

# GRAND BANKS YACHTS LIMITED

(Registration No.: 197601189E)



GRAND BANKS.

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## Half Yearly Unaudited Financial Statements for the Period Ending 31 December 2020

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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		
	6-Month Period Ended 31-Dec-20 \$'000	6-Month Period Ended 31-Dec-19 \$'000	Inc/(Dec) %
Revenue	53,445	45,082	18.6
Cost of sales	(40,493)	(33,893)	19.5
<b>Gross Profit</b>	<u>12,952</u>	<u>11,189</u>	15.8
Selling and marketing expenses	(4,433)	(4,651)	(4.7)
Administrative expenses	(2,852)	(2,857)	(0.2)
Other operating expenses	(303)	(442)	(31.4)
Corporate restructuring costs	(21)	-	N.m
Total operating expenses	<u>(7,609)</u>	<u>(7,950)</u>	(4.3)
<b>Profit from operations</b>	<u>5,343</u>	<u>3,239</u>	65.0
Other non-operating income, net	6	78	(92.3)
Finance costs	(107)	(421)	(74.6)
<b>Profit before tax</b>	<u>5,242</u>	<u>2,896</u>	81.0
Tax expense	(1,260)	(854)	47.5
<b>Net profit for the period</b>	<u><u>3,982</u></u>	<u><u>2,042</u></u>	95.0

*N.m - Percentage / Computation not meaningful*

**Additional information to the income statement:**

	<b>Group</b>		
	<b>6-Month Period Ended 31-Dec-20 \$'000</b>	<b>6-Month Period Ended 31-Dec-19 \$'000</b>	<b>Inc/(Dec) %</b>
Allowance made for inventories/boats obsolescences	(1,108)	(160)	> 100
Depreciation of property, plant and equipment	(2,343)	(2,334)	0.4
Depreciation of ROU assets	(151)	(108)	39.8
Amortisation of intangible assets	(64)	(60)	6.7
Foreign exchange (loss)/gain, net	(205)	36	N.m
Interest income included in other non-operating income	21	14	50.0
Interest expense included in finance costs	(94)	(416)	(77.4)
Property, plant and equipment written off	(120)	(52)	130.8
Restructuring costs	(21)	-	N.m
Interest expense on lease liabilities	(13)	(12)	8.3
Tax:			
- current tax expense	(1,279)	(956)	33.8
- deferred tax credit	19	102	(81.4)

*N.m - Percentage / Computation not meaningful*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) - in SGD

	Group		
	6-Month Period Ended 31-Dec-20 \$'000	6-Month Period Ended 31-Dec-19 \$'000	Inc/(Dec) %
<b>Net profit for the period</b>	3,982	2,042	95.0
<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	(99)	7	N.m
<b>Total Comprehensive Income for the period</b>	3,883	2,049	89.5

