

Hayleys Fabric PLC

Interim Report



Fourth quarter

Twelve months ended 31st March 2019

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

I.B.R.R. Bandara (*Appointed w.e.f. 15th May 2018*)

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	31.03.2019	31.03.2018
	(LKR)	(LKR)
Closing Price	8.50	12.50
Highest price recorded for the year ending	13.70	17.70
Lowest price recorded for the year ending	8.40	12.20
Highest price recorded for three months ending	10.00	14.90
Lowest price recorded for three months ending	8.50	12.20
Share Trading		
No. of transactions	7,911	9,990
No. of shares traded	24,782,369	30,273,485
Value of shares traded (LKR)	241,563,086	484,704,794

First twenty Shareholders as at 31.03.2019

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.	8,417,992	4.05
The Ceylon Investment PLC. A/C No 02.	8,247,810	3.97
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.	2,467,400	1.19
Mr. A.M.Weerasinghe	1,850,000	0.89
Mr.A.N.Esufally	1,815,000	0.87
Hatton National Bank PLC A/C No 4 (HNB Retirement Pension Fund)	1,508,934	0.73
Hatton National Bank PLC- Astrue Alpha Fund	1,000,000	0.48
Freudenberg Shipping Agencies Ltd.	841,786	0.41
J.B.Cocoshell (Pvt) Ltd.	819,963	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. D.F Dalpethado & Mrs. H.F.A.K.D. Fonseka	715,748	0.34
Mr. K.A.S.R Nissanka	700,000	0.34
Mrs. V. Saraswathy	650,535	0.31
Merchant Bank of Sri Lanka & Finance PLC No 01	630,408	0.30
Total	168,524,173	81.12

The percentage of shares held by public as at 31st March, 2019 was 36.92%

Number of shareholders representing the public holding as at 31st March 2019 was 3,582

Float adjusted Market Capitalization as at 31st March 2019 was LKR 651.93 mn.

DIRECTORS' SHAREHOLDING AS AT 31.03.2019

Director	Direct holding
	No. of Shares
*Mr.K.D.D.Perera	4,090
Mr.H.Somashantha	20,000
Mr.R.N. Somaratne	25,000
I.B.R.R. Bandara	5,000

* 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.

	31.03.2019	31.03.2018
Number of shares	207,740,888	207,740,888
Net assets per share -	USD 0.09	0.08
	LKR 15.30	12.92

Hayleys Fabric PLC

STATEMENT OF FINANCIAL POSITION

	Unaudited 2019	Audited 2018
ASSETS	USD	USD
As at 31 March		
Non-Current Assets		
Property, plant and equipment	24,819,631	25,015,918
Intangible assets	64,117	152,030
	24,883,748	25,167,948
Current Assets		
Inventories	13,299,520	11,524,663
Trade receivables	8,394,207	7,896,734
Other receivables	373,932	664,891
Advances and prepayments	373,499	489,158
Cash and cash equivalents	284,635	345,731
	22,725,793	20,921,177
Total Assets	47,609,541	46,089,125
EQUITY AND LIABILITIES		
Capital and Reserves		
Stated capital	17,561,761	17,561,761
Revaluation reserve	1,415,280	1,240,369
Retained earnings	(1,117,816)	(1,765,160)
Total Equity	17,859,225	17,036,970
Non-Current Liabilities		
Interest bearing loans and borrowings	1,054,778	3,286,112
Deferred tax liabilities	1,768,003	1,360,184
Retirement benefit obligations	2,534,443	2,033,015
	5,357,224	6,679,311
Current Liabilities		
Trade and other payables	8,729,229	8,212,686
Current portion of interest bearing loans and borrowings	2,525,333	2,694,508
Interest bearing loans and borrowings	11,604,730	10,726,051
Amounts due to Hayleys PLC	62,018	52,934
Other non financial liabilities	1,471,782	686,665
	24,393,092	22,372,844
Total Equity and Liabilities	47,609,541	46,089,125

The Statement of Financial Position as at 31st March 2019 and Statements of Profit or Loss and other Comprehensive Income, Changes in Equity and Cash Flow for twelve months then ended as well as the Statement of Profit or Loss and other Comprehensive Income for three months then ended are drawn up from the unaudited financial statements of the Company and they provide the information required by the Colombo Stock Exchange. These financial statements are in compliance with the requirements of the Companies Act No : 07 of 2007.

