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Interim Report

Three months ended 30th June 2011

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.C.Ganegoda - *Deputy Chairman*  
S.Spezza - *Managing Director*  
M.C.D.Amalean  
H.R.Peries - *Resigned w.e.f.29/04/2011*  
R.Seevaratnam  
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) 4297100, 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.

**Auditors**

Ernst & Young  
Chartered Accountants,  
201, De Saram Place,  
Colombo 10.

**Legal Advisors**

Julius & Creasy ,  
Attorney-at-Law,  
P.O.Box 154  
Colombo.

**Senior Management**

A.M.Pandithage - *Chairman*  
S.C.Ganegoda - *Deputy Chairman*  
Dr.Emerick Fernando - *Chief Executive officer*  
S.Spezza - *Managing Director*  
W.Sooriyarachchi - *Chief Operative officer*  
Dinusha Perera- *General Manager-Fianace*  
Thusitha Perera - *General Manager-Human Resource Development*  
Gen.Wasantha Perera - *Consultant-Adminstration & Logistics*  
A.A.S.L.Munasinghe - *General Manager - Operations*  
K.G.Chandrapala - *Deputy General Manager - Dyeing*  
M.D.F.A.Perera - *Deputy General Manager- Knitting*  
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.

	30.06.11	30.06.10
	SLR	SLR
Closing price on	36.00	39.50
Highest price recorded for the three months ending	42.20	49.50
Lowest price recorded for the three months ending	33.40	32.50

### Share trading for the three months ended 30th June 2011

No. of transactions	679
No. of shares traded	873,500
Value of shares traded (Rs.)	32,950,490

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

Name of shareholder	No of shares as at 30/06/2011	%
Hayleys PLC	28,138,452	57.22
Employees Provident Fund	4,063,200	8.26
MAS Holdings (Pvt) Limited	3,011,364	6.12
Equity Investments Lanka Limited	2,637,364	5.36
Hayleys Advantis Limited	1,231,230	2.50
Shantiro Proprietary Limited	1,170,848	2.38
Haychem (Private) Limited	848,774	1.73
Freudenberg Shipping Agencies Limited	600,000	1.22
National Savings Bank	400,900	0.82
Pan Asia Banking Corporation PLC / Mr. C. N. Rajahmoney	391,400	0.80
Dee Investments (Pvt) Ltd	348,600	0.71
South Asian Investment (Pvt) Ltd	299,300	0.61
David Pieris Motor Company Limited	256,400	0.52
Mr. B. C. Tay	201,000	0.41
Waldock Mackenzie Limited / Mr. L. P. Hapangama	200,000	0.41
Mr. P. E. Paradiso	171,930	0.35
Mr. S. Spezza	171,930	0.35
Seylan Bank PLC - A/C No. 3	168,500	0.34
Commercial Bank of Ceylon PLC / K. Fernando	152,500	0.31
Mr. C. R. D. Fernando	150,000	0.31
<b>Total</b>	<b>44,613,692</b>	<b>90.72</b>

The percentage of share held by public as per the Colombo Stock Exchange Rules as at 30th June 2011 was 35.47 %

### Directors' shareholdings as at 30th June 2011

*Mr. S. Spezza (Managing Director)	171,930
**Mr. K. D. D. Perera	1,000

\*Mr. S. Spezza holds 100% of Shantiro Proprietary Limited which has 1,170,848 shares in Hayleys MGT Knitting Mills PLC. and 171,930 shares through his nominee, Mr. P. E. Paradiso in Hayleys MGT Knitting Mills PLC

\*\*Mr. K. D. D. Perera holds 25.34% directly of the total issued shares of Hayleys PLC which has 28,138,452 shares in Hayleys MGT Knitting Mills PLC.

### Net assets per share

30.06.11		31.03.11	
USD	SLR	USD	SLR
0.28	31.00	0.31	34.66

## Income Statements

year ended 31.03.11 USD Audited		3 months to 30.06.11 USD Unaudited	3 months to 30.06.10 USD Restated	Change %
58,322,307	<b>Revenue</b>	<b>13,003,181</b>	13,690,200	-5
(50,853,036)	Cost of sales	<b>(11,991,138)</b>	(11,534,929)	+4
7,469,271	<b>Gross profit</b>	<b>1,012,043</b>	2,155,271	-53
35,793	Other income	-	-	
(2,420,901)	Distribution cost	<b>(142,860)</b>	(198,773)	-28
(11,138,012)	Administrative expenses	<b>(2,029,539)</b>	(1,802,003)	+13
(1,235,710)	Financing cost	<b>(356,466)</b>	(353,979)	+1
(7,289,559)	<b>Loss before tax</b>	<b>(1,516,822)</b>	(199,484)	660
210,963	Income tax (Expense)/reversal	<b>(32,517)</b>	310,282	-111
(7,078,596)	<b>Profit/ (Loss) for the period</b>	<b>(1,549,339)</b>	110,798	-1,498
(0.139)	Basic earnings/(loss) per share	<b>(0.031)</b>	0.002	
(0.139)	Diluted earnings/(loss) per share	<b>(0.031)</b>	0.002	

