

GRAND BANKS YACHTS LIMITED

(Registration No: 197601189E)

GB

GRAND BANKS.

First Quarter Unaudited Financial Statements for the Period Ended 30 September 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		
	3-Month Period Ended 30-Sep-12 \$'000	3-Month Period Ended 30-Sep-11 \$'000	Inc / (Dec) %
Revenue	6,504	4,504	44.4
Cost of sales	(5,360)	(4,795)	11.8
Gross Profit/(Loss)	<u>1,144</u>	<u>(291)</u>	(493.1)
Selling and marketing expenses	(1,006)	(1,079)	(6.8)
Administrative expenses	(931)	(962)	(3.2)
Other operating expense	(468)	(282)	66.0
Total operating expenses	(2,405)	(2,323)	3.5
Loss from operations	<u>(1,261)</u>	<u>(2,614)</u>	(51.8)
Other non-operating (expense)/income, net	(181)	670	(127.0)
Loss before taxation	<u>(1,442)</u>	<u>(1,944)</u>	(25.8)
Income tax expense	(4)	(8)	(50.0)
Net loss for the period	<u><u>(1,446)</u></u>	<u><u>(1,952)</u></u>	(25.9)

Additional information to the income statement:

	Group		
	3-Month Period Ended 30-Sep-12 \$'000	3-Month Period Ended 30-Sep-11 \$'000	Change %
Allowance made for slow-moving materials	(12)	(12)	-
Depreciation of property, plant and equipment	(367)	(741)	(50.5)
Amortisation of intangibles	-	(14)	(100.0)
Foreign exchange gain/(loss)	(260)	570	(145.6)
Fair valuation gain/(loss) on quoted debt securities held-for-trading	(17)	8	(312.5)
Interest income included in other non-operating (expense)/income, net	77	78	(1.3)
Taxation:			
- current tax	(4)	(8)	(50.0)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

	Group	
	3-Month Period Ended	3-Month Period Ended
	30-Sep-12 \$'000	30-Sep-11 \$'000
		Change %
Net loss for the period	(1,446)	(1,952) (25.9)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Net currency translation differences of financial statements of foreign subsidiaries	6	96 (93.8)
Total Comprehensive Income for the period	<u>(1,440)</u>	<u>(1,856) (22.4)</u>

