

GRAND BANKS YACHTS LIMITED

(Registration No: 197601189E)



GRAND BANKS.

Third Quarter Unaudited Financial Statements for the Period Ended 31 March 2015

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-15 \$'000	3-Month Period Ended 31-Mar-14 \$'000	Inc / (Dec) %	9-Month Period Ended 31-Mar-15 \$'000	9-Month Period Ended 31-Mar-14 \$'000	Inc / (Dec) %
Revenue	6,320	8,127	(22.2)	25,515	27,132	(6.0)
Cost of sales (iii)	(5,823)	(6,417)	(9.3)	(22,178)	(21,636)	2.5
Gross Profit	<u>497</u>	<u>1,710</u>	(70.9)	<u>3,337</u>	<u>5,496</u>	(39.3)
Selling and marketing expenses	(870)	(786)	10.7	(2,601)	(3,333)	(22.0)
Administrative expenses	(908)	(624)	45.5	(2,759)	(1,971)	40.0
Other operating income/(expense)	(207)	231	(189.6)	(730)	286	(355.2)
Total operating expenses	(1,985)	(1,179)	68.4	(6,090)	(5,018)	21.4
(Loss)/Profit from operations	<u>(1,488)</u>	<u>531</u>	(380.2)	<u>(2,753)</u>	<u>478</u>	(675.9)
Other non-operating income/(expense), net	321	(4)	N.m	642	(224)	(386.6)
(Loss)/Profit before taxation	<u>(1,167)</u>	<u>527</u>	(321.4)	<u>(2,111)</u>	<u>254</u>	(931.1)
Income tax credit/(expense) (iv)	23	15	53.3	(245)	(22)	1,013.6
Net (loss)/profit for the period (v)	<u>(1,144)</u>	<u>542</u>	(311.1)	<u>(2,356)</u>	<u>232</u>	(1,115.5)
EBITDA (vi)	<u>(423)</u>	<u>991</u>	(142.7)	<u>(23)</u>	<u>1,512</u>	(101.5)

N.m - Percentage / Computation not meaningful

- (i) Includes contributions from Palm Beach Motor Yacht Co Pty Ltd ("PBMV") from 1 August 2014, arising from the acquisition of PBMV on that date.
- (ii) Includes contributions from PBMV for the three-month period ended 31 March 2015.
- (iii) Cost of sales for the quarter ended 31 March 2015 ("3Q FY2015") and the nine-month period ended 31 March 2015 ("9M FY2015") include non-cash amortization expenses resulting from the acquisition of PBMV which total S\$374k and S\$981k, respectively. These expenses resulted from the depreciation of certain assets as well as amortization of certain intangible assets which had no book value preceding 1 August 2014.
- (iv) Income tax credit for 3Q FY2015 and 9M FY2015 includes reversal of deferred tax liabilities of S\$121k and S\$325k, respectively, which were not present preceding the acquisition of PBMV on 1 August 2014. Income tax expense for 3Q FY2015 and 9M FY2015 includes utilization of deferred tax assets of S\$87k and S\$527k, respectively, which were in PBMV's books on the date of acquisition.
- (v) Excluding the non-cash amortization expenses recognised in connection with the acquisition of PBMV, the Net Loss for 3Q FY2015 would have been reduced from S\$1,144k to S\$860k and the Net Loss for the 9M FY2015 would have been reduced from S\$2,356k to S\$1,599k.
- (vi) Earnings Before Interest, Taxes, Depreciation and Amortization ("EBITDA") is shown given the non-cash expenses associated with the acquisition of PBMV. See Note (a) on page 2.

Additional information to the income statement:

	Group		Group		Change %
	3-Month Period Ended	3-Month Period Ended	9-Month Period Ended	9-Month Period Ended	
	31-Mar-15 (ii) \$'000	31-Mar-14 \$'000	31-Mar-15 (i) \$'000	31-Mar-14 \$'000	
Allowance made for slow-moving materials	(11)	(12)	(39)	(35)	11.4
Recovery of doubtful trade receivables	-	203	-	380	(100.0)
Depreciation of property, plant and equipment *	(518)	(504)	(1,483)	(1,374)	7.9
Amortisation of intangibles assets *	(240)	-	(641)	-	N.m
Foreign exchange gain/(loss)	274	(89)	504	(403)	(225.1)
Loss on disposal of property, plant and equipment	(3)	-	(3)	-	N.m
Fair valuation loss on quoted debt securities held-for-trading	(5)	4	(11)	(7)	57.1
Interest income included in other non-operating income, net	14	40	36	116	(69.0)
Property, plant and equipment written off	(2)	-	(4)	(3)	33.3
Taxation:					
- current tax expense	(11)	15	(43)	(22)	95.5
- deferred taxation *	34	-	(202)	-	N.m
Additional information related to acquisition of PBMY (a):					
Depreciation of property, plant and equipment * #	(165)	-	(441)	-	N.m
Amortisation of intangible assets * #	(240)	-	(641)	-	N.m
Taxation:					
- deferred taxation * #	34	-	(202)	-	N.m

