



Interim Report

Six months ended 30th September 2009

Hayleys MGT Knitting Mills PLC

Corporate Information

Name of Company

Hayleys MGT Knitting Mills 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*

S.Spezza - *Joint Managing Director*

D.B.Weerasinghe - *Joint Managing Director*

R.A.Ebell

M.Frayman

M.C.D.Amalean

H.R.Peries

R.Seevaratnam

K.D.D.Perera

Secretaries

Hayleys Group Services (Pvt) Ltd.

400, Deans Road, Colombo 10.

Registered Office

400, Deans Road ,

Colombo 10.

Telephone: (94-11) 2627000

Main Office & Factory**Bankers**

Standard Chartered Bank plc

HSBC

Hatton National Bank

Bank of Ceylon

NDB Bank

Sampath Bank

Commercial Bank of Ceylon Ltd.

Deutsche Bank

Auditors

KPMG Ford, Rhodes, Thornton & Co.

Chartered Accountants,

P.O.Box 186

Colombo.

Legal Advisors

Attorney-at-Law,

P.O.Box 154

Colombo.

Senior Management

A.M.Pandithage - *Chairman*

S.Spezza - *Joint Managing Director*

D.B.Weerasinghe - *Joint Managing Director*

B.M.Wickramasinghe - *General Manager - Finance*

H.R.P.Goonaratne - *General Manager - Logistics*

P.A.Muhandiramge - *General Manager - Human Resources*

K.G.Chandrapala - *Deputy General Manager - Dyeing*

G.C.Udaya Kumara - *Deputy General Manager - Engineering*

M.D.F.A.Perera - *Deputy General Manager - Knitting*

O.W.Dharmatilake - *Deputy General Manager - Finishing*

A.A.S.L.Munasinghe - *Deputy General Manager - Operations*

K.F.C.De Zilwa - *Deputy General Manager - Marketing*

Investor Information

Market value of shares

The market value of an ordinary share of Hayleys MGT Knitting Mills PLC was as follows.

| | 30.09.09 SLR | 30.09.08 SLR |
|----------------------------------------------------|-----------------|-----------------|
| Closing price on | 39.00 | 47.00 |
| Highest price recorded for the three months ending | 46.75 | 53.00 |
| Lowest price recorded for the three months ending | 36.00 | 47.00 |
| | | |
| Highest price recorded for the six months ending | 46.75 | 64.00 |
| Lowest price recorded for the six months ending | 29.00 | 47.00 |

Share trading for the six months ended 30th September 2009

| | |
|------------------------------|-------------|
| No. of transactions | 603 |
| No. of shares traded | 7,308,400 |
| Value of shares traded (Rs.) | 224,165,100 |

The twenty major shareholders and the percentages held by each are;

| Name of shareholder | No of shares as at 30/09/2009 | % |
|----------------------------------------------------------------------------------|----------------------------------|-------|
| Hayleys PLC | 33,255,852 | 67.62 |
| Employees Provident Fund | 3,904,400 | 7.94 |
| Equity Investments Lanka Limited | 3,012,364 | 6.13 |
| MAS Holdings Pvt Limited | 3,011,364 | 6.12 |
| Hayleys Advantis Limited | 1,231,230 | 2.50 |
| Shantiro Proprietary Limited | 1,170,848 | 2.38 |
| Haychem (Private) Limited | 848,774 | 1.73 |
| South Asian Investment (Pvt) Limited | 299,300 | 0.61 |
| J.B.Cocoshell (Pvt) Ltd | 262,400 | 0.53 |
| Mr.D.F.G.Dalpethado | 231,440 | 0.47 |
| Rhino Roofing Products Limited | 200,000 | 0.41 |
| Mr.P.E.Paradiso | 171,930 | 0.35 |
| Mr.S.Spezza | 171,930 | 0.35 |
| Sri Lanka Insurance Corporation Ltd–Life Fund | 78,800 | 0.16 |
| Waldock Mackenzie Ltd/Ceylinco Shriram Capital Management Services Co. (Pvt) Ltd | 75,000 | 0.15 |
| Rosewood (Pvt) Ltd | 69,000 | 0.14 |
| Mr.H.A.M.P.Algama | 65,100 | 0.13 |
| Corporate Holdings (Private) Limited | 55,900 | 0.11 |
| Alliance Finance Company PLC | 50,000 | 0.10 |
| Mr.W.R.H.Perera | 40,000 | 0.08 |
| Total | 48,205,632 | 98.02 |

