

GRAND BANKS YACHTS LIMITED

(Registration No.: 197601189E)



GRAND BANKS.

Third Quarter Unaudited Financial Statements for the Period Ended 31 March 2017

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

CONSOLIDATED INCOME STATEMENT (UNAUDITED) - in SGD

	Group			Group		
	3-Month Period Ended 31-Mar-17 S'000	3-Month Period Ended 31-Mar-16 S'000	Inc / (Dec) %	9-Month Period Ended 31-Mar-17 S'000	9-Month Period Ended 31-Mar-16 S'000	Inc/(Dec) %
Revenue	13,192	17,257	(23.6)	38,800	42,689	(9.1)
Cost of sales	(11,287)	(14,828)	(23.9)	(32,008)	(34,020)	(5.9)
Gross Profit	<u>1,905</u>	<u>2,429</u>	(21.6)	<u>6,792</u>	<u>8,669</u>	(21.7)
Selling and marketing expenses	(1,355)	(1,284)	5.5	(3,937)	(3,271)	20.4
Administrative expenses	(1,056)	(899)	17.5	(3,077)	(3,045)	1.1
Other operating expenses	(123)	(84)	46.4	(360)	(559)	(35.6)
Total operating expenses	(2,534)	(2,267)	11.8	(7,374)	(6,875)	7.3
(Loss)/Profit from operations	<u>(629)</u>	<u>162</u>	(488.3)	<u>(582)</u>	<u>1,794</u>	(132.4)
Other non-operating (expense)/income, net	(609)	(9)	N.m	(466)	485	(196.1)
Finance costs	(38)	-	N.m	(108)	-	N.m
(Loss)/Profit before tax	<u>(1,276)</u>	<u>153</u>	(934.0)	<u>(1,156)</u>	<u>2,279</u>	(150.7)
Tax credit/(expense)	167	222	(24.8)	665	(316)	(310.4)
Net (loss)/profit for the period	<u>(1,109)</u>	<u>375</u>	(395.7)	<u>(491)</u>	<u>1,963</u>	(125.0)

N.m - Percentage / Computation not meaningful

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

STATEMENT OF FINANCIAL POSITION (UNAUDITED) - in SGD

	Group		Company	
	31-Mar-17	30-Jun-16	31-Mar-17	30-Jun-16
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	19,981	19,080	-	-
Subsidiaries	-	-	29,712	29,712
Goodwill	7,173	6,725	-	-
Intangible assets	1,768	1,870	-	-
Deferred tax assets	2,004	1,438	-	-
	<u>30,926</u>	<u>29,113</u>	<u>29,712</u>	<u>29,712</u>
Current assets				
Inventories	18,959	16,318	-	-
Trade and other receivables (i)	852	1,527	13,125	10,016
Prepayments	2,075	1,480	27	14
Current tax recoverable	255	-	-	-
Investment held-for-trading	-	302	-	302
Cash and cash equivalents	10,567	16,350	79	1,227
	<u>32,708</u>	<u>35,977</u>	<u>13,231</u>	<u>11,559</u>
Total assets	<u>63,634</u>	<u>65,090</u>	<u>42,943</u>	<u>41,271</u>
Current liabilities				
Trade and other payables	14,459	13,412	223	239
Hire purchase payable	-	20	-	-
Provision for warranty claims	1,010	1,181	-	-
Interest bearing loans and borrowings (ii)	380	752	-	-
Current tax payables	102	315	-	-
	<u>15,951</u>	<u>15,680</u>	<u>223</u>	<u>239</u>
Non-current liabilities				
Deferred tax liabilities	932	1,105	-	-
Interest bearing loans and borrowings (ii)	2,408	2,830	-	-
	<u>3,340</u>	<u>3,935</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>19,291</u>	<u>19,615</u>	<u>223</u>	<u>239</u>
Capital and reserves				
Share capital	43,045	42,999	43,045	42,999
Share-based compensation reserve	359	323	359	323
Accumulated profits/(losses)	28,376	28,867	(684)	(2,290)
Foreign currency translation reserve	(27,437)	(26,714)	-	-
Total equity	<u>44,343</u>	<u>45,475</u>	<u>42,720</u>	<u>41,032</u>
Total equity and liabilities	<u>63,634</u>	<u>65,090</u>	<u>42,943</u>	<u>41,271</u>

(i) Group trade and other receivables as at 30 June 2016 were higher due to billings in June 2016 for which payment were received after year end.

