	(12)
Total operating expenses, net		(8,609)	(6,541)
(Loss)/Profit from operations		(4,736)	1,299
Other non-operating income/(expense), net	21	198	(257)
(Loss)/Profit before tax	21	(4,538)	1,042
Tax expense	23	(261)	(9)
(Loss)/Profit for the year		(4,799)	1,033

		2015 Cents	2014 Cents
Earnings per share			
– Basic	24	(2.62)	0.66
– Diluted	24	(2.62)	0.66

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 30 June 2015

	2015 $'000	2014 $'000
(Loss)/Profit for the year	(4,799)	1,033
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Translation differences relating to financial statements of foreign subsidiaries	(3,162)	(539)
Other comprehensive income for the year, net of income tax	(3,162)	(539)
Total comprehensive income for the year	(7,961)	494

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2015

	Share capital $'000	Share-based compensation reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total $'000
Group					
At 1 July 2014	41,251	142	(22,121)	31,693	50,965
Total comprehensive income for the year					
Loss for the year	–	–	–	(4,799)	(4,799)
Other comprehensive income					
Translation differences relating to financial statements of foreign subsidiaries	–	–	(3,162)	–	(3,162)
Total other comprehensive income	–	–	(3,162)	–	(3,162)
Total comprehensive income for the year	–	–	(3,162)	(4,799)	(7,961)
Transactions with owners, recorded directly in equity					
Issues of new shares	1,748	–	–	–	1,748
Share-based payments	–	48	–	–	48
Receipt of unclaimed dividends	–	–	–	3	3
Total transactions with owners	1,748	48	–	3	1,799
At 30 June 2015	42,999	190	(25,283)	26,897	44,803

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 30 June 2015

	Share capital $'000	Share-based compensation reserve $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total $'000
Group					
At 1 July 2013	29,062	142	(21,582)	30,634	38,256
Total comprehensive income for the year					
Profit for the year	–	–	–	1,033	1,033
Other comprehensive income					
Translation differences relating to financial statements of foreign subsidiaries	–	–	(539)	–	(539)
Total other comprehensive income	–	–	(539)	–	(539)
Total comprehensive income for the year	–	–	(539)	1,033	494
Transactions with owners, recorded directly in equity					
Issues of new shares	12,189	–	–	–	12,189
Receipt of unclaimed dividends	–	–	–	26	26
Total transactions with owners	12,189	–	–	26	12,215
At 30 June 2014	41,251	142	(22,121)	31,693	50,965

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2015

	Note	Group 2015 $'000	Group 2014 $'000
Cash flows from operating activities			
(Loss)/Profit after tax		(4,799)	1,033
Adjustments for:			
Depreciation of property, plant and equipment		2,067	1,806
Amortisation of intangible assets		564	–
Gain on disposal of property, plant and equipment		–	(29)
Property, plant and equipment written off		15	9
Interest income		(51)	(91)
Provision for warranty claims		584	815
Fair valuation loss on debt securities held-for-trading		12	8
Fair value change of contingent consideration		(74)	–
Equity-settled share-based compensation		48	–
Tax expense		261	9
Unrealised foreign exchange gain		(1,433)	–
		(2,806)	3,560
Changes in working capital:			
Decrease in inventories		3,118	211
Decrease in trade and other receivables		1,955	382
(Increase)/Decrease in prepayments		(674)	414
Increase/(Decrease) in trade and other payables		1,907	(2,439)
Net cash generated from operations		3,500	2,128
Net income taxes paid		(60)	(100)
Warranty claims paid		(775)	(847)
Proceeds from cash previously restricted		–	317
Net cash from operating activities		2,665	1,498
Cash flows from investing activities			
Interest received		60	90
Proceeds from disposal of/matured debt securities held-for-trading		–	462
Proceeds from disposal of property, plant and equipment		–	35
Acquisition of a subsidiary	7	(3,433)	–
Purchase of property, plant and equipment		(3,031)	(922)
Restricted cash		(4,800)	–
Net cash used in investing activities		(11,204)	(335)

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 30 June 2015

	Note	Group 2015 $'000	Group 2014 $'000
Cash flows from financing activities			
Receipt of unclaimed dividends		3	26
Repayment of hire purchase liability		(5)	–
Proceeds from issue of shares		–	12,189
Repayment of loan		(1,756)	–
Proceeds from deposits previously pledged		779	56
Net cash (used in)/from financing activities		(979)	12,271
Net (decrease)/increase in cash and cash equivalents		(9,518)	13,434
Cash and cash equivalents at beginning of year		25,678	12,245
Effect of exchange rate changes on balances held in foreign currency		594	(1)
Cash and cash equivalents at end of year	14	16,754	25,678

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

NOTES TO THE 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 18 September 2015.

1 DOMICILE AND ACTIVITIES

Grand Banks Yachts Limited (the Company) is incorporated in the Republic of Singapore and has its registered office at 274 Upper Bukit Timah Road #03-16 Singapore 588213.

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 financial statements of the Group as at and for the year ended 30 June 2015 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

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.

Information about significant areas of critical judgements and estimation uncertainty are described in the following notes:

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

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.

Key sources of estimation uncertainty

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

b) Note 3.6 and 6 – estimation of the value in use of the cash generating unit to which goodwill is allocated. Estimating the value-in-use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of these cash flows

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 9 – measurement of allowance for inventories obsolescence

f) Note 22 – assumptions underlying the measurement of share-based compensation

NOTES TO THE FINANCIAL STATEMENTS

2 **BASIS OF PREPARATION** (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Measurement of fair value

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Significant valuation issues are reported to the Group's Risk Management and Audit Committee. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

Further information about the assumptions made in measuring fair values is included in note 27.

2.5 Changes in accounting policies

(i) Subsidiaries

FRS 110 *Consolidated Financial Statements* introduces a new control model that focuses on whether the Group has power over an investee, exposure, or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. The Group reassessed the control conclusion for its investees at 1 July 2014 and concluded that the adoption of FRS 110 had no impact on the financial statements of the Group.

(ii) Offsetting of financial assets and financial liabilities

Under the Amendments to FRS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The amendments will be applied retrospectively. The adoption of Amendments to FRS 32 had no impact on the financial statements of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS

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, except as explained in note 2.5, which addressed changes in accounting policies.

3.1 Basis of consolidation

Business combination

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. 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.

NOTES TO THE FINANCIAL STATEMENTS

3 **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

3.1 Basis of consolidation (Continued)

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.

Subsidiaries in the separate financial statements

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

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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 that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms 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 the following differences which are recognised in other comprehensive income arising on the retranslation of:

- available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency (Continued)

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 exchange rates at the end of the reporting period. 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, and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control is lost, 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 in the foreign currency translation reserve in equity.

