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Interim Report

Third quarter, 9 months ended 31st December 2014

**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*

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

R.Seevaratnam - *Retired w.e.f. 23/06/2014*

K.D.D.Perera

S.C.Ganegoda

H.Somashantha

R.N.Somaratne

R.P. Pathirana

J.A.S. Piyawardena - *Resigned w.e.f. 25/04/2014*

Ms. D.S.N.Weerasooriya (*Alternate Director to K.D.D.Perera*) - *Resigned w.e.f.31/05/2014*

Dr. N.S.J. Nawaratne- *Appointed w.e.f. 25/04/2014*

### 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

### Auditors

Ernst & Young

Chartered Accountants,

201, De Saram Place,

Colombo 10.

## Investor Information

Market value of shares	31.12.2014	31.12.2013
	(Rs.)	(Rs.)
Closing Price	17.40	11.10
Highest price recorded for the three months ending	19.00	11.40
Lowest price recorded for the three months ending	15.50	9.40

Highest price recorded for the nine months ending	20.40	12.00
Lowest price recorded for the nine months ending	9.90	9.00

### Share Trading

No. of transactions	14,433	1,547
No. of shares traded	71,780,484	3,614,959
Value of shares traded (Rs.)	1,064,792,803	37,597,429

### First twenty Shareholders as at 31.12.2014

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.	15,640,951	7.53
The Ceylon Investment PLC. A/C No 02.	14,952,954	7.20
Employees Provident Fund	5,540,727	2.67
Hayleys Advantis Limited	5,036,850	2.42
Equity Investments Lanka Limited	3,596,405	1.73
Hayleys Agriculture Holdings Limited	3,472,257	1.67
MAS Holdings (Pvt) Limited	3,011,364	1.45
The Ceylon Chamber of Commerce Account No.02	2,709,792	1.30
Hatton National Bank PLC A/C No. 4 (HNB Retirement Pension Fund)	1,628,934	0.78
The Sri Lanka Fund	1,036,132	0.50
People's Leasing & Finance PLC / Mr.L.P.Hapangama	856,681	0.41
Freudenberg Shipping Agencies Limited	841,786	0.41
Mr. T.L.M. Imtiaz	582,715	0.28
Guardian Fund Management Limited/ The Aitken Spence & Associated Companies Executive Staff Provident Fund	509,727	0.25
Hayleys Group Services (Pvt) Ltd. No. 05 Account	508,933	0.24
Codegen International (Pvt) Ltd.	500,000	0.24
Dee Investments (Pvt) Ltd.	498,191	0.24
Bank of Ceylon A/C Eagle Growth Fund	424,565	0.20
National Savings Bank	362,623	0.17
<b>Total</b>	<b>184,198,610</b>	<b>88.67</b>

The percentage of shares held by public as at 31st December, 2014 was 36.69%.

Number of shareholders representing Public Holding was 2,583

### DIRECTORS' SHAREHOLDING AS AT 31.12.2014

Director	Direct holding No. of Shares
*Mr.K.D.D.Perera	4,090
Mr.R.P.Pathirana	3,409
Mr.R.N.Somarathne	10,000

\* Mr.K.D.D.Perera holds 48.38% directly and indirectly of the total issued shares of Hayleys PLC which holds 122,487,023 shares in Hayleys MGT Knitting Mills PLC.

	31.12.2014	31.03.2014
Weighted average no. of shares	186,595,078	169,678,430
Number of shares	207,740,888	152,343,318
Net assets per share - USD	0.07	0.07
LKR	9.66	9.27