*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**

	<b>Group</b>		<b>Company</b>	
	<b>31-Dec-20</b>	<b>30-Jun-20</b>	<b>31-Dec-20</b>	<b>30-Jun-20</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	24,959	25,065	–	–
Right-of-use assets	6,619	6,726	–	–
Subsidiaries	–	–	38,016	38,016
Goodwill	6,824	6,430	–	–
Intangible assets	1,339	1,293	–	–
Deferred tax assets	3,053	4,225	–	–
	<u>42,794</u>	<u>43,739</u>	<u>38,016</u>	<u>38,016</u>
<b>Current assets</b>				
Inventories	17,853	21,341	–	–
Contract assets	11,110	11,596	–	–
Trade and other receivables	582	990	6,471	6,875
Prepayments	1,558	775	2	17
Cash and cash equivalents	22,195	10,717	(4)	209
	<u>53,298</u>	<u>45,419</u>	<u>6,469</u>	<u>7,101</u>
<b>Total assets</b>	<u>96,092</u>	<u>89,158</u>	<u>44,485</u>	<u>45,117</u>
<b>Current liabilities</b>				
Contract liabilities	9,168	10,731	–	–
Trade and other payables	15,935	9,705	300	519
Lease liabilities	137	192	–	–
Provisions	4,150	4,310	–	–
Interest bearing loans and borrowings [1(b)(ii)]	1,379	1,845	–	–
Deferred consideration [1(b)(ii)]	498	514	–	–
Current tax payables	6	6	–	–
	<u>31,273</u>	<u>27,303</u>	<u>300</u>	<u>519</u>
<b>Non-current liabilities</b>				
Lease liabilities	69	76	–	–
Deferred tax liabilities	410	375	–	–
Interest bearing loans and borrowings [1(b)(ii)]	2,090	2,700	–	–
Deferred consideration [1(b)(ii)]	1,337	1,674	–	–
	<u>3,906</u>	<u>4,825</u>	<u>–</u>	<u>–</u>
<b>Total liabilities</b>	<u>35,179</u>	<u>32,128</u>	<u>300</u>	<u>519</u>
<b>Capital and reserves</b>				
Share capital	43,136	43,136	43,136	43,136
Share-based compensation reserve	381	381	381	381
Accumulated profits	17,187	13,205	668	1,081
Foreign currency translation reserve	209	308	–	–
<b>Total equity</b>	<u>60,913</u>	<u>57,030</u>	<u>44,185</u>	<u>44,598</u>
<b>Total equity and liabilities</b>	<u>96,092</u>	<u>89,158</u>	<u>44,485</u>	<u>45,117</u>

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

	<u>31-Dec-2020</u>	<u>30-Jun-2020</u>
	<u>\$'000</u>	<u>\$'000</u>
Interest bearing loans and borrowings - short-term	1,379	1,845
Deferred consideration - short-term	498	514
Interest bearing loans and borrowings - long-term	2,090	2,700
Deferred consideration - long-term	1,337	1,674
	<u>5,304</u>	<u>6,733</u>

Group's borrowings as at 31 Dec 2020 were S\$5.3 million (30 June 2020 : S\$6.7 million) for the partial financing of the renewal consideration for the lease extension of the Group's manufacturing yard in Pasir Gudang, Johor, Malaysia, and the partial financing of the acquisition of Stuart Yacht Corporation (SYC).

**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, and charge on the shares of SYC.

- 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>6-Month Period Ended 31-Dec-20 \$'000</b>	<b>6-Month Period Ended 31-Dec-19 \$'000</b>
<b>Operating activities</b>		
Profit after taxation	3,982	2,042
<i>Adjustments for:-</i>		
Depreciation of property, plant and equipment	2,343	2,334
Depreciation of ROU assets	151	108
Amortisation of intangible assets	64	60
Gain on disposal of property, plant and equipment	(9)	-
Property, plant and equipment written off	120	52
Allowance made for inventories/boats obsolescences	1,108	160
Interest income	(21)	(14)
Interest expense	107	416
Provisions	1,299	1,247
Tax expense	1,260	854
Unrealised foreign exchange loss	(554)	(97)
	<u>9,850</u>	<u>7,162</u>
<i>Changes in working capital:</i>		
Decrease/(Increase) in inventories	2,182	(1,840)
Decrease in contract assets	98	1,845
Decrease/(Increase) in trade and other receivables	209	(4,696)
Increase in prepayments	(785)	(504)
(Decrease)/Increase in contract liabilities	(1,090)	2,054
Increase/(Decrease) in trade and other payables	5,022	(293)
	<u>15,486</u>	<u>3,728</u>
Net cash from operations	15,486	3,728
Net income tax paid	(1)	(110)
Provisions expended	(510)	(1,100)
<b>Cash flows from operating activities</b>	<u>14,975</u>	<u>2,518</u>
<b>Investing activities</b>		
Interest received	21	14
Proceeds from disposal of property, plant and equipment	9	-
Purchase of property, plant and equipment	(2,174)	(2,707)
<b>Cash flows used in investing activities</b>	<u>(2,144)</u>	<u>(2,693)</u>
<b>Financing activities</b>		
Interest paid	(94)	(408)
Interest paid on ROU assets	(13)	(12)
Repayment of lease liabilities	(312)	(208)
Repayment of deferred consideration (i)	(241)	(287)
Repayment of interest bearing loans and borrowings (i)	(476)	(4,372)
Proceeds from interest bearing loans and borrowings	-	4,977
<b>Cash flows used in financing activities</b>	<u>(1,136)</u>	<u>(310)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	11,695	(485)
Cash and cash equivalents at beginning of period	10,717	8,425
Effect of exchange rate changes on balances held in foreign currency	(217)	495
<b>Cash and cash equivalents at end of period</b>	<u>22,195</u>	<u>8,435</u>

