

# GRAND BANKS YACHTS LIMITED

(Registration No: 197601189E)



GRAND BANKS.

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## First Quarter Unaudited Financial Statements for the Period Ended 30 September 2014

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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-14 * \$'000	3-Month Period Ended 30-Sep-13 \$'000	Inc / (Dec) %
Revenue	6,517	9,517	(31.5)
Cost of sales	(5,898)	(7,743)	(23.8)
<b>Gross Profit</b>	<u>619</u>	<u>1,774</u>	(65.1)
Selling and marketing expenses	(841)	(1,450)	(42.0)
Administrative expenses	(938)	(721)	30.1
Other operating income/(expense)	(364)	(8)	N.m
Total operating expenses	(2,143)	(2,179)	(1.7)
<b>Loss from operations</b>	<u>(1,524)</u>	<u>(405)</u>	276.3
Other non-operating income/(expense), net	187	(157)	(219.1)
<b>Loss before taxation</b>	<u>(1,337)</u>	<u>(562)</u>	137.9
Income tax credit/(expense)	67	(17)	(494.1)
<b>Net loss for the period</b>	<u><u>(1,270)</u></u>	<u><u>(579)</u></u>	119.3

*N.m - Percentage / Computation not meaningful*

\* Includes contributions from Palm Beach Motor Yacht Co Pty Ltd ("PBMV") from 1 August 2014, arising from the acquisition of PBMV on that date.

**Additional information to the income statement:**

	<b>Group</b>		
	<b>3-Month Period Ended 30-Sep-14 *</b>	<b>3-Month Period Ended 30-Sep-13</b>	<b>Change %</b>
	<b>\$'000</b>	<b>\$'000</b>	
Allowance made for slow-moving materials	(16)	(12)	33.3
Recovery of doubtful trade receivables	-	96	(100.0)
Depreciation of property, plant and equipment	(333)	(430)	(22.6)
Foreign exchange gain/(loss)	158	(166)	(195.2)
Fair valuation loss on quoted debt securities held-for-trading	(4)	(6)	(33.3)
Interest income included in other non-operating income, net	11	21	(47.6)
Property, plant and equipment written off	(2)	(1)	100.0
Taxation:			
- current tax expense	(12)	(17)	(29.4)
<b>Additional information related to acquisition of PBMY (a):</b>			
Depreciation of property, plant and equipment	(110)	-	N.m
Amortisation of intangible assets	(152)	-	N.m
Taxation:			
- deferred tax credit	79	-	N.m

*N.m - Percentage / Computation not meaningful*

\* Includes contributions from PBMY from 1 August 2014, arising from the acquisition of PBMY on that date.

Note (a) : On 1 August 2014, the Group acquired the entire share capital of approximately A\$10 million of which a second payment of S\$4.2 million is accrued in trade and other payables. In accordance with FRS 103 *Business Combinations*, the Group has identified certain plant and equipment and intangible assets including goodwill which are recognised at their estimated fair value. The corresponding deferred tax liabilities on these assets have also been recognised. As at 30 September 2014, these identified assets and liabilities are carried at their provisional amounts during the measurement period which shall not exceed 1 year from the date of acquisition of PBMY.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

	Group		
	3-Month Period Ended	3-Month Period Ended	Change %
	30-Sep-14 * S'000	30-Sep-13 S'000	
<b>Net loss for the period</b>	(1,270)	(579)	119.3
<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	240	(507)	(147.3)
<b>Total Comprehensive Income for the period</b>	<u>(1,030)</u>	<u>(1,086)</u>	(5.2)

\* Includes contributions from PBMY from 1 August 2014, arising from the acquisition of PBMY on that date.

