

# GRAND BANKS YACHTS LIMITED

(Registration No: 197601189E)

**GB**  
GRAND BANKS.

## Second Quarter Unaudited Financial Statements for the Period Ended 31 December 2013

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-Dec-13 \$'000	3-Month Period Ended 31-Dec-12 \$'000	Inc / (Dec) %	6-Month Period Ended 31-Dec-13 \$'000	6-Month Period Ended 31-Dec-12 \$'000	Inc / (Dec) %
Revenue	9,488	6,681	42.0	19,005	13,185	44.1
Cost of sales	(7,476)	(5,100)	46.6	(15,219)	(10,460)	45.5
<b>Gross Profit</b>	<b>2,012</b>	<b>1,581</b>	<b>27.3</b>	<b>3,786</b>	<b>2,725</b>	<b>38.9</b>
Selling and marketing expenses	(1,097)	(1,197)	(8.4)	(2,547)	(2,203)	15.6
Administrative expenses	(626)	(807)	(22.4)	(1,347)	(1,738)	(22.5)
Other operating income/(expense)	63	(342)	(118.4)	55	(810)	(106.8)
Total operating expenses	(1,660)	(2,346)	(29.2)	(3,839)	(4,751)	(19.2)
<b>Profit/(Loss) from operations</b>	<b>352</b>	<b>(765)</b>	<b>(146.0)</b>	<b>(53)</b>	<b>(2,026)</b>	<b>(97.4)</b>
Other non-operating income/(expense), net	(63)	(2)	N.m	(220)	(183)	20.2
<b>Profit/(Loss) before taxation</b>	<b>289</b>	<b>(767)</b>	<b>(137.7)</b>	<b>(273)</b>	<b>(2,209)</b>	<b>(87.6)</b>
Income tax expense	(20)	(10)	100.0	(37)	(14)	164.3
<b>Net profit/(loss) for the period</b>	<b>269</b>	<b>(777)</b>	<b>(134.6)</b>	<b>(310)</b>	<b>(2,223)</b>	<b>(86.1)</b>

*N.m - Percentage / Computation not meaningful*

Additional information to the income statement:

	Group			Group		
	3-Month Period Ended 31-Dec-13	3-Month Period Ended 31-Dec-12	Change %	6-Month Period Ended 31-Dec-13	6-Month Period Ended 31-Dec-12	Change %
	\$'000	\$'000		\$'000	\$'000	
Allowance made for slow-moving materials	(11)	(12)	(8.3)	(23)	(24)	(4.2)
Recovery of doubtful trade receivables	81	-	N.m	177	-	N.m
Depreciation of property, plant and equipment	(440)	(372)	18.3	(870)	(739)	17.7
Foreign exchange loss	(148)	(78)	89.7	(314)	(338)	(7.1)
Fair valuation loss on quoted debt securities held-for-trading	(5)	(10)	(50.0)	(11)	(27)	(59.3)
Interest income included in other non-operating income/(expense), net	55	66	(16.7)	76	143	(46.9)
Property, plant and equipment written off	(2)	(2)	-	(3)	(2)	50.0
Taxation:						
- current tax	(20)	(10)	100.0	(37)	(14)	164.3

*N.m - Percentage / Computation not meaningful*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

	Group		Group		Group	
	3-Month Period Ended 31-Dec-13 \$'000	3-Month Period Ended 31-Dec-12 \$'000	Change %	6-Month Period Ended 31-Dec-13 \$'000	6-Month Period Ended 31-Dec-12 \$'000	Change %
<b>Net profit/(loss) for the period</b>	269	(777)	(134.6)	(310)	(2,223)	(86.1)
<b>Other comprehensive income:</b>						
<b>Items that may be reclassified subsequently to profit or loss</b>						
Net currency translation differences of financial statements of foreign subsidiaries	(194)	32	(706.3)	(701)	38	N.m
<b>Total Comprehensive Income for the period</b>	<u>75</u>	<u>(745)</u>	<u>(110.1)</u>	<u>(1,011)</u>	<u>(2,185)</u>	<u>(53.7)</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**

