FASHIONED

Annual Report 2012 | 2013

textured jersey

CONTENTS

Textured Jersey grows annual net profit by 62%; hits Rs.1bn mark

Textured Jersey Lanka PLC (TJL), Sri Lanka's leading provider of knit fabrics, has delivered an impressive Rs. 1.02bn in net profit for the full year ended 31st March 2013 (FY2012/13), an increase of 62% year on year.

A combination of a strong order book consisting of major customers such as Victoria's Secret, Marks & Spencer, Intimissimi and Decathlon, improved operational efficiencies and strict control of overheads supported by a strong balance sheet allowed TJL to surpass the Rs.1bn milestone in net profit for the year. Besides this impressive performance, Textured Jersey has also maintained its generous dividend policy and paid out an interim dividend of Rs. 0.66 per share in March 2013, representing a pay-out of 42.58% of profit ending 31st March 2012. Further, its share price has outperformed the ASPI with an increase of 55% during the 12 month period ending 06 May 2013 versus a 13% increase in the ASPI.

FASHIONED

WE GIVE LIFE TO RAW MATERIALS, which in turn give life to endless creations.
WE CREATE QUALITY, that is trusted by world famous brands in creating the best.
WE BUILD ON INNOVATION, always striving to be more and deliver on cutting edge style.
WE THINK AHEAD, creating products that fashion infinite possibilities for the future.

FINANCIAL HIGHLIGHTS

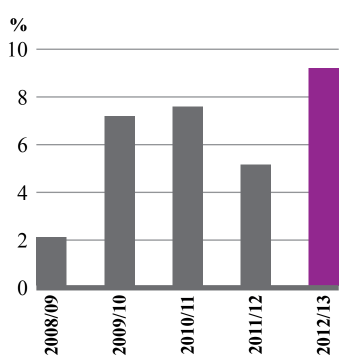
	2013 LKR '000	2012 LKR '000	Change %
Operations			
Turnover	10,951,455	12,363,531	-11.42%
Profit from Operations	955,172	832,639	14.72%
Net Finance Income/(Cost)	59,161	(170,667)	-134.66%
Profit after Taxation	1,015,947	628,931	61.54%
Balance Sheet			
Non Current Assets	2,490,879	2,752,474	-9.50%
Current Assets	5,374,857	4,819,507	11.52%
Current Liabilities	1,992,633	1,961,149	1.61%
Non Current Liabilities	122,832	126,843	-3.16%
Capital and Reserves	5,750,271	5,483,989	4.86%
Per Share Data (LKR)			
Earnings per Share	1.55	1.00	54.96%
Closing Market Value per Share	9.90	7.20	37.50%
P/E Ratio	6.38	7.19	-11.27%
Net Assets per Share	8.78	8.35	0.59%
Ratios			
Gross Profit Margin	11.59%	10.32%	
Net Profit Margin	9.28%	5.09%	
Return on Equity	18.09%	14.88%	
Return on Assets	13.16%	8.50%	
Return on Capital Employed	17.54%	14.33%	
Total Debt : Equity	0.06	0.12	
Interest Cover (Times)	190.81	10.59	
Current Ratio	2.70	2.46	

FINANCIAL SUMMARY

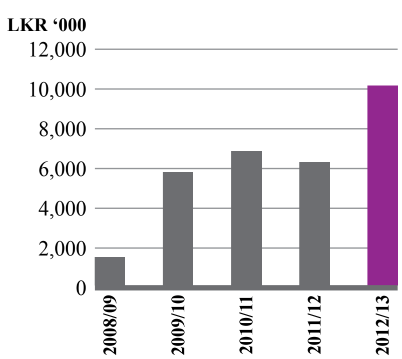
(All amounts in Sri Lankan Rupees thousands)