3.3 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated 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 gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (Continued)

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 component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

The estimated useful lives are as follows:

Buildings on leasehold land	–	Shorter of remaining lease period or 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	–	3 to 5 years
Motor vehicles and work boats	–	5 to 10 years

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

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets and goodwill

Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

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 accumulated impairment losses. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful life of approximately 6 years.

Trademarks

Trademarks with finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses. Trademarks are recognised in profit or loss on a straight-line basis over their estimated useful life of 16 to 20 years.

Order backlog

Order backlog with finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses. Order backlog are recognised in profit or loss based on the realisation of sales from these backlog.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables 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 or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. 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 short-term deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents exclude short-term deposits which are pledged to the bank as security and restricted cash which cannot be withdrawn on demand.

Held-for-trading

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

Financial assets classified as held-for-trading comprise debt securities.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (Continued)

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. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date.

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

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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.

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.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

Non-derivative financial assets *(Continued)*

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.

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 the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised 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. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

Non-financial assets *(Continued)*

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 estimated costs necessary to make the sale.

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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3.10 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

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.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based compensation transactions

The grant date fair value of equity-settled share-based payment transactions granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the equity instruments. The amount recognised as an expense is adjusted to reflect the number of equity instruments for which the related service conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of equity instruments that meet the related service conditions at the vesting date.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Revenue recognition

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, to the extent that it is probable that they will result in revenue and can be measured reliably. 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 reporting 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 and spare parts

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.

Rendering of services

Revenue is recognised when services rendered to boats are completed.

Rental income

Rental income from the leasing of vacant land is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

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 a business combination, or 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.

NOTES TO THE FINANCIAL STATEMENTS

3 **SIGNIFICANT ACCOUNTING POLICIES** (CONTINUED)

3.12 Tax (Continued)

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 or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. 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.

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 for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they 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.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 Interest income

Interest income is recognised as it accrues in profit or loss, using the effective interest method.

3.15 Foreign currency gains and losses

Foreign currency gains and losses on financial assets and financial liabilities are reported on a net basis depending on whether foreign currency movements are in a net gain or net loss position.

3.16 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.

3.17 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 Group's CEO (the chief operating decision maker) to make recommendations or decisions about resources to be allocated to the segment and to assess its performance.

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 property, plant and equipment and intangible assets other than goodwill.

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT

Group	Note	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 2013		10,646	2,365	4,840	4,569	20,274	304	235	43,233
Additions		9	–	83	82	19	–	729	922
Disposals		–	–	–	(10)	–	(158)	–	(168)
Write-off		–	–	–	(7)	–	–	(7)	(14)
Transfer		–	–	–	–	947	–	(947)	–
Translation adjustment		(243)	(54)	(110)	(94)	(399)	(3)	(6)	(909)
At 30 June 2014		10,412	2,311	4,813	4,540	20,841	143	4	43,064
At 1 July 2014		10,412	2,311	4,813	4,540	20,841	143	4	43,064
Acquisition of subsidiary	7	14	–	20	4	3,934	35	–	4,007
Additions		183	–	441	301	605	–	1,501	3,031
Write-off		–	–	(11)	(6)	–	–	–	(17)
Translation adjustment		(896)	(196)	(435)	(356)	(2,039)	(16)	(90)	(4,028)
At 30 June 2015		9,713	2,115	4,828	4,483	23,341	162	1,415	46,057

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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 2013	6,032	1,456	4,529	4,422	18,259	258	–	34,956
Charge for the year	450	95	64	61	1,115	21	–	1,806
Disposals	–	–	–	(10)	–	(152)	–	(162)
Write-off	–	–	–	(5)	–	–	–	(5)
Translation adjustment	(136)	(33)	(94)	(90)	(341)	(3)	–	(697)
At 30 June 2014	6,346	1,518	4,499	4,378	19,033	124	–	35,898
At 1 July 2014	6,346	1,518	4,499	4,378	19,033	124	–	35,898
Charge for the year	457	93	99	92	1,309	17	–	2,067
Write-off	–	–	–	(2)	–	–	–	(2)
Translation adjustment	(567)	(135)	(371)	(333)	(1,455)	(11)	–	(2,872)
At 30 June 2015	6,236	1,476	4,227	4,135	18,887	130	–	35,091
Carrying amounts								
At 1 July 2013	4,614	909	311	147	2,015	46	235	8,277
At 30 June 2014	4,066	793	314	162	1,808	19	4	7,166
At 30 June 2015	3,477	639	601	348	4,454	32	1,415	10,966

Assets under construction

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

NOTES TO THE FINANCIAL STATEMENTS

5 SUBSIDIARIES

	Company 2015 $'000	Company 2014 $'000
Unquoted ordinary shares, at cost	16,799	6,190
Unquoted preference shares, at cost	12,810	12,810
	29,609	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 2015 %	Effective equity interest held by the Company 2014 %
+ GB Yachts Pte. Ltd.	The subsidiary discontinued its yacht manufacturing operations in Singapore and disposed of the plant in June 2009. The subsidiary provides certain management services to the Malaysia, United States and Australia subsidiaries.	Singapore	100	100
# Grand Banks Yachts Ltd	The subsidiary carried out the Group's sales activities in the US and several independently owned dealers around the world.	United States of America	100	100
# Grand Banks Yachts Sales LLC	The subsidiary was incorporated in 2009. It sold new and previously owned yachts and was involved in the brokerage business in Seattle, Washington. It was dissolved during the financial year.	United States of America	100	100
@ Grand Banks Yachts Sdn. Bhd.	The subsidiary operates the manufacturing plant in Malaysia and is involved in the sale of luxury yachts.	Malaysia	100	100
# Grand Banks Yachts Australia Pty Ltd	The subsidiary carried out the Group's sales activities in Australia. It has been inactive since March 2014.	Australia	100	100

NOTES TO THE FINANCIAL STATEMENTS

5 SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Principal activities	Country of incorporation	Effective equity interest held by the Company 2015 %	2014 %
@ Palm Beach Motor Yacht Co Pty Ltd	The subsidiary operates the manufacturing plant in Australia and is involved in the sale of luxury yachts.	Australia	100	–

Not required to be audited by law of country of incorporation.
@ Audited by overseas affiliates of KPMG LLP.
+ Audited by KPMG Singapore.

