

STAMFORD TYRES CORPORATION LTD

Unaudited Second Quarter 2011 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			Group		
	01/08/10- 31/10/10	01/08/09- 31/10/09	Difference	01/05/10- 31/10/10	01/05/09- 31/10/09	Difference
	\$'000	\$'000	%	\$'000	\$'000	%
Revenue	82,085	76,321	7.55%	162,384	145,735	11.42%
Other revenue	238	275	-13.45%	448	483	-7.25%
Total revenue	82,323	76,596	7.48%	162,832	146,218	11.36%
Cost of goods sold	64,127	59,379	8.00%	127,742	115,537	10.56%
Salaries and employees benefits	5,854	4,703	24.47%	11,410	9,564	19.30%
Marketing and distribution	2,810	3,121	-9.96%	6,003	5,730	4.76%
Utilities, repairs and maintenance	1,400	1,299	7.78%	2,772	2,420	14.55%
Finance costs	1,277	1,168	9.33%	2,457	2,540	-3.27%
Depreciation of property, plant and equipment	1,288	1,335	-3.52%	2,573	2,643	-2.65%
Operating lease rentals	1,267	973	30.22%	2,451	1,977	23.98%
Other operating expenses	2,573	2,121	21.31%	3,624	1,890	N.M
Total expenditure	(80,596)	(74,099)	8.77%	(159,032)	(142,301)	11.76%
Share of profits of associated company	583	484	20.45%	793	958	-17.22%
Profit before taxation	2,310	2,981	-22.51%	4,593	4,875	-5.78%
Taxation	(619)	(977)	-36.64%	(1,743)	(1,929)	-9.64%
Profit for the financial period	1,691	2,004	-15.62%	2,850	2,946	-3.26%
Attributable to:						
Equity holders of the company	1,656	1,968	-15.85%	2,780	2,873	-3.24%
Minority interests	35	36	-2.78%	70	73	-4.11%
	1,691	2,004	-15.62%	2,850	2,946	-3.26%

N.M - Not meaningful.

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

	01/08/10- 31/10/10	01/08/09- 31/10/09	01/05/10- 31/10/10	01/05/09- 31/10/09
	\$'000	\$'000	\$'000	\$'000
Net profit for the financial period	1,691	2,004	2,850	2,946
Other comprehensive income :				
Translation adjustments arising on consolidation	(1,049)	(750)	(1,263)	(1,086)
Fair value gain on cash flow hedges	-	-	-	79
Other comprehensive income for the financial period, net of tax	(1,049)	(750)	(1,263)	(1,007)
Total comprehensive income for the financial period	642	1,254	1,587	1,939
Total comprehensive income attributable to :				
Equity holders of the Company	624	1,217	1,535	1,873
Minority interests	18	37	52	66
	642	1,254	1,587	1,939

	01/08/10- 31/10/10	01/08/09- 31/10/09	01/05/10- 31/10/10	01/05/09- 31/10/09
	\$'000	\$'000	\$'000	\$'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)	2,566	2,509	5,166	4,994
(Write-back of)/ allowance for doubtful receivables	(135)	65	32	114
(Write-back of)/ allowance for inventory obsolescence	(355)	1,041	(789)	1,319
Gain on disposal of property, plant and equipment	(1)	(7)	(75)	(26)
Impairment loss on property, plant and equipment	-	186	-	186
Foreign exchange loss/(gain)	969	474	660	(952)
Fair value loss/(gain) on other financial instruments	277	(745)	285	(815)

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

	Group		Company	
	31/10/10	30/04/10	31/10/10	30/04/10
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	61,720	63,220	-	-
Subsidiary companies	-	-	31,681	30,596
Amount due from subsidiary companies	-	-	20,796	21,887
Joint venture company	-	-	1,571	1,571
Associated companies	5,189	5,354	-	-
Deferred tax assets	3,249	2,884	-	-
	<u>70,158</u>	<u>71,458</u>	<u>54,048</u>	<u>54,054</u>
Current assets				
Inventories	106,772	89,471	-	-
Trade receivables	72,641	76,330	-	-
Derivatives	573	289	-	-
Other receivables	5,802	6,101	593	518
Prepayments and advances	3,144	2,661	29	21
Cash and bank deposits	25,563	35,604	309	666
	<u>214,495</u>	<u>210,456</u>	<u>931</u>	<u>1,205</u>
Less: Current liabilities				
Trade payables	21,851	26,428	-	-
Trust receipts (secured)	85,836	73,986	-	-
Derivatives	732	161	-	-
Other payables	18,874	16,319	585	689
Loans (secured)	20,315	24,455	1,217	1,187
Hire-purchase liabilities	775	778	-	-
Provisions	828	679	-	-
Provision for taxation	3,126	3,795	25	90
	<u>152,337</u>	<u>146,601</u>	<u>1,827</u>	<u>1,966</u>
Net current assets/(liabilities)	<u>62,158</u>	<u>63,855</u>	<u>(896)</u>	<u>(761)</u>
Non-current liabilities				
Amount due to subsidiary companies	-	-	365	365
Hire-purchase liabilities	1,170	867	-	-
Provisions	210	210	-	-
Long-term loans (secured)	29,199	33,750	2,624	3,240
Deferred tax liabilities	2,640	2,174	-	-
	<u>33,219</u>	<u>37,001</u>	<u>2,989</u>	<u>3,605</u>
Net assets	<u>99,097</u>	<u>98,312</u>	<u>50,163</u>	<u>49,688</u>
Equity				
Share capital	35,182	33,677	35,182	33,677
Reserves	63,284	64,056	14,981	16,011
	<u>98,466</u>	<u>97,733</u>	<u>50,163</u>	<u>49,688</u>
Minority interests	<u>631</u>	<u>579</u>	<u>-</u>	<u>-</u>
	<u>99,097</u>	<u>98,312</u>	<u>50,163</u>	<u>49,688</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 31/10/2010		As at 30/04/2010	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
106,926	-	99,219	-

