

GRAND BANKS YACHTS LIMITED

(Registration No.: 197601189E)



GRAND BANKS.

First Quarter Unaudited Financial Statements for the Year Ended 30 September 2019

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-19 \$'000	3-Month Period Ended 30-Sep-18 \$'000	
Revenue	26,047	21,610	20.5
Cost of sales	(19,883)	(16,038)	24.0
Gross Profit	<u>6,164</u>	<u>5,572</u>	10.6
Selling and marketing expenses	(2,345)	(2,471)	(5.1)
Administrative expenses	(1,278)	(1,202)	6.3
Other operating expenses	(241)	(242)	(0.4)
Total operating expenses	<u>(3,864)</u>	<u>(3,915)</u>	(1.3)
Profit from operations	<u>2,300</u>	<u>1,657</u>	38.8
Other non-operating income/(expense), net	6	(303)	N.m
Finance costs	(212)	(66)	> 100
Profit before tax	<u>2,094</u>	<u>1,288</u>	62.6
Tax expense	(413)	(142)	> 100
Net profit for the period	<u><u>1,681</u></u>	<u><u>1,146</u></u>	46.7

N.m - Percentage / Computation not meaningful

Additional information to the income statement:

	Group		
	3-Month Period Ended 30-Sep-19 S'000	3-Month Period Ended 30-Sep-18 S'000	Inc/(Dec) %
Allowance of inventory obsolescence	(30)	(30)	0.0
Depreciation of property, plant and equipment	(1,377)	(762)	80.7
Amortisation of intangible assets	(30)	(32)	(6.3)
Foreign exchange loss, net	(30)	(330)	(90.9)
Interest income included in other non-operating income	10	5	100.0
Interest expense included in finance costs	208	66	> 100
Property, plant and equipment written off	(37)	(30)	23.3
Interest expense on lease liabilities	(4)	-	N.m
Tax:			
- current tax expense	(464)	(197)	> 100
- deferred tax credit	51	55	(7.3)

N.m - Percentage / Computation not meaningful

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

	Group	
	3-Month Period Ended 30-Sep-19 \$'000	3-Month Period Ended 30-Sep-18 \$'000
Net profit for the period	1,681	1,146
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Net currency translation differences of financial statements of foreign subsidiaries	416	(827)
Total Comprehensive Income for the period	<u>2,097</u>	<u>319</u>
		46.7
		N.m
		> 100

N.m - Percentage / Computation not meaningful

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-19 S'000	30-Jun-19 S'000	30-Sep-19 S'000	30-Jun-19 S'000
Non-current assets				
Property, plant and equipment	32,688	32,163	–	–
Right-of-use assets [1(b)(ii)]	384	–	–	–
Subsidiaries	–	–	38,016	38,016
Goodwill	6,258	6,361	–	–
Intangible assets	1,340	1,402	–	–
Deferred tax assets	4,936	4,998	–	–
	<u>45,606</u>	<u>44,924</u>	<u>38,016</u>	<u>38,016</u>
Current assets				
Inventories	26,736	28,121	–	–
Contract assets	13,314	10,533	–	–
Trade and other receivables	1,800	496	7,570	7,843
Prepayments	1,089	866	107	102
Current tax recoverable	–	124	–	–
Cash and cash equivalents	5,208	8,552	91	22
	<u>48,147</u>	<u>48,692</u>	<u>7,768</u>	<u>7,967</u>
Total assets	<u>93,753</u>	<u>93,616</u>	<u>45,784</u>	<u>45,983</u>
Current liabilities				
Contract liabilities	7,681	9,568	–	–
Trade and other payables	10,802	10,044	348	374
Lease liabilities [1(b)(ii)]	281	–	–	–
Provision for warranty claims	2,578	2,469	–	–
Interest bearing loans and borrowings [1(b)(iii)]	4,837	8,399	–	–
Deferred consideration [1(b)(iii)]	494	480	–	–
Current tax payables	194	–	–	–
	<u>26,867</u>	<u>30,960</u>	<u>348</u>	<u>374</u>
Non-current liabilities				
Lease liabilities [1(b)(ii)]	103	–	–	–
Deferred tax liabilities	352	422	–	–
Interest bearing loans and borrowings [1(b)(iii)]	7,187	5,005	–	–
Deferred consideration [1(b)(iii)]	2,044	2,126	–	–
	<u>9,686</u>	<u>7,553</u>	<u>–</u>	<u>–</u>
Total liabilities	<u>36,553</u>	<u>38,513</u>	<u>348</u>	<u>374</u>
Capital and reserves				
Share capital	43,045	43,045	43,045	43,045
Share-based compensation reserve	381	381	381	381
Accumulated profits	13,831	12,150	2,010	2,183
Foreign currency translation reserve	(57)	(473)	–	–
Total equity	<u>57,200</u>	<u>55,103</u>	<u>45,436</u>	<u>45,609</u>
Total equity and liabilities	<u>93,753</u>	<u>93,616</u>	<u>45,784</u>	<u>45,983</u>