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

*Figures in brackets indicate deductions.*

## Balance Sheets

As at 31.03.11		As at 30.06.11	As at 30.06.10
USD		USD	USD
Audited		Unaudited	Restated
<b>Assets</b>			
<b>Non-Current Assets</b>			
27,230,300	Property, plant & equipment	27,347,249	26,895,953
<b>Current Assets</b>			
13,204,133	Inventories	14,151,849	14,698,729
3,736,144	Trade receivables	4,971,193	9,596,907
1,952,746	Other receivables & prepayments	2,238,697	1,144,316
94,197	Cash & cash equivalents	33,958	159,459
18,987,220	<b>Total current Assets</b>	21,395,697	25,599,411
46,217,520	<b>Total Assets</b>	48,742,946	52,495,364
<b>Equity &amp; Liabilities</b>			
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
1,128,083	Capital reserves	1,128,083	1,128,083
1,944,886	Revenue reserves	395,547	9,134,280
15,810,964	<b>Total Equity attributable to equity holders of the parent</b>	14,261,625	23,000,358
<b>Non-Current Liabilities</b>			
1,816,425	Interest bearing borrowings	1,478,627	1,891,213
1,382,646	Deferred tax liabilities	1,405,094	1,329,228
1,363,011	Retirement benefit obligations	1,371,754	1,159,389
4,562,082	<b>Total non-Current Liabilities</b>	4,255,475	4,379,830
<b>Current Liabilities</b>			
2,664,569	Trade payables	5,094,390	4,962,202
1,906,324	Current portion of the Interest bearing borrowings	1,790,956	1,117,821
79,151	Amounts due to Hayleys PLC	125,591	280,670
1,211,061	Other payables and accruals	2,880,934	1,365,023
19,983,369	Short term interest bearing borrowings	20,333,975	17,389,460
25,844,474	<b>Total current Liabilities</b>	30,225,846	25,115,176
30,406,556	<b>Total Liabilities</b>	34,481,321	29,495,006
46,217,520	<b>Total Equity &amp; Liabilities</b>	48,742,946	52,495,364

The Balance Sheet as at 30th June 2011 and Statements of Income, Changes in Equity and Cash Flow 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.

**Dinusha Perera**  
General Manager-Finance

The Directors are responsible for the preparation and presentation of these Financial Statements.  
Signed on behalf of the Board

**A.M.Pandithage**  
Chairman  
1<sup>st</sup> August 2011

**S.C Ganegoda**  
Deputy Chairman

## Statement of Changes in Equity

*Attributable to equity holders of the parent*

For the period ended 30th June 2011

	Stated capital USD	Reserves on amalgamation USD	Revaluation reserve USD	General reserve USD	Retained earnings USD	Total USD
Balance as at 31st March 2011	6,534,102	6,203,893	1,128,083	295,869	1,649,017	15,810,964
Loss for the period	-	-	-	-	(1,549,339)	(1,549,339)
<b>Balance as at 30th June 2011</b>	<b>6,534,102</b>	<b>6,203,893</b>	<b>1,128,083</b>	<b>295,869</b>	<b>99,678</b>	<b>14,261,625</b>

For the period ended 30th June 2010

Balance as at 1st April, 2010 as previously stated	6,534,102	6,203,893	1,128,083	295,869	11,047,456	25,209,403
Adjustments due to deferred tax	-	-	-	-	(1,653,483)	(1,653,483)
Restated balance as at 31st March 2010	6,534,102	6,203,893	1,128,083	295,869	9,393,973	23,555,920
Profit for the period	-	-	-	-	110,798	110,798
Dividend paid	-	-	-	-	(666,360)	(666,360)
<b>Balance as at 30th June 2010</b>	<b>6,534,102</b>	<b>6,203,893</b>	<b>1,128,083</b>	<b>295,869</b>	<b>8,838,411</b>	<b>23,000,358</b>

## Cash Flow Statements

year ended 31.03.11 USD Audited	3 months to 30.06.11 USD Unaudited	3 months to 30.06.10 USD Unaudited
<b>Cash flows from operating activities</b>		
(7,289,559)	(1,516,822)	(199,484)
Adjustments for:		
2,028,969	514,836	498,168
(30,801)	585	(31,799)
1,235,710	356,466	353,979
263,939	73,023	79,446
(35,793)	-	-
1,356,682	160,549	315,523
(377,844)	207,024	125,716
3,970,525	-	-
1,121,828	(204,339)	1,141,549
3,387,043	(1,681,548)	(624,127)
(4,551,135)	(1,154,740)	(2,578,767)
(3,565,260)	4,146,134	(912,145)
(3,607,524)	1,105,507	(2,973,490)
(20,278)	(76,487)	-
(1,149,444)	(342,536)	(314,786)
(59,874)	(10,069)	(13,973)
(4,837,120)	676,415	(3,302,249)
<b>Cash flows from investing activities</b>		
(2,521,447)	(631,785)	(656,298)
35,793	-	-
(2,485,654)	(631,785)	(656,298)
<b>Cash flows from financing activities</b>		
2,788,311	-	1,074,390
(1,224,821)	(455,475)	(215,956)
(666,360)	-	(666,360)
897,130	(455,475)	192,074
(6,425,644)	(410,845)	(3,766,473)
(13,463,528)	(19,889,172)	(13,463,528)
(19,889,172)	(20,300,017)	(17,230,001)
<b>Note- A . Cash and cash equivalents</b>		
94,197	33,958	159,459
(19,983,369)	(20,333,975)	(17,389,460)
(19,889,172)	(20,300,017)	(17,230,001)