6 INTANGIBLE ASSETS

Group	Note	Goodwill $'000	Club member-ships $'000	Trade marks $'000	Development costs $'000	Order backlog $'000	Total $'000
Cost							
At 1 July 2013		–	68	241	336	–	645
Write-off		–	–	–	(336)	–	(336)
At 30 June 2014		–	68	241	–	–	309
At 1 July 2014		–	68	241	–	–	309
Acquisition of subsidiary	7	7,802	–	2,479	–	568	10,849
Translation adjustment		(872)	–	(290)	–	(94)	(1,256)
At 30 June 2015		6,930	68	2,430	–	474	9,902
Accumulated amortisation							
At 1 July 2013		–	68	241	336	–	645
Write-off		–	–	–	(336)	–	(336)
At 30 June 2014		–	68	241	–	–	309
At 1 July 2014		–	68	241	–	–	309
Amortisation		–	–	138	–	426	564
Translation adjustment		–	–	(6)	–	(48)	(54)
At 30 June 2015		–	68	373	–	378	819
Carrying amounts							
At 1 July 2013 and 30 June 2014		–	–	–	–	–	–
At 30 June 2015		6,930	–	2,057	–	96	9,083

NOTES TO THE FINANCIAL STATEMENTS

6 INTANGIBLE ASSETS (CONTINUED)

The Group holds trademarks for Grand Banks, Eastbay and Aleutian on a worldwide basis. These trademarks are amortised to the profit or loss over an estimated useful life of 20 years.

The Group acquired trademark and order backlog from the acquisition of Palm Beach Motor Yacht Co Pty Ltd ('PBMY') during the financial year. The acquired trademark relates to Palm Beach trademark and is amortised over a useful life of 16 years. Order backlog pertains to production backlog arising from sales orders and are amortised to the profit or loss based on the realisation of sales from these backlog.

Impairment tests for cash-generating units containing goodwill

Goodwill arises from the acquisition of PBMY on 1 August 2014. For the purpose of impairment testing, goodwill of $6,930,000 is allocated to the manufacturing and trading business segment which represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

The recoverable amount of a cash-generating unit is determined based on value in use. Cash flows projections used in the value in use calculations are based on the financial budgets approved by the management covering a three year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below. Expected capital expenditure for repair and maintenance has been included in the forecast.

Key assumptions used in value in use calculations:

	Group 2015
	%
Compounded annual revenue growth rate	17.2
Terminal value growth rate	0
Discount rate (pre-tax)	23.1

Based on the above assumptions, the recoverable amount was estimated to be higher than the carrying amount of the cash-generating unit. Accordingly, no impairment is required at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

7 ACQUISITION OF SUBSIDIARY

On 1 August 2014, the Group exercised the call option to acquire the entire issued and paid-up share capital in PBMY. As a result, the Group obtained 100% control over PBMY.

Taking control of PBMY would strengthen the position of the Singapore-listed luxury motor yacht builder as a global luxury boat company with two world-class brands. The Group is now represented in the North American, Australian, Asian and European markets. The manufacturing facilities of both brands will continue to operate at their respective locations – Grand Banks in Malaysia and Palm Beach in both Malaysia and Australia.

In the 11 months to 30 June 2015, PBMY contributed revenue of $13,660,000 and profit of $1,171,000 to the Group's results. If the acquisition had occurred on 1 July 2014, management estimates that consolidated revenue would have been $39,955,000, and consolidated loss for the year would have been $4,694,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 July 2014.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred:

	Note	2015 $'000
Cash		4,652
Equity instruments issued (11,025,400 ordinary shares)	17	1,748
Contingent consideration	15	4,209
Total consideration transferred		10,609

Effect on cash flows of the Group

	2015 $'000
Cash paid	4,652
Less: Cash and cash equivalents in subsidiary acquired	(1,219)
Cash outflow for acquisition of subsidiary	3,433

NOTES TO THE FINANCIAL STATEMENTS

7 **ACQUISITION OF SUBSIDIARY** (CONTINUED)

Consideration transferred (Continued)

Equity instruments issued

The fair value of the ordinary shares issued was based on the listed share price of the Company at 4 August 2014 of $0.2650 per share, adjusted by a 40% illiquidity discount due to the 2 years moratorium period placed on the shares.

Contingent consideration

The Group has agreed to pay an additional consideration of A$4,000,000 if the cumulative total pre-tax profit of PBMY for years ended 30 June 2014 and 2015 is equal to or more than A$2,640,000. The Group has included $4,209,000 as contingent consideration, which represents its fair value at the date of acquisition. At 30 June 2015, the contingent consideration had decreased to $4,135,000 (see note 15).

Acquisition-related costs

The Group incurred acquisition-related costs of $341,933 on legal fees and due diligence costs. These costs have been included in 'other operating expense'.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Note	2015 $'000
Property, plant and equipment	4	4,007
Intangible assets		
– Trademarks	6	2,479
– Order backlog	6	568
Cash and cash equivalents		1,219
Trade and other receivables		1,477
Inventories		93
Trade and other payables		(5,799)
Deferred tax liabilities	8	(1,237)
Total identifiable net assets		2,807

NOTES TO THE FINANCIAL STATEMENTS

7 ACQUISITION OF SUBSIDIARY (CONTINUED)

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	**Valuation techniques**
Property, plant and equipment	*Depreciated replacement cost method:* Fair value is based on an estimate of the current market value for replacing a similar asset, less allowances for physical deterioration and all relevant forms of obsolescence and optimisation.
	Discounted cash flow method: Fair value is estimated by discounting forecast earnings before interest, depreciation and amortisation to the present value.
Intangibles assets	*Relief-from-royalty method:* Fair value of trademarks is estimated based on the present value of the royalty amount after tax, which the owner of the intangible asset is relieved from paying by ownership of the asset. The royalty amount is estimated based on the expected revenue attributable to the intangible asset by applying an appropriate royalty rate.
	Multi-period excess earnings method: Fair value of order backlog is estimated by discounting forecast net income from the order backlog, after charging a fair return on assets necessary to realise the income.

The fair value of trade and other receivables is $1,477,000 and relates to trade receivables arising from the ordinary business, other debtors and good and services tax receivables.

Goodwill

Goodwill arising from the business combination has been recognised as follows:

	Note	**2015 S$'000**
Total consideration transferred		10,609
Fair value of identifiable net assets		(2,807)
Goodwill	6	7,802

The goodwill is attributable mainly to the boat building experience and expertise of PBMY work force including its main shareholder and owner, and the synergies expected to be achieved from integrating PBMY know-how into Grand Bank's manufacturing capabilities and facility. None of the goodwill recognised is expected to be deductible for tax purposes.

NOTES TO THE FINANCIAL STATEMENTS

8 DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Group				
Property, plant and equipment	(70)	–	903	–
Intangible assets	–	–	703	–
Trade and other payables	(237)	–	–	–
Deferred tax (assets)/liabilities	(307)	–	1,606	–

Movements in temporary differences of deferred tax assets and liabilities during the year:

	Balance as at 1 July 2014	Acquisition of subsidiary (note 7)	Recognised in profit or loss (note 23)	Translation adjustment	Balance as at 30 June 2015
	$'000	$'000	$'000	$'000	$'000
Group					
Deferred tax (assets)/liabilities					
Property, plant and equipment and intangible assets	–	1,938	(408)	6	1,536
Trade and other payables	–	(206)	(26)	(5)	(237)
Tax loss carry-forwards	–	(495)	460	35	–
Net deferred tax liabilities	–	1,237	26	36	1,299

NOTES TO THE FINANCIAL STATEMENTS

8 DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

Based on management's forecast, 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.