1(b)(ii) The adoption of SFRS(I) 16 *Leases* resulted in certain leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-to-use the leased item) and financial liability to pay rentals are recognised. Please refer to para 5 for more details; and

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

	30-Sep-2019 S'000	30-Jun-2019 S'000
Interest bearing loans and borrowings - short-term	4,837	8,399
Deferred consideration - short-term	494	480
Interest bearing loans and borrowings - long-term	7,187	5,005
Deferred consideration - long-term	2,044	2,126
	<u>14,562</u>	<u>16,010</u>

Group's borrowings as at 30 Sep 2019 were S\$14.6 million (30 June 2019 : S\$16.0 million) for the partial financing of the renewal consideration for the lease extension of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia, the partial financing of the acquisition in May 2018 of Stuart Yacht Corporation (SYC) and partial financing of three inventory boats.

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, corporate guarantee by the Company, charge on the shares of SYC and charge on three inventory boats.

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-19 \$'000	3-Month Period Ended 30-Sep-18 \$'000
Operating activities		
Profit after taxation	1,681	1,146
<i>Adjustments for:-</i>		
Depreciation of property, plant and equipment	1,377	762
Amortisation of intangible assets	30	32
Property, plant and equipment written off	37	30
Allowance made for slow moving materials	30	30
Interest income	(10)	(5)
Interest expense	208	66
Provision for warranty claims	471	302
Equity-settled share based expense	-	3
Tax expense	413	142
Unrealised foreign exchange (gain)/loss	(163)	269
	<u>4,074</u>	<u>2,777</u>
<i>Changes in working capital:</i>		
Decrease/(Increase) in inventories	1,844	(4,600)
Increase in contract assets	(2,579)	(2,548)
(Increase)/Decrease in trade and other receivables	(1,123)	2,524
Increase in prepayments	(219)	(296)
Decrease in contract liabilities	(2,081)	(3,689)
Increase in trade and other payables	306	767
Net cash from operations	<u>222</u>	<u>(5,065)</u>
Net income tax paid	(45)	(157)
Warranty claims paid	(456)	(436)
Cash flows used in operating activities	<u>(279)</u>	<u>(5,658)</u>
Investing activities		
Interest received	10	5
Purchase of property, plant and equipment	(1,419)	(1,879)
Cash flows used in investing activities	<u>(1,409)</u>	<u>(1,874)</u>
Financing activities		
Interest paid	(221)	(66)
Repayment of lease liabilities	(104)	-
Repayment of deferred consideration (i)	(120)	-
Repayment of interest bearing loans and borrowings (i)	(3,988)	(334)
Proceeds from interest bearing loans and borrowings	2,389	1,145
Cash flows (used in)/from financing activities	<u>(2,044)</u>	<u>745</u>
Net (decrease)/increase in cash and cash equivalents	(3,732)	(6,787)
Cash and cash equivalents at beginning of period	8,425	8,305
Effect of exchange rate changes on balances held in foreign currency	386	4
Cash and cash equivalents at end of period (ii)	<u>5,079</u>	<u>1,522</u>
(i) The repayment of loans and borrowings 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, the partial financing of the acquisition of Stuart Yacht Corporation and partial financing of three inventory boats.		
	<u>30-Sep-19</u>	<u>30-Sep-18</u>
(ii) Cash and cash equivalents per statement of cash flows (S\$'000)	5,079	1,522
Deposits pledged (S\$'000)	129	129
Cash and cash equivalents per the statement of financial position (S\$'000)	<u>5,208</u>	<u>1,651</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 S'000	Share-based compensation reserve S'000	Foreign currency translation reserve S'000	Accumulated profits/(loss) S'000	Total S'000
At 1-Jul-2018	43,045	370	1,342	11,790	56,547
Total comprehensive income for the period					
Profit for the period	–	–	–	1,146	1,146
<i>Other comprehensive income</i>					
Translation differences relating to financial statements of foreign subsidiaries	–	–	(827)	–	(827)
Total other comprehensive income	–	–	(827)	–	(827)
Total comprehensive income for the period	–	–	(827)	1,146	319
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	–	3	–	–	3
At 30-Sep-2018	43,045	373	515	12,936	56,869
At 1-Jul-2019	43,045	381	(473)	12,150	55,103
Total comprehensive income for the period					
Profit for the period	–	–	–	1,681	1,681
<i>Other comprehensive income</i>					
Translation differences relating to financial statements of foreign subsidiaries	–	–	416	–	416
Total other comprehensive income	–	–	416	–	416
Total comprehensive income for the period	–	–	416	1,681	2,097
At 30-Sep-2019	43,045	381	(57)	13,831	57,200
Company					
At 1-Jul-2018	43,045	370	265	43,680	
Total comprehensive income for the period					
Profit for the period	–	–	(337)	(337)	
Total comprehensive income for the period	–	–	(337)	(337)	
Transactions with owners, recorded directly in equity					
Equity-settled performance shares	–	3	–	3	
At 30-Sep-2018	43,045	373	(72)	43,346	
At 1-Jul-2019	43,045	381	2,183	45,609	
Total comprehensive income for the period					
Profit for the period	–	–	(173)	(173)	
Total comprehensive income for the period	–	–	(173)	(173)	
At 30-Sep-2019	43,045	381	2,010	45,436	