Sgd.

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Ruwan Rohitha Bandara
Director- Finance

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.

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A.M.Pandithage
Chairman
Colombo
13th May 2019

Sgd.

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

Hayleys Fabric PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited			Audited			Unaudited			Unaudited		
	Year ended 31st March			Year ended 31st March			Quarter ended 31st March			Quarter ended 31st March		
	2019	2018	variance	2019	2018	variance	2019	2018	variance	2019	2018	variance
	USD	USD	%	USD	USD	%	USD	USD	%	USD	USD	%
Revenue from contracts with customers	69,940,639	57,686,803	+21	69,940,639	57,686,803	+21	18,512,171	15,286,849	+21	18,512,171	15,286,849	+21
Cost of sales	(61,601,834)	(51,609,217)	+19	(61,601,834)	(51,609,217)	+19	(16,222,050)	(13,576,869)	+19	(16,222,050)	(13,576,869)	+19
Gross Profit	8,338,805	6,077,586	+37	8,338,805	6,077,586	+37	2,290,121	1,709,980	+34	2,290,121	1,709,980	+34
Other operating income	67,049	60,914	+10	67,049	60,914	+10	21,439	42,489	-50	21,439	42,489	-50
Administrative expenses	(4,779,539)	(4,724,567)	+1	(4,779,539)	(4,724,567)	+1	(1,189,631)	(1,312,367)	-9	(1,189,631)	(1,312,367)	-9
Distribution expenses	(781,286)	(488,944)	+60	(781,286)	(488,944)	+60	(257,954)	(117,596)	+119	(257,954)	(117,596)	+119
Other expenses	(103,757)	-	+100	(103,757)	-	+100	(55,027)	-	+100	(55,027)	-	+100
Net financing costs	(892,404)	(974,034)	-8	(892,404)	(974,034)	-8	(362,477)	(235,178)	+54	(362,477)	(235,178)	+54
Profit/(loss) before tax	1,848,868	(49,045)	+3870	1,848,868	(49,045)	+3870	446,471	87,328	+411	446,471	87,328	+411
Income tax expense	(790,533)	(630,471)	+25	(790,533)	(630,471)	+25	(540,580)	(630,471)	-14	(540,580)	(630,471)	-14
Profit/(loss) for the year/period	1,058,335	(679,516)	+256	1,058,335	(679,516)	+256	(94,109)	(543,143)	+83	(94,109)	(543,143)	+83

Other Comprehensive Income not to be reclassified to profit or loss

Surplus on revaluation of land	203,386	-		203,386	-		203,386	-		203,386	-	
Income tax effect on revaluation of land	(28,475)	(201,920)		(28,475)	(201,920)		(28,475)	(201,920)		(28,475)	(201,920)	
Actuarial gain/(loss) on defined benefit plans	(477,896)	387,138		(477,896)	387,138		(477,896)	387,138		(477,896)	387,138	
Income tax effect on actuarial (gain)/loss on defined benefit plans	66,905	(54,199)		66,905	(54,199)		66,905	(54,199)		66,905	(54,199)	
Total Comprehensive Income, Net of Tax	822,256	(548,497)		822,256	(548,497)		(330,189)	(412,124)		(330,189)	(412,124)	

Basic / Diluted Earnings per Share	0.005	(0.003)		0.005	(0.003)		(0.000)	(0.003)		(0.000)	(0.003)	
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Hayleys Fabric PLC
 STATEMENT OF CHANGES IN EQUITY
 For the year ended 31st March 2019

	Stated capital USD	Revaluation reserve USD	Retained earnings/(losses) USD	Total USD
Balance as at 31st March 2018	17,561,761	1,240,369	(1,765,160)	17,036,970
Profit for the year	-	-	1,058,335	1,058,335
<u>Other comprehensive income</u>				
Surplus on revaluation of land	-	203,386	-	203,386
Income tax effect on Surplus on revaluation of land	-	(28,475)	-	(28,475)
Actuarial gain/(loss) on defined benefit plans	-	-	(477,896)	(477,896)
Income tax effect on Actuarial loss on defined benefit plans	-	-	66,905	66,905
Total other comprehensive income	-	174,912	(410,991)	(236,080)
Total comprehensive income	-	174,912	647,344	822,256
Balance as at 31st March 2019	17,561,761	1,415,280	(1,117,816)	17,859,225
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 on defined benefit plans	-	-	387,138	387,138
Income tax effect on Actuarial gain 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