The percentage of share held by public as per the Colombo Stock Exchange Rules as at 30th September 2009 was 27.44%

Directors' shareholdings as at end of last financial year, 31st March 2009

| | |
|--------------------------------------------------------------------|---------|
| Mr. S. Spezza | 343,860 |
| Mr. D. B. Weerasinghe (Convertible non-voting class 'B' shares) | 157,311 |

Net assets per share

| 30.09.09 | | 31.03.09 | |
|----------|-------|----------|-------|
| USD | SLR | USD | SLR |
| 0.47 | 54.79 | 0.46 | 52.83 |

Income Statement

| Audited year ended 31.03.09 USD | | Unaudited 6 months to 30.09.09 USD | Unaudited 6 months to 30.09.08 USD | Change % | Unaudited 3 months to 30.09.09 USD | Unaudited 3 months to 30.09.08 USD | Change % |
|------------------------------------------|-------------------------------------|---------------------------------------------|---------------------------------------------|-------------|---------------------------------------------|---------------------------------------------|-------------|
| 59,074,278 | Revenue | 25,395,996 | 31,882,799 | -20 | 13,613,581 | 16,922,137 | -20 |
| (47,571,293) | Cost of sales | (19,772,117) | (26,314,958) | -25 | (10,415,102) | (14,113,627) | -26 |
| 11,502,985 | Gross profit | 5,623,879 | 5,567,841 | +1 | 3,198,479 | 2,808,510 | +14 |
| 1,550 | Other income | 888 | - | | 888 | - | |
| (1,048,377) | Distribution cost | (403,095) | (432,239) | -7 | (245,691) | (198,126) | +24 |
| (5,864,133) | Administrative expenses | (2,604,707) | (2,853,291) | -9 | (1,368,842) | (1,471,221) | -7 |
| (1,291,720) | Financing cost | (811,026) | (777,915) | +4 | (392,690) | (377,265) | +4 |
| 3,300,305 | Profit before taxation / ESC | 1,805,940 | 1,504,396 | +20 | 1,192,144 | 761,898 | +57 |
| (64,981) | Economic service charge (ESC) | (26,172) | (78,771) | -67 | (14,276) | (41,501) | -65 |
| 3,235,324 | Profit for the period | 1,779,768 | 1,425,625 | +25 | 1,177,868 | 720,397 | +64 |
| | Attributable to : | | | | | | |
| 3,235,324 | Equity holders of the parent | 1,779,768 | 1,425,625 | +25 | 1,177,868 | 720,397 | +64 |
| 0.06 | Basic earnings per share | 0.04 | 0.03 | | 0.02 | 0.01 | |
| 0.06 | Diluted earning per share | 0.04 | 0.03 | | 0.02 | 0.01 | |

The Notes on page 7 form an integral part of these financial statements.

Figures in brackets indicate deductions.