- 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 2019 (30 September 2018: No change).

There were 3,300,000 outstanding options as at 30 September 2019 (30 September 2018: 3,300,000 options).

Except for the above, 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 2019 and 30 June 2019. The Company's share capital consists of 184,234,649 ordinary shares as at 30 September 2019 (30 June 2019: 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.**

Except as disclosed in paragraph 5 below, 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 2019.

- 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 Group adopted the new/revised SFRS(I)s that are effective for annual periods beginning on or after 1 January 2019. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s.

The adoption of the SFRS(I)s, SFRS(I) Interpretations and amendments to SFRS(I)s did not have significant impact on the financial statements of the Group.

SFRS(I) 16 Leases

SFRS(I) 16 is effective for financial years beginning on or after 1 January 2019. The Group has applied the simplified transition approach and did not restate comparative amounts for the year prior to first adoption.

SFRS(I) 16 has resulted in almost all leases being recognized on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right-to-use the leased item) and a financial liability to pay rentals are recognized. The only exceptions are short-term leases and leases of low value assets.

Right-of-use assets are measured using the cost model and are carried at cost less accumulated depreciation and accumulated impairment loss, if any, subsequent to initial recognition. The carrying amount for lease liabilities subsequent to initial recognition take into account interest on the lease liabilities, lease payments made and any reassessment or lease modifications.

The adoption of SFRS(1) 16 resulted in adjustments to the balance sheet of the Group as at 1 July 2019. The differences from the balance sheet as previously reported at 30 June 2019 are as follows:

	As at 1 July 2019 Reported under SFRS(I) 16 S\$'000
Increase in right-of-use assets	492
Increase in lease liabilities (current)	389
Increase in lease liabilities (non-current)	103

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-19	3-Month Period Ended 30-Sep-18
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Earnings per ordinary share for the financial period based on net profit attributable to shareholders: -

- on weighted average number of ordinary shares in issue (cents)

0.91	0.62
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- on a fully diluted basis (cents)

0.91	0.62
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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-19	Jun-19
31.05	29.91
24.66	24.76

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

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 2019 ("1Q FY2020") increased 20.5% to S\$26.0 million from S\$21.6 million for the quarter ended 30 September 2018 ("1Q FY2019"), primarily due to sales of two stock boats, one trade-in and more boats in production reaching maturity.