- (i) The repayment of deferred consideration, 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 inventory boats.

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	Share-based compensation reserve	Foreign currency translation reserve	Accumulated profits/(loss)	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1-Jul-2019	43,045	381	(473)	12,150	55,103
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	2,042	2,042
<i>Other comprehensive income</i>					
Translation differences relating to financial statements of foreign subsidiaries	-	-	7	-	7
Total other comprehensive income	-	-	7	-	7
<b>Total comprehensive income for the period</b>	-	-	7	2,042	2,049
At 31-Dec-2019	43,045	381	(466)	14,192	57,152
At 1-Jul-2020	43,136	381	308	13,205	57,030
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	3,982	3,982
<i>Other comprehensive income</i>					
Translation differences relating to financial statements of foreign subsidiaries	-	-	(99)	-	(99)
Total other comprehensive income	-	-	(99)	-	(99)
<b>Total comprehensive income for the period</b>	-	-	(99)	3,982	3,883
At 31-Dec-2020	43,136	381	209	17,187	60,913
<b>Company</b>					
At 1-Jul-2019	43,045	381	2,183	45,609	
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	(432)	(432)	
<b>Total comprehensive income for the period</b>	-	-	(432)	(432)	
At 31-Dec-2019	43,045	381	1,751	45,177	
At 1-Jul-2020	43,136	381	1,081	44,598	
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	(413)	(413)	
<b>Total comprehensive income for the period</b>	-	-	(413)	(413)	
At 31-Dec-2020	43,136	381	668	44,185	

- 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 6-month period ended 31 December 2020 (31 December 2019: No change).

There were 2,700,000 outstanding options as at 31 December 2020 (31 December 2019: 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 31 December 2020 and 30 June 2020. The Company's share capital consists of 184,634,649 ordinary shares as at 31 December 2020 (30 June 2020: 184,634,649 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 2020.

- 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 SFRS which became effective from 1 July 2020 do 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.

6-Month Period Ended	6-Month Period Ended
31-Dec-20	31-Dec-19

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)

2.16	1.11
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- on a fully diluted basis (cents)

2.16	1.11
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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
	Dec-20	Jun-20
	Jun-20	Dec-20
Net asset value per ordinary share based on existing issued share capital at the end of the respective financial period/year (cents)	32.99	23.93
	30.89	24.15



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.**

Revenue

The Group's revenue for the half year ended 31 December 2020 ("1H FY2021") increased 18.6% to S\$53.4 million from S\$45.1 million for the half year ended 31 December 2019 ("1H FY2020"), due to more boats in production and more boats reaching production completion.

Gross profit

In line with higher revenue, gross profit amounted to S\$13.0 million in 1H FY2021, up 15.8% from S\$11.2 million in 1H FY2020. Gross profit margin decreased marginally to 24.2% from 24.8% over the comparative periods due to lower margin from a trade-in boat.

Operating expenses

Total operating expenses – which include costs relating to boat shows, sales and marketing, as well as salaries, commissions and professional fees – decreased to S\$7.6 million in 1H FY2021 from S\$8.0 million in 1H FY2020 mainly due to cancelled boat shows and lower travelling expenses in 1H FY2021 as countries continue to implement travel restrictions to curb the spread of COVID-19.

The Group is consolidating its manufacturing activities to Malaysia, which the Group has invested substantial sums to increase production capacity as well as to modernize its operations. The Berkeley Vale factory will be closed at the end of February 2021.

The lower finance costs in 1H FY2021 compared to 1H FY2020 were due to lower borrowings in 1H FY2021.