**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>30-Sep-14 *</b> <b>\$'000</b>	<b>30-Jun-14</b> <b>\$'000</b>	<b>30-Sep-14</b> <b>\$'000</b>	<b>30-Jun-14</b> <b>\$'000</b>
<b>Non-current assets</b>				
Property, plant and equipment (a) (b)	11,040	7,166	–	–
Subsidiaries	–	–	29,594	19,000
Goodwill (a) (c)	8,416	–	–	–
Intangible assets (a) (c)	3,247	–	–	–
	<u>22,703</u>	<u>7,166</u>	<u>29,594</u>	<u>19,000</u>
<b>Current assets</b>				
Inventories	24,249	22,656	–	–
Trade and other receivables	995	882	9,600	8,356
Prepayments	1,368	1,129	32	28
Current tax recoverable	12	15	–	–
Investment held-for-trading	318	322	318	322
Cash and cash equivalents	17,233	26,604	7,197	13,779
	<u>44,175</u>	<u>51,608</u>	<u>17,147</u>	<u>22,485</u>
<b>Total assets</b>	<u>66,878</u>	<u>58,774</u>	<u>46,741</u>	<u>41,485</u>
<b>Current liabilities</b>				
Trade and other payables (a) (d)	11,759	6,177	4,400	547
Hire purchase payable	34	–	–	–
Provision for warranty claims	1,443	1,611	–	–
Current tax payables	22	21	–	–
	<u>13,258</u>	<u>7,809</u>	<u>4,400</u>	<u>547</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities (a) (c)	1,934	–	–	–
	<u>15,192</u>	<u>7,809</u>	<u>4,400</u>	<u>547</u>
<b>Capital and reserves</b>				
Share capital	42,999	41,251	42,999	41,251
Share-based compensation reserve	142	142	142	142
Accumulated profits/(loss)	30,426	31,693	(800)	(455)
Foreign currency translation reserve	(21,881)	(22,121)	–	–
<b>Total equity</b>	<u>51,686</u>	<u>50,965</u>	<u>42,341</u>	<u>40,938</u>
<b>Total equity and liabilities</b>	<u>66,878</u>	<u>58,774</u>	<u>46,741</u>	<u>41,485</u>

\* Includes contributions from PBM Y from 1 August 2014, arising from the acquisition of PBM Y on that date.

Note (a) : On 1 August 2014, the Group acquired the entire share capital of PBM Y for a consideration of approximately A\$10 million of which a second payment of S\$4.2 million is accrued in trade and other payables. In accordance with FRS 103 *Business Combinations*, the Group has identified certain plant and equipment and intangible assets including goodwill which are recognised at their estimated fair value. The corresponding deferred tax liabilities on these assets have also been recognised. As at 30 September 2014, these identified assets and liabilities are carried at their provisional amounts during the measurement period which shall not exceed 1 year from the date of acquisition of PBM Y.

Note (b) : Includes certain tooling used to manufacture yachts arising from the acquisition of PBM Y.

Note (c) : Comprised solely from the acquisition of PBM Y. The intangible assets include PBM Y's trademark and order book.

Note (d) : In connection with the PBM Y acquisition, payables include an accrued amount of S\$4.2 million for the potential earn-out payment if a certain profitability milestone is achieved.

**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-14 * S'000	3-Month Period Ended 30-Sep-13 S'000
<b>Operating activities</b>		
Loss before taxation	(1,337)	(562)
<i>Adjustments for:-</i>		
Depreciation of property, plant and equipment	443	430
Amortisation of intangible assets	152	-
Property, plant and equipment written off	2	1
Interest income	(11)	(21)
Provision for warranty claims	180	349
Fair valuation loss on quoted debt securities held-for-trading	4	6
	<u>(567)</u>	<u>203</u>
<i>Changes in working capital:</i>		
(Increase)/Decrease in inventories	(1,279)	3,546
Decrease/(Increase) in trade and other receivables	1,325	(2,076)
Increase in prepayments	(238)	(270)
Decrease in trade and other payables	(2,133)	(866)
	<u>(2,892)</u>	<u>537</u>
Net cash (used in)/from operations	(9)	(6)
Net income tax paid	(351)	(62)
Warranty claims paid	-	129
Proceeds from cash previously restricted	-	129
	<u>(3,252)</u>	<u>598</u>
<b>Cash flows (used in)/from operating activities</b>		
<b>Investing activities</b>		
Interest received	21	18
Acquisition of a subsidiary (a)	(3,434)	-
Purchase of property, plant and equipment	(1,018)	(418)
Restricted cash (b)	(4,800)	-
	<u>(9,231)</u>	<u>(400)</u>
<b>Cash flows used in investing activities</b>		
<b>Financing activities</b>		
Receipt of unclaimed dividends	3	-
Repayment of hire purchase liability	(1)	-
Repayment of loan (c)	(1,756)	-
(Deposits pledged)/Proceeds from deposits previously pledged	(762)	79
	<u>(2,516)</u>	<u>79</u>
<b>Cash flows (used in)/from financing activities</b>		
<b>Net (decrease)/increase in cash and cash equivalents</b>	(14,999)	277
Cash and cash equivalents at beginning of period	25,678	12,245
Effect of exchange rate changes on balances held in foreign currency	53	(34)
	<u>10,732</u>	<u>12,488</u>
<b>Cash and cash equivalents at end of period (d)</b>		

\* Includes contributions from PBMV from 1 August 2014, arising from the acquisition of PBMV on that date.