N.m - Percentage / Computation not meaningful

(i) Includes contributions from PBMY from 1 August 2014, arising from the acquisition of PBMY on that date.

(ii) Includes contributions from PBMY for the three month period ended 31 March 2015.

Note (a) On 1 August 2014, the Group acquired the entire share capital of PBMY 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 recognized at their estimated fair value. The corresponding deferred tax liabilities on these assets have also been recognized. As at 31 March 2015, 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.

* Represent non-cash expenditures.

The underlying assets and liabilities of these particular items were not recognised on the balance sheet prior to the acquisition of PBMY.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

	Group		Group		Change %
	3-Month Period Ended 31-Mar-15 \$'000	3-Month Period Ended 31-Mar-14 \$'000	9-Month Period Ended 31-Mar-15 \$'000	9-Month Period Ended 31-Mar-14 \$'000	
Net (loss)/profit for the period	(1,144)	542	(2,356)	232	(1,115.5)
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Net currency translation differences of financial statements of foreign subsidiaries	(577)	(119)	(1,601)	(820)	95.2
Total Comprehensive Income for the period	<u>(1,721)</u>	<u>423</u>	<u>(3,957)</u>	<u>(588)</u>	<u>573.0</u>

(i) Includes contributions from PBMY from 1 August 2014, arising from the acquisition of PBMY on that date.

(ii) Includes contributions from PBMY for the three month period ended 31 March 2015.

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-15* \$'000	30-Jun-14 \$'000	31-Mar-15 \$'000	30-Jun-14 \$'000
Non-current assets				
Property, plant and equipment (a) (b)	10,791	7,166	–	–
Subsidiaries (a)	–	–	29,594	19,000
Goodwill (a) (c)	6,943	–	–	–
Intangible assets (a) (c)	2,758	–	–	–
Deferred tax assets	188	–	–	–
	20,680	7,166	29,594	19,000
Current assets				
Inventories	20,843	22,656	–	–
Trade and other receivables	76	882	10,733	8,356
Prepayments	2,267	1,129	16	28
Current tax recoverable	9	15	–	–
Investment held-for-trading	311	322	311	322
Cash and cash equivalents	20,617	26,604	5,387	13,779
	44,123	51,608	16,447	22,485
Total assets	64,803	58,774	46,041	41,485
Current liabilities				
Trade and other payables (a) (d)	12,930	6,177	4,227	547
Hire purchase payable	29	–	–	–
Provision for warranty claims	1,359	1,611	–	–
Current tax payables	24	21	–	–
	14,342	7,809	4,227	547
Non-current liabilities				
Deferred tax liabilities (a) (c)	1,688	–	–	–
Total liabilities	16,030	7,809	4,227	547
Capital and reserves				
Share capital	42,999	41,251	42,999	41,251
Share-based compensation reserve	156	142	156	142
Accumulated profits/(losses)	29,340	31,693	(1,341)	(455)
Foreign currency translation reserve	(23,722)	(22,121)	–	–
Total equity	48,773	50,965	41,814	40,938
Total equity and liabilities	64,803	58,774	46,041	41,485

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

Note (a) : On 1 August 2014, the Group acquired the entire share capital of PBMV 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 recognized at their estimated fair value. The corresponding deferred tax liabilities on these assets have also been recognized. As at 31 March 2015, 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 PBMV.

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

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

Note (d) : In connection with the PBMV acquisition, payables include an accrued amount of S\$4.2 million for the potential earn-out payment if PBMV's combined net profits before tax for the years ended 30 June 2014 and 30 June 2015 are equal to or more than AUD2.64 million.