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	
	30-Sep-12	30-Jun-12	30-Sep-12	30-Jun-12
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	8,558	8,352	–	–
Subsidiaries	–	–	19,000	19,000
	<u>8,558</u>	<u>8,352</u>	<u>19,000</u>	<u>19,000</u>
Current assets				
Inventories	14,021	13,461	–	–
Trade and other receivables	89	218	13	38
Prepayments	1,285	865	116	1
Current tax recoverable	48	47	–	–
Investment held-for-trading	1,060	1,077	811	818
Cash and cash equivalents	25,504	22,561	11,283	6,307
	<u>42,007</u>	<u>38,229</u>	<u>12,223</u>	<u>7,164</u>
Total assets	<u>50,565</u>	<u>46,581</u>	<u>31,223</u>	<u>26,164</u>
Current liabilities				
Trade and other payables	7,124	6,995	747	377
Provision for warranty claims	1,507	1,448	–	–
Current tax payables	60	63	–	–
Total liabilities	<u>8,691</u>	<u>8,506</u>	<u>747</u>	<u>377</u>
Capital and reserves				
Share capital	29,062	23,823	29,062	23,823
Share-based compensation reserve	87	87	87	87
Accumulated profits	34,403	35,849	1,327	1,877
Foreign currency translation reserve	(21,678)	(21,684)	–	–
Total equity	<u>41,874</u>	<u>38,075</u>	<u>30,476</u>	<u>25,787</u>
Total equity and liabilities	<u>50,565</u>	<u>46,581</u>	<u>31,223</u>	<u>26,164</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	
	3-Month Period Ended 30-Sep-12 \$'000	3-Month Period Ended 30-Sep-11 \$'000
Operating activities		
Loss before taxation	(1,442)	(1,944)
<i>Adjustments for:-</i>		
Depreciation of property, plant and equipment	367	741
Amortisation of intangible assets	-	14
Interest income	(77)	(78)
Provision for warranty claims	129	135
Fair valuation (gain)/loss on quoted debt securities held-for-trading	17	(8)
Amortisation of equity-settled share based payment	-	8
	<u>(1,006)</u>	<u>(1,132)</u>
<i>Changes in working capital:</i>		
(Increase)/Decrease in inventories	(548)	1,635
Decrease/(Increase) in trade and other receivables	134	(496)
Increase in prepayments	(422)	(518)
Increase in trade and other payables	172	412
Net cash used in operations	<u>(1,670)</u>	<u>(99)</u>
Net income tax paid	(6)	(16)
Warranty claims paid	(72)	(80)
Cash flows from operating activities	<u>(1,748)</u>	<u>(195)</u>
Investing activities		
Interest received	50	78
Purchase of property, plant and equipment	(566)	(349)
Cash flows from investing activities	<u>(516)</u>	<u>(271)</u>
Financing activities		
Proceeds from issue of shares	5,239	-
Cash flows from financing activities	<u>5,239</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	2,975	(466)
Cash and cash equivalents at beginning of period	22,561	18,161
Effect of exchange rate changes on balances held in foreign currency	(32)	14
Cash and cash equivalents at end of period	<u>25,504</u>	<u>17,709</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-11	23,761	126	(21,224)	47,068	49,731
Issue of shares	-	-	-	-	-
Equity-settled performance shares	-	8	-	-	8
Total Comprehensive Income for the period	-	-	96	(1,952)	(1,856)
At 30-Sep-11	23,761	134	(21,128)	45,116	47,883
At 01-Jul-12	23,823	87	(21,684)	35,849	38,075
Issues of new shares	5,239	-	-	-	5,239
Total Comprehensive Income for the period	-	-	6	(1,446)	(1,440)
At 30-Sep-12	29,062	87	(21,678)	34,403	41,874

Company	Share capital \$'000	Share-based compensation reserve \$'000	Accumulated profits \$'000	Total \$'000
At 01-Jul-11	23,761	126	2,566	26,453
Issue of shares	-	-	-	-
Equity-settled performance shares	-	8	-	8
Total Comprehensive Income for the period	-	-	(312)	(312)
At 30-Sep-11	23,761	134	2,254	26,149
At 01-Jul-12	23,823	87	1,877	25,787
Issue of shares	5,239	-	-	5,239
Total Comprehensive Income for the period	-	-	(550)	(550)
At 30-Sep-12	29,062	87	1,327	30,476

- 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 19,223,250 shares during the 3-month period ended 30 September 2012 (30 September 2011: Nil). There were no outstanding convertibles as at the end of the current financial period reported on and at the end of the corresponding period of immediately preceding financial year.

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

The Company did not hold any treasury shares as at 30 September 2012 and 30 June 2012. The Company's share capital consists of 115,339,500 ordinary shares as at 30 September 2012 (30 June 2012: 96,116,250 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 2012. In addition, the Group has adopted new/revised/amended FRS and INT FRS that have become effective for the financial year beginning 1 July 2012.

- 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 2012, the Group has applied the Amendments to FRS1, Presentation of Items of Other Comprehensive Income to present separately items of other comprehensive income that would be reclassified subsequently to profit or loss when specific conditions are met from those that would never be reclassified subsequently to profit or loss. The adoption of the amended standard affects only the disclosures in the financial statements. There is no financial effect on the results, earnings per share and the financial position of the Group for the current and previous financial periods.

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 30-Sep-12	3-Month Period Ended 30-Sep-11
Loss per ordinary share for the financial period based on net loss attributable to shareholders: -	(1.49)	(2.03)
- on weighted average number of ordinary shares in issue (cents)	(1.49)	(2.03)

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

	Group	Company
(a) Current period reported on; and	30-Sep-12	30-Jun-12
(b) Immediately preceding financial year.	30-Jun-12	30-Jun-12
Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)	36.30	26.42
	39.61	26.83

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. However, the yachting industry, particularly in the USA, is showing signs of recovery.

