

# GRAND BANKS YACHTS LIMITED

(Registration No.: 197601189E)



GRAND BANKS.

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## First Quarter Unaudited Financial Statements for the Period Ended 30 September 2016

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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-16 \$'000	3-Month Period Ended 30-Sep-15 \$'000	Inc/(Dec) %
Revenue	13,032	14,046	(7.2)
Cost of sales	(10,774)	(10,610)	1.5
<b>Gross Profit</b>	<u>2,258</u>	<u>3,436</u>	(34.3)
Selling and marketing expenses	(1,333)	(712)	87.2
Administrative expenses	(945)	(1,186)	(20.3)
Other operating expenses	(127)	(227)	(44.1)
Total operating expenses	(2,405)	(2,125)	13.2
<b>(Loss)/Profit from operations</b>	<u>(147)</u>	<u>1,311</u>	(111.2)
Other non-operating income, net	215	702	(69.4)
Finance costs	(30)	-	N.m
<b>Profit before tax</b>	<u>38</u>	<u>2,013</u>	(98.1)
Tax credit/(expense)	163	(789)	(120.7)
<b>Net profit for the period</b>	<u><u>201</u></u>	<u><u>1,224</u></u>	(83.6)

*N.m - Percentage / Computation not meaningful*

**Additional information to the income statement:**

	<b>Group</b>		
	<b>3-Month Period Ended 30-Sep-16 S'000</b>	<b>3-Month Period Ended 30-Sep-15 S'000</b>	<b>Inc/(Dec) %</b>
Allowance for inventory obsolescence	(22)	(33)	(33.3)
Depreciation of property, plant and equipment	(740)	(519)	42.6
Amortisation of intangible assets	(33)	(101)	(67.3)
Foreign exchange gain, net	170	634	(73.2)
Fair valuation loss on quoted debt securities held-for-trading	(2)	(4)	(50.0)
Interest income included in other non-operating income, net	22	14	57.1
Property, plant and equipment written off	(1)	-	N.m
Tax:			
- current tax expense	(76)	(864)	(91.2)
- deferred tax credit	239	75	218.7

*N.m - Percentage / Computation not meaningful*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

	<b>Group</b>		
	<b>3-Month Period Ended</b>	<b>3-Month Period Ended</b>	<b>Inc/(Dec) %</b>
	<b>30-Sep-16 \$'000</b>	<b>30-Sep-15 \$'000</b>	
<b>Net profit for the period</b>	201	1,224	(83.6)
<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	(104)	(2,085)	(95.0)
<b>Total Comprehensive Income for the period</b>	<u>97</u>	<u>(861)</u>	<u>(111.3)</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>30-Sep-16</b>	<b>30-Jun-16</b>	<b>30-Sep-16</b>	<b>30-Jun-16</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	19,151	19,080	–	–
Subsidiaries	–	–	29,712	29,712
Goodwill	6,985	6,725	–	–
Intangible assets	1,837	1,870	–	–
Deferred tax assets	1,621	1,438	–	–
	<u>29,594</u>	<u>29,113</u>	<u>29,712</u>	<u>29,712</u>
<b>Current assets</b>				
Inventories	16,245	16,318	–	–
Trade and other receivables (i)	686	1,527	13,010	10,016
Prepayments	1,879	1,480	21	14
Investment held-for-trading	–	302	–	302
Cash and cash equivalents	19,199	16,350	443	1,227
	<u>38,009</u>	<u>35,977</u>	<u>13,474</u>	<u>11,559</u>
<b>Total assets</b>	<u>67,603</u>	<u>65,090</u>	<u>43,186</u>	<u>41,271</u>
<b>Current liabilities</b>				
Trade and other payables	16,582	13,412	155	239
Hire purchase payable	19	20	–	–
Provision for warranty claims	1,124	1,181	–	–
Interest bearing loans and borrowings (ii)	386	752	–	–
Current tax payables	123	315	–	–
	<u>18,234</u>	<u>15,680</u>	<u>155</u>	<u>239</u>
<b>Non-current liabilities</b>				
Deferred tax liabilities	1,049	1,105	–	–
Interest bearing loans and borrowings (ii)	2,714	2,830	–	–
	<u>3,763</u>	<u>3,935</u>	<u>–</u>	<u>–</u>
<b>Total liabilities</b>	<u>21,997</u>	<u>19,615</u>	<u>155</u>	<u>239</u>
<b>Capital and reserves</b>				
Share capital	42,999	42,999	42,999	42,999
Share-based compensation reserve	357	323	357	323
Accumulated profits/(losses)	29,068	28,867	(325)	(2,290)
Foreign currency translation reserve	(26,818)	(26,714)	–	–
<b>Total equity</b>	<u>45,606</u>	<u>45,475</u>	<u>43,031</u>	<u>41,032</u>
<b>Total equity and liabilities</b>	<u>67,603</u>	<u>65,090</u>	<u>43,186</u>	<u>41,271</u>

