



---

Interim Report

Nine months ended 31st December 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.Spezza - *Managing Director*  
S.C.Ganegoda  
M.C.D.Amalean  
R.Seevaratnam  
K.D.D.Perera  
J.A.G Anandarajah - *Appointed w.e.f. 19/10/2011*

### 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.

## Investor Information

### Market value of shares

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

	31.12.11	31.12.10
	SLR	SLR
Closing price on	28.50	32.00
Highest price recorded for the three months ending	36.10	46.50
Lowest price recorded for the three months ending	26.00	28.60
Highest price recorded for the nine months ending	42.20	57.00
Lowest price recorded for the nine months ending	26.00	28.60

### Share trading for the nine months ended 31st December 2011

No. of transactions	1,296
No. of shares traded	1,669,900
Value of shares traded (Rs.)	59,733,370

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

Name of shareholder	No of shares as at 31/12/2011	%
Hayleys PLC	28,138,452	55.41
Employees Provident Fund	4,063,200	8.00
MAS Holdings (Private) Limited	3,011,364	5.93
Equity Investments Lanka Limited	2,637,364	5.19
Hayleys Advantis Limited	1,231,230	2.42
Shantiro Proprietary Limited	1,170,848	2.31
Haychem (Private) Limited	848,774	1.67
Freudenberg Shipping Agencies Limited	600,000	1.18
Hayleys Group Services (Private ) Ltd	508,933	1.00
National Savings Bank	400,900	0.79
Pan Asia Banking Corporation PLC/Mr.C.N.Rajahmoney	391,400	0.77
Dee Investments (Pvt) Ltd	348,600	0.69
South Asian Investment (Private) Limited	299,300	0.59
David Pieris Motor Company Limited	256,400	0.50
Mr.B.C.Tay	201,000	0.40
Waldock Mackenzie Ltd/Mr.L.P.Hapangama	200,000	0.39
Mr. P. E. Paradiso	171,930	0.34
Mr.S.Spezza	171,930	0.34
Seylan Bank PLC A/C No.3	168,500	0.33
Mr.D.B.Weerasinghe	157,311	0.31
<b>Total</b>	<b>44,977,436</b>	<b>88.56</b>

The percentage of share held by public as per the Colombo Stock Exchange Rules as at 31st December 2011 was 37.51 %

### Directors' shareholdings as at 31st December 2011

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

*\*Mr. S. Spezza holds 100% of Shantrio 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 47.24% of the total issued shares of Hayleys PLC which has 28,138,452 shares in Hayleys MGT Knitting Mills PLC.*

### Net assets per share

31.12.11		31.03.11	
USD	SLR	USD	SLR
0.22	25.34	0.31	34.66

## Income Statements

year ended 31.03.11 USD Audited		9 months to 31.12.11 USD Unaudited	9 months to 31.12.10 USD Restated	Change %	3 months to 30.12.11 USD Unaudited	3 months to 31.12.10 USD Restated	Change %
58,322,307	Revenue	38,200,981	46,124,449	-17	9,738,907	13,303,999	-27
(50,853,036)	Cost of sales	(35,967,970)	(39,671,507)	-9	(9,305,045)	(12,587,000)	-26
7,469,271	Gross profit	2,233,011	6,452,942	-65	433,862	716,999	-40
35,793	Other income	-	38,112		-	-	
(2,420,901)	Distribution cost	(513,580)	(477,611)	+8	(76,716)	(136,590)	-44
(11,138,012)	Administrative expenses	(5,264,159)	(10,278,651)	-49	(1,427,775)	(5,855,756)	-76
(1,235,710)	Financing cost	(945,758)	(969,838)	-3	(260,821)	(282,780)	-8
(7,289,559)	Profit/(Loss) before tax	(4,490,486)	(5,235,046)	-14	(1,331,450)	(5,558,127)	-76
210,963	Income tax (Expense)/reversal	(120,673)	241,072	-150	(48,306)	(31,740)	+52
(7,078,596)	Profit/ (Loss) for the period	(4,611,159)	(4,993,974)	-8	(1,379,756)	(5,589,867)	-75
(0.139)	Basic earnings/ (loss) per share	(0.091)	(0.098)		(0.027)	(0.110)	
(0.139)	Diluted earnings/ (loss) per share	(0.091)	(0.098)		(0.027)	(0.110)	

