

GRAND BANKS YACHTS LIMITED

(Registration No: 197601189E)



GRAND BANKS.

Third Quarter Unaudited Financial Statements for the Period Ended 31 March 2012

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-12 S'000	3-Month Period Ended 31-Mar-11 S'000	Inc / (Dec) %	9-Month Period Ended 31-Mar-12 S'000	9-Month Period Ended 31-Mar-11 S'000	Inc / (Dec) %
Revenue	7,850	11,243	(30.2)	21,290	21,521	(1.1)
Cost of sales	(7,214)	(10,175)	(29.1)	(20,699)	(19,903)	4.0
Gross Profit	<u>636</u>	<u>1,068</u>	(40.4)	<u>591</u>	<u>1,618</u>	(63.5)
Selling and marketing expenses	(1,362)	(1,490)	(8.6)	(3,543)	(3,855)	(8.1)
Administrative expenses	(780)	(1,216)	(35.9)	(2,676)	(3,478)	(23.1)
Other operating expense, net	(74)	(43)	(72.1)	(681)	(245)	178.0
Total operating expenses	(2,216)	(2,749)	(19.4)	(6,900)	(7,578)	(8.9)
Loss from operations	<u>(1,580)</u>	<u>(1,681)</u>	(6.0)	<u>(6,309)</u>	<u>(5,960)</u>	5.9
Other non-operating income/(expense), net	(21)	(20)	5.0	664	(280)	(337.1)
Loss before taxation	<u>(1,601)</u>	<u>(1,701)</u>	(5.9)	<u>(5,645)</u>	<u>(6,240)</u>	(9.5)
Income tax (expense)/credit	5	30	(83.3)	(22)	15	(246.7)
Net loss for the period	<u>(1,596)</u>	<u>(1,671)</u>	(4.5)	<u>(5,667)</u>	<u>(6,225)</u>	(9.0)

Additional information to the income statement:

	Group		Group		
	3-Month	3-Month	9-Month	9-Month	
	Period	Period	Period	Period	
Ended	Ended	Ended	Ended		
31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11		
\$'000	\$'000	\$'000	\$'000		
	Change		Change		
	%		%		
Allowance made for slow-moving materials	(247)	(27)	(271)	(98)	176.5
Allowance made for obsolescence on finished goods	(37)	-	138	-	N.m
Depreciation of property, plant and equipment	(1,322)	(799)	(2,808)	(2,433)	15.4
Amortisation of intangibles	(14)	(15)	(43)	(45)	(4.4)
Foreign exchange gain/(loss)	(88)	(80)	395	(493)	(180.1)
Gain on disposal of property, plant and equipment	-	9	-	35	(100.0)
Fair valuation gain/(loss) on quoted debt securities held-for-trading	(15)	(3)	2	(32)	(106.3)
Interest income included in other non-operating income, net	73	34	225	141	59.6
Taxation:					
- deferred tax credit	-	15	-	15	(100.0)
- current tax	5	15	(22)	-	N.m

N.m - Percentage / Computation not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

	Group		Group	
	3-Month Period Ended 31-Mar-12 \$'000	3-Month Period Ended 31-Mar-11 \$'000	9-Month Period Ended 31-Mar-12 \$'000	9-Month Period Ended 31-Mar-11 \$'000
Net loss for the period	(1,596)	(1,671)	(5,667)	(6,225)
Net currency translation differences of financial statements of foreign subsidiaries	35	(64)	230	(1,286)
Total Comprehensive Income for the period	<u>(1,561)</u>	<u>(1,735)</u>	<u>(5,437)</u>	<u>(7,511)</u>
		Change %		Change %
		(4.5)	(9.0)	(9.0)
		(154.7)	(117.9)	(117.9)
		(10.0)	(27.6)	(27.6)