(i) Group trade and other receivables as at 30 June 2016 were higher due to billings in June 2016 for which payment were received after year end.

(ii) Refer to 1(b)(ii) below.

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

	<b>30-Sep-2016</b>	<b>30-Jun-2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest bearing loans and borrowings - short-term	386	752
Interest bearing loans and borrowings - long-term	2,714	2,830
	<u>3,100</u>	<u>3,582</u>

Group's borrowings are for the partial financing of the renewal consideration for the lease extension of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia.

**Detail of any collateral**

The Group's borrowings are secured by charge on the lease of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia and corporate guarantee by the Company.

- 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

	<b>Group</b>	
	<b>3-Month Period Ended 30-Sep-16 S'000</b>	<b>3-Month Period Ended 30-Sep-15 S'000</b>
<b>Operating activities</b>		
Profit after taxation	201	1,224
<i>Adjustments for:-</i>		
Depreciation of property, plant and equipment	740	519
Amortisation of intangible assets	33	101
Property, plant and equipment written off	1	-
Allowance of inventory obsolescence	22	33
Interest income	(22)	(14)
Provision for warranty claims	183	234
Fair valuation loss on quoted debt securities held-for-trading	2	4
Equity-settled share based expense	34	36
Tax (credit)/expense	(163)	789
Unrealised foreign exchange gain	(447)	(888)
	<u>584</u>	<u>2,038</u>
<i>Changes in working capital:</i>		
Increase in inventories	(53)	(2,289)
Decrease/(Increase) in trade and other receivables	1,014	(3,586)
Increase in prepayments	(421)	(342)
Increase in trade and other payables	2,855	5,793
Net cash from operations	<u>3,979</u>	<u>1,614</u>
Net income tax paid	(264)	(16)
Warranty claims paid	(219)	(177)
<b>Cash flows from operating activities</b>	<u>3,496</u>	<u>1,421</u>
<b>Investing activities</b>		
Interest received	12	5
Proceeds from matured debt securities held-for-trading	300	-
Purchase of property, plant and equipment	(1,108)	(1,369)
<b>Cash flows used in investing activities</b>	<u>(796)</u>	<u>(1,364)</u>
<b>Financing activities</b>		
Repayment of hire purchase liability	(1)	(1)
Interest paid	(30)	-
Repayment of loan (i)	(445)	-
<b>Cash flows used in financing activities</b>	<u>(476)</u>	<u>(1)</u>
<b>Net increase in cash and cash equivalents</b>	2,224	56
Cash and cash equivalents at beginning of period	16,214	16,754
Effect of exchange rate changes on balances held in foreign currency	627	909
<b>Cash and cash equivalents at end of period (ii)</b>	<u>19,065</u>	<u>17,719</u>
(i) The repayment of loan relates to the Group's borrowings for the partial financing of the renewal consideration for the lease extension of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia.		
(ii) Cash and cash equivalents per statement of cash flows (S\$'000)	<u>19,065</u>	<u>17,719</u>
Restricted cash (S\$'000)	-	4,800
Deposits pledged (S\$'000)	134	132
Deposits received on behalf of third parties (S\$'000)	-	510
Cash and cash equivalents per the statements of financial position (S\$'000)	<u>19,199</u>	<u>23,161</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/(loss) \$'000	Total \$'000
At 1-Jul-2015	42,999	190	(25,283)	26,897	44,803
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	1,224	1,224
<i>Other comprehensive income</i>					
Translation differences relating to financial statements of foreign subsidiaries	-	-	(2,085)	-	(2,085)
Total other comprehensive income	-	-	(2,085)	-	(2,085)
<b>Total comprehensive income for the period</b>	-	-	(2,085)	1,224	(861)
<b>Transactions with owners, recorded directly in equity</b>					
Equity-settled performance shares	-	36	-	-	36
At 30-Sep-2015	42,999	226	(27,368)	28,121	43,978
At 1-Jul-2016	42,999	323	(26,714)	28,867	45,475
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	201	201
<i>Other comprehensive income</i>					
Translation differences relating to financial statements of foreign subsidiaries	-	-	(104)	-	(104)
Total other comprehensive income	-	-	(104)	-	(104)
<b>Total comprehensive income for the period</b>	-	-	(104)	201	97
<b>Transactions with owners, recorded directly in equity</b>					
Equity-settled performance shares	-	34	-	-	34
At 30-Sep-2016	42,999	357	(26,818)	29,068	45,606
<b>Company</b>					
At 1-Jul-2015	42,999	190	(1,705)	-	41,484
<b>Total comprehensive income for the period</b>					
Loss for the period	-	-	(192)	-	(192)
<b>Total comprehensive income for the period</b>	-	-	(192)	-	(192)
<b>Transactions with owners, recorded directly in equity</b>					
Equity-settled performance shares	-	36	-	-	36
At 30-Sep-2015	42,999	226	(1,897)	-	41,328
At 1-Jul-2016	42,999	323	(2,290)	-	41,032
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	1,965	-	1,965
<b>Total comprehensive income for the period</b>	-	-	1,965	-	1,965
<b>Transactions with owners, recorded directly in equity</b>					
Equity-settled performance shares	-	34	-	-	34
At 30-Sep-2016	42,999	357	(325)	-	43,031