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-15* S'000	3-Month Period Ended 31-Mar-14 S'000	9-Month Period Ended 31-Mar-15* S'000	9-Month Period Ended 31-Mar-14 S'000
Operating activities				
(Loss)/Profit before taxation	(1,167)	527	(2,111)	254
<i>Adjustments for:-</i>				
Depreciation of property, plant and equipment	518	504	1,483	1,374
Amortisation of intangible assets	240	-	641	-
Loss on disposal of property, plant and equipment	3	-	3	-
Property, plant and equipment written off	2	-	4	3
Interest income	(14)	(40)	(36)	(116)
Provision for warranty claims	50	105	406	576
Fair valuation loss on quoted debt securities held-for-trading	5	(4)	11	7
Equity-settled share based expense	14	-	14	-
	<u>(349)</u>	<u>1,092</u>	<u>415</u>	<u>2,098</u>
<i>Changes in working capital:</i>				
Decrease/(Increase) in inventories	269	(4,187)	861	(1,864)
Decrease/(Increase) in trade and other receivables	669	(1,414)	1,990	(831)
(Increase)/Decrease in prepayments	(1,020)	787	(1,219)	(120)
Increase/(Decrease) in trade and other payables	1,823	1,610	(281)	(959)
Net cash from/(used in) operations	<u>1,392</u>	<u>(2,112)</u>	<u>1,766</u>	<u>(1,676)</u>
Net income tax paid	(7)	(65)	(31)	(94)
Warranty claims paid	(174)	(170)	(589)	(360)
Proceeds from cash previously restricted	-	63	-	317
Cash flows from/(used in) operating activities	<u>1,211</u>	<u>(2,284)</u>	<u>1,146</u>	<u>(1,813)</u>
Investing activities				
Interest received	17	39	46	112
Proceeds from disposal of/matured debt securities held-for-trading	-	462	-	462
Acquisition of a subsidiary (a)	-	-	(3,434)	-
Purchase of property, plant and equipment	(414)	(178)	(1,716)	(863)
Restricted cash (b)	-	-	(4,800)	-
Cash flows (used in)/from investing activities	<u>(397)</u>	<u>323</u>	<u>(9,904)</u>	<u>(289)</u>
Financing activities				
Receipt of unclaimed dividends	-	-	3	-
Repayment of hire purchase liability	(3)	-	(4)	-
Proceeds from issue of shares	-	-	-	12,189
Repayment of loan (c)	-	-	(1,756)	-
(Deposits pledged)/Proceeds from deposits previously pledged	-	(18)	(825)	59
Cash flows (used in)/from financing activities	<u>(3)</u>	<u>(18)</u>	<u>(2,582)</u>	<u>12,248</u>
Net increase/(decrease) in cash and cash equivalents	811	(1,979)	(11,340)	10,146
Cash and cash equivalents at beginning of period	13,473	24,271	25,678	12,245
Effect of exchange rate changes on balances held in foreign currency	(285)	18	(339)	(81)
Cash and cash equivalents at end of period (d)	<u>13,999</u>	<u>22,310</u>	<u>13,999</u>	<u>22,310</u>

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

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

Note (b) : Amounts placed in escrow for potential earn-out payment if PBMY's combined net profits before tax for the years ended 30 June 2014 and 30 June 2015 are equal to or more than AUD2.64 million.

Note (c) : As part of the acquisition, the Group repaid AS1.5 million for a loan made to PBMY.

	31-Mar-15	31-Mar-14
Note (d) : Cash and cash equivalents per statement of cash flows (S\$'000)	13,999	22,310
Restricted Cash (S\$'000)	4,800	-
Deposits Pledged (S\$'000)	1,818	933
Cash and cash equivalents per the statements of financial position (S\$'000)	<u>20,617</u>	<u>23,243</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
Issue of shares	12,189	–	–	–	12,189
Total Comprehensive Income for the period	–	–	(820)	232	(588)
At 31-Mar-2014	41,251	142	(22,402)	30,866	49,857
At 1-Jul-2014	41,251	142	(22,121)	31,693	50,965
Issues of shares (a)	1,748	–	–	–	1,748
Equity-settled share based payments	–	14	–	–	14
Receipt of unclaimed dividends	–	–	–	3	3
Total Comprehensive Income for the period	–	–	(1,601)	(2,356)	(3,957)
At 31-Mar-2015	42,999	156	(23,722)	29,340	48,773

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
Issue of shares	12,189	–	–	12,189
Total Comprehensive Income for the period	–	–	(557)	(557)
At 31-Mar-2014	41,251	142	2	41,395
At 1-Jul-2014	41,251	142	(455)	40,938
Issues of shares (a)	1,748	–	–	1,748
Equity-settled share based payments	–	14	–	14
Receipt of unclaimed dividends	–	–	3	3
Total Comprehensive Income for the period	–	–	(889)	(889)
At 31-Mar-2015	42,999	156	(1,341)	41,814

