



Interim Report

Fourth quarter, 12 months ended 31st March 2018

Hayleys Fabric PLC

Corporate Information

Name of Company

Hayleys Fabric PLC

Legal Form

A Quoted Public Company with Limited Liability
(Incorporated in Sri Lanka in 1993)

Company Registration Number

PQ 37.

Accounting year end

31st March

Principal Activity

Manufacturing of knitted fabric

Directors

A.M.Pandithage - *Chairman*

E.R.P. Goonetilleke - *Managing Director*

K.D.D.Perera

S.C.Ganegoda

H.Somashantha

R.N.Somaratne

Dr. N.S.J. Nawaratne

A.S.Jayatilleka

Ms.Yogadinusha Bhaskaran (*Alternative Director to K.D.D.Perera*)

Secretaries

Hayleys Group Services (Pvt) Ltd.

400, Deans Road, Colombo 10.

Telephone: (94-11) 2627650- 2627653 (4 Lines)

Registered Office

400, Deans Road ,

Colombo 10.

Telephone: (94-11) 2627000

Main Office & Factory

Narthupana Estate , Neboda.

Telephone: 94 (34) 2297100, 2242055

Bankers

Standard Chartered Bank plc

HSBC

Hatton National Bank

Bank of Ceylon

NDB Bank

Sampath Bank

Commercial Bank of Ceylon Ltd.

Deutsche Bank

Citibank, N.A.

Seylan Bank

Pan Asia Bank

People's Bank

Auditors

Ernst & Young

Chartered Accountants,

201, De Saram Place,

Colombo 10.

Investor Information

Market value of shares	31.03.2018	31.03.2017
	(LKR)	(LKR)
Closing Price	12.50	13.60
Highest price recorded for the year ending	17.70	21.10
Lowest price recorded for the year ending	12.20	13.20
Highest price recorded for three months ending	14.90	18.00
Lowest price recorded for three months ending	12.20	13.20

Share Trading

No. of transactions	9,990	10,957
No. of shares traded	30,273,485	30,463,216
Value of shares traded (LKR)	484,704,794	554,239,967

First twenty Shareholders as at 31.03.2018

Name of Shareholder	No. of Shares	%
Hayleys PLC No 3 Share Investment Account	122,487,023	58.96
The Ceylon Guardian Investment Trust PLC. A/C No 02.	8,645,207	4.16
The Ceylon Investment PLC. A/C No 02.	8,474,184	4.08
Union Assurance PLC/ A/C No.05 (Unit-Linked Life Insurance Fund - Equity Fund)	7,254,039	3.49
Employees Provident Fund	5,540,727	2.67
Hayleys Advantis Limited	5,036,850	2.42
Hayleys Agriculture Holdings Limited	3,472,257	1.67
The Ceylon Chamber of Commerce A/C No 02.	2,506,275	1.21
Mr.A.N.Esufally	1,815,000	0.87
Mr. A.M.Weerasinghe	1,800,000	0.87
Hatton National Bank PLC A/C No 4 (HNB Retirement Pension Fund)	1,528,934	0.74
East India Holding (Pvt) Ltd.	1,027,385	0.49
Freudenberg Shipping Agencies Ltd.	841,786	0.41
The Sri Lanka Fund	817,132	0.39
Bank Of Ceylon A/C NDB Wealth Growth Fund	774,565	0.37
Bank Of Ceylon No.01 Account	774,098	0.37
Mr. G. Dangampola & Mrs. N.P. Dangampola	773,077	0.37
Mr. K.A.S.R Nissanka	700,000	0.34
Mrs.M.T.Moosajee	649,774	0.31
Allnatt Investments (Pvt) Ltd	565,844	0.27
Total	175,484,157	84.47

The percentage of shares held by public as at 31st March, 2018 was 36.92%

Number of shareholders representing the public holding as at 31st March 2018 was 3,365

DIRECTORS' SHAREHOLDING AS AT 31.03.2018

Director	Direct holding
	No. of Shares
*Mr.K.D.D.Perera	4,090
Mr.H.Somashantha	20,000
Mr.R.N. Somaratne	25,000

* Mr.K.D.D.Perera holds 50.44% directly and indirectly of the total issued shares of Hayleys PLC which has 122,487,023 shares in Hayleys Fabric PLC.

