

GRAND BANKS YACHTS LIMITED

(Registration No.: 197601189E)



GRAND BANKS.

First Quarter Unaudited Financial Statements for the Year Ended 30 September 2017

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		Inc/(Dec) %
	3-Month Period Ended 30-Sep-17 \$'000	3-Month Period Ended 30-Sep-16 \$'000	
Revenue	21,318	13,032	63.6
Cost of sales	(17,652)	(10,774)	63.8
Gross Profit	<u>3,666</u>	<u>2,258</u>	62.4
Selling and marketing expenses	(1,844)	(1,333)	38.3
Administrative expenses	(1,055)	(945)	11.6
Other operating expenses	(136)	(127)	7.1
Total operating expenses	(3,035)	(2,405)	26.2
Profit/(Loss) from operations	<u>631</u>	<u>(147)</u>	(529.3)
Other non-operating (expense)/income, net	(10)	215	(104.7)
Finance costs	(48)	(30)	60.0
Profit before tax	<u>573</u>	<u>38</u>	N.m
Tax credit	46	163	(71.8)
Net profit for the period	<u><u>619</u></u>	<u><u>201</u></u>	208.0

N.m - Percentage / Computation not meaningful

Additional information to the income statement:

	Group		
	3-Month Period Ended 30-Sep-17 \$'000	3-Month Period Ended 30-Sep-16 \$'000	Inc/(Dec) %
Allowance of inventory obsolescence	(29)	(22)	31.8
Depreciation of property, plant and equipment	(810)	(740)	9.5
Amortisation of intangible assets	(35)	(33)	6.1
Foreign exchange (loss)/gain, net	(40)	170	(123.5)
Fair valuation loss on quoted debt securities held-for-trading	-	(2)	(100.0)
Interest income included in other non-operating income, net	5	22	(77.3)
Property, plant and equipment written off	-	(1)	(100.0)
Tax:			
- current tax expense	(13)	(76)	(82.3)
- deferred tax credit	59	239	(75.3)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

	Group		
	3-Month Period Ended	3-Month Period Ended	
	30-Sep-17	30-Sep-16	
	\$'000	\$'000	
		Inc/(Dec)	
		%	
Net profit for the period	619	201	208.0
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net currency translation differences of financial statements of foreign subsidiaries	117	(104)	(212.5)
Total Comprehensive Income for the period	<u>736</u>	<u>97</u>	658.8

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

STATEMENT OF FINANCIAL POSITION (UNAUDITED) - in SGD

	Group		Company	
	30-Sep-17	30-Jun-17	30-Sep-17	30-Jun-17
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	21,967	21,073	-	-
Subsidiaries	-	-	40,101	40,101
Goodwill	7,148	7,109	-	-
Intangible assets	1,819	1,840	-	-
Deferred tax assets	1,203	1,203	-	-
	<u>32,137</u>	<u>31,225</u>	<u>40,101</u>	<u>40,101</u>
Current assets				
Inventories	18,382	16,172	-	-
Trade and other receivables	4,480	2,968	2,344	2,527
Prepayments	1,680	1,112	22	14
Current tax recoverable	145	144	-	-
Cash and cash equivalents	12,001	15,871	77	96
	<u>36,688</u>	<u>36,267</u>	<u>2,443</u>	<u>2,637</u>
Total assets	<u>68,825</u>	<u>67,492</u>	<u>42,544</u>	<u>42,738</u>
Current liabilities				
Trade and other payables	17,613	17,184	278	320
Provision for warranty claims	1,477	1,169	-	-
Interest bearing loans and borrowings (i)	394	393	-	-
Current tax payables	246	252	-	-
	<u>19,730</u>	<u>18,998</u>	<u>278</u>	<u>320</u>
Non-current liabilities				
Deferred tax liabilities	888	936	-	-
Interest bearing loans and borrowings (i)	2,253	2,343	-	-
	<u>3,141</u>	<u>3,279</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>22,871</u>	<u>22,277</u>	<u>278</u>	<u>320</u>
Capital and reserves				
Share capital	43,045	43,045	43,045	43,045
Share-based compensation reserve	362	359	362	359
Accumulated profits/(losses)	30,007	29,388	(1,141)	(986)
Foreign currency translation reserve	(27,460)	(27,577)	-	-
Total equity	<u>45,954</u>	<u>45,215</u>	<u>42,266</u>	<u>42,418</u>
Total equity and liabilities	<u>68,825</u>	<u>67,492</u>	<u>42,544</u>	<u>42,738</u>

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

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

	30-Sep-2017	30-Jun-2017
	\$'000	\$'000
Interest bearing loans and borrowings - short-term	394	393
Interest bearing loans and borrowings - long-term	2,253	2,343
	<u>2,647</u>	<u>2,736</u>