Amount repayable after one year

As at 31/10/2010		As at 30/04/2010	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
30,369	-	34,617	-

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 \$42,359,872 as at 31 Oct 2010 (30 April 2010 : \$43,917,656) 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.

1(C)(i) CONSOLIDATED CASH FLOW STATEMENT (2Q FY2011 vs 2Q FY2010)

	Group	
	01/08/10- 31/10/10 \$'000	01/08/09- 31/10/09 \$'000
Cash flows from operating activities		
Profit before taxation	2,310	2,981
Adjustments for:		
Depreciation of property, plant and equipment	2,566	2,509
Gain on disposal of property, plant and equipment	(1)	(7)
Fair value loss/(gain) on other financial instruments	277	(745)
Property, plant and equipment written off	5	-
Foreign currency translation adjustment	(633)	(396)
Interest income	(26)	(113)
Provision for product warranties and reinstatement cost	79	66
Impairment loss on property, plant and equipment	-	186
Interest expenses	1,277	1,168
Share of profits of associated company	(583)	(484)
Operating profit before reinvestment in working capital	5,271	5,165
Increase in inventories	(6,943)	(4,692)
Decrease/(increase) in receivables	2,423	(6,935)
(Decrease)/increase in payables	(1,690)	10,566
Cash (used in)/ generated by operations	(939)	4,104
Interest received	26	113
Interest paid	(1,277)	(1,168)
Income tax paid	(1,545)	(893)
Net cash (used in)/generated by operating activities	(3,735)	2,156
Cash flows from investing activities :		
Proceeds from disposal of property, plant and equipment	2	1
Proceeds from share issuance	1,505	-
Purchase of property, plant and equipment	(1,533)	(1,400)
Net cash used in investing activities	(26)	(1,399)
Cash flows from financing activities :		
Proceeds from long-term loans	65	5,000
Proceeds from trust receipts	6,861	12,299
(Repayment of)/proceeds from hire purchase creditors	(334)	118
Dividend paid to shareholders	(2,307)	-
Repayment of long-term loans	(3,172)	(3,404)
Net cash provided by financing activities	1,113	14,013
Net (decrease)/increase in cash and cash equivalents	(2,648)	14,770
Cash and cash equivalents at beginning of financial period	19,279	(8,081)
Exchange rate adjustment to cash and cash equivalents at beginning of financial period	(449)	67
Cash and cash equivalents at end of financial period	16,182	6,756
Cash and cash equivalents consist of :		
Cash and bank balances	25,563	24,241
Short-term revolving loan	(9,381)	(17,485)
	16,182	6,756

1(C)(i) CONSOLIDATED CASH FLOW STATEMENT (YTD OCT FY2011 vs YTD OCT FY2010)