Balance Sheet

| Audited As at 31.03.09 USD | | Unaudited As at 30.09.09 USD | Unaudited As at 30.09.08 USD |
|-------------------------------------|------------------------------------------------------------------|---------------------------------------|---------------------------------------|
| Assets | | | |
| Non-Current Assets | | | |
| 26,462,825 | Property, plant & equipment | 26,264,991 | 25,598,749 |
| Current Assets | | | |
| 9,462,218 | Inventories | 10,757,870 | 9,050,735 |
| 9,146,807 | Trade receivables | 9,042,453 | 10,174,804 |
| 919,074 | Other receivables & prepayments | 1,328,185 | 1,280,638 |
| 95,903 | Cash & cash equivalents | 164,749 | 69,563 |
| 19,624,002 | Total current Assets | 21,293,257 | 20,575,740 |
| 46,086,827 | Total Assets | 47,558,248 | 46,174,489 |
| Equity & Liabilities | | | |
| 6,534,102 | Stated capital (50,781,106 shares) | 6,534,102 | 6,534,102 |
| 6,203,893 | Reserve on amalgamation | 6,203,893 | 6,203,893 |
| 985,352 | Capital reserves | 985,352 | 985,352 |
| 9,442,976 | Revenue reserves | 10,345,847 | 7,633,278 |
| 23,166,323 | Total Equity attributable to equity holders of the parent | 24,069,194 | 21,356,625 |
| Non-Current Liabilities | | | |
| 2,046,146 | Interest - bearing borrowings | 1,792,271 | 1,292,235 |
| 817,511 | Retirement benefit obligations | 879,610 | 805,447 |
| 2,863,657 | Total non-Current Liabilities | 2,671,881 | 2,097,682 |
| Current Liabilities | | | |
| 5,356,695 | Trade payables | 5,241,639 | 5,391,480 |
| 1,350,241 | Current portion of the Interest - bearing borrowings | 730,275 | 1,928,681 |
| 181,280 | Amounts due to Hayleys PLC | 49,163 | 99,578 |
| 440,649 | Other payables and accruals | 800,954 | 747,378 |
| 12,727,982 | Short term- interest bearing borrowings | 13,995,142 | 14,553,065 |
| 20,056,847 | Total current Liabilities | 20,817,173 | 22,720,182 |
| 22,920,504 | Total Liabilities | 23,489,054 | 24,817,864 |
| 46,086,827 | Total Equity & Liabilities | 47,558,248 | 46,174,489 |

The Balance Sheet as at 30th September 2009 and Statements of Income, Changes in Equity and Cash Flow for the six months then ended as well as the income statement 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.

The Notes on page 7 form an integral part of these financial statements.

It is certified that the financial statements have been prepared in compliance with the requirements of the Companies Act no. 7 of 2007.

B.M.Wickramasinghe
General Manager-Finance

Signed on behalf of the Board

A.M.Pandithage
Chairman
23rd October 2009

D.B.Weerasinghe
Joint Managing Director

Statement of Changes in Equity

Attributable to equity holders of the parent

For the period ended 30th September 2009

| | Stated capital USD | Reserves on amalgamation USD | Revaluation reserve USD | General reserve USD | Retained earnings USD | Total USD |
|------------------------------------------|--------------------------|------------------------------------|-------------------------------|---------------------------|-----------------------------|-------------------|
| Balance as at 31st March 2009 | 6,534,102 | 6,203,893 | 985,352 | 295,869 | 9,147,107 | 23,166,323 |
| Profit for the period | - | - | - | - | 1,779,768 | 1,779,768 |
| Dividend paid * | | | | | (876,897) | (876,897) |
| Balance as at 30th September 2009 | 6,534,102 | 6,203,893 | 985,352 | 295,869 | 10,049,978 | 24,069,194 |

For the period ended 30th September 2008

| | | | | | | |
|------------------------------------------|------------------|------------------|----------------|----------------|------------------|-------------------|
| Balance as at 31st March 2008 | 6,534,102 | 6,203,893 | 985,352 | 295,869 | 7,741,174 | 21,760,390 |
| Profit for the period | - | - | - | - | 1,425,625 | 1,425,625 |
| Dividend paid | | | | | (1,829,390) | (1,829,390) |
| Balance as at 30th September 2008 | 6,534,102 | 6,203,893 | 985,352 | 295,869 | 7,337,409 | 21,356,625 |