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

STATEMENT OF FINANCIAL POSITION (UNAUDITED) - in SGD

	Group		Company	
	31-Mar-12 \$'000	30-Jun-11 \$'000	31-Mar-12 \$'000	30-Jun-11 \$'000
Non-current assets				
Property, plant and equipment	11,167	12,856	-	-
Subsidiaries	-	-	19,000	19,000
Intangible assets	113	155	-	-
Deferred tax assets	2,590	2,573	-	-
	<u>13,870</u>	<u>15,584</u>	<u>19,000</u>	<u>19,000</u>
Current assets				
Inventories	15,186	21,648	-	-
Trade and other receivables	1,674	1,844	414	380
Prepayments	1,475	743	4	1
Current tax recoverable	56	39	-	-
Investment held-for-trading	1,079	1,076	821	817
Cash and cash equivalents	21,144	18,161	5,966	6,554
	<u>40,614</u>	<u>43,511</u>	<u>7,205</u>	<u>7,752</u>
Total assets	<u>54,484</u>	<u>59,095</u>	<u>26,205</u>	<u>26,752</u>
Current liabilities				
Trade and other payables	8,614	7,643	263	298
Provision for warranty claims	1,512	1,509	-	-
Current tax payables	21	17	-	1
	<u>10,147</u>	<u>9,169</u>	<u>263</u>	<u>299</u>
Non-current liabilities				
Other payables	35	195	-	-
Total liabilities	<u>10,182</u>	<u>9,364</u>	<u>263</u>	<u>299</u>
Capital and reserves				
Share capital	23,823	23,761	23,823	23,761
Share-based compensation reserve	72	126	72	126
Accumulated profits	41,401	47,068	2,047	2,566
Foreign currency translation reserve	(20,994)	(21,224)	-	-
Total equity	<u>44,302</u>	<u>49,731</u>	<u>25,942</u>	<u>26,453</u>
Total equity and liabilities	<u>54,484</u>	<u>59,095</u>	<u>26,205</u>	<u>26,752</u>

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

Not applicable.

Detail of any collateral

Not applicable.

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

CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED) - in SGD

	Group		Group	
	3-Month Period Ended 31-Mar-12 S'000	3-Month Period Ended 31-Mar-11 S'000	9-Month Year Ended 31-Mar-12 S'000	9-Month Year Ended 31-Mar-11 S'000
Operating activities				
Loss before taxation	(1,601)	(1,701)	(5,645)	(6,240)
<i>Adjustments for:-</i>				
Depreciation of property, plant and equipment	1,322	799	2,808	2,433
Amortisation of intangible assets	14	15	43	45
Gain on disposal of property, plant and equipment	-	(9)	-	(35)
Write-off of property, plant and equipment	-	3	-	3
Interest income	(73)	(34)	(225)	(141)
Provision for warranty claims	204	514	398	866
Fair valuation (gain)/loss on quoted debt securities held-for-trading	15	3	(2)	32
Amortisation of equity-settled share based payment	-	6	8	(20)
	<u>(119)</u>	<u>(404)</u>	<u>(2,615)</u>	<u>(3,057)</u>
<i>Changes in working capital:</i>				
Decrease/(Increase) in inventories	2,890	(853)	6,595	(3,754)
(Increase)/Decrease in trade and other receivables	(126)	(117)	208	202
(Increase)/Decrease in prepayments	(224)	231	(727)	260
Increase/(Decrease) in trade and other payables	55	(1,692)	799	(2,281)
Net cash generated from/(used in) operations	<u>2,476</u>	<u>(2,835)</u>	<u>4,260</u>	<u>(8,630)</u>
Net income tax paid	(8)	(252)	(36)	(298)
Warranty claims paid	(106)	(367)	(403)	(790)
Cash flows from operating activities	<u>2,362</u>	<u>(3,454)</u>	<u>3,821</u>	<u>(9,718)</u>
Investing activities				
Interest received	73	34	225	141
Proceeds from disposal of property, plant and equipment	-	9	-	36
Purchase of property, plant and equipment	(319)	(123)	(1,043)	(250)
Cash flows from investing activities	<u>(246)</u>	<u>(80)</u>	<u>(818)</u>	<u>(73)</u>
Net increase/(decrease) in cash and cash equivalents	<u>2,116</u>	<u>(3,534)</u>	<u>3,003</u>	<u>(9,791)</u>
Cash and cash equivalents at beginning of period	19,061	18,386	18,161	24,754
Effect of exchange rate changes on balances held in foreign currency	(33)	38	(20)	(73)
Cash and cash equivalents at end of period	<u>21,144</u>	<u>14,890</u>	<u>21,144</u>	<u>14,890</u>

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

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) - in SGD

Group	Share capital \$'000	Share-based compensation reserve \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Total \$'000
At 01-Jul-10	23,681	101	(19,073)	54,807	59,516
Issue of shares	80	(80)	-	-	-
Equity-settled performance shares	-	60	-	-	60
Total Comprehensive Income for the period	-	-	(1,286)	(6,225)	(7,511)
At 31-Mar-11	<u>23,761</u>	<u>81</u>	<u>(20,359)</u>	<u>48,582</u>	<u>52,065</u>
At 01-Jul-11	23,761	126	(21,224)	47,068	49,731
Issues of new shares	62	(62)	-	-	-
Equity-settled performance shares	-	8	-	-	8
Total Comprehensive Income for the period	-	-	230	(5,667)	(5,437)
At 31-Mar-12	<u>23,823</u>	<u>72</u>	<u>(20,994)</u>	<u>41,401</u>	<u>44,302</u>