Hayleys MGT Knitting Mills PLC  
STATEMENT OF FINANCIAL POSITION

As at 31.03.14		As at 31.12.14	As at 31.12.13
USD		USD	USD
Audited		Unaudited	Unaudited
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
22,058,377	Property, plant and equipment	21,953,296	22,504,096
564,257	Intangible assets	727,697	567,038
22,622,634		22,680,993	23,071,134
<b>Current Assets</b>			
10,673,598	Inventories	10,658,670	9,556,311
6,772,268	Trade receivables	8,092,404	7,385,745
1,172,181	Other receivables	1,335,317	1,169,096
352,224	Advances and prepayments	446,629	317,661
520,430	Cash and cash equivalents	1,849,682	698,663
19,490,701		22,382,702	19,127,476
42,113,335	<b>Total Assets</b>	45,063,695	42,198,610
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
13,563,304	Stated capital	17,561,761	13,563,304
6,203,893	Reserve on amalgamation	6,203,893	6,203,893
1,141,605	Revaluation reserve	1,141,605	1,141,605
(10,220,689)	Retained earnings	(9,853,198)	(9,571,087)
10,688,113	<b>Total Equity</b>	15,054,061	11,337,715
<b>Non-Current Liabilities</b>			
1,198,262	Interest bearing loans and borrowings	5,014,182	1,399,579
1,576,343	Deferred tax liabilities	1,576,344	1,552,870
1,366,796	Retirement benefit obligations	1,530,843	1,366,107
4,141,401		8,121,369	4,318,556
<b>Current Liabilities</b>			
7,972,503	Trade and other payables	8,843,191	7,286,261
614,508	Current portion of interest bearing loans and borrowings	4,030,601	509,869
2,860,033	Amounts due to Hayleys PLC	65,060	2,726,763
-	Income tax payable	70,727	21,222
783,099	Other current non financial liabilities	193,053	735,186
15,053,678	Short term interest bearing loans and borrowings	8,685,634	15,263,038
27,283,821		21,888,266	26,542,339
42,113,335	<b>Total Equity and Liabilities</b>	45,063,695	42,198,610

The Statement of Financial Position as at 31st December 2014 and Statements of Comprehensive Income, Changes in Equity and Cash Flow for nine months then ended as well as the Statements of 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.

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

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

Sgd.

Ruwan Rohitha Bandara  
Chief Financial 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  
30<sup>th</sup> January 2015

Sgd.

E.R.P.Goonetilleke  
Managing Director

## Hayleys MGT Knitting Mills PLC

### STATEMENT OF COMPREHENSIVE INCOME

year ended	9 months to	9 months to	variance	3 months to	3 months to	variance
31.03.14	31.12.14	31.12.13		31.12.14	31.12.13	
USD	USD	USD	%	USD	USD	%
Audited	Unaudited	Unaudited		Unaudited	Unaudited	
61,252,088 Revenue	49,889,357	45,309,950	+10	17,355,574	15,531,047	+12
(56,742,204) Cost of Sales	(44,652,213)	(41,943,462)	+6	(15,654,744)	(14,454,536)	+8
4,509,884 Gross Profit	5,237,144	3,366,488	+56	1,700,830	1,076,511	+58
22,900 Other Operating Income	15,121	-		12,104	-	
(104,051) Other Expenses	-	-				
(440,969) Distribution Expenses	(694,969)	(194,551)	+257	(150,319)	(60,490)	+149
(3,954,479) Administrative Expenses	(3,185,731)	(2,858,848)	+11	(1,174,951)	(715,317)	+64
(1,347,240) Net Financing Costs	(893,413)	(974,833)	-8	(229,349)	(421,210)	-46
(1,313,955) Profit/(loss) Before Tax	478,153	(661,744)	+172	158,316	(120,506)	+231
(74,445) Income Tax Expense	(70,727)	(55,450)	+28	(27,654)	(47,777)	-42
(1,388,400) Profit/(loss) for the period	407,426	(717,194)	+157	130,662	(168,283)	+178
Other Comprehensive Income						
24,550 Actuarial gain/(loss) on defined benefit plans	-	-		-	-	
(2,946) Income tax effect	-	-		-	-	
(1,366,796) Total Comprehensive Income, Net of Tax	407,426	(717,194)		130,662	(168,283)	
(0.008) Earnings / (Loss) per Share	0.002	(0.004)		0.001	(0.001)	