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

	Group	
	2015	2014
	$'000	$'000
Deductible temporary differences	5,303	5,479
Unutilised tax losses	23,686	22,175
Unutilised capital allowances	11,183	10,576
	40,172	38,230

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

9 INVENTORIES

		Group	
	Note	2015	2014
		$'000	$'000
Raw materials and components		8,620	9,665
Stock boats		3,892	7,247
		12,512	16,912
Allowance for inventory obsolescence		(1,534)	(1,396)
		10,978	15,516
Work-in-progress		2,546	2,322
		13,524	17,838
Unbilled receivables on contract work-in-progress	10	4,363	4,818
		17,887	22,656

In 2015, raw materials and components, changes in finished goods and work-in-progress included as cost of sales amounted to $32,457,200 (2014: $32,468,000).

NOTES TO THE FINANCIAL STATEMENTS

9 INVENTORIES (CONTINUED)

During the year, there were inventories being written down to their net realisable value and additional allowances made for inventory obsolescence. The write downs of $242,000 (2014: $Nil) and allowances made of $145,000 (2014: $29,000) are included in cost of sales.

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 is 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 reporting 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.

10 CONTRACTUAL CONSTRUCTION WORK-IN-PROGRESS

	Note	Group 2015 $'000	Group 2014 $'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date		11,207	6,852
Progress billings		(11,898)	(2,802)
		(691)	4,050
Presented as:–			
Unbilled receivables on contract work-in-progress	9	4,363	4,818
Deferred income on contract work-in-progress	15	(5,054)	(768)
		(691)	4,050

NOTES TO THE FINANCIAL STATEMENTS

11 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade receivables	791	1,227	–	–
Less: Allowance for doubtful debts	(581)	(538)	–	–
	210	689	–	–
Refundable deposits	85	79	–	–
Interest receivable	7	8	4	4
Sundry receivables	5	106	–	–
Amounts due from subsidiaries (non-trade)	–	–	10,888	8,352
Loans and receivables	307	882	10,892	8,356

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

	Group	
	2015	2014
	$'000	$'000
Beginning of the year	538	1,168
Doubtful debts recovered	–	(374)
Amounts written off	–	(227)
Translation adjustment	43	(29)
End of the year	581	538

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

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
United States Dollar	28	735	–	–
Singapore Dollar	33	43	10,892	8,356
Malaysia Ringgit	112	21	–	–
Euro Dollar	1	62	–	–
Australia Dollar	133	21	–	–
	307	882	10,892	8,356

NOTES TO THE FINANCIAL STATEMENTS

11 TRADE AND OTHER RECEIVABLES (CONTINUED)

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 2015, the trade receivables comprised of an outstanding amount of $581,000 (2014: $538,000) that is past due for more than 12 months. The outstanding amount is fully provided as at reporting date. The remaining balances are not past due (2014: not past due). These amounts are due from dealers, with no significant history of default or are supported by customer funds held in escrow pending completion of the yacht. These amounts are not impaired.

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.

12 PREPAYMENTS

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Payments in advance for purchases of raw materials and components	1,428	755	–	–
Prepaid operating expenses	258	374	7	28
	1,686	1,129	7	28

13 DEBT SECURITIES HELD-FOR-TRADING

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
3.75% (2014: 3.75%) p.a. SGD government bond due 1 September 2016	310	322	310	322

In 2014, 5.60% p.a. SGD OCBC bond was redeemed early by the issuer which was due on 6 September 2019.

NOTES TO THE FINANCIAL STATEMENTS

14 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Cash and bank balances	13,053	1,172	89	115
Short-term deposits	8,648	25,432	5,000	13,664
Cash and cash equivalents in the statements of financial position	21,701	26,604	5,089	13,779
Restricted cash	(4,800)	–	–	–
Deposits pledged	(147)	(926)	–	–
Cash and cash equivalents in the statement of cash flows	16,754	25,678	5,089	13,779

Restricted cash represents amount placed in an escrow account in relation to the potential earn-out payment which the Company will have to pay if PBMY achieves a cumulative total pre-tax profit for the years ended 30 June 2014 and 2015 of an amount equal to or more than A$2,640,000 (see note 7). Deposits pledged represent bank balances of certain subsidiaries pledged as security to obtain bank guarantees.

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

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
United States Dollar	12,802	10,522	15	14
Singapore Dollar	5,759	14,621	5,074	13,765
Malaysia Ringgit	497	1,261	–	–
Australia Dollar	2,587	143	–	–
Others	56	57	–	–
	21,701	26,604	5,089	13,779

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 5 to 365 days (2014: 4 to 365 days) and earn interest at rates generally higher than those earned by cash and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

15 TRADE AND OTHER PAYABLES

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
Trade payables		1,664	2,669	–	–
Contingent consideration	7	4,135	–	4,135	–
Refundable deposit		30	21	–	–
Accrued operating expenses		2,506	2,578	288	547
Financial liabilities		8,335	5,268	4,423	547
Deferred income on contract work-in-progress	10	5,054	768	–	–
Advance payments received from customers before the related construction work is performed		934	141	–	–
		14,323	6,177	4,423	547

Financial liabilities are denominated in the following currencies at the reporting date:

	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
United States Dollar	812	1,791	–	–
Singapore Dollar	793	1,259	288	547
Malaysia Ringgit	1,145	2,128	–	–
Australia Dollar	5,575	35	4,135	–
Others	10	55	–	–
	8,335	5,268	4,423	547

NOTES TO THE FINANCIAL STATEMENTS

16 PROVISION FOR WARRANTY CLAIMS

	Group	
	2015	2014
	$'000	$'000
Beginning of the year	1,611	1,681
Provision made during the year	584	815
Claims expended during the year	(775)	(847)
Translation adjustment	(125)	(38)
End of the year	1,295	1,611

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

	2015		2014	
	Number of shares		Number of shares	
	'000	$'000	'000	$'000
Fully paid with no par value:				
Beginning of the year	173,009	41,251	115,339	29,062
Issue of shares	11,025	1,748	57,670	12,189
End of the year	184,034	42,999	173,009	41,251

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. The Group manages its capital structure and makes adjustment to it, in the light of changes in economic and financial market conditions. The Group may adjust the dividend payout to shareholders, buy back or issue new shares to optimise capital structure within the Group. The Group is in a net cash position. Net cash is calculated as cash and cash equivalents less external borrowings, if any.

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.

NOTES TO THE FINANCIAL STATEMENTS

18 SHARE-BASED COMPENSATION RESERVE

The share-based compensation reserve comprises the cumulative value of services received from employees recorded on grant of equity settled share options and share awards. The expense for service received is recognised over the vesting period.