	<b>Group</b>		<b>Company</b>	
	<b>31-Dec-13</b>	<b>30-Jun-13</b>	<b>31-Dec-13</b>	<b>30-Jun-13</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	7,799	8,277	–	–
Subsidiaries	–	–	19,000	19,000
	<u>7,799</u>	<u>8,277</u>	<u>19,000</u>	<u>19,000</u>
<b>Current assets</b>				
Inventories	20,337	23,385	–	–
Trade and other receivables	646	1,331	3,936	167
Prepayments	2,427	1,580	20	15
Current tax recoverable	24	63	–	–
Derivative assets	–	1	–	–
Investment held-for-trading	782	792	782	792
Cash and cash equivalents	25,255	13,560	18,096	10,055
	<u>49,471</u>	<u>40,712</u>	<u>22,834</u>	<u>11,029</u>
<b>Total assets</b>	<u>57,270</u>	<u>48,989</u>	<u>41,834</u>	<u>30,029</u>
<b>Current liabilities</b>				
Trade and other payables	5,801	8,891	315	266
Provision for warranty claims	1,904	1,681	–	–
Current tax payables	131	161	–	–
	<u>7,836</u>	<u>10,733</u>	<u>315</u>	<u>266</u>
<b>Total liabilities</b>	<u>7,836</u>	<u>10,733</u>	<u>315</u>	<u>266</u>
<b>Capital and reserves</b>				
Share capital	41,251	29,062	41,251	29,062
Share-based compensation reserve	142	142	142	142
Accumulated profits	30,324	30,634	126	559
Foreign currency translation reserve	(22,283)	(21,582)	–	–
	<u>49,434</u>	<u>38,256</u>	<u>41,519</u>	<u>29,763</u>
<b>Total equity</b>	<u>49,434</u>	<u>38,256</u>	<u>41,519</u>	<u>29,763</u>
<b>Total equity and liabilities</b>	<u>57,270</u>	<u>48,989</u>	<u>41,834</u>	<u>30,029</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-Dec-13 \$'000	3-Month Period Ended 31-Dec-12 \$'000	6-Month Period Ended 31-Dec-13 \$'000	6-Month Period Ended 31-Dec-12 \$'000
<b>Operating activities</b>				
Profit/(Loss) before taxation	289	(767)	(273)	(2,209)
<i>Adjustments for:-</i>				
Depreciation of property, plant and equipment	440	372	870	739
Property, plant and equipment written off	2	2	3	2
Interest income	(55)	(66)	(76)	(143)
Provision for warranty claims	122	127	471	256
Fair valuation loss on quoted debt securities held-for-trading	5	10	11	27
	<u>803</u>	<u>(322)</u>	<u>1,006</u>	<u>(1,328)</u>
<i>Changes in working capital:</i>				
(Increase)/Decrease in inventories	(1,223)	(706)	2,323	(1,254)
Decrease/(Increase) in trade and other receivables	2,659	(104)	583	30
Increase in prepayments	(637)	(24)	(907)	(446)
Decrease in trade and other payables	(1,703)	(1,222)	(2,569)	(1,050)
Net cash (used in)/generated from operations	(101)	(2,378)	436	(4,048)
Net income tax paid	(23)	(11)	(29)	(17)
Warranty claims paid	(128)	(99)	(190)	(171)
Restricted cash	125	-	254	-
<b>Cash flows from operating activities</b>	<u>(127)</u>	<u>(2,488)</u>	<u>471</u>	<u>(4,236)</u>
<b>Investing activities</b>				
Interest received	55	60	73	110
Proceeds from matured debt securities held-for-trading	-	244	-	244
Purchase of property, plant and equipment	(267)	(376)	(685)	(942)
<b>Cash flows from investing activities</b>	<u>(212)</u>	<u>(72)</u>	<u>(612)</u>	<u>(588)</u>
<b>Financing activities</b>				
Proceeds from issue of shares	12,189	-	12,189	5,239
Deposits pledged	-	-	77	-
<b>Cash flows from financing activities</b>	<u>12,189</u>	<u>-</u>	<u>12,266</u>	<u>5,239</u>
<b>Net increase in cash and cash equivalents</b>	11,850	(2,560)	12,125	415
Cash and cash equivalents at beginning of period	12,488	25,504	12,245	22,561
Effect of exchange rate changes on balances held in foreign currency	(67)	(6)	(99)	(38)
<b>Cash and cash equivalents at end of period</b>	<u>24,271</u>	<u>22,938</u>	<u>24,271</u>	<u>22,938</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

