

GRAND BANKS YACHTS LIMITED

(Registration No: 197601189E)



Second Quarter Unaudited Financial Statements for the Period Ended 31 December 2014

I(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED INCOME STATEMENT (UNAUDITED) - in SGD

	Group			Group		
	3-Month Period Ended 31-Dec-14 \$'000	3-Month Period Ended 31-Dec-13 \$'000	Inc / (Dec) %	6-Month Period Ended 31-Dec-14 \$'000	6-Month Period Ended 31-Dec-13 \$'000	Inc / (Dec) %
Revenue	12,678	9,488	33.6	19,195	19,005	1.0
Cost of sales	(10,457)	(7,476)	39.9	(16,355)	(15,219)	7.5
Gross Profit	<u>2,221</u>	<u>2,012</u>	10.4	<u>2,840</u>	<u>3,786</u>	(25.0)
Selling and marketing expenses	(890)	(1,097)	(18.9)	(1,731)	(2,547)	(32.0)
Administrative expenses	(913)	(626)	45.8	(1,851)	(1,347)	37.4
Other operating income/(expense)	(159)	63	(352.4)	(523)	55	(1,050.9)
Total operating expenses	(1,962)	(1,660)	18.2	(4,105)	(3,839)	6.9
Profit/(Loss) from operations	<u>259</u>	<u>352</u>	(26.4)	<u>(1,265)</u>	<u>(53)</u>	2,286.8
Other non-operating income/(expense), net	134	(63)	(312.7)	321	(220)	(245.9)
Profit/(Loss) before taxation	<u>393</u>	<u>289</u>	36.0	<u>(944)</u>	<u>(273)</u>	245.8
Income tax credit/(expense)	(335)	(20)	1,575.0	(268)	(37)	624.3
Net profit/(loss) for the period	<u><u>58</u></u>	<u><u>269</u></u>	(78.4)	<u><u>(1,212)</u></u>	<u><u>(310)</u></u>	291.0
EBITDA - (iii)	<u><u>1,156</u></u>	<u><u>674</u></u>	71.5	<u><u>393</u></u>	<u><u>524</u></u>	(25.0)

(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 entire three month period ended 31 December 2014.

(iii) Earnings Before Interest, Taxes, Depreciation and Amortisation ("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 31-Dec-14 \$'000	3-Month Period Ended 31-Dec-13 \$'000	6-Month Period Ended 31-Dec-14 \$'000	6-Month Period Ended 31-Dec-13 \$'000	
Allowance made for slow-moving materials	(12)	(11)	(28)	(23)	21.7
Recovery of doubtful trade receivables	–	81	–	177	(100.0)
Depreciation of property, plant and equipment *	(522)	(440)	(965)	(870)	10.9
Amortisation of intangibles assets *	(249)	–	(401)	–	N.m
Foreign exchange gain/(loss)	72	(148)	230	(314)	(173.2)
Fair valuation loss on quoted debt securities held-for-trading	(2)	(5)	(6)	(11)	(45.5)
Interest income included in other non-operating income, net	11	55	22	76	(71.1)
Property, plant and equipment written off	–	(2)	(2)	(3)	(33.3)
Taxation:					
- current tax expense	(85)	(20)	(97)	(37)	162.2
- deferred taxation *	(250)	–	(171)	–	N.m
Additional information related to acquisition of PBMY (a):					
Depreciation of property, plant and equipment *	(166)	–	(276)	–	N.m
Amortisation of intangible assets *	(249)	–	(401)	–	N.m
Taxation:					
- deferred taxation *	(250)	–	(171)	–	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 entire three month period ended 31 December 2014.

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 recognised at their estimated fair value. The corresponding deferred tax liabilities on these assets have also been recognised. As at 31 December 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.

* Represent non-cash expenditures.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

	Group		Group		Change %
	3-Month Period Ended	3-Month Period Ended	6-Month Period Ended	6-Month Period Ended	
	31-Dec-14 \$'000	31-Dec-13 \$'000	31-Dec-14 \$'000	31-Dec-13 \$'000	
Net profit/(loss) for the period	58	269	(1,212)	(310)	291.0
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss					
Net currency translation differences of financial statements of foreign subsidiaries	(204)	(194)	(1,024)	(701)	46.1
Total Comprehensive Income for the period	<u>(146)</u>	<u>75</u>	<u>(2,236)</u>	<u>(1,011)</u>	121.2

(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 December 2014.