- 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 30 September 2016 (30 September 2015: No change).

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 30 September 2016 and 30 June 2016. The Company's share capital consists of 184,034,649 ordinary shares as at 30 September 2016 (30 June 2016: 184,034,649 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 2016.

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 FRS which became effective from 1 July 2016 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.**

	<b>3-Month Period Ended 30-Sep-16</b>	<b>3-Month Period Ended 30-Sep-15</b>
Earnings per ordinary share for the financial period based on net profit attributable to shareholders: -	0.11	0.66
- on weighted average number of ordinary shares in issue (cents)	0.11	0.66

**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.

	<b>Group</b>	<b>Company</b>
Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)	Sep-16 24.78	Jun-16 23.38 22.30



**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 30 September 2016 ("1Q FY2017") was S\$13.0 million compared to S\$14.0 million for the quarter ended 30 September 2015 ("1Q FY2016"). 1Q FY2016 revenue was higher due to the sale of an inventory yacht.

Gross profit came to S\$2.3 million in 1Q FY2017, down from S\$3.4 million in 1Q FY2016 due largely to the lower revenue and the weaker U.S. dollar in 1Q FY2017 as compared to 1Q FY2016. A significant portion of the Group's sales is denominated in U.S. dollars. As a result, gross margin decreased to 17.3% from 24.5% over the comparative periods.

Total operating expenses, which include costs relating to boat shows, selling and marketing, as well as salaries, commissions and professional fees, increased to S\$2.4 million in 1Q FY2017 from S\$2.1 million in 1Q FY2016, primarily due to the new direct sales and boat brokerage models.

Other non-operating income decreased to S\$0.2 million in 1Q FY2017 from S\$0.7 million in 1Q FY2016, primarily due to lower foreign exchange gains.

The tax credit in 1Q FY2017 arose from the recognition of deferred tax assets of S\$0.2 million from unutilized tax losses and capital allowances of a subsidiary company.

