

STAMFORD TYRES CORPORATION LTD

Unaudited First Quarter 2015 Financial Statements

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

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

1(a)(i) CONSOLIDATED INCOME STATEMENT

	Group			
	FY15 Jul'14 \$'000	FY14 Jul'13 \$'000	Difference \$'000	Difference %
Revenue	74,977	76,331	(1,354)	-1.77%
Other revenue	258	1,781	(1,523)	-85.51%
Total revenue	75,235	78,112	(2,877)	-3.68%
Cost of goods sold	59,272	59,627	(355)	-0.60%
Salaries and employees benefits	5,920	5,571	349	6.26%
Marketing and distribution	2,644	2,455	189	7.70%
Utilities, repairs and maintenance	1,433	1,338	95	7.10%
Finance costs	1,085	1,143	(58)	-5.07%
Depreciation of property, plant and equipment	1,214	960	254	26.46%
Operating lease rentals	1,046	1,631	(585)	-35.87%
Other operating expenses	1,595	3,818	(2,223)	-58.22%
Total expenditure	(74,209)	(76,543)	2,334	-3.05%
Share of results of joint ventures	139	(361)	500	N.M
Profit before taxation	1,165	1,208	(43)	-3.56%
Taxation	(584)	(790)	206	-26.08%
Profit for the financial period	581	418	163	39.00%
Attributable to:				
Equity holders of the company	581	418	163	39.00%
	581	418	163	39.00%

N.M - Not meaningful.

1(a)(i) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	FY15 Jul'14 \$'000	FY14 Jul'13 \$'000
Net profit for the financial period	581	418
Other comprehensive income :		
Translation adjustments arising on consolidation	9	(1,995)
Other comprehensive income for the financial period, net of tax	9	(1,995)
Total comprehensive income for the financial period	590	(1,577)
Total comprehensive income attributable to :		
Equity holders of the Company	590	(1,577)
	590	(1,577)

	FY15 Jul'14 \$'000	FY14 Jul'13 \$'000
(a) Profit after taxation is stated after charging/(crediting) :		
Depreciation of property, plant and equipment (inclusive of charges included in cost of goods sold)	2,130	1,890
(Write-back of)/allowance for doubtful receivables	(97)	685
Allowance for inventory obsolescence	23	426
Gain on disposal of property, plant and equipment	(21)	(22)
Foreign exchange loss and hedging costs	707	1,848
Fair value gain on other financial instruments	(90)	(65)
Property, plant and equipment written-off	1	1
Compensation received in respect of exit from China	-	(1,555)

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.

	Group		Company	
	FY15	FY14	FY15	FY14
	31/07/14	30/04/14	31/07/14	30/04/14
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	66,353	65,106	-	-
Subsidiary companies	-	-	56,628	56,130
Amount due from subsidiary companies	-	-	10,295	8,994
Joint venture companies	15,447	16,111	6,567	6,567
Associated company	233	233	-	-
Deferred tax assets	2,557	2,559	-	-
	<u>84,590</u>	<u>84,009</u>	<u>73,490</u>	<u>71,691</u>
Current assets				
Inventories	104,500	102,575	-	-
Trade receivables	79,318	74,601	-	-
Derivatives	-	-	-	-
Other receivables	3,967	4,041	149	88
Prepayments and advances	4,839	2,597	16	19
Cash and cash equivalents	14,807	18,637	363	1,714
	<u>207,431</u>	<u>202,451</u>	<u>528</u>	<u>1,821</u>
Less: Current liabilities				
Trade payables	22,808	22,319	-	-
Trust receipts (secured)	66,603	61,806	-	-
Derivatives	145	265	15	79
Other payables	21,414	20,752	625	519
Loans (secured)	11,990	13,796	-	-
Hire-purchase liabilities	1,072	775	-	-
Provisions	561	520	-	-
Provision for taxation	2,574	2,502	93	93
	<u>127,167</u>	<u>122,735</u>	<u>733</u>	<u>691</u>
Net current assets/(liabilities)	80,264	79,716	(205)	1,130
Non-current liabilities				
Amount due to subsidiary companies	-	-	365	365
Hire-purchase liabilities	2,559	805	-	-
Provisions	640	640	-	-
Long-term loans (secured)	37,874	39,111	-	-
Deferred tax liabilities	693	671	108	108
	<u>41,766</u>	<u>41,227</u>	<u>473</u>	<u>473</u>
Net assets	123,088	122,498	72,812	72,348
Equity				
Share capital	35,722	35,722	35,722	35,722
Reserves	87,366	86,776	37,090	36,626
	<u>123,088</u>	<u>122,498</u>	<u>72,812</u>	<u>72,348</u>