<b>Group</b>	<b>Share capital \$'000</b>	<b>Share-based compensation reserve \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Accumulated profits \$'000</b>	<b>Total \$'000</b>
At 1-Jul-2012	23,823	87	(21,684)	35,849	38,075
Issue of shares	5,239	–	–	–	5,239
Total Comprehensive Income for the period	–	–	38	(2,223)	(2,185)
At 31-Dec-2012	29,062	87	(21,646)	33,626	41,129
At 1-Jul-2013	29,062	142	(21,582)	30,634	38,256
Issues of shares	12,189	–	–	–	12,189
Total Comprehensive Income for the period	–	–	(701)	(310)	(1,011)
At 31-Dec-2013	41,251	142	(22,283)	30,324	49,434

<b>Company</b>	<b>Share capital \$'000</b>	<b>Share-based compensation reserve \$'000</b>	<b>Accumulated profits \$'000</b>	<b>Total \$'000</b>
At 1-Jul-2012	23,823	87	1,877	25,787
Issue of shares	5,239	–	–	5,239
Total Comprehensive Income for the period	–	–	(850)	(850)
At 31-Dec-2012	29,062	87	1,027	30,176
At 1-Jul-2013	29,062	142	559	29,763
Issue of shares	12,189	–	–	12,189
Total Comprehensive Income for the period	–	–	(433)	(433)
At 31-Dec-2013	41,251	142	126	41,519

- 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 57,669,749 shares during the 3-month period ended 31 December 2013 (31 December 2012: NIL). There were no outstanding convertibles as at the end of the current financial period reported on and at the end of the corresponding period of immediately preceding financial year.

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

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

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

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

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

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

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

Not applicable.

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

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

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

Not applicable.

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

	3-Month Period Ended 31-Dec-13	Re-Styled 3-Month Period Ended 31-Dec-12 [Note 1]	6-Month Period Ended 31-Dec-13	Re-Styled 6-Month Period Ended 31-Dec-12 [Note 1]
Earnings/(Loss) per ordinary share for the financial period based on net profit/(loss) attributable to shareholders: -				
- on weighted average number of ordinary shares in issue (cents)	0.17	(0.66)	(0.22)	(2.06)
- on a fully diluted basis (cents)	0.17	(0.66)	(0.22)	(2.06)

*Note 1* - Earnings per share for the 3-months period ended 31 December 2012 and for the 6-months period ended 31 December 2012 had been restated to account for the effects of the Rights Issue undertaken by the Company during the year

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

- (a) Current period reported on; and  
(b) Immediately preceding financial year.

	Group	Company
Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)	Dec-13 28.57	Jun-13 33.17
	Dec-13 24.00	Jun-13 25.80



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

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

The Group's performance for the quarter ended 31 December 2013 ("2Q 2014") has improved significantly as compared to the quarter ended 31 December 2012 ("2Q 2013"), reflecting the combination of efforts to improve sales and efficiency as well as the recovery in the U.S. luxury boat market. Revenue rose 42.0% to S\$9.5 million in 2Q 2014 from S\$6.7 million in 2Q 2013. Gross profit increased 27.3% to S\$2.0 million for 2Q 2014 from S\$1.6 million a year earlier mainly due to the revenue growth which coincided with the successful introduction of several new Grand Banks models. The 2Q 2014 gross profit is the highest quarterly gross profit since quarter ended 30 June 2012. However, gross profit margin for 2Q 2014 declined to 21.2%, from 23.7% for 2Q 2013, because of a sale of a trade-in yacht at a lower price.

Operating expenses, at the lowest quarterly level in the past 4-1/2 years, decreased to S\$1.7 million in 2Q 2014 from S\$2.3 million in 2Q 2013 mainly due to the reduced headcount in the drive towards efficiency, as well as the recovery of doubtful debts and forfeiture of deposit. However, these were partially offset by the higher selling and marketing expenses from expanded participation in boat shows and higher boat demonstration expenses incurred in an effort to increase revenue.