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 did not issue any shares during the 3-month period ended 31 March 2015 (31 March 2014: Nil). On 2 March 2015, the Company granted 200,000 Awards pursuant to the Grand Banks Performance Share Plan ("PSP") 2014 and 3,450,000 Share Options pursuant to the Grand Banks Employee Share Option Scheme ("Scheme") (31 March 2014: NIL). The shares and options awarded do not vest until March 2017. Both the PSP and the Scheme were approved by shareholders on 8 October 2014.

- 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 2015 and 30 June 2014. The Company's share capital consists of 184,034,649 ordinary shares as at 31 March 2015 (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.**

The adoption of the new/amended FRSs which become effective from 1 July 2014 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	3-Month Period Ended	9-Month Period Ended	9-Month Period Ended
	31-Mar-15 (ii)	31-Mar-14	31-Mar-15 (i)	31-Mar-14
	(0.62)	0.31	(1.29)	0.15
	(0.62)	0.31	(1.29)	0.15

(Loss)/Earnings per ordinary share for the financial period based on net loss 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-15 (i)	Jun-14	Mar-15	Jun-14
Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)	26.50	29.46	22.72	23.66

Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)

(i) Includes contributions from PBMY from 1 August 2014, arising from the acquisition of PBMY on that date.

(ii) Includes contributions from PBMY for the entire three month period ended 31 March 2015.

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 2015 ("3Q FY2015") decreased 22.2% to S\$6.3 million from S\$8.1 million for the quarter ended 31 March 2014 ("3Q FY2014") due mainly to a reduced production schedule at the Malaysian factory so that the Group could focus on new product development as well as lower sales of inventory yachts. Gross profit declined to S\$0.5 million from S\$1.7 million over the comparative periods largely due to the lower revenue as well as the depreciation of tooling and amortization of intangible assets of S\$0.4 million in total, in relation to the Palm Beach Motor Yacht Co Pty Ltd ("PBM Y") acquisition on 1 August 2014. As a result, gross profit margin declined to 7.9% in 3Q FY2015 from 21.0% in 3Q FY2014.

Selling and marketing expenses for 3Q FY2015 were S\$84,000 higher than 3Q FY2014 due to the inclusion of PBM Y's expenses as well as non-cash amortization expenses of S\$31,000, arising from the amortization of PBM Y's trademark acquired with PBM Y. Administrative expenses increased to S\$0.9 million in 3Q FY2015 from S\$0.6 million in 3Q FY2014 as a result of a new management appointment and the inclusion of PBM Y's expenses. Other operating income/(expenses) declined significantly due to the recovery of doubtful debts and forfeiture of customer deposits recorded in 3Q FY2014. The Group's total operating expenses in 3Q FY2015 increased to S\$2.0 million from S\$1.2 million in 3Q FY2014 due to the above.

Income tax credit for 3Q FY2015 includes reversal of deferred tax liabilities of S\$121,000 which were not present preceding the acquisition of PBM Y. Income tax expense for 3Q FY2015 includes utilization of deferred tax assets of S\$87,000 which were in PBM Y's books as at the date of acquisition.

As a result of the above, the Group recorded a net loss of S\$1.1 million in 3Q FY2015, compared to a net profit of S\$0.5 million in 3Q FY2014. Excluding the non-cash expenses recognized in relation to the acquisition of PBM Y, the net loss for 3Q FY2015 would have been reduced from S\$1.1 million to S\$0.9 million and the net loss for 9M FY2015 would have been reduced from S\$2.4 million to S\$1.6 million.

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 inflow from operating activities improved significantly to S\$1.2 million in 3Q FY2015 compared to cash outflow of S\$2.3 million in 3Q FY2014, mainly due to a decrease in working capital - attributable to a decrease in receivables and an increase in payables, offset by an increase in prepayments. Payments received from customers attributed to the decrease in receivables. The higher orders in 3Q FY2015 led to more customer deposits resulting in the increase in payables and prepayments associated with the purchase of raw materials.

Cash flows used in investing activities were S\$0.4 million for 3Q FY2015 due to the development of new Grand Banks and Palm Beach yacht models. In comparison, cash flows generated from investing activities in 3Q FY2014 were S\$0.3 million due mainly to the proceeds of matured debt securities held-for-trading and lower capital expenditure.