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

Amount repayable in one year or less, or on demand

As at 31/7/2014		As at 30/04/2014	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
79,665	-	76,377	-

Amount repayable after one year

As at 31/7/2014		As at 30/04/2014	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
40,433	-	39,916	-

Details of any collateral

The Group's freehold land, certain leasehold land and buildings, leasehold improvements and certain plant and equipment with a total net book value of \$50,318,446 as at 31 July 2014 (30 April 2014 : \$50,482,029) are subject to legal mortgages in connection with bank facilities granted to the Group.

The trust receipts of subsidiary companies are secured primarily by corporate guarantees from 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.

	Group	
	FY15 Jul'14 \$'000	FY14 Jul'13 \$'000
Cash flows from operating activities		
Profit before taxation	1,165	1,208
Adjustments for:		
Depreciation of property, plant and equipment	2,130	1,890
Gain on disposal of property, plant and equipment	(21)	(22)
Fair value gain on other financial instruments	(90)	(65)
Property, plant and equipment written-off	1	1
Bad debts written-off	-	1
Foreign currency translation adjustment	795	(867)
Interest income	(46)	(37)
Provision for product warranties	190	164
Write-back of impairment loss on property, plant and equipment	(2)	-
Interest expenses	1,085	1,143
Share of results of joint ventures	(139)	361
Operating cashflows before changes in working capital	<u>5,068</u>	<u>3,777</u>
(Increase)/decrease in inventories	(1,925)	2,901
(Increase)/decrease in receivables	(6,885)	8,819
Increase in payables	1,002	2,230
Cashflows from operations	<u>(2,740)</u>	<u>17,727</u>
Interest received	46	37
Interest paid	(1,085)	(1,143)
Income tax paid	(488)	(379)
Net cashflows (used in)/generated from operating activities	<u>(4,267)</u>	<u>16,242</u>
Cash flows from investing activities :		
Proceeds from disposal of property, plant and equipment	61	67
Additions to property, plant and equipment	(1,115)	(5,872)
Net cash used in from investing activities	<u>(1,054)</u>	<u>(5,805)</u>
Cash flows from financing activities :		
Proceeds from long-term loans	-	2,225
Proceeds from/(repayment) of trust receipts	4,797	(8,423)
Repayment of revolving loans	(1,435)	(4,764)
Repayment of hire purchase creditors	(209)	(259)
Repayment of long-term loans	(1,608)	(2,114)
Net cashflows generated from/(used in) financing activities	<u>1,545</u>	<u>(13,335)</u>
Net decrease in cash and cash equivalents	(3,776)	(2,898)
Cash and cash equivalents at beginning of financial period	18,637	21,595
Effect of exchange rate changes on cash and cash equivalents at the beginning of the financial period	(54)	55
Cash and cash equivalents at end of financial period	<u>14,807</u>	<u>18,752</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 year of the immediately preceding financial year.