Note (a) : Represents the first cash payment made for the acquisition of PBMV less PBMV's cash balance as at 1 August 2014.

Note (b) : Placed in escrow for potential earn-out payment if a certain profitability milestone is achieved.

Note (c) : As part of the acquisition, the Group repaid A\$1.5 million for a loan made to PBMV.

	30-Sep-14	30-Sep-13
Note (d) : Cash and cash equivalents per statement of cash flows (S\$'000)	10,732	12,488
Restricted Cash (S\$'000)	4,800	188
Deposits Pledged (S\$'000)	1,701	919
Cash and cash equivalents per the statements of financial position (S\$'000)	<u>17,233</u>	<u>13,595</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 1-Jul-2013	29,062	142	(21,582)	30,634	38,256
Total Comprehensive Income for the period	–	–	(507)	(579)	(1,086)
At 30-Sep-2013	29,062	142	(22,089)	30,055	37,170
At 1-Jul-2014	41,251	142	(22,121)	31,693	50,965
Issues of shares (a)	1,748	–	–	–	1,748
Receipt of unclaimed dividends	–	–	–	3	3
Total Comprehensive Income for the period	–	–	240	(1,270)	(1,030)
At 30-Sep-2014	42,999	142	(21,881)	30,426	51,686

Company	Share capital \$'000	Share-based compensation reserve \$'000	Accumulated profits/(loss) \$'000	Total \$'000
At 1-Jul-2013	29,062	142	559	29,763
Total Comprehensive Income for the period	–	–	(215)	(215)
At 30-Sep-2013	29,062	142	344	29,548
At 1-Jul-2014	41,251	142	(455)	40,938
Issues of shares (a)	1,748	–	–	1,748
Receipt of unclaimed dividends	–	–	3	3
Total Comprehensive Income for the period	–	–	(348)	(348)
At 30-Sep-2014	42,999	142	(800)	42,341

Note (a) : Represents the estimated fair value of the shares paid in connection with the acquisition of PBMV and is a provisional amount in accordance with FRS 103 *Business Combinations* .

- 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 11,025,400 shares as part of the consideration paid in connection with the acquisition of PBMY during the 3-month period ended 30 September 2014 (30 September 2013: Nil) and such shares are under a moratorium which shall cease on 1 August 2016. 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 2014 and 30 June 2014. The Company's share capital consists of 184,034,649 ordinary shares as at 30 September 2014 (30 June 2014: 173,009,249 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.**

Not applicable. 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 2014.

- 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 30-Sep-14 *	3-Month Period Ended 30-Sep-13
Loss per ordinary share for the financial period based on net loss attributable to shareholders: -	(0.70)	(0.50)
- on weighted average number of ordinary shares in issue (cents)	(0.70)	(0.50)
- on a fully diluted basis (cents)	(0.70)	(0.50)

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		
	Sep-14 *	Jun-14		
	Jun-14	Sep-14		
	Jun-14	Jun-14		
Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)	28.09	29.46	23.01	23.66

\* Includes contributions from PBMY from 1 August 2014, arising from the acquisition of PBMY on that date.



**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 results for the quarter ended 30 September 2014 ("1Q FY2015") include two months of financial contribution from Palm Beach Motor Yacht Co Pty Ltd ("PBM") as the completion of the PBM acquisition was on 1 August 2014.

The Group's revenue for 1Q FY2015 decreased by 31.5% to S\$6.5 million from S\$9.5 million in 1Q FY2014 due to delays in the sale of inventory yachts. Gross profit declined to S\$0.6 million from S\$1.8 million over the comparative periods largely due to the reduction in revenue, amortization of tooling and intangible assets of S\$0.24 million relating to the PBM acquisition as well as restructuring expenses of S\$0.14 million. The restructuring expenses were in relation to the streamlining and integration of operations. As a result, gross profit margin declined to 9.5% in 1Q FY2015 from 18.6% in 1Q FY2014.