	Group	
	01/05/10- 31/10/10 \$'000	01/05/09- 31/10/09 \$'000
Cash flows from operating activities		
Profit before taxation	4,593	4,875
Adjustments for:		
Depreciation of property, plant and equipment	5,166	4,994
Gain on disposal of property, plant and equipment	(75)	(26)
Fair value loss/(gain) on other financial instruments	285	(815)
Property, plant and equipment written off	6	-
Foreign currency translation adjustment	(373)	375
Interest income	(38)	(136)
Provision for product warranties and reinstatement cost	198	135
Impairment loss on property, plant and equipment	-	186
Interest expenses	2,457	2,540
Share of profits of associated company	(793)	(958)
Operating profit before reinvestment in working capital	11,426	11,170
(Increase)/decrease in inventories	(17,301)	7,716
Decrease/(increase) in receivables	3,505	(6,568)
(Decrease)/increase in payables	(2,071)	5,398
Cash (used in)/ generated by operations	(4,441)	17,716
Interest received	38	136
Interest paid	(2,457)	(2,540)
Income tax paid	(2,311)	(1,336)
Net cash (used in)/generated by operating activities	(9,171)	13,976
Cash flows from investing activities :		
Proceeds from disposal of property, plant and equipment	149	71
Proceeds from share issuance	1,505	-
Dividend income from associated company	506	-
Purchase of property, plant and equipment	(2,729)	(2,059)
Net cash used in investing activities	(569)	(1,988)
Cash flows from financing activities :		
Proceeds from long-term loans	65	10,000
Proceeds from trust receipts	11,850	2,699
(Repayment of)/proceeds from hire purchase creditors	(625)	37
Dividend paid to shareholders	(2,307)	-
Repayment of long-term loans	(6,047)	(4,634)
Net cash provided by financing activities	2,936	8,102
Net (decrease)/increase in cash and cash equivalents	(6,804)	20,090
Cash and cash equivalents at beginning of financial period	23,514	(13,303)
Exchange rate adjustment to cash and cash equivalents at beginning of financial period	(528)	(31)
Cash and cash equivalents at end of financial period	16,182	6,756
Cash and cash equivalents consist of :		
Cash and bank balances	25,563	24,241
Short-term revolving loan	(9,381)	(17,485)
	16,182	6,756

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.

	Share capital \$'000	Capital reserve \$'000	Employee share option reserve \$'000	Revenue reserve \$'000	Fair value reserve \$'000	Foreign currency translation reserve \$'000	Total reserves \$'000	Minority Interests \$'000	Total equity \$'000
Group									
Balance at 1 May 2009	33,677	321	755	59,005	(79)	(4,573)	55,429	438	89,544
Profit for the financial period	-	-	-	2,873	-	-	2,873	73	2,946
Other comprehensive income/(loss) for the period	-	-	-	-	79	(1,079)	(1,000)	(7)	(1,007)
Total comprehensive income/(loss) for the financial period	-	-	-	2,873	79	(1,079)	1,873	66	1,939
Balance at 31 Oct 2009	33,677	321	755	61,878	-	(5,652)	57,302	504	91,483
Balance at 1 May 2010	33,677	347	755	68,386	-	(5,432)	64,056	579	98,312
Profit for the financial period	-	-	-	2,780	-	-	2,780	70	2,850
Other comprehensive loss for the period	-	-	-	-	-	(1,245)	(1,245)	(18)	(1,263)
Total comprehensive income/(loss) for the financial period	-	-	-	2,780	-	(1,245)	1,535	52	1,587
Transfer from retained earnings to capital reserves	-	13	-	(13)	-	-	-	-	-
Dividend	-	-	-	(2,307)	-	-	(2,307)	-	(2,307)
New share issue	1,505	-	-	-	-	-	-	-	1,505
Balance at 31 Oct 2010	35,182	360	755	68,846	-	(6,677)	63,284	631	99,097

	Share capital \$'000	Employee share option reserve \$'000	Revenue reserve \$'000	Total reserves \$'000	Total \$'000
Company					
Balance at 1 May 2009	33,677	755	14,844	15,599	49,276
Profit for the financial period	-	-	520	520	520
Total comprehensive income for the financial period	-	-	520	520	520
Balance at 31 Oct 2009	33,677	755	15,364	16,119	49,796
Balance at 1 May 2010	33,677	755	15,256	16,011	49,688
Profit for the financial period	-	-	1,277	1,277	1,277
Total comprehensive income for the period	-	-	1,277	1,277	1,277
Dividend	-	-	(2,307)	(2,307)	(2,307)
New share issue	1,505	-	-	-	1,505
Balance at 31 Oct 2010	35,182	755	14,226	14,981	50,163

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.

Issue of new shares

On 21 September 2010, the Group announced a proposed subscription of 4,300,000 new shares by Sumitomo Rubber Industries Ltd at the price of S\$0.35 per share. The share placement was completed on 14 October 2010. Following the allotment and issuance of new shares, the number of issued shares is increased to 234,861,244 shares.

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 immediately preceding year

	Company 31/10/10	Company 30/04/10
Ordinary shares (excluding treasury shares)	234,861,244	230,561,244

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 period reported on

Not applicable. There is no treasury share 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 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 2010.