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-Dec-14 * \$'000	30-Jun-14 \$'000	31-Dec-14 \$'000	30-Jun-14 \$'000
Non-current assets				
Property, plant and equipment (a) (b)	11,065	7,166	–	–
Subsidiaries (a)	–	–	29,594	19,000
Goodwill (a) (c)	7,016	–	–	–
Intangible assets (a) (c)	2,998	–	–	–
Deferred tax assets	349	–	–	–
	<u>21,428</u>	<u>7,166</u>	<u>29,594</u>	<u>19,000</u>
Current assets				
Inventories	21,574	22,656	–	–
Trade and other receivables	869	882	10,115	8,356
Prepayments	1,301	1,129	18	28
Current tax recoverable	6	15	–	–
Investment held-for-trading	316	322	316	322
Cash and cash equivalents	20,031	26,604	6,209	13,779
	<u>44,097</u>	<u>51,608</u>	<u>16,658</u>	<u>22,485</u>
Total assets	<u>65,525</u>	<u>58,774</u>	<u>46,252</u>	<u>41,485</u>
Current liabilities				
Trade and other payables (a) (d)	11,601	6,177	4,232	547
Hire purchase payable	34	–	–	–
Provision for warranty claims	1,513	1,611	–	–
Current tax payables	88	21	–	–
	<u>13,236</u>	<u>7,809</u>	<u>4,232</u>	<u>547</u>
Non-current liabilities				
Deferred tax liabilities (a) (c)	1,809	–	–	–
Total liabilities	<u>15,045</u>	<u>7,809</u>	<u>4,232</u>	<u>547</u>
Capital and reserves				
Share capital	42,999	41,251	42,999	41,251
Share-based compensation reserve	142	142	142	142
Accumulated profits/(loss)	30,484	31,693	(1,121)	(455)
Foreign currency translation reserve	(23,145)	(22,121)	–	–
Total equity	<u>50,480</u>	<u>50,965</u>	<u>42,020</u>	<u>40,938</u>
Total equity and liabilities	<u>65,525</u>	<u>58,774</u>	<u>46,252</u>	<u>41,485</u>

* 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 recognised at their estimated fair value. The corresponding deferred tax liabilities on these assets have also been recognised. As at 31 December 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 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 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		Group	
	3-Month Period Ended 31-Dec-14* S'000	3-Month Period Ended 31-Dec-13 S'000	6-Month Period Ended 31-Dec-14* S'000	6-Month Period Ended 31-Dec-13 S'000
Operating activities				
Profit/(Loss) before taxation	393	289	(944)	(273)
<i>Adjustments for:-</i>				
Depreciation of property, plant and equipment	522	440	965	870
Amortisation of intangible assets	249	-	401	-
Property, plant and equipment written off	-	2	2	3
Interest income	(11)	(55)	(22)	(76)
Provision for warranty claims	176	122	356	471
Fair valuation loss on quoted debt securities held-for-trading	2	5	6	11
	<u>1,331</u>	<u>803</u>	<u>764</u>	<u>1,006</u>
<i>Changes in working capital:</i>				
Decrease/(Increase) in inventories	1,871	(1,223)	592	2,323
(Increase)/Decrease in trade and other receivables	(4)	2,659	1,321	583
Decrease/(Increase) in prepayments	39	(637)	(199)	(907)
Increase/(Decrease) in trade and other payables	30	(1,703)	(2,104)	(2,569)
Net cash from/(used in) operations	<u>3,267</u>	<u>(101)</u>	<u>374</u>	<u>436</u>
Net income tax paid	(15)	(23)	(24)	(29)
Warranty claims paid	(64)	(128)	(415)	(190)
Proceeds from cash previously restricted	-	125	-	254
Cash flows from/(used in) operating activities	<u>3,188</u>	<u>(127)</u>	<u>(65)</u>	<u>471</u>
Investing activities				
Interest received	8	55	29	73
Acquisition of a subsidiary (a)	-	-	(3,434)	-
Purchase of property, plant and equipment	(284)	(267)	(1,302)	(685)
Restricted cash (b)	-	-	(4,800)	-
Cash flows used in investing activities	<u>(276)</u>	<u>(212)</u>	<u>(9,507)</u>	<u>(612)</u>
Financing activities				
Receipt of unclaimed dividends	-	-	3	-
Repayment of hire purchase liability	(1)	-	(1)	-
Proceeds from issue of shares	-	12,189	-	12,189
Repayment of loan (c)	-	-	(1,756)	-
(Deposits pledged)/Proceeds from deposits previously pledged	-	-	(793)	77
Cash flows from/(used in) financing activities	<u>(1)</u>	<u>12,189</u>	<u>(2,547)</u>	<u>12,266</u>
Net increase/(decrease) in cash and cash equivalents	<u>2,911</u>	<u>11,850</u>	<u>(12,119)</u>	<u>12,125</u>
Cash and cash equivalents at beginning of period	10,732	12,488	25,678	12,245
Effect of exchange rate changes on balances held in foreign	(170)	(67)	(86)	(99)
Cash and cash equivalents at end of period (d)	<u>13,473</u>	<u>24,271</u>	<u>13,473</u>	<u>24,271</u>