(ii) Refer to 1(b)(ii) below.

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

	31-Mar-2017	30-Jun-2016
	\$'000	\$'000
Interest bearing loans and borrowings - short-term	380	752
Interest bearing loans and borrowings - long-term	2,408	2,830
	<u>2,788</u>	<u>3,582</u>

Group's borrowings as at 31 Mar 2017 were S\$2.79 million (30 June 2016 : S\$3.6 million) for the partial financing of the renewal consideration for the lease extension of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia.

Detail of any collateral

The Group's borrowings are secured by charge on the lease of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia and corporate guarantee by the Company.

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

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) - in SGD

	Group		Group	
	3-Month Period Ended 31-Mar-17 S'000	3-Month Period Ended 31-Mar-16 S'000	9-Month Period Ended 31-Mar-17 S'000	9-Month Period Ended 31-Mar-16 S'000
Operating activities				
(Loss)/Profit after taxation	(1,109)	375	(491)	1,963
<i>Adjustments for:-</i>				
Depreciation of property, plant and equipment	731	717	1,988	2,011
Amortisation of intangible assets	35	33	102	189
Gain on disposal of property, plant and equipment	(4)	-	(5)	-
Property, plant and equipment written off	-	-	1	-
Allowance of inventory obsolescence	12	21	54	63
Interest income	(29)	(6)	(61)	(28)
Provision for warranty claims	181	138	566	544
Fair valuation loss on quoted debt securities held-for-trading	-	2	2	6
Equity-settled share based expense	(32)	50	36	108
Tax (credit)/expense	(167)	(222)	(665)	316
Unrealised foreign exchange loss/(gain)	579	560	280	(346)
	<u>197</u>	<u>1,668</u>	<u>1,807</u>	<u>4,826</u>
<i>Changes in working capital:</i>				
Increase in inventories	(3,324)	(3,300)	(3,245)	(3,659)
(Increase)/Decrease in trade and other receivables	(208)	(458)	574	(1,677)
(Increase)/Decrease in prepayments	(162)	62	(671)	(172)
Increase/(Decrease) in trade and other payables	2,342	(450)	1,134	3,068
Net cash (used in)/from operations	<u>(1,155)</u>	<u>(2,478)</u>	<u>(401)</u>	<u>2,386</u>
Net income tax paid	(163)	(182)	(611)	(214)
Warranty claims paid	(232)	(385)	(671)	(649)
Cash flows (used in)/from operating activities	<u>(1,550)</u>	<u>(3,045)</u>	<u>(1,683)</u>	<u>1,523</u>
Investing activities				
Interest received	29	3	56	13
Proceeds from matured debt securities held-for-trading	-	-	300	-
Acquisition of a subsidiary	-	-	-	(3,985)
Purchase of property, plant and equipment	(1,473)	(1,759)	(3,948)	(4,732)
Proceeds from previously restricted cash	-	-	-	4,800
Cash flows used in investing activities	<u>(1,444)</u>	<u>(1,756)</u>	<u>(3,592)</u>	<u>(3,904)</u>
Financing activities				
Repayment of hire purchase liability	-	-	(20)	(2)
Interest paid	(36)	-	(106)	-
Proceeds from issue of shares	46	-	46	-
Repayment of loan (i)	(201)	-	(795)	-
Cash flows used in financing activities	<u>(191)</u>	<u>-</u>	<u>(875)</u>	<u>(2)</u>
Net increase in cash and cash equivalents	<u>(3,185)</u>	<u>(4,801)</u>	<u>(6,150)</u>	<u>(2,383)</u>
Cash and cash equivalents at beginning of period	14,428	19,958	16,214	16,754
Effect of exchange rate changes on balances held in foreign currency	(804)	(605)	375	181
Cash and cash equivalents at end of period (ii)	<u>10,439</u>	<u>14,552</u>	<u>10,439</u>	<u>14,552</u>
(i) The repayment of loan relates to the Group's borrowings for the partial financing of the renewal consideration for the lease extension of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia.				
(ii) Cash and cash equivalents per statement of cash flows (S\$'000)	<u>10,439</u>	<u>14,552</u>		
Deposits pledged (S\$'000)	128	139		
Cash and cash equivalents per the statements of financial position (S\$'000)	<u>10,567</u>	<u>14,691</u>		