The Group's total operating expenses in 1Q FY2015 decreased to S\$2.1 million from S\$2.2 million in 1Q FY2014, mainly attributable to a 42% decline in sales and marketing expenses to S\$0.84 million in 1Q FY2015 from S\$1.45 million in 1Q FY2014 – due to reduced headcount, lower travel and entertainment expenses as well as restructuring of the Group's offices in U.S.A. and Australia. This was offset by an increase in administrative expenses for the comparative periods largely due to the inclusion of PBM's administrative expenses and the salaries of newly appointed executives amounting to S\$0.14 million, and an increase in other operating expenses which included S\$0.23 million one-off professional fees relating to the PBM acquisition.

As a result of the above, the Group recorded a net loss of S\$1.3 million in 1Q FY2015, compared to a net loss of S\$0.6 million in 1Q FY2014. PBM's financial results contributed positively to the Group's results in 1Q FY2015.

**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 for 1Q FY2015 was impacted by the loss for the quarter, increase in working capital and the first cash payment of A\$4.0 million made in connection with the PBM acquisition.

The Group's operating cash outflow for 1Q FY2015 was S\$3.3 million compared to cash inflow of S\$0.6 million for 1Q FY2014, mainly due to the higher loss in 1Q FY2015 and an increase in working capital – attributable principally to an increase in the Group's inventories and changes in trade and other payables.

The Groups' inventories increased to S\$24.2 million as at 30 September 2014 from S\$22.7 million as at 30 June 2014 mainly due to the progression in production of inventory yachts. Trade and other payables increased to S\$11.8 million from S\$6.2 million primarily due to the Group's accrual of S\$4.2 million potential earn-out payment for the PBM acquisition if a certain profitability milestone is achieved.

Cash flows used in investing activities were S\$9.2 million for 1Q FY2015 compared to S\$0.4 million in 1Q FY2014, mainly due to the first cash payment for the PBM acquisition as well as the purchase of property, plant and equipment in relation to the construction of new tooling to build Palm Beach boats, both in Malaysia and Australia. The Group also repaid a loan totaling S\$1.8 million in connection with the PBM acquisition. As a result, cash and cash equivalents as per the statement of financial position decreased to S\$17.2 million as at 30 September 2014 from S\$26.6 million as at 30 June 2014.

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

The Company was removed from the SGX Watch-List effective from 9 October 2014.

**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 commenced integration of operations in its two manufacturing locations in 1Q FY2015 following the acquisition of PBM on 1 August 2014. The Group's facilities are located at Pasir Gudang, Malaysia, which has been used to build Grand Banks boats since 1995, and Berkeley Vale, Sydney, Australia, where Palm Beach boats have been and will continue to be built. As the former is considerably larger than its sister facility – which is at full capacity – the Group has begun building two Palm Beach models at Pasir Gudang which are expected to be substantially completed in FY2015. New tooling and moulds enabling the construction of Palm Beach boats have been shipped to Pasir Gudang. This will increase the utilisation rate of the Pasir Gudang facility and scale up PBM's production to meet additional potential demand.

The Group has taken steps to improve production and operational efficiencies with best practice manufacturing techniques. Organizational structure of senior management at Pasir Gudang has been streamlined through reassignment of staff tasks, centralizing management locations within the facility to achieve further man-hours savings and hiring two new manufacturing managers to facilitate implementation of new processes in boat building.

The Group's aggregate net order book (inclusive of PBMY) stood at approximately S\$17.5 million as at 30 September 2014 which will be largely recognised through the remainder of FY2015. The decrease from S\$19.8 million as at 31 July 2014 is typical of the seasonally slow month of August in the United States ("U.S.") and Europe. In October 2014, the Group participated in the Annapolis and Fort Lauderdale U.S. boat shows which attracted considerable buyer interest in both Grand Banks and Palm Beach models, including the Group's inventory yachts on display in key strategic markets.

The Group intends to expand its product line further and invest in new Grand Banks and Palm Beach models to stimulate market interest and maximise sales potential. The first of these new models will be launched later this financial year.

**11. Dividend**

**a) Current Financial Period Reported on 30 September 2014**  
**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 first quarter ended 30 September 2014 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.**

Not applicable.

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

Peter Kevin Poli  
Executive Director

14 November 2014