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 2010, 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 27 Consolidated and Separate Financial Statements

Amendments to FRS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

Revised FRS 103 Business Combinations

Amendments to FRS 105 Non-current Assets to held for Sale and Discontinued Operations

INT FRS 117 Distributions of Non-cash Assets to Owners

Amendments to FRS 102 – Group Cash-settled Share-based Payment Transactions

Amendments to FRS 32 Classification of Rights Issues

Improvements to FRS issued in 2009

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		Group	
	01/08/10- 31/10/10	01/08/09- 31/10/09	01/05/10- 31/10/10	01/05/09- 31/10/09
Earning per share (EPS)				
- basic (cents)	0.71	0.85	1.18	1.25
- diluted (cents)	0.71	0.85	1.18	1.25
	\$'000	\$'000	\$'000	\$'000
Group earnings used for the calculation of EPS				
Profit for the financial period	1,656	1,968	2,780	2,873
	'000	'000	'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	234,861	230,561	234,861	230,561

Basic earning per share ("EPS") is calculated on the Group's profit for the financial period 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 Oct 2010.

Unissued shares under share options as at 31 Oct 2010 comprise 2,075,000 (30 Apr 2010 : 2,075,000) 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	
	31/10/10	30/04/10	31/10/10	30/04/10
Net asset value per ordinary share (cents)	41.93	42.39	21.36	21.55

The net asset value per share ratios for the Group and the Company as at 31 October 2010 are calculated based on the actual number of shares in issue of 234,861,244 ordinary shares (30 April 2010: 230,561,244 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 period 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 period reported on.

2QFY11

Despite better sales, Stamford Tyres' net profit decreased by 15.9% to S\$1.7 million in 2QFY11 from S\$2.0 million in 2QFY10. This was mainly due to foreign exchange losses and increase in staff cost.

Revenue

Revenue for the Group grew by 7.6% to S\$82.1 million in 2QFY11 from S\$76.3 million in 2QFY10. This was primarily contributed by stronger operational growth in South Africa, which saw a 64% year-on-year increase in sales revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit improved by 6.0% to S\$18.0 million in 2QFY11 while gross profit margin dipped to 21.9% from 22.2% over the same period. The decline was mainly caused by higher purchase price of tyres from tyre manufacturers, in tandem with rising rubber prices.

Operating Expenses

Salaries and employees benefits rose by 24.5% to S\$5.9 million in 2QFY11 on the reinstatement of staff salary cuts made since January 2009 to pre-crisis levels and expansion of the South Africa sales team.

Operating lease rental went up by S\$0.3 million to S\$1.3 million in 2QFY11 due to inventory expansion in Singapore.

Other operating expenses climbed to S\$2.6 million in 2QFY11 from S\$2.1 million, mainly due to foreign exchange losses. The Group reported a foreign exchange loss of S\$1.2 million compared to a gain of S\$0.3 million in 2QFY10, primarily due to the appreciation of Singapore Dollar and South African Rand against the US Dollar.

Financial Position

Inventories increased to S\$106.8 million as at 31 October 2010 from S\$89.5 million as at 30 April 2010. More inventories are held to meet the anticipated rise in tyre demand.

The Group's cash and cash equivalents stood at S\$16.2 million compared to S\$6.8 million at the end of the same period a year earlier. This was primarily due to increased usage of trust receipts.

1HFY11

On a half-yearly basis, the Group's sales increased by 11.4% to S\$162.4 million in 1HFY11. However, wage reinstatement and increased foreign exchange losses adversely affected the Group's net profit. As such, net profit decreased by 3.2% to S\$2.8 million.

Revenue

Revenue for the Group grew by 11.4% to S\$162.4 million in 1HFY11 from S\$145.7 million in 1HFY10. This was primarily contributed by stronger operational growth in South Africa, which saw a 55% year-on-year increase in sales revenue.

Gross Profit and Gross Profit Margin

The Group's gross profit improved by 14.7% to S\$34.6 million in 1HFY11 while gross profit margin increased to 21.3% from 20.7% over the same period. This was mainly due to higher gross profit margin in 1QFY2011.

Operating Expenses

Salaries and employees benefits rose by 19.3% to S\$11.4 million in 1HFY11 on the reinstatement of staff salary cuts made since January 2009 to pre-crisis levels and the expansion of South Africa sales team.

Operating lease rental increased by S\$0.5 million to S\$2.5 million in 1HFY11 due to inventory expansion in Singapore.

Other operating expenses climbed to S\$3.6 million in 1HFY11 from S\$1.9 million, mainly due to foreign exchange losses.

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 period and the next 12 months.

The Group expects its core wholesale and retail business volume to continue to improve in second half of FY2011.

Market conditions remain tough as tyre manufacturers continue to raise prices due to the higher cost of rubber. The Group is committed to continue increasing sales productivity, optimizing product mix and managing its operating costs.

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.

No dividend has been recommended for the period ended 31 Oct 2010.

**Statement Pursuant to Rule 705(4) 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 2nd quarter ended 31 Oct 2010, to be false or misleading in any material aspect.

BY ORDER OF THE BOARD



Dawn Wee Wai Ying
Director
8 December 2010