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

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) - in SGD

Group	Share capital \$'000	Share-based compensation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits/(loss) \$'000	Total \$'000
At 1-Jul-2015	42,999	190	(25,283)	26,897	44,803
Total comprehensive income for the period					
Profit for the period	-	-	-	1,963	1,963
<i>Other comprehensive income</i>					
Translation differences relating to financial statements of foreign subsidiaries	-	-	(652)	-	(652)
Total other comprehensive income	-	-	(652)	-	(652)
Total comprehensive income for the period	-	-	(652)	1,963	1,311
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	-	108	-	-	108
At 31-Mar-2016	42,999	298	(25,935)	28,860	46,222
At 1-Jul-2016	42,999	323	(26,714)	28,867	45,475
Total comprehensive income for the period					
Loss for the period	-	-	-	(491)	(491)
<i>Other comprehensive income</i>					
Translation differences relating to financial statements of foreign subsidiaries	-	-	(723)	-	(723)
Total other comprehensive income	-	-	(723)	-	(723)
Total comprehensive income for the period	-	-	(723)	(491)	(1,214)
Transactions with owners, recorded directly in equity					
Issue of new shares	46	-	-	-	46
Equity-settled performance shares	-	36	-	-	36
At 31-Mar-2017	43,045	359	(27,437)	28,376	44,343
Company					
At 1-Jul-2015	42,999	190	(1,705)		41,484
Total comprehensive income for the period					
Loss for the period	-	-	(334)		(334)
Total comprehensive income for the period	-	-	(334)		(334)
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	-	58	-		58
At 31-Mar-2016	42,999	248	(2,039)		41,208
At 1-Jul-2016	42,999	323	(2,290)		41,032
Total comprehensive income for the period					
Profit for the period	-	-	1,606		1,606
Total comprehensive income for the period	-	-	1,606		1,606
Transactions with owners, recorded directly in equity					
Issue of new shares	46	-	-		46
Equity-settled performance shares	-	36	-		36
At 31-Mar-2017	43,045	359	(684)		42,720

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

The Company issued 200,000 new ordinary shares pursuant to the options granted under the Company Employee Share Option Scheme 2014 during the 3-month period ended 31 March 2017 (31 March 2016: None issued).

There are no outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of immediately preceding financial year.

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

The Company did not hold any treasury shares as at 31 March 2017 and 30 June 2016. The Company's share capital consists of 184,234,649 ordinary shares as at 31 March 2016 (30 June 2016: 184,034,649 ordinary shares).

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

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

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

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

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

Not applicable.

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

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period, as those of the most recent audited financial statements for the financial year ended 30 June 2016.

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

The adoption of the new/amended FRS which became effective from 1 July 2016 does not have any significant impact on the financial statements.

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

	3-Month Period Ended 31-Mar-17	3-Month Period Ended 31-Mar-16	9-Month Period Ended 31-Mar-17	9-Month Period Ended 31-Mar-16
- on weighted average number of ordinary shares in issue (cents)	(0.60)	0.20	(0.27)	1.07
- on a fully diluted basis (cents)	(0.60)	0.20	(0.27)	1.07

Earnings per ordinary share for the financial period based on net profit attributable to shareholders: -

- on weighted average number of ordinary shares in issue (cents)

- on a fully diluted basis (cents)

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

(a) Current period reported on; and

(b) Immediately preceding financial year.

	Group		Company	
	Mar-17	Jun-16	Mar-17	Jun-16
Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)	24.07	24.71	23.19	22.30

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

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

The Group's revenue for the quarter ended 31 March 2017 ("3Q FY2017") declined 23.6% to S\$13.2 million compared to S\$17.3 million for the quarter ended 31 March 2016 ("3Q FY2016"). The lower revenue was primarily due to a boat swap resulting in a reversal of revenues to reflect the different construction stages of the two boats. The Malaysian yard also required additional hours for the construction of the first Grand Banks 60 – the two year development of the boat is complete and it will make its global debut in May 2017 at the Sanctuary Cove International Boat Show.