The increase in property, plant and equipment as well as the addition of new assets and liabilities such as goodwill, intangible assets, deferred tax assets and deferred tax liabilities as at 31 March 2015 compared to 30 June 2014 were due to the acquisition of PBM Y on 1 August 2014. Trade and other payables increased to S\$12.9 million principally due to an accrual of S\$4.2 million for the potential earn-out payment, should PBM Y achieve combined net profits before tax for FY2014 and FY2015 of at least AUD2.64 million (approximately S\$2.8 million).

As a result of the above, cash and cash equivalents as per the statement of financial position increased to S\$20.6 million as at 31 March 2015 from S\$20.0 million as at 31 December 2014. The cash and cash equivalents of S\$20.6 million as at 31 March 2015 included restricted cash of S\$4.8 million in relation to the potential earn-out payment and deposits pledged of S\$1.8 million.

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

Not Applicable.

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.**

As major economies continue to recover from the 2008-2009 global financial crisis, the luxury boat industry is witnessing a revival of interest and orders, primarily from the United States.

Beyond the United States, Asian wealth is growing faster than anywhere else in the world. According to Wealth-X, a global authority on wealth intelligence, Asia currently accounts for almost a quarter of the world's ultra high net worth individuals – defined as those with US\$30 million and above in net assets. Southeast Asia is quickly emerging as a yachting hub which has led to regional buying interest especially from Singapore. The Group has also seen an increase in buyers' interest from regions such as Japan and Australia.

Following the completion of the acquisition of Palm Beach Motor Yacht Co Pty Ltd on 1 August 2014, the Group has focused on the following key activities:

- Integration of design, production and internal operations combining boat-building operations in Australia and Malaysia. The latter has been an area of greater focus to streamline work processes and to increase utilization of capacity at the Pasir Gudang facility. The Group has also commenced manufacturing of some Palm Beach boat designs out of Malaysia — which was made possible through cross-pollination of manufacturing techniques where some staff from the Malaysian factory were temporarily posted to the Australian factory and assisted in building of the Palm Beach moulds which were eventually shipped to Malaysia.
- To assist in the integration of design, production and internal operations at the manufacturing facility in Malaysia, the Group has hired six experienced boat builders in 3Q FY2015.
- Developing new products including a new Grand Banks 60 – designed to be a better performing yacht with a fresh appearance. The first hull of the Grand Banks 60 has been sold and the Group has also received strong buyers' interest for this model.
- Stepping up joint marketing efforts to promote both brands as well as focusing on forging stronger customer relationships so as to deliver a better customer experience, principally in the United States and most recently in Southeast Asia. For example, the Group participated in the recent Miami Boat Show 2015 and the Palm Beach International Boat Show 2015 during the quarter under review and in the Singapore Yacht Show in April 2015.

These steps have helped the Group secure five boat orders in 3Q FY2015, lifting its aggregate net order book to a six-year high of S\$31.6 million as at 31 March 2015. The boat orders – which include one Grand Banks boat and four Palm Beach boats – are expected to be completed by June 2016 and include new boat designs such as the Grand Banks 60, GB Eastbay 44 and Palm Beach 42. As at the end of 3Q FY2015, the Group had received an order for each of the three new models.

The Group hopes to build on its recent momentum and will be participating in the May 2015 Sanctuary Cove International Boat Show, one of the premier industry trade shows in the Southern Hemisphere as well as other international events.

The terms of the acquisition include an earn-out model requiring PBM Y to generate combined net profits before tax equal to or more than AUD2.64 million for FY2014 and FY2015 (“Target Profits”). PBM Y is on track to achieving these Target Profits.

The Group will continue to accelerate its efforts to streamline operations at its Malaysia facility and will continue to offer fresh designs of both Grand Banks and Palm Beach models.

11. **Dividend**

a) **Current Financial Period Reported on 31 March 2015**

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 general mandate has been obtained from shareholders for IPT.

In the Circular to Shareholders dated 30 June 2014, the Group disclosed that Palm Beach Motor Yachts (PBMV), the acquisition of which was approved by shareholders on 15 July 2014 and subsequently closed on 1 August 2014, leased its manufacturing facility from an entity controlled by Mr. Mark Jonathon Richards, the Group's new CEO who was appointed on 1 August 2014. For the period from 1 January 2015 through 31 March 2015, the rental amount paid by PBMV for use of the manufacturing facility in Berkeley Vale amounted to approximately S\$67,000. 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 2015 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

15 May 2015