Group's borrowings as at 30 Sep 2017 were S\$2.65 million (30 June 2017 : S\$2.74 million) 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

	Group	
	3-Month Period Ended 30-Sep-17 S'000	3-Month Period Ended 30-Sep-16 S'000
Operating activities		
Profit after taxation	619	201
<i>Adjustments for:-</i>		
Depreciation of property, plant and equipment	810	740
Amortisation of intangible assets	35	33
Property, plant and equipment written off	-	1
Allowance of inventory obsolescence	29	22
Interest income	(5)	(22)
Interest expense	48	29
Provision for warranty claims	402	183
Fair valuation loss on quoted debt securities held-for-trading	-	2
Equity-settled share based expense	3	34
Tax credit	(46)	(163)
Unrealised foreign exchange loss/(gain)	105	(476)
	<u>2,000</u>	<u>584</u>
<i>Changes in working capital:</i>		
Increase in inventories	(2,295)	(53)
(Increase)/Decrease in trade and other receivables	(1,618)	1,014
Increase in prepayments	(202)	(421)
Increase in trade and other payables	312	2,855
Net cash (used in)/from operations	<u>(1,803)</u>	<u>3,979</u>
Net income tax paid	(15)	(264)
Warranty claims paid	(99)	(219)
Cash flows (used in)/from operating activities	<u>(1,917)</u>	<u>3,496</u>
Investing activities		
Interest received	4	12
Proceeds from matured debt securities held-for-trading	-	300
Purchase of property, plant and equipment	(1,648)	(1,108)
Cash flows used in investing activities	<u>(1,644)</u>	<u>(796)</u>
Financing activities		
Repayment of hire purchase liability	-	(1)
Interest paid	(46)	(30)
Repayment of interest bearing loans and borrowings (i)	(90)	(445)
Cash flows used in financing activities	<u>(136)</u>	<u>(476)</u>
Net increase in cash and cash equivalents	<u>(3,697)</u>	<u>2,224</u>
Cash and cash equivalents at beginning of period	15,741	16,214
Effect of exchange rate changes on balances held in foreign currency	(174)	627
Cash and cash equivalents at end of period (ii)	<u>11,870</u>	<u>19,065</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>11,870</u>	<u>19,065</u>
Deposits pledged (S\$'000)	131	134
Cash and cash equivalents per the statements of financial position (S\$'000)	<u>12,001</u>	<u>19,199</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-2016	42,999	323	(26,714)	28,867	45,475
Total comprehensive income for the year					
Profit for the year	-	-	-	201	201
<i>Other comprehensive income</i>					
Translation differences relating to financial statements of foreign subsidiaries	-	-	(104)	-	(104)
Total other comprehensive income	-	-	(104)	-	(104)
Total comprehensive income for the year	-	-	(104)	201	97
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	-	34	-	-	34
At 30-Sep-2016	42,999	357	(26,818)	29,068	45,606
At 1-Jul-2017	43,045	359	(27,577)	29,388	45,215
Total comprehensive income for the year					
Profit for the year	-	-	-	619	619
<i>Other comprehensive income</i>					
Translation differences relating to financial statements of foreign subsidiaries	-	-	117	-	117
Total other comprehensive income	-	-	117	-	117
Total comprehensive income for the year	-	-	117	619	736
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	-	3	-	-	3
At 30-Sep-2017	43,045	362	(27,460)	30,007	45,954
Company	Share capital \$'000	Share-based compensation reserve \$'000	Accumulated profit/(loss) \$'000	Total \$'000	
At 1-Jul-2016	42,999	323	(2,290)	41,032	
Total comprehensive income for the year					
Loss for the year	-	-	1,965	1,965	
Total comprehensive income for the year	-	-	1,965	1,965	
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	-	34	-	34	
At 30-Sep-2016	42,999	357	(325)	43,031	
At 1-Jul-2017	43,045	359	(986)	42,418	
Total comprehensive income for the year					
Profit for the year	-	-	(155)	(155)	
Total comprehensive income for the year	-	-	(155)	(155)	
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	-	3	-	3	
At 30-Sep-2017	43,045	362	(1,141)	42,266	

- 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 2017 (30 September 2016: 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 2017 and 30 June 2017. The Company's share capital consists of 184,234,649 ordinary shares as at 30 September 2017 (30 June 2017: 184,234,649 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 2017.