In line with the lower revenue, gross profit fell 21.6% to S\$1.9 million in 3Q FY2017 from S\$2.4 million in 3Q FY2016 due largely to the two factors above. Gross margin increased marginally to 14.4% from 14.1% over the comparative periods.

Total operating expenses, which include costs relating to boat shows, selling and marketing, as well as salaries, commissions and professional fees, were S\$2.5 million in 3Q FY2017, marginally higher than the S\$2.3 million in 3Q FY2016 mainly due to higher travelling, payroll and professional fee expenses.

Other non-operating expenses came to S\$0.6 million in 3Q FY2017 arising from unrealized foreign exchange differences from Australian dollar, Malaysian ringgit and US dollar denominated balance sheet items against the reporting currency of Singapore dollars.

The tax credit in 3Q FY2017 arose from the recognition of deferred tax assets of S\$0.2 million from unutilized tax losses and capital allowances of a subsidiary company.

As a result of the above, the Group incurred a net loss of S\$1.1 million in 3Q FY2017, compared to a net profit of S\$0.4 million in 3Q FY2016.

On a nine-month basis, the Group's revenue for the nine months ended 31 March 2017 ("9M FY2017") came to S\$38.8 million compared to S\$42.7 million for the nine months ended 31 March 2016 ("9M FY2016"), due to the same factors which affected revenue in 3Q FY2017.

Consequently, gross profit decreased to S\$6.8 million in 9M FY2017 from S\$8.7 million in 9M FY2016, resulting in a decrease in gross margin of 17.5% from 20.3% over the comparative periods.

Total operating expenses increased to S\$7.4 million in 9M FY2017 from S\$6.9 million in 9M FY2016, mainly due to higher payroll, brokers' commission and boat show expenses. This was partially mitigated by lower professional fees.

Other non-operating expenses were S\$0.5 million in 9M FY2017, compared to non-operating income of S\$0.5 million in 9M FY2016, primarily due to the swing from unrealized foreign exchange gains in 9M FY2016 to unrealized foreign exchange losses in 9M FY2017.

The tax credit of S\$0.7 million in 9M FY2017 arose mainly from the recognition of deferred tax assets from unutilized tax losses and capital allowances of a subsidiary company.

As a result of the above, the Group recorded a net loss of S\$0.5 million in 9M FY2017, compared to a net profit of S\$2.0 million in 9M FY2016.

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

The Group's cash flow used in operations was S\$1.6 million in 3Q FY2017, down from S\$3.0 million in 3Q FY2016, primarily due to increase in inventories, partially mitigated by increase in payables as a result of higher purchases of raw materials.

Cash flows used in investing activities amounted to S\$1.4 million in 3Q FY2017, compared to S\$1.8 million in 3Q FY2016, primarily due to the development of new yacht models as well as improvements to the Pasir Gudang facility which included the installation of roof extensions to increase the yard's covered usable space. Apart from providing a more conducive working environment, the installation of roof extensions has increased covered work space by 30% and raises the productivity level substantially as weather is no longer a factor to disrupt operations.

Cash flows used in financing activities amounted to S\$0.2 million in 3Q FY2017, due to the installment repayment of loans used to partially finance the lease extension of the Group's yard in Pasir Gudang. There was no cash flow used in financing activities in 3Q FY2016.

As a result of the above, cash and cash equivalents declined to S\$10.6 million as at 31 March 2017 from S\$14.6 million as at 31 December 2016.

On a nine-month basis, the Group's cash flow used in operations was S\$1.7 million in 9M FY2017 compared to cash flow from operations of S\$1.5 million in 9M FY2016, primarily due to increase in inventories and prepayments, partially offset by lower receivables and higher payables. The increase in inventories was due to higher work in progress as well as the completion of an inventory boat. The increase in prepayments was due to deposits paid to certain equipment vendors. Purchases in 3Q FY2017 increased, resulting in the increase in payables. The decrease in receivables was due to the receipt in FY2017 of a FY2016 billing.