The Group's performance for the quarter ended 30 September 2012 ("1Q 2013") was significantly better than the quarter ended 30 September 2011 ("1Q 2012"), reflecting the combination of efforts to improve efficiency, new designs and the signs of a recovery in the U.S market. Revenue rose 44.4% to S\$6.5 million in 1Q 2013 from S\$4.5 million in 1Q 2012. Gross profit of S\$1.1 million for 1Q 2013 reversed a loss of S\$0.3 million a year earlier, as utilization of the Malaysian facility increased with improved sales. Accordingly, gross margin for 1Q 2013 rose to 17.6%, reversing from a negative gross margin of 6.5% for 1Q 2012.

Operating expenses were S\$2.4 million in 1Q 2013, up marginally from S\$2.3 million in 1Q 2012 due to an increase in professional fees. The swing from other non-operating income of S\$0.7 million in 1Q 2012 to other non-operating expense of S\$0.2 million was due to unfavorable exchange rate differences caused by the weakening of US dollar against Singapore dollar in 1Q 2013. The Group's net loss for 1Q 2013 narrowed to S\$1.4 million from S\$2.0 million for 1Q 2012.

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 and working capital for the quarter were affected by the increase in inventory and prepayments mainly associated with new yacht orders. The net increase in inventory of S\$0.6 million was primarily due to the increase in business activity. The net increase in prepayments of S\$0.4 million was mainly due to deposits paid to engine and equipment suppliers as well as prepayment of certain insurance premiums. The Group has stepped up efforts to upgrade its product line-up, including introducing new boat designs, resulting in capital expenditures of S\$0.6 million in 1Q 2013 compared to S\$0.3 million in 1Q 2012. During 1Q 2013, the Company issued 19.2 million new shares to two new strategic investors thereby increasing its paid up capital by S\$5.2 million. The proceeds from the placement contributed to the net increase in cash of S\$2.9 million in 1Q 2013 to S\$25.5 million as at 30 September 2012, from S\$22.6 million as at 30 June 2012.

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 it expected its performance in FY2013 to be significantly better than in FY2012. 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's net order book backlog stood at S\$10.9 million as at 30 September 2012 which is up S\$2.2 million or 25.3% from the level of S\$8.7 million as at 30 September 2011. However, the current backlog represents a decline from S\$13.2 million as at 30 June 2012. This is a result of the seasonally slower months of July and August combined with dealers and customers deferring placement of their orders pending the outcome of the EGM. Subsequent to the EGM, the Group has received additional orders for five yachts in October. As production levels in the manufacturing facility increases, the Group may face challenges such as recruiting and training new workers which could affect expansion efforts.

The healthier sales outlook is due to several new designs introduced at a time when the U.S. boat market – the largest for the Group – is showing signs of recovery.

In line with a strategic roadmap and the corporate and business update announced on 18 July 2012, the Group is striving to increase top-line sales through new designs, a stronger customer experience as well as to improve internal efficiencies. In anticipation of a recovery, the Group is building up levels of yacht inventory and continuing to look for alternative revenue streams so as to increase factory utilization. The Group is self-financed with no bank borrowings and enjoys a strong cash position of S\$25.5 million as at 30 September 2012. During 1Q 2013, the Group announced sales or cross marketing agreements for representation of Grand Banks yachts in Malaysia and China.

With these efforts, the Group is aggressively targeting a return to profitability in either the current financial year or the financial year ending 30 June 2014, with a view to ensure the timely removal of the Company from the Watch-List administered by the Singapore Exchange.

11. Dividend

a) Current Financial Period Reported on 30 September 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).

The Board of Directors of the Company hereby confirms to the best of our knowledge that nothing has come to our attention which may render the financial statements for the first quarter ended 30 September 2012 to be false or misleading in any material respect.

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

The placement of new shares was completed on 25 September 2012. The proceeds from the placement of new shares have not been used yet.

By Order of the Board
GRAND BANKS YACHTS LIMITED

Peter Kevin Poli
Executive Director

9 November 2012