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 31.12.11	As at 31.12.10
USD		USD	USD
Audited		Unaudited	Restated
	<b>Assets</b>		
	<b>Non-Current Assets</b>		
27,230,300	Property, plant & equipment	26,678,315	27,002,828
	<b>Current Assets</b>		
13,204,133	Inventories	10,527,687	13,680,868
3,736,144	Trade receivables	2,882,887	4,602,995
1,952,746	Other receivables & prepayments	1,570,520	1,567,074
94,197	Cash & cash equivalents	32,802	159,089
18,987,220	<b>Total current Assets</b>	15,013,896	20,010,026
46,217,520	<b>Total Assets</b>	41,692,211	47,012,854
	<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	(2,666,273)	4,029,508
15,810,964	<b>Total Equity attributable to equity holders of the parent</b>	11,199,805	17,895,586
	<b>Non-Current Liabilities</b>		
1,816,425	Interest bearing borrowings	731,729	1,502,247
1,382,646	Deferred tax liabilities	1,468,255	1,365,162
1,363,011	Retirement benefit obligations	1,333,927	1,341,886
4,562,082	<b>Total non-Current Liabilities</b>	3,533,911	4,209,295
	<b>Current Liabilities</b>		
2,664,569	Trade payables	5,980,017	7,675,293
1,906,324	Current portion of the Interest bearing borrowings	1,606,461	1,156,091
79,151	Amounts due to Hayleys PLC	331,306	74,977
1,211,061	Other payables and accruals	2,077,911	1,413,080
19,983,369	Short term interest bearing borrowings	16,962,800	14,588,532
25,844,474	<b>Total current Liabilities</b>	26,958,495	24,907,973
30,406,556	<b>Total Liabilities</b>	30,492,406	29,117,268
46,217,520	<b>Total Equity &amp; Liabilities</b>	41,692,211	47,012,854

The Balance Sheet as at 31st December 2011 and Statements of Income, Changes in Equity and Cash Flow for nine 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.

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  
2<sup>nd</sup> February 2012

J.A.G.Anandarajah  
Director

# Statement of Changes in Equity

*Attributable to equity holders of the parent*

For the period ended 31st December 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	-	-	-	-	(4,611,159)	(4,611,159)
<b>Balance as at 31st December 2011</b>	<b>6,534,102</b>	<b>6,203,893</b>	<b>1,128,083</b>	<b>295,869</b>	<b>(2,962,142)</b>	<b>11,199,805</b>

For the period ended 31st December 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
Loss for the period	-	-	-	-	(4,993,974)	(4,993,974)
Dividend paid	-	-	-	-	(666,360)	(666,360)
<b>Balance as at 31st December 2010</b>	<b>6,534,102</b>	<b>6,203,893</b>	<b>1,128,083</b>	<b>295,869</b>	<b>3,733,639</b>	<b>17,895,586</b>

## Cash Flow Statements

year ended 31.03.11 USD Audited		9 months to 31.12.11 USD Unaudited	9 months to 31.12.10 USD Unaudited
	Cash flows from operating activities		
(7,289,559)	Profit/(Loss) before taxation	(4,490,486)	(5,235,046)
	Adjustments for:		
2,028,969	Depreciation on property, plant & equipment	1,584,605	1,476,811
(30,801)	Net gain/(loss) on translation of foreign currency	(47,006)	(29,754)
1,235,710	Financing cost	945,758	969,838
263,939	Provision for retiring gratuity	217,178	240,905
(35,793)	Gain on disposal of property, plant & equipment	-	(38,112)
1,356,682	Provision for bad and doubtful debts	(63,804)	2,629,581
(377,844)	Provision for slow-moving inventories	447,048	(304,665)
3,970,525	Loss from write-down of inventories	-	3,475,629
1,121,828		(1,406,707)	3,185,187
3,387,043	(Increase)/Decrease in trade and other receivables	1,299,287	1,632,969
(4,551,135)	(Increase)/Decrease in inventories	2,229,398	(4,606,154)
(3,565,260)	Increase/(Decrease) in trade and other payables	4,434,453	1,643,308
(3,607,524)	Cash generated from operations	6,556,431	1,855,310
(20,278)	Retiring gratuity paid	(209,994)	(3,665)
(1,149,444)	Interest paid	(942,919)	(900,756)
(59,874)	Economic service charge paid	(35,064)	(47,249)
(4,837,120)	Net cash from operating activities	5,368,454	903,640
	Cash flows from investing activities		
(2,521,447)	Purchase & construction of property, plant & equipment	(1,032,619)	(1,741,816)
35,793	Proceeds from disposal of property, plant & equipment	-	38,112
(2,485,654)	Net cash used in investing activities	(1,032,619)	(1,703,704)
	Cash flows from financing activities		
2,788,311	Proceeds from long term loans	-	1,288,311
(1,224,821)	Repayment of long term loans	(1,376,661)	(787,802)
(666,360)	Dividends paid	-	(666,360)
897,130	Net cash used in financing activities	(1,376,661)	(165,851)
(6,425,644)	Net decrease in cash & cash equivalents	2,959,174	(965,915)
(13,463,528)	Cash and cash equivalents at beginning of the year (Note-A)	(19,889,172)	(13,463,528)
(19,889,172)	Cash and cash equivalents at end of the Period (Note-A)	(16,929,998)	(14,429,443)
	Note- A . Cash and cash equivalents		
94,197	Bank and cash balances	32,802	159,089
(19,983,369)	Short - term borrowings	(16,962,800)	(14,588,532)
(19,889,172)		(16,929,998)	(14,429,443)