	31.03.2018	31.03.2017
Number of shares	207,740,888	207,740,888
Net assets per share -	USD 0.08	0.08
	LKR 12.92	13.03

Hayleys Fabric PLC

STATEMENT OF FINANCIAL POSITION

As at 31 March

ASSETS	2018 USD	2017 USD
Non-Current Assets		
Property, plant and equipment	25,015,918	24,585,809
Intangible assets	152,030	247,207
	25,167,948	24,833,016
Current Assets		
Inventories	11,524,663	11,207,843
Trade receivables	7,896,734	6,928,230
Other receivables	664,891	1,117,430
Advances and prepayments	489,158	1,222,770
Cash and cash equivalents	345,731	1,466,049
	20,921,177	21,942,322
Total Assets	46,089,125	46,775,338
EQUITY AND LIABILITIES		
Capital and Reserves		
Stated capital	17,561,761	17,561,761
Revaluation reserve	1,240,369	1,442,289
Retained earnings	(1,765,160)	(1,418,583)
Total Equity	17,036,970	17,585,467
Non-Current Liabilities		
Interest bearing loans and borrowings	3,286,112	6,213,954
Deferred tax liabilities	1,360,184	1,193,714
Retirement benefit obligations	2,033,015	2,196,587
	6,679,311	9,604,255
Current Liabilities		
Trade and other payables	8,212,686	5,292,100
Current portion of interest bearing loans and borrowings	2,694,508	2,339,098
Interest bearing loans and borrowings	10,726,051	11,133,679
Amounts due to Hayleys PLC	52,934	45,410
Income tax payable	-	31,657
Other non financial liabilities	686,665	743,672
	22,372,844	19,585,616
Total Equity and Liabilities	46,089,125	46,775,338

These financial statements are in compliance with the requirements of the Companies Act No : 07 of 2007.

Sgd.

.....
Ruwan Rohitha Bandara
Chief Finance Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Signed for and on behalf of the board by,

Sgd.

.....
A.M.Pandithage
Chairman
Colombo
15th May 2018

Sgd.

.....
E.R.P.Goonetilleke
Managing Director

Hayleys Fabric PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31st March			Quarter ended 31st March		
	2018	2017	variance	2018	2017	variance
	USD	USD	%	USD	USD	%
Revenue	57,686,803	55,537,401	+4	15,286,849	13,072,204	+17
Cost of Sales	(51,609,217)	(49,044,172)	+5	(13,576,869)	(11,666,487)	+16
Gross Profit	6,077,586	6,493,229	-6	1,709,980	1,405,717	+22
Other Operating Income	60,914	35,590	+71	42,489	23,257	+83
Administrative Expenses	(4,724,567)	(4,706,240)	0	(1,312,367)	(1,230,000)	+7
Distribution Expenses	(488,944)	(471,881)	+4	(117,596)	(117,556)	0
Other Expenses	-	(4,021)	-100	-	(4,021)	-100
Net Financing Costs	(974,034)	(933,354)	+4	(235,178)	(221,515)	+6
Profit/(Loss) Before Tax	(49,045)	413,323	-112	87,328	(144,118)	+161
Income Tax (Expense)/Reversal	(630,471)	76,944	-919	(630,471)	127,209	-596
Profit/(Loss) for the Year	(679,516)	490,267	-239	(543,143)	(16,909)	-3112
Other Comprehensive Income not to be reclassified to profit or loss						
Surplus on revaluation of land	-	40,952		-	40,952	
Income tax effect on revaluation of land	(201,920)	-		(201,920)	-	
Actuarial gain/(loss) on defined benefit plans	387,138	(83,240)		387,138	(83,240)	
Income tax effect on actuarial (gain)/loss on defined benefit plans	(54,199)	9,989		(54,199)	9,989	
Total Comprehensive Income, Net of Tax	(548,497)	457,968		(412,124)	(49,208)	
Basic / Diluted Earnings per Share	(0.003)	0.002		(0.003)	(0.000)	