Year ended 31st March	Unaudited 2019 USD	Audited 2018 USD
Cash Flows From / (Used in) Operating Activities		
Profit/(loss) before Income Tax	1,848,868	(49,045)
Adjustments for		
Depreciation on property, plant and equipment	2,020,888	1,955,485
Amortization of Intangible Assets	93,538	143,410
Provision for retiring gratuity	362,012	394,668
Net unrealised gain on translation of foreign currency	(227,873)	(47,507)
Net finance costs	991,393	827,555
(Profit)/loss on disposal of property, plant and equipment	13,738	(182)
Loss on impairment of Property, Plant and Equipment	90,019	-
Debtors / Creditors write back	(47,044)	(60,732)
Impairment charge for bad and doubtful debts	26,397	65,566
Impairment charge for slow moving inventories	84,282	73,041
Operating Profit before Working Capital Changes	5,256,218	3,302,259
Increase in trade and other receivables	(185,867)	(1,272,576)
Decrease in advances and prepayments	115,659	733,612
Increase in inventories	(1,859,139)	(389,861)
Increase in trade and other payables and other non financial liabilities	991,780	2,992,095
Cash Generated from Operations	4,318,651	5,365,529
Retiring gratuity paid	(110,607)	(123,598)
Interest paid	(955,178)	(794,970)
Economic service charge paid	(325,316)	(211,448)
Net Cash Flows From Operating Activities	2,927,550	4,235,513
Cash Flows From / (Used in) Investing Activities		
Purchase and construction of property, plant and equipment	(1,469,566)	(2,329,077)
Proceeds from disposal of property, plant and equipment	8,375	509
Purchase of Intangible Assets	(5,625)	(48,233)
Interest received	-	1,027
Net Cash Flows Used in Investing Activities	(1,466,816)	(2,375,774)
Cash Flows from / (Used in) Financing Activities		
Proceeds from new term loans	310,000	-
Repayment of term loans	(2,710,509)	(2,572,428)
Net Cash Flows From / (Used in) Financing Activities	(2,400,509)	(2,572,428)
Net decrease in Cash and Cash Equivalents	(939,775)	(712,690)
Cash and Cash Equivalents at the beginning of the year	(10,380,320)	(9,667,630)
Cash and Cash Equivalents at the end of the year	(11,320,095)	(10,380,320)
Note A		
Analysis of cash and cash equivalents		
Cash and bank balances	284,635	345,731
Short term borrowings	(11,604,730)	(10,726,051)
	(11,320,095)	(10,380,320)

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, 2019 on bills discounted amounted to USD 273,510.
- 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 31.03.2018.
- 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.

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 16 Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('Lessee') and the supplier ('Lessor'). SLFRS 16 will replace Sri Lanka Accounting Standard - LKAS 17 (Leases) and related interpretations.

SLFRS 16 introduces a single accounting model for the lessee, eliminating the present classification of leases in LKAS 17 as either operating leases or finance leases.

The new Standard requires a lessee to:

- a) recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value
- b) present depreciation of lease assets separately, from interest on lease liabilities in the income statement.

SLFRS - 16 substantially carries forward the lessor accounting requirement in LKAS - 17. Accordingly, a lessor continues to classify its leases as operating lease or finance lease, and to account for those two types of leases differently.

SLFRS -16 will become effective on 1st January 2019. The impact on the implementation of the above Standard has not been quantified yet.

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:

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

Notes to the Financial Statements

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Amendments to LKAS 19: Plan Amendment, Curtailment or Settlement

The amendments to LKAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to:

- a) Determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event
- b) Determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments also clarify that an entity first determines any past service cost, or a gain or loss on settlement, without considering the effect of the asset ceiling. This amount is recognised in profit or loss. An entity then determines the effect of the asset ceiling after the plan amendment, curtailment or settlement. Any change in that effect, excluding amounts included in the net interest, is recognised in other comprehensive income.