In line with higher revenue, gross profit amounted to S\$6.2 million in 1Q FY2020, up 10.6% from S\$5.6 million in 1Q FY2019. Gross profit margin decreased to 23.7% from 25.8% over the comparative period due to lower gross margin of a stock boat sale and a trade-in sale.

Total operating expenses – which include costs relating to boat shows, sales and marketing, as well as salaries, commissions and professional fees – remained consistent at S\$3.9 million in 1Q FY2020, similar to 1Q FY2019.

Other non-operating income/expenses in 1Q FY2020 and 1QFY2019 were affected by foreign exchange losses. The higher finance costs in 1Q FY2020 compared to 1Q FY2019 were due to higher borrowings in 1Q FY2020.

The tax expenses in both 1Q FY2020 and 1Q FY2019 arose from the profitable subsidiaries.

As a result of the above, the Group's net profit was S\$1.7 million in 1Q FY2020 compared to a net profit of S\$1.1 million in 1Q FY2019, an increase of 46.7%.

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\$0.3 million in 1Q FY2020 down from S\$5.7 million in 1Q FY2019, due primarily to higher contract assets and receivables as well as lower contract liabilities. These were partially mitigated by higher profit and a decrease in inventories.

The increase in contract assets was due to work-in-progress not yet due for billing but already recognized as revenue.

Cash flows used in investing activities amounted to S\$1.4 million in 1Q FY2020 compared to S\$1.9 million in 1Q FY2019 due to lower spending on the improvements to the Pasir Gudang facility. Investing activities for the quarter mainly went to the development of new products.

Cash flows used in financing activities amounted to S\$2.0 million in 1Q FY2020, due to the repayment of loans (principal and interest), partially offset by proceeds from interest-bearing loans. The loans were used to partially finance the lease extension of the Group's Pasir Gudang yard in FY2016 and the purchase of a service yard facility in the U.S. in FY2018 as well as the financing of certain stock boats. Cash flows from financing activities were S\$0.7 million in 1Q FY2019.

As a result of the above, cash and cash equivalents were S\$5.2 million as at 30 September 2019 compared to S\$8.6 million as at 30 June 2019.

Non-current assets came to S\$45.6 million as at 30 September 2019, consistent with S\$44.9 million as at 30 June 2019. Current assets amounted to S\$48.1 million as at 30 September 2019, consistent with S\$48.7 million as at 30 June 2019.

Total liabilities decreased to S\$36.6 million as at 30 September 2019 from S\$38.5 million as at 30 June 2019, due mainly to the decrease in contract liabilities and borrowings.

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.

Net profit and net profit margin have increased in line with revenue. The improved bottom line is an encouraging start to FY2020 and reflects strong market demand for the Group's yachts. The Group received seven new orders in 1Q FY2020, resulting in a net order book of S\$52.8 million as at 30 September 2019 compared to S\$20.5 million as at 30 September 2018.

With the bigger, sleeker and better-performing luxury boats models such as the Grand Banks 54, Palm Beach GT60 and Palm Beach 70 making their debut this year, the Group will be kept busy for the year with these orders.

With redevelopment of the 550,000-square feet facility in Pasir Gudang, Malaysia reaching its tail end, the Group is focusing its efforts on improving its yard in Stuart, Florida, U.S. which will serve as the main service facility and hub for the U.S. region, as well as the headquarters for the Group's sales and marketing operations.

Moving forward, the Group will continue to focus on its marketing and sales initiatives to grow the order book for its wider range of boat models, while also reviewing its operating cost to improve margins.

11. Dividend

a) Current Financial Period Reported On

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 2019 through 30 September 2019, the monthly rental amount paid by PBM Y for use of the manufacturing facility was approximately S\$23,000. 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 2019 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

Date: 22 October 2019