Hayleys Fabric PLC
STATEMENT OF CHANGES IN EQUITY
 For the year ended 31st March 2018

	Stated capital USD	Revaluation reserve USD	Retained earnings/(losses) USD	Total USD
Balance as at 31st March 2016	17,561,761	1,401,337	(1,835,599)	17,127,499
Profit for the year	-	-	490,267	490,267
<u>Other comprehensive income</u>				
Surplus on revaluation of land	-	40,952	-	40,952
Actuarial gain/(loss) on defined benefit plans	-	-	(83,240)	(83,240)
Income tax effect on Actuarial gain/(loss) on defined benefit plans	-	-	9,989	9,989
Total other comprehensive income	-	40,952	(73,251)	(32,299)
Total comprehensive income	-	40,952	417,016	457,968
Balance as at 31st March 2017	17,561,761	1,442,289	(1,418,583)	17,585,467
Loss for the year	-	-	(679,516)	(679,516)
<u>Other comprehensive income</u>				
Income tax effect on Surplus on revaluation of land	-	(201,920)	-	(201,920)
Actuarial gain/(loss) on defined benefit plans	-	-	387,138	387,138
Income tax effect on Actuarial gain/(loss) on defined benefit plans	-	-	(54,199)	(54,199)
Total other comprehensive income	-	(201,920)	332,939	131,019
Total comprehensive Income	-	(201,920)	(346,577)	(548,497)
Balance as at 31st March 2018	17,561,761	1,240,369	(1,765,160)	17,036,970

Hayleys Fabric PLC

STATEMENT OF CASH FLOW

For the year ended 31st March	2018 USD	2017 USD
Cash Flows From / (Used in) Operating Activities		
Profit/(loss) before Income Tax	(49,045)	413,323
Adjustments for		
Depreciation on property, plant and equipment	1,955,485	1,923,910
Amortization of Intangible Assets	143,410	240,338
Provision for retiring gratuity	394,668	288,575
Net unrealised gain on translation of foreign currency	(47,507)	(41,030)
Net finance costs	827,555	753,257
(Profit)/loss on disposal of property, plant and equipment	(182)	4,021
Debtors / Creditors write back	(60,732)	(35,590)
Impairment charge/ (reversal) for bad and doubtful debts	65,566	(5,396)
Impairment charge for slow moving inventories	73,041	137,191
Operating Profit before Working Capital Changes	3,302,259	3,678,599
Increase in trade and other receivables	(1,272,576)	(17,498)
(Increase)/Decrease in advances and prepayments	733,612	(77,695)
Increase in inventories	(389,861)	(1,315,884)
Increase in trade and other payables and other non financial liabilities	2,992,095	705,551
Cash Generated from Operations	5,365,529	2,973,073
Retiring gratuity paid	(123,598)	(57,632)
Interest paid	(794,970)	(725,671)
Economic service charge paid	(211,448)	(273,653)
Net Cash Flows From Operating Activities	4,235,513	1,916,117
Cash Flows From / (Used in) Investing Activities		
Purchase and construction of property, plant and equipment	(2,329,077)	(4,532,477)
Proceeds from disposal of property, plant and equipment	509	11,346
Purchase of Intangible Assets	(48,233)	-
Interest received	1,027	-
Net Cash Flows Used in Investing Activities	(2,375,774)	(4,521,131)
Cash Flows from /(Used in) Financing Activities		
Proceeds from new term loans	-	8,000,000
Repayment of term loans	(2,572,428)	(5,060,633)
Net Cash Flows From /(Used in) Financing Activities	(2,572,428)	2,939,367
Net Increase/(decrease) in Cash and Cash Equivalents	(712,690)	334,353
Cash and Cash Equivalents at the beginning of the year	(9,667,630)	(10,001,983)
Cash and Cash Equivalents at the end of the year	(10,380,320)	(9,667,630)
Note A		
Analysis of cash and cash equivalents		
Cash and bank balances	345,731	1,466,049
Short term borrowings	(10,726,051)	(11,133,679)
	(10,380,320)	(9,667,630)