Company	Share capital \$'000	Share-based compensation reserve \$'000	Accumulated profits \$'000	Total \$'000
At 01-Jul-10	23,681	101	2,919	26,701
Issue of shares	80	(80)	-	-
Equity-settled performance shares	-	60	-	60
Total Comprehensive Income for the period	-	-	(196)	(196)
At 31-Mar-11	<u>23,761</u>	<u>81</u>	<u>2,723</u>	<u>26,565</u>
At 01-Jul-11	23,761	126	2,566	26,453
Issue of shares	62	(62)	-	-
Equity-settled performance shares	-	8	-	8
Total Comprehensive Income for the period	-	-	(519)	(519)
At 31-Mar-12	<u>23,823</u>	<u>72</u>	<u>2,047</u>	<u>25,942</u>

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

The Company did not issue any shares during the 3-month period ended 31 March 2012 (30 June 2011: 178,000 ordinary shares). 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 2012 and 30 June 2011. The Company's share capital consists of 96,116,250 ordinary shares as at 31 March 2012 (30 June 2011: 95,978,250 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 2011. In addition, the Group has adopted new/revised FRS and INT FRS that have become effective for the financial year beginning 1 July 2011.

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.**

From 1 July 2011, the Group has applied the revised FRS 24 *Related Party Disclosures* (2010) to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationship between two parties.

The adoption of FRS 24 (2010) affects only the disclosures made in the financial statements.

There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of FRS 24 (2010) has no impact on earnings per share.

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	3-Month Period Ended	9-Month Year Ended	9-Month Year Ended
31-Mar-12	31-Mar-11	31-Mar-12	31-Mar-11

Loss per ordinary share for the financial period based on net loss attributable to shareholders: -

- on weighted average number of ordinary shares in issue (cents)	(1.66)	(1.74)	(5.90)	(6.49)
- on a fully diluted basis (cents)	(1.66)	(1.74)	(5.90)	(6.49)

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
	31-Mar-12	30-Jun-11
	31-Mar-12	31-Mar-12
	30-Jun-11	30-Jun-11
Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)	46.09	51.81
		26.99
		27.56

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.

Since 2008, the global yacht market has been severely disrupted by the ongoing financial crisis and has yet to recover to pre-crisis levels of sales. Grand Banks Yachts Limited, the Group, is no exception.

The results for the quarter ended 31 March 2012 ("3Q 2012") and the nine months ended 31 March 2012 ("9M 2012") were negatively affected by the low opening order book backlog balance at the beginning of the year. Combined with the typical extended sales cycle and the long lead-time required to build the Group's semi-custom yachts, revenue for 3Q 2012 was down and the 9M 2012 revenue was flat compared to last year.

The Group recognized certain non-cash costs which impacted cost of sales leading to a lower gross profit for 3Q 2012 of \$0.64 million. The non-cash costs totaling \$0.72 million comprised write-offs of \$0.22 million of certain inventory materials and the accelerated depreciation of tooling and other assets of \$0.50 million. Notwithstanding the above, the Group was able to lower total operating expenses by approximately \$0.5 million to \$2.2 million for 3Q 2012 compared to 3Q 2011 total operating expenses of \$2.8 million, principally due to lower payroll and benefit expenses. As a result of the foregoing, the Group recorded net loss for 3Q 2012 of \$1.6 million as compared to net loss of \$1.7 million for the same period one year ago.

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 revenue and cash flow benefited from the successful sale of yacht inventories during the period which also allowed the Group to be cash flow positive. As a result, cash and cash equivalents for 3Q 2012 increased by \$2.1 million to \$21.1 million as compared to the balance as at the beginning of the period. This represents the first time in nearly four years that the Group has generated positive cash flow in two consecutive quarters, which in turn allowed the Group to record positive operating cash flow for 9M 2012 of \$3.8 million.

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

The Group has stated that an operating loss is expected for the current financial year ending 30 June 2012. This statement remains unchanged.

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 increased its order book backlog to \$15.9 million as at 31 March 2012, which is more than double the backlog at the beginning of the financial year (1 July 2011).

The Group is self-financed with no bank borrowings and enjoys a strong cash position of \$21.1 million as at 31 March 2012 which represents an increase of \$3.0 million compared to 30 June 2011. As a result, the Group does not anticipate any liquidity issues in the next 12 months.

The Group has embarked on investing in significant upgrades to its product line-up. The proposed launch of three new models in the next twelve months gives us reason to be optimistic about sales for the next financial year.

11. Dividend

a) Current Financial Period Reported on 31 March 2012

Any dividend declared for the current financial year reported on?

No.

b) Corresponding Period of the immediately Preceding Financial Year

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

No.

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

No dividend has been declared.

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

No IPT mandate has been obtained.

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

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the third quarter ended 31 March 2012 to be false or misleading in any material respect.

By Order of the Board

GRAND BANKS YACHTS LIMITED

Peter Kevin Poli
Executive Director
15 May 2012