Cash flows used in investing activities in 9M FY2017 decreased to S\$3.6 million from S\$3.9 million in 9M FY2016. In 9M FY2017, investing activities included the development of new yacht models and improvements to the Pasir Gudang facility, partially offset by proceeds from matured debt securities held-for-trading. In 9M FY2016, investing activities comprised largely of the acquisition of Palm Beach and purchase of property plant and equipment, mitigated by proceeds from previously restricted cash held for the acquisition.

Cash flows used in financing activities amounted to S\$0.9 million in 9M FY2017, due to the installment repayment of loans used to partially finance the lease extension of the Group's yard in Pasir Gudang in FY2016. Cash flows used in financing activities were insignificant in 9M FY2016.

As a result of the above, cash and cash equivalents decreased to S\$10.6 million as at 31 March 2017 from S\$16.4 million as at 30 June 2016.

Non-current assets increased to S\$30.9 million as at 31 March 2017 from S\$29.1 million as at 30 June 2016 due to purchases of property, plant and equipment, higher goodwill as a result of foreign exchange rate fluctuations and recognition of deferred tax assets. Current assets decreased to S\$32.7 million as at 31 March 2017 from S\$36.0 million as at 30 June 2016 due to a decrease in cash and cash equivalents, as well as lower receivables. This was partially offset by higher inventories and prepayments.

Total liabilities decreased to S\$19.3 million as at 31 March 2017 from S\$19.6 million as at 30 June 2016 mainly due to the decrease in borrowings, partially offset by higher payables.

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

In line with the profit guidance issued by the Company on 21 April 2017, the Group incurred a net loss after tax for 3Q FY2017.

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

The Group in seeking to further raise the profile of its two brands, will launch new models and continue to market its yachts at leading boat shows. To meet increased expectations from buyers, its new boats come with enhanced design and performance features, as well as better fuel efficiency.

The Group will unveil its new Grand Banks 60 at the Sanctuary Cove International Boat Show, one of the premier industry trade shows in the Southern Hemisphere, to be held from 25-28 May 2017. Interest in the new Grand Banks 60 is expected to be positive, as the Group has already received four orders even before its global debut. The Group's net order book as at 31 March 2017 was S\$41.1 million, including three new orders received in 3Q FY2017.

Boat shows that the Group recently attended include the Miami International Boat Show from 16-20 February 2017, during which it showcased the Palm Beach 42, Palm Beach 50 and Grand Banks 44, and the Singapore Yacht Show from 6-9 April 2017, where it profiled the Palm Beach 42 and Palm Beach 65. Going forward, the Group will continue to develop new boat designs and market them in the U.S., Europe, Australia and Asia.

In 3Q FY2017, the Group also launched its Grand Banks Match website, a new boat brokering platform. This initiative allows existing Grand Banks owners to find potential buyers thereby enhancing Grand Banks' services to its customers.

11. Dividend

a) Current Financial Period Reported on 31 March 2017

Any dividend declared for the current financial year reported on?

No.

b) Corresponding Period of the immediately Preceding Financial Year

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

No.

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

No dividend has been declared.

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

No IPT mandate has been obtained from shareholders for IPT.

Mr. Mark Jonathon Richards, the Group's Chief Executive Officer, owns the manufacturing facility at Berkeley Vale, Sydney, Australia. This facility is leased to PBMV, one of the Group's subsidiary companies. For the period from 1 January 2017 through 31 March 2017, the monthly rental amount paid by PBMV for use of the manufacturing facility was approximately S\$21,000. The existing lease expires on 31 July 2017. The Company has renewed the lease for another three years at a monthly amount of approximately S\$23,000, based on independent valuation. The transaction has been reviewed by the Risk Management & Audit Committee ("RMAC") of the Company, and the RMAC is of the view that the terms of the transaction is on normal commercial terms, and is not prejudicial to the interest of the Company and its minority shareholders.

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

The Board of Directors of the Company hereby confirms to the best of its knowledge that nothing has come to its attention which may render the financial statements for the third quarter ended 31 March 2017 to be false or misleading in any material respect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers pursuant to Rule 720(1).

The Company has procured undertakings from all its directors and executive officers as required by Rule 720(1).

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

Not applicable.

By Order of the Board
GRAND BANKS YACHTS LIMITED

Chiam Heng Huat
Chief Financial Officer
11 May 2017