As a result of the above, the Group recorded a net profit of S\$0.2 million in 1Q FY2017, compared to a net profit of S\$1.2 million in 1Q FY2016.

**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 from operations rose to S\$3.5 million in 1Q FY2017 from S\$1.4 million in 1Q FY2016, primarily due to lower working capital resulting from higher payables and lower receivables. The new orders secured in recent months led to more customer deposits and more purchases placed with vendors, which in turn led to increased payables. The decrease in receivables was due to the receipt of billings in FY2016.

Cash flows used in investing activities amounted to S\$0.8 million in 1Q FY2017, due to the development of new yacht models as well as improvements to the Pasir Gudang facility, partially mitigated by proceeds from matured debt securities held-for-trading. In comparison, cash flows used in investing activities totaled S\$1.4 million in 1Q FY2016.

Cash flows used in financing activities amounted to S\$0.5 million in 1Q FY2017, due to the repayment of loans used to partially finance the lease extension of the Group's yard in Pasir Gudang in FY2016. Cash flows used in financing activities were insignificant in 1Q FY2016.

As a result of the above, cash and cash equivalents rose to S\$19.2 million as at 30 September 2016 from S\$16.4 million as at 30 June 2016.

Non-current assets increased to S\$29.6 million as at 30 September 2016 from S\$29.1 million as at 30 June 2016 due to higher goodwill as a result of foreign exchange rate fluctuations and recognition of deferred tax assets. Current assets increased to S\$38.0 million as at 30 September 2016 from S\$36.0 million as at 30 June 2016 due to an increase in cash and cash equivalents as explained as well as higher prepayments. This was partially offset by a decrease in receivables.

Total liabilities increased to S\$22.0 million as at 30 September 2016 from S\$19.6 million as at 30 June 2016 mainly due to the increase in payables.

**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.**

The Group will focus on improving production in the next 12 months, having successfully integrated the operations of its two brands – Grand Banks and Palm Beach – over the past two years. The Group will continue to tap mature markets such as U.S., Europe and Australia to grow its order book, while exploring growth opportunities in Asia. It will also look into the development of more boat designs.

The Group received six new boat orders in 1Q FY2017, lifting its aggregate net order book to S\$36.8 million as at 30 September 2016, compared to S\$34.1 million as at 30 June 2016. The launch of the Group's new boat models – Grand Banks 60, Eastbay 44 and 52, and Palm Beach 42 – in FY2017, in tandem with the factory-direct sales model, is expected to further raise the profile of its brands.

With its Australia facility operating at full capacity, the Group has been using its Malaysia yard to meet certain orders for Palm Beach boats. As previously disclosed, the lease for the Pasir Gudang facility in Malaysia has been extended to 2052, enabling the Group to continue operating in Johor for many more years. Based on current manpower resources, the yards in Australia and Malaysia will be running more efficiently by the end of FY2017. The Group will continue to improve operational efficiencies through automation and better production techniques such as robotic cutting and milling.

The Group will continue to monitor volatility in foreign exchange rates, particularly movements of the Malaysian Ringgit ("RM") and Australian dollar ("AUD") against the U.S. dollar ("USD") and the RM against AUD. The Group's revenues are denominated in USD and AUD, while its manufacturing facilities are located in Malaysia and Australia.

**11. Dividend**

**a) Current Financial Period Reported on 30 September 2016  
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 from shareholders for IPT.

Mr. Mark Jonathon Richards, the Group's Chief Executive Officer, owns the manufacturing facility at Berkeley Vale, Sydney, Australia. This facility is leased to PBM, one of the Group's subsidiary companies. For the period from 1 July 2016 through 30 September 2016, the monthly rental amount paid by PBM for use of the manufacturing facility was approximately S\$20,000. 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 first quarter ended 30 September 2016 to be false or misleading in any material respect.

15. **Confirmation that the issuer has procured undertakings from all its directors and executive officers pursuant to Rule 720(1).**

The Company has procured undertakings from all its directors and executive officers as required by Rule 720(1).

16. **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**

Chiam Heng Huat  
Chief Financial Officer  
11 November 2016