As a result of the above, the Group reversed to a net profit of S\$0.27 million in 2Q 2014 from a net loss of S\$0.78 million in 2Q 2013, a swing of approximately S\$1.05 million. This is the first quarterly profit that the Group has reported since 2009. In addition, the Group's net loss for the six-month period ended 31 December 2013 ("1H 2014") was reduced to a net loss of S\$0.31 million from S\$0.58 million in the first quarter of this fiscal year.

**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 operating cash outflow of S\$0.1 million for 2Q 2014 was significantly better than the S\$2.5 million cash outflow for 2Q 2013, mainly due to the reversal to profit in 2Q 2014 from a loss in 2Q 2013, and the decrease in trade and other receivables. Cash flows from investing activities used for the period amounted to S\$0.2 million, mainly from the purchase of property, plant and equipment, partially offset by the interest received. Financing activities generated cash flow of S\$12.2 million in net proceeds from the one-for-two rights issue in October 2013. As a result, cash and cash equivalents increased to S\$24.3 million as at 31 December 2013 from S\$12.5 million as at 30 September 2013. For 1H 2014, the Group has recorded a positive operating cash flow of S\$0.5 million.

The Group's inventory decreased to S\$20.3 million as at 31 December 2013 from S\$23.4 million as at 30 June 2013, mainly due to the decrease in work in progress. Trade and other receivables decreased to S\$0.6 million compared to S\$1.3 million over the same comparative periods, mainly due to collection of trade receivables. Prepayments increased to S\$2.4 million from S\$1.6 million, respectively, mainly due to deposits and advance payments made to suppliers as a result of increased production activities. Trade and other payables decreased to S\$5.8 million from S\$8.9 million, respectively, as the Group has worked off a portion of its net book order from earlier in this fiscal year.

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

In line with the earlier guidance that it "remains resolute in its commitment to report a profit", the Group reported a profit in Q2 2014. The Group will continue its commitment with the objective of a removal from the SGX Watch-List.

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

Although the recovery of the U.S. boat market continues, the orders resulting from the 54<sup>th</sup> Fort Lauderdale International Boat Show which concluded on 4 November 2013 have been slower than anticipated. This has resulted in the Group's net order book declining to S\$9.0 million as at 31 December 2013 compared to S\$14.2 million as at 30 September 2013 and S\$16.8 million a year earlier.

The Group will be participating in other boat shows in the next few months, including the San Diego Sunroad Marine Boat Show which officially opened on 23 January 2014 and the Seattle Boat Show on 24 January 2014. This will be followed by the 13-17 February 2014 Miami International Boat Show – the second biggest boat show in the U.S.A. – during which the Group will showcase at least two models – GB50 Eastbay and GB43 Heritage; as well as the Palm Beach International Boat Show from 20-23 March 2014 and the 10-13 April 2014 Singapore Yacht Show.

The Group continues to step up its sales and marketing activities, particularly in the U.S. while continuing efforts to streamline operating efficiencies. These efforts had enabled the Group to report a profit in 2Q 2014 and are expected to contribute to the financial performance in 3Q 2014. The Group remains resolute in its commitment to report a profit for the whole of the financial year ending 30 June 2014.

The Group remains on the lookout for investment opportunities to widen its market reach and broaden revenue streams.

On 23 January 2014, the Company's wholly owned subsidiary, GB Yachts Pte. Ltd., was served a writ of summons from a customer seeking claims for a yacht purchased. The Company has sought legal advice and will update accordingly on the potential financial impact, if any.

**11. Dividend**

**a) Current Financial Period Reported on 31 December 2013**

**Any dividend declared for the current financial year reported on?**

No.

**b) Corresponding Period of the immediately Preceding Financial Year**

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

No.

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

No dividend has been declared.

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

No IPT mandate has been obtained.

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

The Board of Directors of the Company hereby confirms to the best of its knowledge that nothing has come to its attention which may render the financial statements for the second quarter ended 31 December 2013 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 Company received net proceeds of approximately S\$12.2 million through the issue of 57,669,749 Rights Shares on 25 October 2013. There has been no significant disbursement yet.

By Order of the Board  
**GRAND BANKS YACHTS LIMITED**

Peter Kevin Poli  
Executive Director

25 January 2014