Hayleys MGT Knitting Mills PLC  
STATEMENT OF CHANGES IN EQUITY

	Stated capital USD	Reserve on amalgamation USD	Revaluation reserve USD	Retained earnings USD	Total USD
For the period ended 31st December 2014					
Balance as at 31st March 2014	13,563,304	6,203,893	1,141,605	(10,220,689)	10,688,113
Issue of shares	3,998,457	-	-	-	3,998,457
Direct cost on issue of shares	-	-	-	(39,935)	(39,935)
Profit for the period	-	-	-	407,426	407,426
<b>Balance as at 31st December 2014</b>	<b>17,561,761</b>	<b>6,203,893</b>	<b>1,141,605</b>	<b>(9,853,198)</b>	<b>15,054,061</b>
For the period ended 31st December 2013					
Balance as at 31st March 2013	13,563,304	6,203,893	1,141,605	(8,853,893)	12,054,909
Loss for the period	-	-	-	(717,194)	(717,194)
<b>Balance as at 31st December 2013</b>	<b>13,563,304</b>	<b>6,203,893</b>	<b>1,141,605</b>	<b>(9,571,087)</b>	<b>11,337,715</b>

Hayleys MGT Knitting Mills PLC  
STATEMENT OF CASH FLOW

year ended		9 months to	9 months to
31.03.14	Cash flows from / (used in) operating activities	31.12.14	31.12.13
USD		USD	USD
Audited		Unaudited	Unaudited
(1,313,955)	Profit/(loss) before Income tax expense	478,153	(661,744)
	Adjustments for		
1,822,550	Depreciation on property, plant and equipment	1,347,171	1,378,085
157,490	Amortization of Intangible Assets	160,861	116,471
240,111	Provision for retiring gratuity	199,739	191,413
(11,242)	Net unrealised gain on translation of foreign currency	(106,388)	(67,739)
1,269,426	Net finance costs	893,413	974,833
104,051	Loss/(gain) on write down of Property, Plant and Equipment	(10,333)	-
(22,500)	Debtors / Creditors write back	(3,017)	-
19,139	Provision / (reversal) of provision for bad and doubtful debts	(6,388)	(5,724)
40,410	Provision / (reversal) for slow moving inventories	52,211	(14,771)
2,305,480	Operating profit before working capital changes	3,005,422	1,910,824
(4,307,615)	Increase in trade and other receivables	(1,473,867)	(5,085,899)
(163,995)	Increase in advances and prepayments	(94,405)	(128,809)
(3,083,649)	Increase in inventories	(37,283)	(1,911,181)
2,861,981	Increase/(decrease) in trade and other payables and other non financial liabilities	(3,060,102)	2,287,531
(2,387,798)	Cash used in operations	(1,660,236)	(2,927,534)
(32,896)	Retiring gratuity paid	(21,866)	(7,950)
(1,153,600)	Interest paid	(808,381)	(946,674)
(189,533)	Economic service charge paid	(121,269)	(150,603)
(3,763,827)	Net cash used in operating activities	(2,611,751)	(4,032,761)
	<b>Cash flows from / (used in) investing activities</b>		
(332,200)	Purchase and construction of property, plant and equipment	(764,156)	(260,701)
(69,543)	Purchase of Intangible Assets	(124,861)	-
242	Interest received	6,933	234
(401,501)	Net cash flows used in investing activities	(882,084)	(260,467)
	<b>Cash flows from / (used in) financing activities</b>		
2,000,000	Proceeds from long term loans	9,000,000	2,000,000
(708,412)	Repayment of term loans	(1,767,391)	(611,639)
-	Right Issue of Shares (Net)	3,958,522	-
1,291,588	Net cash flows from financing activities	11,191,131	1,388,361
(2,873,740)	Net increase/ (decrease) in cash and cash equivalents	7,697,296	(2,904,867)
(11,659,508)	Cash and cash equivalents at the beginning of the year	(14,533,248)	(11,659,508)
(14,533,248)	Cash and cash equivalents at the end of the period	(6,835,952)	(14,564,375)
	<b>Note A</b>		
	<b>Analysis of cash and cash equivalents</b>		
520,430	Cash and bank balances	1,849,682	698,663
(15,053,678)	Short term borrowings	(8,685,634)	(15,263,038)
(14,533,248)		(6,835,952)	(14,564,375)

## Hayleys MGT Knitting Mills PLC

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### 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. The accounting policies adopted in these financial statements are consistent with the Accounting policies set out in the Annual Report for the year ended 31.03.2014.
3. Contingent liability as at 31st December, 2014 on bills discounted amounted to USD 424,583.
4. There were no material events that took place subsequent to the reporting date, which require disclosure in this Financial Statements.