* 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) : Principally amounts placed in escrow for potential earn-out payment for the PBMV acquisition 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.

	31-Dec-14	31-Dec-13
Note (d) : Cash and cash equivalents per statement of cash flows (S\$'000)	13,473	24,271
Restricted Cash (S\$'000)	4,800	188
Deposits Pledged (S\$'000)	1,758	919
Cash and cash equivalents per the statements of financial position (S\$'000)	<u>20,031</u>	<u>25,378</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	-	-	(701)	(310)	(1,011)
At 31-Dec-2013	41,251	142	(22,283)	30,324	49,434
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	-	-	(1,024)	(1,212)	(2,236)
At 31-Dec-2014	42,999	142	(23,145)	30,484	50,480

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	-	-	(433)	(433)
At 31-Dec-2013	41,251	142	126	41,519
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	-	-	(669)	(669)
At 31-Dec-2014	42,999	142	(1,121)	42,020

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 December 2014 (31 December 2013: 57,669,749). There were no outstanding convertibles as at the end of the current financial period reported on and at the end of the corresponding period of immediately preceding financial year.

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

The Company did not hold any treasury shares as at 31 December 2014 and 30 June 2014. The Company's share capital consists of 184,034,649 ordinary shares as at 31 December 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.**

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 31-Dec-14 (ii)	3-Month Period Ended 31-Dec-13	6-Month Period Ended 31-Dec-14 (i)	6-Month Period Ended 31-Dec-13
Earnings/(Loss) per ordinary share for the financial period based on net loss attributable to shareholders: -	0.03	0.17	(0.67)	(0.22)
- on weighted average number of ordinary shares in issue (cents)	0.03	0.17	(0.67)	(0.22)
- on a fully diluted basis (cents)	0.03	0.17	(0.67)	(0.22)

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	
	Dec-14 (i)	Jun-14	Dec-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)	27.43	29.46	22.83	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 PBMV from 1 August 2014, arising from the acquisition of PBMV on that date.
(ii) Includes contributions from PBMV for the entire three month period ended 31 December 2014.

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 December 2014 ("2Q FY2015") increased 33.6% to S\$12.7 million from S\$9.5 million for the quarter ended 31 December 2013 ("2Q FY2014") due to the sale of two inventory yachts. Gross profit in 2Q FY2015 was S\$2.2 million, comparable to that of 2Q FY2014. However, gross profit margin declined to 17.5% in 2Q FY2015 from 21.2% in 2Q FY2014 attributable to the sale of an older inventory yacht.