* *Final dividend 2008/2009*

Cash Flow Statement

| Audited year ended 31.03.09 USD | | Unaudited 6 months to 30.09.09 USD | Unaudited 6 months to 30.09.08 USD |
|------------------------------------------|--------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| | Cash flows from operating activities | | |
| 3,300,305 | Profit before taxation | 1,805,940 | 1,504,396 |
| | Adjustments for: | | |
| 1,840,693 | Depreciation on property, plant & equipment | 931,101 | 899,852 |
| (10,849) | Net gain/(loss) on translation of foreign currency | (85,258) | (74,502) |
| 1,291,720 | Financing cost | 811,026 | 777,915 |
| 236,341 | Provision for retiring gratuity | 60,827 | 88,601 |
| (1,550) | Gain on disposal of property, plant & equipment | (888) | - |
| 462,890 | Provision for bad and doubtful debts | 37,618 | 289,100 |
| 115,560 | Provision for unrealised profit and write-down of inventories | 270,731 | (30,129) |
| 7,235,110 | | 3,831,097 | 3,455,233 |
| 22,243 | (Increase)/Decrease in trade and other receivables | (342,375) | (1,193,528) |
| 35,902 | (Increase)/Decrease in inventories | (1,566,383) | 593,074 |
| (2,071,673) | Increase/(Decrease) in trade and other payables | 113,132 | (1,811,861) |
| 5,221,582 | Cash generated from operations | 2,035,471 | 1,042,918 |
| (98,801) | Retiring gratuity paid | (3,298) | - |
| (1,380,546) | Interest paid | (722,667) | (713,909) |
| (64,981) | Economic service charge paid | (26,172) | (78,771) |
| 3,677,254 | Net cash from operating activities | 1,283,334 | 250,238 |
| | Cash flows from investing activities | | |
| (2,617,189) | Purchase & construction of property, plant & equipment | (729,078) | (812,273) |
| 1,550 | Proceeds from disposal of property, plant & equipment | 888 | - |
| (2,615,639) | Net cash used in investing activities | (728,190) | (812,273) |
| | Cash flows from financing activities | | |
| 2,444,920 | Proceeds from long term loans | - | 1,250,000 |
| (2,053,215) | Repayment of long term loans | (827,525) | (1,141,949) |
| (113,401) | Capital payment on finance lease | (49,036) | (57,520) |
| (1,829,390) | Dividends paid | (876,897) | (1,829,390) |
| (1,551,086) | Net cash used in financing activities | (1,753,458) | (1,778,859) |
| (489,471) | Net increase/(decrease) in cash & cash equivalents | (1,198,314) | (2,340,894) |
| (12,142,608) | Cash and cash equivalents at beginning of the year (Note-A) | (12,632,079) | (12,142,608) |
| (12,632,079) | Cash and cash equivalents at end of the Period (Note-A) | (13,830,393) | (14,483,502) |
| | Note- A . Cash and cash equivalents | | |
| 95,903 | Bank and cash balances | 164,749 | 69,563 |
| (12,727,982) | Short - term borrowings | (13,995,142) | (14,553,065) |
| (12,632,079) | | (13,830,393) | (14,483,502) |

Notes to the Financial Statements

1. These interim financial statements have been prepared in accordance with the accounting policies set out in the Annual Report for the year ended 31.03.2009 and are in compliance with Sri Lanka Accounting Standard 35, Interim Financial Reporting.
2. There has not been a significant change in the nature of the contingent liabilities which were disclosed in the Annual Report for the year ended 31.03.2009.
3. There were no material events that took place subsequent to the Balance Sheet date, which require disclosure in this Financial Statements.

Income Statement - (Translated into SLR)