Hayleys Fabric PLC

Notes to the Financial Statements

- 1 These interim financial statements which have not been audited, comply with the Sri Lanka Accounting Standard LKAS 34-Interim financial reporting and they also provide the information required by the Colombo Stock Exchange.
- 2 Contingent liability as at 31st March, 2018 on bills discounted amounted to USD 32,415.
- 3 There were no material events that took place subsequent to the Reporting date, which require disclosure in this Financial Statements.
- 4 The accounting policies adopted in these financial statements are consistent with the accounting policies set out in the Annual Report for the year ended 31.03.2017.
- 5 In addition the Company will adopt the following standards when they become effective. Pending the completion of a detailed review, the financial impact is not reasonably estimable.

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective

SLFRS 9 - Financial Instruments

SLFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Except for hedge accounting, retrospective application is required but providing comparative information is not compulsory.

The Company plans to adopt the new standard on the required effective date. During the year, the Company has performed a high-level impact assessment of all three aspects of SLFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its statement of financial position and equity.

a) Classification and measurement

The Company does not expect a significant impact on its statement of financial position or equity on applying the classification and measurement requirements of SLFRS 9. Trade receivables and amounts due from related parties are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Company expects that these will continue to be measured at amortised cost under SLFRS 9. The Company analysed the contractual cash flow characteristics of those instruments and concluded that they meet the criteria for amortised cost measurement under SLFRS 9. Therefore, reclassification for these instruments is not required.

(b) Impairment

SLFRS 9 requires the Company to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Company will apply the simplified approach and record lifetime expected losses on all trade receivables.

(c) Hedge accounting

The Company does not carry hedge relationships that are currently designated in effective hedging relationships. Accordingly, the Company does not expect a significant impact as a result of applying SLFRS 9.

Hayleys Fabric PLC

Notes to the Financial Statements

5 Continue...

SLFRS 15 Revenue from Contracts with Customers

SLFRS 15 establishes a five-step model to account for revenue arising from contracts with customers. Under SLFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under SLFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method.

The Company primary businesses relates to the manufacture and sale of knitted fabric.

Contracts with customers within the Company where the sale of goods is generally expected to be the only performance obligation are not expected to have any impact on the Company's revenue and profit or loss. The Company expects the revenue recognition to occur at a point in time when control of the asset is transferred to the customer, generally on delivery of the goods.

In preparing to SLFRS 15, the Company has reviewed its existing contracts for inclusions of variable considerations, loyalty points or warranty obligations and no such arrangements have been noted.

SLFRS 16 Leases

SLFRS 16 was issued in January 2016 and it replaces LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under LKAS 17. The standard includes two recognition exemptions for lessees - leases of 'low-value' assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

SLFRS 16 also requires lessees and lessors to make more extensive disclosures than under LKAS 17. SLFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies SLFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

In 2018/19, the Company will continue to assess the potential effect of SLFRS 16 on its financial statements.

Hayleys Fabric PLC

Notes to the Financial Statements

5 Continue...

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the transaction date for each payment or receipt of advance consideration. Entities may apply the amendments on a fully retrospective basis.

Alternatively, an entity may apply the Interpretation prospectively to all assets, expenses and income in its scope that are initially recognised on or after:

- (i) The beginning of the reporting period in which the entity first applies the interpretation, or
- (ii) The beginning of a prior reporting period presented as comparative information in the financial statements of the reporting period in which the entity first applies the interpretation.

The Interpretation is effective for annual periods beginning on or after 1 January 2018. Early application of interpretation is permitted and must be disclosed. However, since the Company's current practice is in line with the interpretation. Therefore the Company does not expect any effect on its financial statements.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 and does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments.