Taxation

The tax expenses for all the periods arose from the profitable subsidiaries.

Net profit

As a result of the above, the Group's net profit was S\$4.0 million in 1H FY2021 (1H FY2020: S\$2.0 million), an increase of 95.0% over the comparative periods.

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 generated from operations was S\$15.0 million in 1H FY2021 (up from S\$2.5 million in 1H FY2020), due primarily to higher payables and lower inventories, partially offset by decrease in contract liabilities and higher prepayments.

In line with higher revenue, payables increased as the Group accrued greater purchases, costs and operating expenses in 1H FY2021, while decreases in raw materials and work-in-progress as well as lower value of stock boats resulted in a decrease in inventory. The decrease in contract liabilities was due to more boats reaching advanced stages of production in 1H FY2021. The higher prepayments were due to higher advance payments to vendors.

Cash flows used in investing activities amounted to S\$2.1 million in 1H FY2021 compared to S\$2.7 million in 1H FY2020 due to lower spending on development of new products.

Cash flows used in financing activities amounted to S\$1.1 million in 1H FY2021 due to the repayments of lease liabilities, principal and interest of loans as well as deferred consideration. Cash flows used in financing activities amounted to S\$0.3 million in 1H FY2020 due to the repayments of lease liabilities, principal and interest of loans as well as deferred consideration, partially offset by proceeds from interest-bearing stock boat financing loans.

As a result of the above, cash and cash equivalents amounted to S\$22.2 million as at 31 December 2020 compared to S\$10.7 million as at 30 June 2020.

Non-current assets came to S\$42.8 million as at 31 December 2020, slight decrease from S\$43.7 million as at 30 June 2020. Current assets amounted to S\$53.3 million as at 31 December 2020 compared to S\$45.4 million as at 30 June 2020, primarily due to increase in cash and cash equivalent.

Total liabilities increased to S\$35.2 million as at 31 December 2020 from S\$32.1 million as at 30 June 2020, due mainly to higher 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 pandemic continues to impact the luxury boating market. The United States, our main market, continues to struggle to contain the spread of COVID-19. This has led to the cancellations of many boat shows. Despite these challenges, the Group's net profit almost doubled in the period under review.

Anticipating volatility in the coming months, the Group has continued to strengthen its balance sheet and increase its cash holdings to S\$22.2 million as at 31 December 2020, more than double that of S\$10.7 million as at 30 June 2020. The cash will allow the Group to swiftly execute decisions and adapt quickly to the situation.

In view of the pandemic, the Group has implemented stricter health measures at both its yards in Stuart, Florida and Pasir Gudang, Malaysia. On 18 January 2021, operations at Pasir Gudang were temporarily halted at the discretion of the CEO following the first-ever detection of COVID-19 infection among its workforce. COVID-19 tests were immediately carried out on the entire workforce and 44 workers were tested positive. These 44 workers have been quarantined and will not be allowed to return to work until they have been certified to be free from COVID-19. Operations resumed on 31 January 2021.

As boat shows may be curtailed in the immediate future, the Group has stepped up digital marketing and sales initiatives. At the same time, it will continue to pursue plans to build bigger, sleeker and better-performing luxury boat models. As a result of these efforts, Grand Banks recorded seventeen new boat orders and one trade-in boat order during the reporting period, including the first order of its latest boat model, the Eastbay 60, which is expected to debut in early 2022. The Group's net order book stood at S\$57.6 million as at 31 December 2020 compared to S\$48.9 million at the end of June 2020.

The Group maintains a cautious outlook due to the continued dampened economic sentiment; restrictions on travel and cancellation of boat shows are expected to continue to affect sales in the coming months.

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 PBMV, one of the Group's subsidiary companies. For the period from 1 July 2020 through 31 December 2020, the monthly rental amount paid by PBMV 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.

Following the relocation of boat manufacturing activities from Berkeley Vale to the Pasir Gudang yard, this lease will be terminated at the end of Q3 FY2021.

- 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 half ended 31 December 2020 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: 8 February 2021