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	
	2015	**2014**
	$'000	**$'000**
Revenue from construction contracts	31,700	35,188
Revenue from boat brokerage	91	450
Rendering of services	267	50
Sales of stock boats	6,890	4,437
Sales of parts	242	224
	39,190	40,349

NOTES TO THE FINANCIAL STATEMENTS

21 (LOSS)/PROFIT BEFORE TAX

The following items have been included in arriving at (loss)/profit before tax:

	Note	Group 2015 $'000	Group 2014 $'000
Wages, salaries and other employee benefits		14,710	10,185
Contributions to defined contribution plans, included in wages and salaries related costs		1,039	639
Equity-settled share-based compensation, included in wages and salaries related costs		48	–
Cost of sales – raw materials		25,682	22,570
Allowances made for obsolescence in raw materials and components		145	29
Inventories written down		242	–
Property, plant and equipment written off		15	9
Depreciation of property, plant and equipment	4	2,067	1,806
Amortisation of intangible assets	6	564	–
Fair value change of contingent consideration		(74)	–
Provision for warranty claims	16	584	815
Selling and marketing expenses – advertising		144	307
Selling and marketing expenses – boat demonstrations, exhibition and events		804	692
Auditors' remuneration			
– auditors of the Company		118	87
– overseas affiliates of KPMG LLP		75	30
Non-audit fees paid to:			
– auditors of the Company		87	165
– overseas affiliates of KPMG LLP		43	4
Operating lease expenses		425	341
Doubtful debts recovered		–	374
Other non-operating (income)/expense, net			
Net foreign exchange loss		67	494
Interest income			
– bank		(50)	(83)
– others		(1)	(8)
Rental income		(139)	(72)
Fair valuation loss on debt securities held-for-trading		12	8
Gain on disposal of property, plant and equipment		–	(29)
Boat show subsidy		(77)	–
Others		(10)	(53)
		(198)	257

NOTES TO THE FINANCIAL STATEMENTS

22 SHARE-BASED COMPENSATION

Grand Banks Performance Share Plan 2014 ("PSP") and Grand Banks Employee Share Option Scheme 2014 ("ESOS") were approved and adopted by its members at an Extraordinary General Meeting of the Company held on 8 October 2014. The PSP and the ESOS are 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, to give recognition to outstanding employees who have contributed to the Group and to align the interests of the participants with the interests of shareholders.

At 30 June 2015, the Group has the following share-based payment arrangements:

PSP (equity-settled)

On 2 March 2015, the Group had granted award grants of 200,000 ordinary shares to two of its employees, with the fair value at grant date of $0.23 per share. The share award has a two years service condition. As at 30 June 2015, the shares have not vested.

During the year, the Group charged $8,000 to the profit or loss based on the fair value of the share awards at the grant date being expensed over the vesting period.

ESOS (equity-settled)

On 2 March 2015, the Group granted 3,450,000 share options to eligible employees and directors to take up unissued shares in the Company which will vest after a two years service period.

The exercise period of the options is five years from the date of grant for non-executive directors and ten years from the date of grant for executive directors and executives.

As at 30 June 2015, none of the options have vested and the outstanding options were 3,450,000.

Measurement of fair values

The fair value of the ESOS has been measured using binomial method at the grant date. Service conditions attached to the scheme were not taken into account in measuring fair value. Expected volatility is estimated by considering historical share price volatility particularly over the historical period commensurate with the expected term of the ESOS. The inputs used in the measurement of the fair values at grant date of the ESOS are as follows:

NOTES TO THE FINANCIAL STATEMENTS

22 SHARE-BASED COMPENSATION (CONTINUED)

ESOS (equity-settled) (Continued)

Fair value of ESOS and assumptions

	ESOS	
Option term	5 years	10 years
Date of grant of options	2 March 2015	2 March 2015
Fair value at grant date	$0.0703	$0.0704
Share price at grant date	$0.23	$0.23
Exercise price	$0.228	$0.228
Expected volatility	56%	56%
Option life (expected exercise period)	2.56 years	3.33 years
Expected dividends	1%	1%
Risk-free interest rate (based on government bonds)	1.14%	1.29%

During the year, the Group charged $40,000 to the profit or loss based on the fair value of the share options at the grant date being expensed over the vesting period.

23 TAX EXPENSE

	Group	
	2015 $'000	2014 $'000
Current tax expense		
Current year	237	83
Over provision in prior years	(2)	(74)
	235	9
Deferred tax expense		
Origination and reversal of temporary differences	26	–
Tax expenses	261	9
Reconciliation of effective tax rate		
(Loss)/Profit before tax	(4,538)	1,042
Tax at the domestic rates applicable to profits in the countries where the Group operates	(938)	271
Adjustments:		
Non-deductible expenses	219	270
Recognition of previously unrecognised tax losses	–	(625)
Deferred tax assets not recognised	989	145
Over provision in prior years	(2)	(74)
Others	(7)	22
	261	9

NOTES TO THE FINANCIAL STATEMENTS

24 EARNINGS PER SHARE

Basic earnings per share

	Group	
	2015	**2014**
Basic earnings per share is based on:		
(Loss)/profit for the year ($'000)	(4,799)	1,033
Number of shares outstanding at beginning of the year ('000)	173,009	115,339
Effect of shares issued during the year ('000)	10,089	–
Effect of rights issue of shares ('000)	–	40,955
Weighted average number of ordinary shares at the end of the year ('000)	183,098	156,294

Anti-diluted earnings per share

The ordinary shares and options potentially issuable to participating employees under the PSP and the ESOS are anti-dilutive for the financial year ended 30 June 2015 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 did not assume conversion of these potential ordinary shares. Accordingly for disclosure purposes, diluted loss per share is the same as basic loss per share for the financial year ended 30 June 2015. For the financial year ended 30 June 2014, the basic and diluted earnings per share of the Group are the same as there were no potential dilutive ordinary shares as at 30 June 2014.

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, Chief Financial Officer and the Board of Directors are considered as key management personnel of the Group.

	Group	
	2015	**2014**
	$'000	**$'000**
Short-term benefits	935	806
Contribution to defined contribution plans	60	27
Fair value of share based compensation	30	–
	1,025	833

NOTES TO THE FINANCIAL STATEMENTS

26 COMMITMENTS

Operating lease commitments

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

	Group	
	2015	**2014**
	$'000	**$'000**
Payable:		
Within 1 year	348	47
After 1 year but within 5 years	293	–
	641	47

The Group has non-cancellable operating leases for its Singapore office, USA and PBMY manufacturing facilities. 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 Risk Management and 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 Risk Management and 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 Risk Management and 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 customers 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.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk *(Continued)*

In 2014, the Group had entered into an arrangement with a third-party lender (the "Lender") who provided 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 would repossess the yacht and the Group had agreed to repurchase it from the Lender. In 2015, the two independently-owned dealers had fully repaid the third-party lender and the arrangement had been terminated.