The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

An entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed. The interpretation is effective for annual reporting periods beginning on or after 1 January 2019, but certain transition reliefs are available. The Company will apply interpretation from its effective date

Hayleys Fabric PLC
STATEMENT OF FINANCIAL POSITION
TRANSLATED INTO LKR

As at 31 March	2018 LKR '000	2017 LKR '000
ASSETS		
Non-Current Assets		
Property, plant and equipment	3,939,757	3,784,739
Intangible assets	23,943	38,055
	3,963,700	3,822,794
Current Assets		
Inventories	1,815,019	1,725,335
Trade receivables	1,243,657	1,066,532
Other receivables	104,714	172,017
Advances and prepayments	77,037	188,233
Cash and cash equivalents	54,449	225,684
	3,294,876	3,377,800
Total Assets	7,258,576	7,200,595
EQUITY AND LIABILITIES		
Capital and Reserves		
Stated capital	1,968,193	1,968,193
Revaluation reserve	195,346	222,026
Revenue reserves	(61,021)	(5,378)
Exchange fluctuation reserve	580,634	522,266
Total Equity	2,683,152	2,707,107
Non-Current Liabilities		
Interest bearing loans and borrowings	517,530	956,576
Deferred tax liabilities	214,215	183,760
Retirement benefit obligations	320,180	338,143
	1,051,925	1,478,479
Current Liabilities		
Trade and other payables	1,293,416	814,666
Current portion of interest bearing loans and borrowings	424,358	360,081
Interest bearing loans and borrowings	1,689,246	1,713,919
Amounts due to Hayleys PLC	8,337	6,990
Income tax payable	-	4,873
Other current non financial liabilities	108,143	114,481
	3,523,499	3,015,011
Total Equity and Liabilities	7,258,576	7,200,596

The financial statements prepared and presented in US Dollars reflect the economic substance of underlying events and circumstances of the enterprise. The supplementary information in SL Rupees is presented for convenience purposes only. The statements presented in SL Rupees are not a full set of financial statements and are not purported to comply with Sri Lanka Accounting Standards. They represent selected information taken from the US Dollar financial statements, translated into SL Rupees generally using the principles set out in Sri Lanka Accounting Standards (LKAS) 21 for the translation of financial statements to a presentation currency from a measurement currency. Revenue and costs are converted using the average exchange rate for the period. Assets and liabilities are converted using the exchange rate at the end of the year. The revenue reserves incorporates the profit for the period reflected in the income statements.

In accordance with advice received from the Urgent Issue Task Force of the Institute of Chartered Accountants of Sri Lanka, stated capital is represented at it's original SL Rupee value.

Followings exchange rates were used to convert the financials into LKR	31.03.2018	31.03.2017
Statement of Profit or Loss and Other Comprehensive Income	155.40	150.04
Statement of financial position	157.49	153.94

Hayleys Fabric PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

TRANSLATED INTO LKR

	Year ended 31st March			Quarter ended 31st March		
	2018	2017	Variance	2018	2017	Variance
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
Revenue	8,964,529	8,332,832	+8	2,392,677	2,006,980	+19
Cost of Sales	(8,020,072)	(7,358,588)	+9	(2,125,185)	(1,790,600)	+19
Gross Profit	944,457	974,244	-3	267,492	216,380	+24
Other Operating Income	9,466	5,340	+77	6,610	3,503	+89
Administrative Expenses	(734,198)	(706,124)	+4	(205,318)	(188,284)	+9
Distribution Expenses	(75,982)	(70,801)	+7	(18,424)	(18,019)	+2
Other Expenses	-	(603)	-100	-	(603)	-100
Net Financing Costs	(151,365)	(140,040)	+8	(36,845)	(34,001)	+8
Profit/(Loss) Before Tax	(7,622)	62,015	-112	13,515	(21,025)	+164
Income Tax (Expense)/Reversal	(97,975)	11,545	-949	(97,975)	19,033	-615
Profit/(Loss) for the Year	(105,597)	73,560	-244	(84,460)	(1,992)	-4139

Other Comprehensive Income not to be reclassified to profit or loss

Surplus on revaluation of land	-	6,144		-	6,144	
Income tax effect on revaluation of land	(30,296)	-		(30,296)	-	
Actuarial gain/(loss) on defined benefit plans	58,086	(12,489)		-	(12,489)	
Income tax effect on actuarial (gain)/loss on defined benefit plans	(8,132)	1,499		(8,132)	1,499	
Total Comprehensive Income, Net of Tax	(85,939)	68,714		(122,888)	(6,838)	
Basic / Diluted Earnings per Share	(0.51)	0.35		(0.41)	(0.01)	