	Equity, total \$'000	Equity attributable to owners of the Company, total \$'000	Share capital \$'000	Revenue reserve \$'000	Other reserves, total \$'000	Capital reserve \$'000	Employee share option reserve \$'000	Foreign currency translation reserve \$'000	Discount on acquisition of non-controlling interest \$'000
Group									
Balance at 1 May 2013	120,248	120,248	35,722	93,850	(9,324)	424	254	(10,204)	202
Profit for the financial period	418	418	-	418	-	-	-	-	-
Reclassification of foreign currency translation reserves to profit or loss arising from disposal of associate	(1,995)	(1,995)	-	-	(1,995)	-	-	(1,995)	-
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-
Total comprehensive income for the financial period	(1,577)	(1,577)	-	418	(1,995)	-	-	(1,995)	-
<u>Contributions by and distributions to owners</u>									
Forfeiture of employee share options	-	-	-	-	-	-	-	-	-
Dividend on ordinary shares	-	-	-	-	-	-	-	-	-
Exercise of employee share options	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-	-
Balance at 31 July 2013	118,671	118,671	35,722	94,268	(11,319)	424	254	(12,199)	202
Balance at 1 May 2014	122,498	122,498	35,722	100,332	(13,556)	424	254	(14,436)	202
Profit for the financial period	581	581	-	581	-	-	-	-	-
Other comprehensive income for the period	9	9	-	-	9	-	-	9	-
Total comprehensive income for the financial period	590	590	-	581	9	-	-	9	-
<u>Contributions by and distributions to owners</u>									
Dividend on ordinary shares	-	-	-	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-	-
Balance at 31 July 2014	123,088	123,088	35,722	100,913	(13,547)	424	254	(14,427)	202

	Equity attributable to	Share	Revenue	Other	
Equity,	owners of the	capital	reserve	reserves	
total	Company, total	capital	reserve	total	
\$'000	\$'000	\$'000	\$'000	\$'000	
Company					
Balance at 1 May 2013	69,373	69,373	35,722	33,397	254
Profit for the financial period	656	656	-	656	-
Total comprehensive income for the financial period	656	656	-	656	-
<u>Contributions by and distributions to owners</u>					
Forfeiture of employee share options	-	-	-	-	-
Exercise of employee share options	-	-	-	-	-
Dividend on ordinary shares	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-	-
Balance at 31 July 2013	70,029	70,029	35,722	34,053	254
Balance at 1 May 2014	72,348	72,348	35,722	36,372	254
Profit for the financial period	464	464	-	464	-
Total comprehensive income for the financial period	464	464	-	464	-
<u>Contributions by and distributions to owners</u>					
Dividend on ordinary shares	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-	-
Balance at 31 July 2014	72,812	72,812	35,722	36,836	254

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 year 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 year reported on and as at the end of the corresponding year of the immediately preceding financial year.

There was no change in the company's number of shares since 30 April 2014.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial year and as at the end of the immediately preceding year

	Company 31/07/2014	Company 30/04/2014
Ordinary shares (excluding treasury shares)	235,586,244	235,586,244

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial year reported on

Not applicable. There are no treasury shares as at the end of the current financial period reported on.

2. Whether the figures have been audited, or reviewed and in accordance with which standard or practice.

The figures have not been audited or reviewed by the Company's 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 Note 5, the Group and the Company has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current financial period compared with those of the audited financial statements as at 30 April 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.

On 1 May 2014, the Group and the Company adopted the following new and revised Financial Reporting Standards ("FRS") and Interpretations of Financial Reporting Standards ("INT FRS") that are relevant:

Description

- Amendments to FRS 32 Offsetting Financial Assets and Financial Liabilities
- Amendments to FRS 36 Recoverable Amount Disclosures for Non-financial Assets
- Amendments to FRS 39 Novation of Derivatives and Continuation of Hedge Accounting
- INT FRS 121 Levies

The adoption of the above FRS and INT FRS did not result in any substantial changes to the Group's accounting policies and did not have any significant impact on the Group and the Company.

6. Earnings per ordinary share of the group for the current year reported on and the corresponding year of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group	
	FY15 Jul'14	FY14 Jul'13
Earning per share (EPS)		
- basic (cents)	0.25	0.18
- diluted (cents)	0.25	0.18
	\$'000	\$'000
Group earnings used for the calculation of EPS		
Profit for the financial period	581	418
	'000	'000
Number of shares used for the calculation of basic and diluted EPS:		
Weighted average number of ordinary shares in issue used for the calculation of basic EPS	235,586	235,586

Basic earning per share ("EPS") is calculated on the Group's profit for the financial year attributable to the shareholders of the Company divided by the weighted average number of ordinary shares in issue during the financial period.