# 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 31st December, 2011 on bills discounted amounted to USD 20,289.
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.
5. 1,603,614 Convertible Non Voting class "B" shares were converted to ordinary shares in November 2011.



## Income Statements - ( Translated into SLR )

year ended		9 months to	9 months to		3 months to	3 months to	
31.03.11		31.12.11	31.12.10	Change	31.12.11	31.12.10	Change
SLR ' 000		SLR ' 000	SLR ' 000	%	SLR ' 000	SLR ' 000	%
Audited		Unaudited	Restated		Unaudited	Restated	
6,587,505	Revenue	4,265,140	5,228,668	-18	1,106,372	1,493,950	-26
(5,743,850)	Cost of sales	(4,015,824)	(4,497,162)	-11	(1,057,084)	(1,413,436)	-25
843,655	Gross profit	249,316	731,506	-66	49,288	80,514	-39
4,043	Other income	-	4,320		-	-	
(273,441)	Distribution cost	(57,341)	(54,142)	+6	(8,715)	(15,338)	-43
(1,258,038)	Administrative expenses	(587,743)	(1,165,188)	-50	(162,200)	(657,562)	-75
(139,573)	Financing cost	(105,594)	(109,941)	-4	(29,630)	(31,754)	-7
(823,354)	Profit/(Loss) before taxation	(501,362)	(593,445)	-16	(151,257)	(624,140)	-76
23,828	Income tax (Expense)/reversal	(13,473)	27,328	-149	(5,488)	(3,564)	+54
(799,526)	Profit/(Loss) for the period	(514,835)	(566,117)	-9	(156,745)	(627,704)	-75
(15.74)	Basic earnings per share	(10.14)	(11.15)		(3.09)	(12.36)	
(15.74)	Diluted earning per share	(10.14)	(11.15)		(3.09)	(12.36)	

## Balance Sheets ( Translated into SLR )

As at 31.03.11 SLR ' 000 Audited		As at 31.12.11 SLR ' 000 Unaudited	As at 31.12.10 SLR ' 000 Restated
<b>Non-Current Assets</b>			
3,031,549	Property, plant & equipment	3,064,805	3,020,266
<b>Current Assets</b>			
1,470,016	Inventories	1,209,421	1,530,205
415,945	Trade receivables	331,186	514,845
217,399	Other receivables & prepayments	180,421	175,277
10,487	Cash & cash equivalents	3,768	17,794
2,113,847	<b>Total current Assets</b>	1,724,796	2,238,121
5,145,396	<b>Total Assets</b>	4,789,601	5,258,387
<b>EQUITY &amp; LIABILITIES</b>			
527,856	Stated capital ( 50,781,106 shares )	527,856	527,856
690,679	Reserve on amalgamation	712,703	693,905
125,589	Capital reserves	129,594	126,176
238,473	Revenue reserves	(276,362)	450,700
177,638	Exchange fluctuation reserve	192,844	202,984
1,760,235	<b>Total Equity attributable to equity holders of the parent</b>	1,286,635	2,001,621
<b>Non-Current Liabilities</b>			
202,223	Interest bearing borrowings	84,061	168,026
153,930	Deferred tax liabilities	168,673	152,693
151,744	Retirement benefit obligations	153,242	150,090
507,897	<b>Total non-Current Liabilities</b>	405,976	470,809
<b>Current Liabilities</b>			
296,646	Trade payables	686,984	858,482
212,231	Current portion of the Interest bearing borrowings	184,550	129,309
8,812	Amounts due to Hayleys PLC	38,060	8,386
134,827	Other payables and accruals	238,710	158,053
2,224,748	Short term interest bearing borrowings	1,948,686	1,631,727
2,877,264	<b>Total current Liabilities</b>	3,096,990	2,785,957
3,385,161	<b>Total Liabilities</b>	3,502,966	3,256,766
5,145,396	<b>Total Equity &amp; Liabilities</b>	4,789,601	5,258,387

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.