The Group's total operating expenses in 2Q FY2015 increased to S\$2.0 million from S\$1.7 million in 2Q FY2014 mainly attributable to higher administrative expenses which increased to S\$0.9 million in 2Q FY2015 from S\$0.6 million a year ago as a result of the appointment of a new executive and inclusion of Palm Beach Motor Yacht Co Pty Ltd ("PBM Y") expenses. This was mitigated by lower salaries due to restructuring of the sales offices in the United States and Australia. Other operating income/(expenses) declined significantly due to the recovery of doubtful debts in 2Q FY2014.

As a result of the above, the Group recorded a net profit of S\$58,000 in 2Q 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 inflow from operating activities improved significantly to S\$3.2 million in 2Q FY2015 compared to cash outflow of S\$0.1 million in 2Q FY2014, mainly due to the profit for the quarter and a decrease in working capital – attributable mainly to a decrease in the Group's inventories. The Group's inventories decreased to S\$21.6 million as at 31 December 2014 from S\$24.2 million as at 30 September 2014 due to the sale of two inventory yachts.

Cash flows used in investing activities were S\$0.3 million for 2Q FY2015 compared to S\$0.2 million in 2Q FY2014 due to the development of new yacht models.

As a result of the above, cash and cash equivalents as per the statement of financial position increased to S\$20.0 million as at 31 December 2014 from S\$17.2 million as at 30 September 2014.

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 December 2014 as compared to 30 June 2014 were due to the acquisition of PBM Y on 1 August 2014. Similarly, in connection with the PBM Y acquisition, trade and other payables increased to S\$11.6 million principally due to an accrual of S\$4.2 million for the potential earn-out payment if a certain profitability milestone is achieved.

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.

According to a report published by independent market research firm Global Industry Analysts Inc in 2014, the global market for yachts is projected to continue recovering from the downturn in the 2008-2009 global financial crisis to reach US\$73.8 billion by 2020. The growth is driven by a number of factors including increasing wealth as well as growing interest in yachting, with strong demand expected for luxury yachts.

In view of the uptrend, particularly in the United States and to a lesser extent in Asia, the Group has ramped up its sales and marketing efforts. This includes a new US sales strategy leading to higher involvement from the Group's executives and joint marketing of the Grand Banks and Palm Beach brands at boat shows. The strategy has helped the Group sell two inventory yachts and secure new orders for seven new yachts in 2Q FY2015 which led to the Group's aggregate net order book (inclusive of PBM Y) increasing 44.0% to approximately S\$25.2 million as at 31 December 2014 from S\$17.5 million as at 30 September 2014.

Concurrently, the Group is upgrading its current range of yachts as well as building new Grand Banks and Palm Beach models, three of which will be introduced later this fiscal year.

The Group will be participating in several upcoming major boat shows including the 12-16 February 2015 Miami International Boat Show, the second largest boat show in North America, where it will debut the newest Palm Beach model – the first 52-foot yacht – and the Singapore Yacht Show two months later.

The Group continues to integrate and streamline operations at its manufacturing locations in Malaysia and Australia. While this will incur further costs, the management believes these actions would benefit the Group over the long-term. Towards this end, the Group has shipped certain tooling from the Australian factory which will enable the Malaysian factory to build certain Palm Beach models, the first of which is targeted for completion at the end of this fiscal year.

11. Dividend

a) Current Financial Period Reported on 31 December 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 general mandate has been obtained from shareholders for IPT.

The Group previously disclosed on 13 November 2014, the sale by a subsidiary of a new Grand Banks yacht to the Chairman. Upon subsequent finalisation of all the specifications of the yacht, the purchase price increased to approximately US\$1.8 million (S\$2.3 million). Additionally, in the Circular to Shareholders dated 30 June 2014, the Group disclosed that Palm Beach Motor Yachts (PBM Y), 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 October 2014 through 31 December 2014, the rental amount paid by PBM Y for use of the manufacturing facility in Berkeley Vale amounted to approximately S\$67,000. Both transactions have been reviewed by the Risk Management & Audit Committee ("RMAC") of the Company, and the RMAC is of the view that the terms of the transactions are on normal commercial terms, and are 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 second quarter ended 31 December 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

10 February 2015