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.

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

			Cash flows			
	Note	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
Group						
2015						
Trade and other payables*	15	8,335	8,335	8,335	–	–
2014						
Trade and other payables*	15	5,268	(5,268)	(5,268)	–	–
Company						
2015						
Trade and other payables	15	4,423	4,423	4,423	–	–
2014						
Trade and other payables	15	547	(547)	(547)	–	–

* Excluding deferred income on contract work-in-progress and advance payments received from customers before the related construction work is performed.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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		Company	
	Carrying amount		Carrying amount	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Debt securities held-for-trading	310	322	310	322
Variable rate instruments				
Cash and cash equivalents	21,701	26,604	5,089	13,779

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	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
100 bp increase				
Decrease in loss (2014: Increase in profit) for the year and increase in accumulated profits	217	266	51	138

There is no impact on other components of equity.

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Foreign currency risk

The foreign currency exposure arising from transactions denominated in foreign currencies is mainly the United States Dollar ('USD'). The Company is exposed to foreign currency risk.

Sensitivity analysis

A 1% strengthening of Singapore Dollar ('SGD'), Malaysia Ringgit ('RM') and Australia Dollar ('AUD') 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 or loss from operations $'000
Group	
At 30 June 2015	
– USD	(120)
At 30 June 2014	
– USD	(95)

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

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair values of financial assets and financial liabilities

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

	Note	Trading $'000	Loans and receivables $'000	Financial liabilities designated at fair value $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Group							
30 June 2015							
Cash and cash equivalents	14	–	21,701	–	–	21,701	21,701
Trade and other receivables	11	–	307	–	–	307	307
Financial assets classified as held for trading	13	310	–	–	–	310	310
		310	22,008	–	–	22,318	22,318
Trade and other payables*	15	–	–	4,135	4,200	8,335	8,335
30 June 2014							
Cash and cash equivalents	14	–	26,604	–	–	26,604	26,604
Trade and other receivables	11	–	882	–	–	882	882
Financial assets classified as held for trading	13	322	–	–	–	322	322
		322	27,486	–	–	27,808	27,808
Trade and other payables*	15	–	–	–	5,268	5,268	5,268
Company							
30 June 2015							
Cash and cash equivalents	14	–	5,089	–	–	5,089	5,089
Trade and other receivables	11	–	10,892	–	–	10,892	10,892
Financial assets classified as held for trading	13	310	–	–	–	310	310
		310	15,981	–	–	16,291	16,291
Trade and other payables	15	–	–	4,135	288	4,423	4,423

NOTES TO THE FINANCIAL STATEMENTS

27 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Fair values of financial assets and financial liabilities *(Continued)*

	Note	Trading $'000	Loans and receivables $'000	Financial liabilities designated at fair value $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
30 June 2014							
Cash and cash equivalents	14	–	13,779	–	–	13,779	13,779
Trade and other receivables	11	–	8,356	–	–	8,356	8,356
Financial assets classified as held for trading	13	322	–	–	–	322	322
		322	22,135	–	–	22,457	22,457
Trade and other payables	15	–	–	–	547	547	547

* Excluding deferred income on contract work-in-progress and advance payments received from customers before the related construction work is performed.

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 and where the effect of discounting is immaterial. Accordingly, no fair value hierarchy information is disclosed for such financial assets and liabilities.

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

The amount of contingent consideration to be paid is based on the cumulative total pre-tax profit of PBMY for years ended 30 June 2014 and 2015. The fair value of contingent consideration is determined by applying an appropriate discount rate onto the amount of contingent consideration to be paid. The Group has categorised contingent consideration as Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

28 OPERATING SEGMENTS

The Group which engages predominantly in the manufacturing and sale of luxury yachts has only one reportable segment in 2015 (2014: two reportable segments). On 1 August 2014, following the acquisition of a new subsidiary, the appointment of a new CEO, who is the chief operating decision maker ('CODM') and the closure of retail outlets in Australia and United States of America, the Group reassessed its operating segment and determined that it has one operating and reportable segment.

- Manufacturing & trading segment – comprising manufacturing and sales of yachts to dealers and end customers (2014: Manufacturing & wholesale segment – comprising manufacturing and distribution of new yachts to dealers in world-wide market).

- There was no retail segment in 2015. (2014: Retail segment – comprising the sale of new and previously-owned yachts directly to retail customers through stores owned by the Group.)

The operating segment contains various functions that are inter-dependent to support the Group's operating activities and performance. Based on the combined activities of these key functions, the CODM assesses performance against an approved Group's budget and makes resource allocation decisions that will maximise the utilisation of production capacity and operating efficiency of the operating segment, to achieve the Group's budget.

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

NOTES TO THE FINANCIAL STATEMENTS

28 OPERATING SEGMENTS (CONTINUED)

	Manufacturing and trading segment		Retail		Corporate (Reconciliation)		Adjustments (Reconciliation)		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue and expenses										
External revenue	39,190	29,868	–	10,481	–	–	–	–	39,190	40,349
Inter-segment revenue	–	7,515	–	–	632	619	(632)	(8,134)	–	–
Total revenue	39,190	37,383	–	10,481	632	619	(632)	(8,134)	39,190	40,349
Segment results*	(181)	4,645	–	77	(1,777)	(1,965)	–	–	(1,958)	2,757
Depreciation and amortisation	(2,601)	(1,779)	–	(6)	(30)	(21)	–	–	(2,631)	(1,806)
Interest income	34	30	–	5	17	56	–	–	51	91
Operating profit/(loss) before tax	(2,748)	2,896	–	76	(1,790)	(1,930)	–	–	(4,538)	1,042
Income tax (expense)/credit	(230)	(33)	–	–	(31)	24	–	–	(261)	(9)
Segment profit/(loss)	(2,978)	2,863	–	76	(1,821)	(1,906)	–	–	(4,799)	1,033
Other material non-cash items:										
Gain on disposal of property, plant and equipment	–	–	–	–	–	29	–	–	–	29
Property, plant and equipment written off	15	8	–	1	–	–	–	–	15	9
Assets and liabilities										
Segment assets	56,728	41,586	–	201	22,081	28,933	(16,869)	(11,961)	61,940	58,759
Tax assets	307	15	–	–	–	–	–	–	307	15
Segment liabilities	27,190	16,255	–	2,623	5,324	892	(16,869)	(11,961)	15,645	7,788
Tax liabilities	1,799	21	–	–	–	–	–	–	1,799	21
Capital expenditures	2,945	917	–	5	86	–	–	–	3,031	922

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

NOTES TO THE FINANCIAL STATEMENTS

28 OPERATING SEGMENTS (CONTINUED)

Geographical segments

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

	2015 $'000	2014 $'000
USA	21,997	25,546
Europe*	2,944	1,782
Australia	8,100	4,312
Singapore	5,981	3,519
Japan	168	4,311
Others	–	879
	39,190	40,349

* comprises mainly Denmark and England (2014: France and Holland)

The Group manufactures yachts and holds its corporate treasury, administrative and marketing 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 $10,900,000 (2014: $7,100,000) are substantially located in Malaysia and Australia (2014: Malaysia).