The amendments apply to plan amendments, curtailments, or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019, with early application permitted.

These amendments will apply only to any future plan amendments, curtailments, or settlements of the Company.

Annual Improvements 2015-2017 Cycle (issued in December 2017) in relation to LKAS 23 - Borrowing Costs

The amendment clarifies that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. Since the Company's current practice is in line with these amendments, the Company does not expect any effect on its consolidated financial statements

Hayleys Fabric PLC
STATEMENT OF FINANCIAL POSITION
TRANSLATED INTO LKR

As at 31 March	2019	2018
ASSETS	LKR '000	LKR '000
Non-Current Assets		
Property, plant and equipment	4,418,391	3,939,757
Intangible assets	11,414	23,943
	4,429,805	3,963,700
Current Assets		
Inventories	2,367,581	1,815,019
Trade receivables	1,494,337	1,243,657
Other receivables	66,567	104,714
Advances and prepayments	66,490	77,037
Cash and cash equivalents	50,671	54,449
	4,045,646	3,294,875
Total Assets	8,475,450	7,258,575
EQUITY AND LIABILITIES		
Capital and Reserves		
Stated capital	1,968,193	1,968,193
Revaluation reserve	251,948	195,346
Revenue reserves	51,673	(59,237)
Exchange fluctuation reserve	907,485	578,851
Total Equity	3,179,299	2,683,152
Non-Current Liabilities		
Interest bearing loans and borrowings	187,772	517,530
Deferred tax liabilities	314,740	214,215
Retirement benefit obligations	451,182	320,180
	953,693	1,051,925
Current Liabilities		
Trade and other payables	1,553,977	1,293,416
Current portion of interest bearing loans and borrowings	449,560	424,358
Interest bearing loans and borrowings	2,065,874	1,689,246
Amounts due to Hayleys PLC	11,040	8,337
Other current non financial liabilities	262,007	108,143
	4,342,458	3,523,500
Total Equity and Liabilities	8,475,450	7,258,576

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	31.03.2019	31.03.2018
Statement of Profit or Loss and Other Comprehensive Income	171.33	155.40
Statement of financial position	178.02	157.49

Hayleys Fabric PLC

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

TRANSLATED INTO LKR

	Year ended 31st March			Quarter ended 31st March		
	2019	2018	Variance	2019	2018	Variance
	LKR '000	LKR '000	%	LKR '000	LKR '000	%
Revenue from contracts with customers	11,982,988	8,964,529	+34	3,346,260	2,392,677	+40
Cost of sales	(10,554,294)	(8,020,072)	+32	(2,932,298)	(2,125,185)	+38
Gross Profit	1,428,694	944,457	+51	413,962	267,492	+55
Other operating income	11,488	9,466	+21	3,875	6,610	-41
Administrative expenses	(818,882)	(734,198)	+12	(215,038)	(205,318)	+5
Distribution expenses	(133,858)	(75,982)	+76	(46,628)	(18,424)	+153
Other expenses	(17,777)	-	+100	(9,947)	-	+100
Net financing costs	(152,896)	(151,365)	+1	(65,521)	(36,845)	+78
Profit/(loss) before tax	316,768	(7,622)	+4256	80,704	13,515	+497
Income tax expense	(135,443)	(97,975)	+38	(97,715)	(97,975)	0
Profit/(loss) for the year/period	181,325	(105,597)	+272	(17,011)	(84,460)	+80
Other Comprehensive Income not to be reclassified to profit or loss						
Surplus on revaluation of land	34,846	-		34,846	-	
Income tax effect on revaluation of land	(4,879)	(31,378)		(4,879)	(31,378)	
Actuarial gain/(loss) on defined benefit plans	(81,878)	60,161		(81,878)	60,161	
Income tax effect on actuarial (gain)/loss on defined benefit plans	11,463	(8,423)		11,463	(8,423)	
Total Comprehensive Income, Net of Tax	140,878	(85,237)		(57,459)	(64,100)	
Basic / Diluted Earnings per Share	0.87	(0.51)		(0.08)	(0.41)	