- 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 2017 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 30-Sep-17	3-Month Period Ended 30-Sep-16
Earnings per ordinary share for the financial period based on net profit attributable to shareholders: -	0.34	0.11
- on weighted average number of ordinary shares in issue (cents)	0.33	0.11

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-17	Jun-17
Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)	24.94	24.54
	22.94	23.02

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 2017 ("1Q FY2018") increased 63.6% to S\$21.3 million compared to S\$13.0 million for the quarter ended 30 September 2016 ("1Q FY2017"), driven by the sale of three traded-in boats and one inventory boat, as well as more yachts reaching construction milestones for revenue recognition.

Gross profit amounted to S\$3.7 million in 1Q FY2018, up 62.4% from S\$2.3 million in 1Q FY2017, in line with higher revenue. Gross profit margin remained relatively level at 17.2% and 17.3% over the comparative periods. The gross profit margin reflects the sales mix in 1Q FY2018 which included new and inventory yachts, as well as trade-in boats – which typically have lower margins.

Total operating expenses, which include costs relating to boat shows, selling and marketing, as well as salaries, commissions and professional fees, increased to S\$3.0 million in 1Q FY2018 from S\$2.4 million in 1Q FY2017, primarily due to higher boat show, advertising and payroll costs.

Other non-operating expense in 1Q FY2018 stemmed from foreign exchange losses while other non-operating income in 1Q FY2017 stemmed from foreign exchange gains.

The tax credit in 1Q FY2018 and 1Q FY2017 arose from the reversal of deferred tax liabilities.

As a result of the above, the Group's net profit increased to S\$0.6 million in 1Q FY2018, compared to a net profit of S\$0.2 million in 1Q FY2017.

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 used in operations was S\$1.9 million in 1Q FY2018 as compared to cash flow from operations of S\$3.5 million in 1Q FY2017, primarily due to higher inventories as well as trade and other receivables. The increase in inventory was due to the higher value of inventory boats and a trade-in boat as at 30 September 2017. The increase in trade receivables was due to delayed receipts from customers as at 30 September 2017, of which S\$2.7 million were received in October 2017.

Cash flows used in investing activities amounted to S\$1.6 million in 1Q FY2018, due to the development of new yacht models as well as improvements to the Pasir Gudang facility, including the construction of a sheltered test pool and additional extension of roofing to increase covered usable space. In comparison, net cash flows used in investing activities totaled S\$0.8 million in 1Q FY2017 due to development of new yacht models and improvements to Pasir Gudang facility.

Cash flows used in financing activities amounted to S\$0.1 million in 1Q FY2018, due to the repayment of loans (principal and interest) used to partially finance the lease extension of the Group's yard in Pasir Gudang in FY2016. Cash flows used in financing activities were S\$0.5 million in 1Q FY2017.

As a result of the above, cash and cash equivalents decreased to S\$12.0 million as at 30 September 2017 from S\$15.9 million as at 30 June 2017.

Non-current assets increased to S\$32.1 million as at 30 September 2017 from S\$31.2 million as at 30 June 2017 due to investment in new yacht models, construction of a sheltered test pool and additional extension of roofing. Current assets increased to S\$36.7 million as at 30 September 2017 from S\$36.3 million as at 30 June 2017 due to increase in inventories and trade and other receivables, partially offset by decrease in cash and cash equivalents..

Total liabilities increased to S\$22.9 million as at 30 September 2017 from S\$22.3 million as at 30 June 2017 mainly due to the increase in trade and other payables as well as provision for warranty claims.

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 net profit booked in the quarter under review underscores the progress of the Group's restructuring efforts at its main yard in Pasir Gudang, Johor, Malaysia, as well as the integration of the Grand Banks and Palm Beach operations.

The fully redeveloped Pasir Gudang yard now features new automation, streamlined operations and 20% more usable covered space. These enhancements are expected to lift Group-wide utilisation rates, expanded production capacity, shortened production cycle while resulting in yachts of even higher quality.

Going forward, the Group will build on the success of its recently launched flagship Grand Banks 60 by expanding the size and configuration of its product line – such as the upcoming Grand Banks 52 – while increasing its sale networks outside of the U.S. The Group received eight orders in 1Q FY2018, lifting its net order book to S\$38.6 million as at 30 September 2017.

As part of its investor engagement, the Group will host shareholders for a tour of its Pasir Gudang yard on 23 November 2017. Activities such as these are expected to increase investor awareness and confidence in the Group.

The Group will continue to upgrade yacht production techniques, unveil new models and leverage on the strong sales momentum to increase its order book, with a view to improving its bottom-line and enhancing shareholder value.

11. **Dividend**

a) **Current Financial Period Reported on 30 September 2017**

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 Y, one of the Group's subsidiary companies. For the period from 1 July 2017 through 30 September 2017, the monthly rental amount paid by PBM Y for use of the manufacturing facility was approximately S\$23,500. 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 2017 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
13 November 2017