Major dealers/customers

Two (2014: Four) independently-owned dealership individually account for more than 10% of the Group's 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.

NOTES TO THE FINANCIAL STATEMENTS

30 CONTINGENT LIABILITY

In 2014, the Group entered into an arrangement with a third-party financing entity (the ‘Lender’) who provided yacht financing to only two independently-owned dealers whom were approved by the Group for the purchase of yachts under this arrangement. In the event of a default by either of the two dealers, the Lender would repossess the yacht it financed after all avenues to recover the debt from the dealer had been exhausted. The Group had 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 2014, the potential cash payment the Group could be required to make to repurchase the four yachts were $5,230,000. The Group’s risk under this repurchase arrangement was partially mitigated by the value which the Group would earn upon the sale of the repossessed yacht. The arrangement was terminated in 2015 after the full repayment by the two independently-owned dealers to the Lender.

31 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

A number of new standards, amendments to standard and interpretations are effective for annual periods beginning after 1 July 2014, and 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 and the Company except for the below. The Group does not plan to adopt these standards early.

Applicable for the Group’s 2018 financial statements

FRS 115 *Revenue from Contracts with Customers*, which establishes a framework and the principle that an entity shall apply to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. The standard is effective for financial periods beginning on or after 1 January 2017.

Applicable for the Group’s 2019 financial statements

FRS 109 *Financial Instruments*, which sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces FRS 39 *Financial Instruments: Recognition and Measurement* and applies for financial periods beginning on or after 1 January 2018.

Management is currently evaluating the impact of the implementation of these standards in view of the complexities of these standards and the potential implications.

STATISTICS OF SHAREHOLDINGS

As at 17 September 2015

Issued Share Capital	:	184,034,649 ordinary shares
Voting Rights	:	1 vote per ordinary share

Directors' Shareholdings
As at 21 July 2015

Name of Directors	No. of Shares
Mark Jonathon Richards	11,025,400
Heine Askaer-Jensen	501,500
Jeffrey Stewart Bland	1,000
Basil Chan	101,500
Gerard Lim Ewe Keng	12,000
Peter Kevin Poli	200,000

Substantial Shareholders
As at 17 September 2015, 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 (%)
Exa Limited	45,733,197	–	45,733,197	24.85
Tan Sri Lim Kok Thay[1]	–	45,733,197	45,733,197	24.85
Golden Hope Limited[2]	–	45,733,197	45,733,197	24.85
First Names Trust Company (Isle of Man) Limited[3]	–	45,733,197	45,733,197	24.85
Lim Keong Hui[4]	–	45,733,197	45,733,197	24.85
Star Cruises Terminal (China) Limited[5]	–	45,733,197	45,733,197	24.85
Genting Hong Kong Limited[6]	–	45,733,197	45,733,197	24.85
Robert William Livingston or Mary Isabella Livingston	27,440,555	–	27,440,555	14.91
Mark Jonathon Richards	11,025,400	–	11,025,400	5.99
Cheng Lim Kong	9,700,000	–	9,700,000	5.27

Notes:
(1) Tan Sri Lim Kok Thay, as beneficiary of a discretionary trust which First Names Trust Company (Isle of Man) Limited is trustee of, is deemed interested in the Shares held by Exa Limited.
(2) Golden Hope Limited as trustee of Golden Hope Unit Trust is deemed interested in the Shares held by Exa Limited.
(3) First Names Trust Company (Isle of Man) Limited as trustee of a discretionary trust is deemed interested in the Shares held by Exa Limited.
(4) Lim Keong Hui, as beneficiary of a discretionary trust which First Names Trust Company (Isle of Man) Limited is trustee of, is deemed interested in the Shares held by Exa Limited.
(5) Star Cruises Terminal (China) Limited, as the sole shareholder of Exa Limited, is deemed interested in the Shares held by Exa Limited.
(6) Genting Hong Kong Limited, as the sole shareholder of Star Cruises Terminal (China) Limited, is deemed interested in the Shares held by Exa Limited.

STATISTICS OF SHAREHOLDINGS

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	119	6.21	1,137	0.00
100 – 999	276	14.39	158,057	0.09
1,000 – 10,000	1,021	53.23	4,603,341	2.50
10,001 – 1,000,000	482	25.13	29,209,894	15.87
1,000,001 AND ABOVE	20	1.04	150,062,220	81.54
Total:	**1,918**	**100.00**	**184,034,649**	**100.00**

As at 17 September 2015, approximately 48.5% 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.	Exa Limited	45,733,197	24.85
2.	Robert William Livingston or Mary Isabella Livingston	27,440,555	14.91
3.	Mark Jonathon Richards	11,025,400	5.99
4.	Cheng Lim Kong	9,700,000	5.27
5.	Raffles Nominees (Pte) Limited	7,727,900	4.20
6.	Maybank Kim Eng Securities Pte Ltd	6,233,000	3.39
7.	Citibank Nominees Singapore Pte Ltd	5,994,728	3.26
8.	DBS Nominees (Private) Limited	5,949,582	3.23
9.	RHB Securities Singapore Pte Ltd	5,202,000	2.83
10.	DBS Vickers Securities (Singapore) Pte Ltd	5,039,100	2.74
11.	United Overseas Bank Nominees (Private) Limited	3,084,312	1.68
12.	Koh Cheng Keong	3,056,497	1.66
13.	Ronald Clayton Filbert or Bernice Bernita Filbert	2,714,000	1.47
14.	Teo Hee Huat (Zhang Xifa)	2,200,000	1.19
15.	Sim Siew Tin Carol (Shen Xiuzhen Carol)	1,815,000	0.99
16.	UOB Kay Hian Private Limited	1,717,900	0.93
17.	CIMB Securities (Singapore) Pte. Ltd.	1,573,550	0.85
18.	Phillip Securities Pte Ltd	1,453,284	0.79
19.	OCBC Nominees Singapore Private Limited	1,281,215	0.70
20.	Siew Chee Meng	1,121,000	0.61
	Total:	**150,062,220**	**81.54**

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at **York Hotel Singapore (Rose Room I & II – Upper Lobby Level), 21 Mount Elizabeth, Singapore 228516 on Wednesday 28 October 2015 at 10.00 a.m.** to transact the following business *(see Explanatory Note (i))*:

Ordinary Business

1) To receive and consider the Directors' Report and Audited Accounts for the year ended 30 June 2015 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 Directors' fees of S$237,000 for the year ending 30 June 2016. (2015: S$237,000) *(see Explanatory Note (ii))* **(Resolution 3)**