| Audited year ended 31.03.09 SLR ' 000 | | Unaudited 6 months to 30.09.09 SLR ' 000 | Unaudited 6 months to 30.09.08 SLR ' 000 | Change % | Unaudited 3 months to 30.09.09 SLR ' 000 | Unaudited 3 months to 30.09.08 SLR ' 000 | Change % |
|------------------------------------------------|-------------------------------------|---------------------------------------------------|---------------------------------------------------|-------------|---------------------------------------------------|---------------------------------------------------|-------------|
| 6,547,202 | Revenue | 2,961,173 | 3,454,501 | -14 | 1,574,456 | 1,833,796 | -14 |
| (5,272,326) | Cost of sales | (2,305,429) | (2,851,226) | -19 | (1,204,541) | (1,529,447) | -21 |
| 1,274,876 | Gross profit | 655,744 | 603,275 | +9 | 369,915 | 304,349 | +22 |
| 172 | Other income | 104 | - | | 104 | - | |
| (116,192) | Distribution cost | (47,001) | (46,833) | 0 | (28,415) | (21,470) | +32 |
| (649,922) | Administrative expenses | (303,709) | (309,154) | -2 | (158,311) | (159,431) | -1 |
| (143,161) | Financing cost | (94,566) | (84,287) | +12 | (45,416) | (40,883) | +11 |
| 365,773 | Profit before taxation/ ESC | 210,572 | 163,001 | +29 | 137,876 | 82,564 | +67 |
| (7,202) | Economic service charge (ESC) | (3,052) | (8,535) | -64 | (1,651) | (4,497) | -63 |
| 358,571 | Profit for the period | 207,520 | 154,466 | +34 | 136,225 | 78,067 | +75 |
| | Attributable to : | | | | | | |
| 358,571 | Equity holders of the parent | 207,520 | 154,466 | +34 | 136,225 | 78,067 | +75 |
| 7.06 | Basic earnings per share | 4.09 | 3.04 | | 2.68 | 1.54 | |
| 7.06 | Diluted earning per share | 4.09 | 3.04 | | 2.68 | 1.54 | |

Balance Sheet (Translated into SLR)

| Audited as at 31.03.09 SLR ' 000 | | Unaudited as at 30.09.09 SLR ' 000 | Unaudited as at 30.09.08 SLR ' 000 |
|-------------------------------------------|------------------------------------------------------------------|---------------------------------------------|---------------------------------------------|
| Non-Current Assets | | | |
| 3,064,660 | Property, plant & equipment | 3,036,233 | 2,777,464 |
| Current Assets | | | |
| 1,095,819 | Inventories | 1,243,610 | 982,005 |
| 1,059,292 | Trade receivables | 1,045,308 | 1,103,966 |
| 106,438 | Other receivables & prepayments | 153,538 | 138,949 |
| 11,107 | Cash & cash equivalents | 19,045 | 7,548 |
| 2,272,656 | Total current Assets | 2,461,501 | 2,232,469 |
| 5,337,316 | Total Assets | 5,497,734 | 5,009,932 |
| EQUITY & LIABILITIES | | | |
| 527,856 | Stated capital (50,781,106 shares) | 527,856 | 527,856 |
| 718,473 | Reserve on amalgamation | 717,170 | 671,820 |
| 114,114 | Capital reserves | 113,907 | 106,704 |
| 1,010,880 | Revenue reserves | 1,116,155 | 811,309 |
| 311,569 | Exchange fluctuation reserve | 307,312 | 199,505 |
| 2,682,892 | Total Equity attributable to equity holders of the parent | 2,782,400 | 2,317,194 |
| Non-Current Liabilities | | | |
| 236,964 | Interest - bearing borrowings | 207,187 | 140,207 |
| 94,676 | Retirement benefit obligations | 101,683 | 87,391 |
| 331,640 | Total non-Current Liabilities | 308,869 | 227,598 |
| Current Liabilities | | | |
| 620,359 | Trade payables | 605,933 | 584,976 |
| 156,371 | Current portion of the Interest - bearing borrowings | 84,420 | 209,262 |
| 20,994 | Amounts due to Hayleys PLC | 5,683 | 10,804 |
| 51,032 | Other payables and accruals | 92,590 | 81,091 |
| 1,474,028 | Short term- interest bearing borrowings | 1,617,838 | 1,579,008 |
| 2,322,784 | Total current Liabilities | 2,406,465 | 2,465,140 |
| 2,654,425 | Total Liabilities | 2,715,335 | 2,692,738 |
| 5,337,316 | Total Equity & Liabilities | 5,497,734 | 5,009,932 |

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 the International Accounting Standards Board interpretation SIC 30 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 period. The revenue reserve incorporate the profit for the period reflected in the income statement.

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