## 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 31.03.2011 and are in compliance with Sri Lanka Accounting Standard 35, Interim Financial Reporting.
2. The Contingent liability as at 30th June, 2011 on bills discounted amounted to USD 98,354.
3. There were no material events that took place subsequent to the Balance Sheet date, which require disclosure in this Financial Statements.
4. The deferred tax liability of USD 1,653,483 has been adjusted in the retained earnings as per Sri Lanka Accounting Standard 10- Accounting policies, changes in Accounting Estimates and Errors.  
As per the BOI agreement the statutory income from business of Hayleys MGT Knitting Mills PLC was exempt from taxation of period of 15 years ended 31st March, 2011. After the expiration of the said tax exemption period the provision of the Inland Revenue laws shall apply to the Company.  
Accordingly the Company has adopted the Sri Lanka Accounting Standard 14 - Income Taxes (Revised 2005) and a provision has been made for Deferred tax.



## Income Statements - ( Translated into SLR )

year ended		3 months to	3 months to	
31.03.11		30.06.11	30.06.10	Change
SLR ' 000		SLR ' 000	SLR ' 000	%
Audited		Unaudited	Restated	
6,587,505	<b>Revenue</b>	<b>1,438,542</b>	1,568,623	-9
(5,743,850)	Cost of sales	<b>(1,326,580)</b>	(1,321,672)	
843,655	<b>Gross profit</b>	<b>111,962</b>	246,951	-55
4,043	Other income	-	-	
(273,441)	Distribution cost	<b>(15,805)</b>	(22,775)	-31
(1,258,038)	Administrative expenses	<b>(224,528)</b>	(206,474)	+9
(139,573)	Financing cost	<b>(39,436)</b>	(40,559)	-3
(823,354)	<b>Loss before taxation</b>	<b>(167,807)</b>	(22,857)	+634
23,828	Income tax (Expense)/reversal	<b>(3,597)</b>	35,552	-110
(799,526)	<b>Profit/(Loss) for the period</b>	<b>(171,404)</b>	12,695	-1450
(15.74)	Basic earnings per share	<b>(3.38)</b>	0.25	
(15.74)	Diluted earning per share	<b>(3.38)</b>	0.25	

## Balance Sheets ( Translated into SLR )

As at 31.03.11 SLR ' 000 Audited		As at 30.06.11 SLR ' 000 Unaudited	As at 30.06.10 SLR ' 000 Restated
<b>Non-Current Assets</b>			
3,031,549	Property, plant & equipment	3,018,863	3,074,476
<b>Current Assets</b>			
1,470,016	Inventories	1,562,223	1,680,212
415,945	Trade receivables	548,770	1,097,022
217,399	Other receivables & prepayments	247,130	130,807
10,487	Cash & cash equivalents	3,749	18,228
2,113,847	<b>Total current Assets</b>	2,361,872	2,926,269
5,145,396	<b>Total Assets</b>	5,380,735	6,000,745
<b>EQUITY &amp; LIABILITIES</b>			
527,856	Stated capital ( 50,781,106 shares )	527,856	527,856
690,679	Reserve on amalgamation	684,848	717,170
125,589	Capital reserves	124,529	113,907
238,473	Revenue reserves	67,069	1,136,715
177,638	Exchange fluctuation reserve	170,039	133,523
1,760,235	<b>Total Equity attributable to equity holders of the parent</b>	1,574,341	2,629,171
<b>Non-Current Liabilities</b>			
202,223	Interest bearing borrowings	163,226	216,185
153,930	Deferred tax liabilities	155,108	151,944
151,744	Retirement benefit obligations	151,428	132,530
507,897	<b>Total non-Current Liabilities</b>	469,762	500,659
<b>Current Liabilities</b>			
296,646	Trade payables	562,370	567,229
212,231	Current portion of the Interest bearing borrowings	197,704	127,778
8,812	Amounts due to Hayleys PLC	13,864	32,083
134,827	Other payables and accruals	318,026	156,036
2,224,748	Short term interest bearing borrowings	2,244,668	1,987,789
2,877,264	<b>Total current Liabilities</b>	3,336,632	2,870,915
3,385,161	<b>Total Liabilities</b>	3,806,394	3,371,574
5,145,396	<b>Total Equity &amp; Liabilities</b>	5,380,735	6,000,745

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.