4) To re-elect Mr. Heine Askaer-Jensen, 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 4)**

5) To re-elect Mr. Gerard Lim Ewe Keng, who is retiring by rotation under Article 86 of the Articles of Association and who, being eligible, offers himself for re-election as a non-executive and non-independent Director. **(Resolution 5)**

6) To elect Mr. Gary James Weisman as an independent Director. *(see Explanatory Note (iii))* **(Resolution 6)**

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

Special Business

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

"THAT pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and notwithstanding the provisions of the Articles of Association of the Company, authority be and is hereby given to the Directors to:

(a) (i) allot and 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

NOTICE OF ANNUAL GENERAL MEETING

(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 SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph 1 above, the percentage of the total number 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 (iv))*

(Resolution 7)

9) 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 and/or the Remuneration Committee to grant awards in accordance with the Grand Banks Performance Share Plan 2014 (the "PSP") and/or offer and grant options in accordance with the provisions of the Grand Banks Employee Share Option Scheme 2014 (the "ESOS") and allot and issue from time to time such number of shares as may be required to be issued pursuant to the vesting of awards under the PSP and/or to the exercise of options under the ESOS, provided always that the aggregate number of additional shares to be allotted and issued in respect of all awards granted under the PSP and all options granted under the ESOS shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding

NOTICE OF ANNUAL GENERAL MEETING

treasury shares) in the capital of the Company from time to time, and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. *(see Explanatory Note (v))*

(Resolution 8)

BY ORDER OF THE BOARD

Ler Ching Chua
Company Secretary

Singapore
13 October 2015

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 274 Upper Bukit Timah Road #03-16 Singapore 588213 not less than 48 hours before the time for holding the Annual General Meeting.

(ii) Resolution 3 is to approve the payment of an aggregate S$237,000 as Directors' fees for the current financial year, commencing on 1 July 2015 and ending on 30 June 2016, to be paid out quarterly in arrears.

(iii) The profile of Mr. Gary James Weisman can be found on page 11 of the Annual Report. Dr. Jeffrey Stewart Bland and Mr. Peter Kevin Poli will step down as directors of the Company after the conclusion of the Annual General Meeting.

(iv) Resolution 7, if passed, authorises the Directors from the date of this Annual General Meeting up to the date of the next Annual General Meeting, or the date by which the next Annual General Meeting of the Company is required by law to be held or by which this authority is varied or revoked by the Company in general meeting, whichever is earlier, 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.

(v) Resolution 8, if passed, authorises the Directors and/or Remuneration Committee from the date of this Annual General Meeting up to the date of the next Annual General Meeting, or the date by which the next Annual General Meeting of the Company is required by law to be held or by which this authority is varied or revoked by the Company in general meeting, whichever is earlier, to grant awards under the PSP and to grant options under the ESOS 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 in respect of all awards granted under the PSP and all options granted under the ESOS shall not exceed 15% of the total number of issued shares in the capital of the Company from time to time.

Personal data privacy:

By submitting a proxy form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the shareholder discloses the personal data of the shareholders' proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

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 **York Hotel Singapore (Rose Room I & II – Upper Lobby Level), 21 Mount Elizabeth, Singapore 228516 on Wednesday 28 October 2015 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/their* 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 2015 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 Directors' fees of S$237,000 for the year ending 30 June 2016.		
Resolution 4 To re-elect Mr. Heine Askaer-Jensen as an independent Director.		
Resolution 5 To re-elect Mr. Gerard Lim Ewe Keng as a non-executive and non-independent Director.		
Resolution 6 To elect Mr. Gary James Weisman as an independent Director.		
Resolution 7 To approve the authority to issue shares and make or grant instruments.		
Resolution 8 To approve the authority to grant awards and/or options and to allot and issue shares under Grand Banks Performance Share Plan 2014 and Grand Banks Employee Share Option Scheme 2014, respectively.		

Dated this ________ day of ______________ 2015

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

____
Signature(s) of Member(s)/Common Seal
of Corporate Shareholder

* To delete as appropriate

IMPORTANT: PLEASE SEE NOTES OVERLEAF BEFORE COMPLETING THIS FORM

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 274 Upper Bukit Timah Road #03-16 Singapore 588213 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor 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 appointor, 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 authorise by resolution of its directors or other governing body such person as it thinks fit to act as its 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 appointor are not ascertainable from the instructions of the appointor 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 appointor, is not shown to have Shares entered against his names 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.

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GRAND BANKS YACHTS LIMITED

BOARD OF DIRECTORS

CHAIRMAN
Heine Askaer-Jensen

EXECUTIVE
Mark Jonathon Richards
Peter Kevin Poli

INDEPENDENT
Heine Askaer-Jensen
Jeffrey Stewart Bland
Basil Chan

NON-INDEPENDENT NON-EXECUTIVE
Gerard Lim Ewe Keng

RISK MANAGEMENT & AUDIT COMMITTEE
Basil Chan*
Heine Askaer-Jensen
Jeffrey Stewart Bland
Gerard Lim Ewe Keng

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

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

MANAGEMENT TEAM

MARK JONATHON RICHARDS
Chief Executive Officer

PETER KEVIN POLI
Chief Financial Officer

SAMUEL HENRY COMPTON
Managing Director
Malaysia

PAUL MARK WRENCH
Manager, Development
Lamination & Painting

COMPANY SECRETARY

Ler Ching Chua

REGISTERED OFFICE

SINGAPORE
274 Upper Bukit Timah Road
#03-16 Singapore 588213
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

CORPORATE INFORMATION

CORPORATE SALES & MARKETING

DAVID GARTH NORTHROP
Grand Banks Yachts Ltd
1866 Ottawa Beach Road Suite M
Holland MI 49424 USA
Phone: +1 (616) 499 2519

FLORIDA SALES OFFICE

2515 Marina Bay Dr. E,
Unit #101 Fort Lauderdale
FL 33312 USA
Phone: +1 (954) 530 4379

SERVICE OFFICE

1 Maritime Drive Suite #1
Portsmouth RI 02781 USA
Phone: +1 (401) 338 6409

INVESTOR RELATIONS CONTACT

WeR1 Consultants Pte Ltd
38A Circular Road
Singapore 049394
Tel: +65 6737 4844
Fax: +65 6737 4944

PRODUCTION FACILITIES

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

AUSTRALIA
Palm Beach Motor Yacht Co Pty Ltd
50 Newbridge Road, Berkeley Vale
NSW 2261, Australia
Phone: +61 2 4389 1244
Fax: +61 2 4389 1911

AUDITORS

KPMG LLP
Public Accountants and Chartered 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

**Denotes Committee Chairman*

GRAND BANKS YACHTS

GRAND BANKS YACHTS LIMITED

274 Upper Bukit Timah Road #03-16 Singapore 588213

Company Registration No. 197601189E