Diluted EPS is calculated on the same basis as basic EPS as there are no dilutive potential ordinary shares as at 31 July 2014.

Unissued shares under share options as at 31 July 2014 comprise 780,000 (30 April 2014: 780,000) options entitling holders to subscribe at any time during the exercise period for the same number of ordinary shares in the Company.

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 financial year reported on; and (b) immediately preceding financial year.

	Group		Company	
	31/07/14	30/04/14	31/07/14	30/04/14
Net asset value per ordinary share (cents)	52.25	52.00	30.91	30.71

The net asset value per share for the Group and the Company as at 31 July 2014 are calculated based on the actual number of shares in issue of 235,586,244 ordinary shares (30 April 2014: 235,586,244 ordinary shares).

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 year reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial year reported on.

Revenue

The Group's total revenue was 1.8% lower at S\$75.0 million in 1QFY15 compared to S\$76.3 million in 1QFY14. This was mainly due to lower export sales.

Gross Profit and Gross Profit Margin

Gross profit was S\$15.7 million in 1QFY15 compared to S\$16.7 million in 1QFY14. Gross profit margin decreased slightly from 21.9% in 1QFY14 to 20.9% in 1QFY15. The lower gross profit margin was mainly due to pricing pressure arising from market competition in some markets.

Operating Expenses

Operating expenses were 11.7% lower at S\$14.9 million in 1QFY15 compared to S\$16.9 million in 1QFY14 due to the following:

- Net write-back of doubtful receivables of S\$0.1 million due to collection of debts provided for in prior periods.
- Lower allowance for inventory obsolescence of S\$0.02 million compared to S\$0.4 million provided in 1QFY14.
- Lower net foreign exchange losses and hedging costs at S\$0.7 million compared to S\$1.8 million in 1QFY14.

Share of Results of Joint Ventures

In 1QFY15, the share of results of joint ventures amounted to a net profit of S\$0.1 million, compared to a net loss of S\$0.4 million in 1QFY14. The net loss position in 1QFY14 was mainly due to the start-up phase of the Falken Tyre India joint venture which was announced on 20 December 2012.

Net Profit

The Group recorded a net profit of S\$0.6 million in 1QFY15, which is higher than the S\$0.4 million recorded in 1QFY14.

Financial Position

Receivables increased to S\$79.3 million as at 31 July 2014 from S\$74.6 million as at 30 April 2014, due to slower collection.

Inventories increased to S\$104.5 million as at 31 July 2014 from S\$102.6 million as at 30 April 2014. This increase was mainly due to the Group's restocking exercise after inventory rationalisation in the past year.

Trade payables and trust receipts increased to S\$89.4 million as at 31 July 2014 from S\$84.1 million as at 30 April 2014. This is in line with the increase in inventories.

As at 31 July 2014, the Group's cash and cash equivalents stood at S\$14.8 million compared to S\$18.6 million as at 30 April 2014.

The Group's borrowings which comprise trust receipts, revolving credit, short-term secured loans as well as long-term secured loans stood at S\$116.5 million as at 31 July 2014 compared with S\$114.7 million as at 30 April 2014. The increase is mainly attributable to the increase in trust receipts during the quarter.

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 significant trends and 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 year and the next 12 months.

The global economic outlook remains uncertain. As a result, our operating environment will continue to be challenging.

To mitigate this challenging environment, the Group will continue to optimize its product mix and manage operating costs so as to enhance its performance.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period 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

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholder for IPTs, the aggregate value of such transactions as required under Rule 9201(1)(a)(iii). If no IPT mandate has been obtained, a statement to that effect.

No IPT mandate has been obtained.

**Statement Pursuant to Rule 705(5) of the Listing Manual
of the Singapore Exchange Securities Trading Limited**

The directors confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the interim financial statements of Stamford Tyres Corporation Limited for the 1st quarter ended 31 July 2014, to be false or misleading in any material aspect.

BY ORDER OF THE BOARD



Dawn Wee Wai Ying
Executive Director
5 September 2014