## Hayleys MGT Knitting Mills PLC

## STATEMENT OF FINANCIAL POSITION TRANSLATED INTO LKR

As at 31.03.14		As at 31.12.14	As at 31.12.13
LKR '000		LKR '000	LKR '000
Audited		Unaudited	Unaudited
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
2,914,132	Property, plant and equipment	2,926,155	2,976,167
74,544	Intangible assets	96,995	74,991
<b>2,988,676</b>		<b>3,023,150</b>	<b>3,051,157</b>
<b>Current Assets</b>			
1,410,089	Inventories	1,420,694	1,263,822
894,684	Trade receivables	1,078,637	976,765
154,857	Other receivables	177,984	154,613
46,532	Advances and prepayments	59,531	42,011
68,754	Cash and cash equivalents	246,544	92,398
<b>2,574,916</b>		<b>2,983,390</b>	<b>2,529,609</b>
<b>5,563,592</b>	<b>Total Assets</b>	<b>6,006,540</b>	<b>5,580,766</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and Reserves</b>			
1,441,916	Stated capital	1,968,193	1,441,916
819,596	Reserve on amalgamation	826,917	820,465
150,817	Revaluation reserve	152,165	150,977
(1,231,488)	Retained earnings	(1,177,640)	(1,146,914)
231,166	Exchange fluctuation reserve	236,921	232,969
<b>1,412,007</b>	<b>Total Equity</b>	<b>2,006,556</b>	<b>1,499,413</b>
<b>Non-Current Liabilities</b>			
158,302	Interest bearing loans and borrowings	668,340	185,094
208,251	Deferred tax liabilities	210,111	205,367
180,567	Retirement benefit obligations	204,046	180,668
<b>547,120</b>		<b>1,082,497</b>	<b>571,129</b>
<b>Current Liabilities</b>			
1,053,247	Trade and other payables	1,178,709	963,608
81,183	Current portion of interest bearing loans and borrowings	537,239	67,430
377,839	Amounts due to Hayleys PLC	8,672	360,614
-	Income tax payable	9,427	2,807
103,455	Other current non financial liabilities	25,732	97,228
1,988,741	Short term interest bearing loans and borrowings	1,157,708	2,018,537
<b>3,604,465</b>		<b>2,917,487</b>	<b>3,510,224</b>
<b>5,563,592</b>	<b>Total Equity and Liabilities</b>	<b>6,006,540</b>	<b>5,580,766</b>

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 period. 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.

## Hayleys MGT Knitting Mills PLC

## STATEMENT OF COMPREHENSIVE INCOME TRANSLATED INTO LKR

year ended		9 months to	9 months to		3 months to	3 months to	
31.03.14		31.12.14	31.12.13	variance	31.12.14	31.12.13	variance
LKR '000		LKR '000	LKR '000	%	LKR '000	LKR '000	%
Audited		Unaudited	Unaudited		Unaudited	Unaudited	
8,089,563	Revenue	6,593,710	5,981,316	+10	2,307,366	2,059,469	+12
(7,493,943)	Cost of Sales	(5,901,534)	(5,536,910)	*7	(2,081,246)	(1,916,720)	+9
595,620	Gross Profit	692,176	444,406	+56	226,120	142,749	+58
3,024	Other Operating Income	1,999	-		1,609	-	
(13,742)	Other Expenses	-	-		-	-	
(58,239)	Distribution Expenses	(91,852)	(25,682)	+258	(19,984)	(8,021)	+149
(522,268)	Administrative Expenses	(421,047)	(377,393)	+12	(156,206)	(94,853)	+65
(177,930)	Net Financing Costs	(118,079)	(128,687)	-8	(30,491)	(55,854)	-45
(173,535)	Profit/(loss) Before Tax	63,196	(87,356)	+172	21,048	(15,979)	+232
(9,832)	Income Tax Expense	(9,348)	(7,320)	+28	(3,677)	(6,335)	-42
(183,367)	Profit/(loss) for the period	53,848	(94,676)	+157	17,371	(22,315)	+178
Other Comprehensive Income							
3,242	Actuarial gain/(loss) on defined benefit plans						
(389)	Income tax effect	-	-				
(180,514)	Total Comprehensive Income, Net of Tax	53,848	(94,676)		17,371	(22,315)	
(1.06)	Earnings / (Loss) per Share	0.29	(0.56)		0.09	(0.13)	