Five Year Financial Summary	31 Mar 2009	31 Mar 2010 (Restated)	31 Mar 2011	31 Mar 2012	31 Mar 2013
Trading Results					
Turnover	7,188,120	8,351,690	9,284,583	12,363,531	10,951,455
Profit before Taxation	144,548	580,362	705,851	661,972	1,014,333
Current Taxation	-	(2,882)	(21,119)	(33,041)	1,614
Profit after Taxation	144,548	577,480	684,732	628,931	1,015,947
Balance Sheet					
Stated Capital	1,597,229	1,597,229	1,597,229	2,797,229	2,797,229
Revenue Reserves	(63,572)	493,184	1,177,916	1,695,425	2,044,071
Other Reserves	336,149	314,437	194,105	991,335	908,971
	1,869,806	2,404,850	2,969,250	5,483,989	5,750,271
Non Current Assets	3,559,778	3,139,790	2,677,212	2,752,474	2,490,879
Net Current Assets/ (Liabilities)	336,506	940,187	391,564	2,858,358	3,382,224
Long Term Deferred Liabilities	(2,026,478)	(1,675,127)	(99,526)	(126,843)	(122,832)
	1,869,806	2,404,850	2,969,250	5,483,989	5,750,271
Key Indicators					
Annual Growth in Turnover	43.66%	16.19%	11.17%	33.16%	-11.42%
Gross Profit Margin	8.45%	11.79%	11.73%	10.32%	11.59%
Net Profit to Turnover	2.01%	6.91%	7.37%	5.09%	9.28%
Gearing Ratio	52.01%	41.06%	3.24%	11.77%	6.26%
Earnings per Share (LKR)	0.90	3.62	1.19	1.00	1.55
Dividends per Share (LKR)	Nil	Nil	Nil	0.48	0.66
Net Assets per Share at year end (LKR)	3.25	4.18	5.16	8.35	8.78
Dividend payout	Nil	Nil	Nil	0.48	0.43
Return on Equity	8.31%	26.87%	25.37%	14.88%	18.09%
Return on Assets	2.50%	10.07%	10.80%	8.50%	13.16%

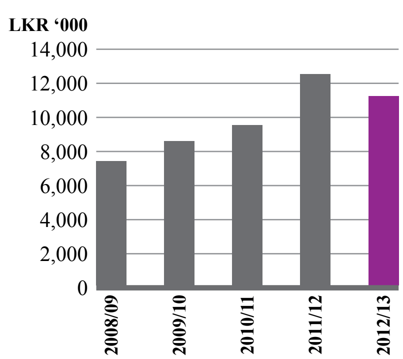
NET PROFIT MARGIN



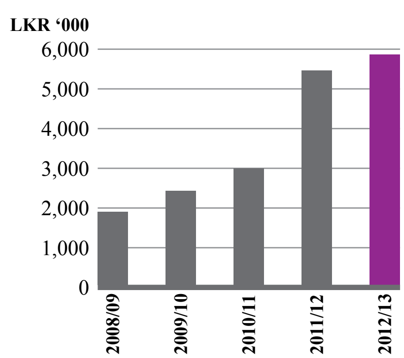
PROFIT AFTER TAX



TURNOVER



SHAREHOLDERS' FUNDS



CHAIRMAN'S MESSAGE

"TJL's continuous commitment to innovation, superior quality, speed and sustainability has created uniqueness for the Brand Textured Jersey. The company's valued clientele regard it as a front runner of innovative techniques, enabling TJL to position itself as a dynamic and comprehensive textile mill, in line with the highest global standards but with an integral Sri Lankan touch to it."

Textured Jersey PLC, for Financial Year 1st April 2012-31st March 2013

During the year under review, Textured Jersey PLC (TJL) was able to overcome many challenges in both global and domestic environments and achieve its highest net profit since inception.

The company was able to achieve this feat by delivering value to its customers, providing total solutions through both product and process innovation, while focusing continually on improving efficiencies on a sustainable basis to enhance shareholder value.

As such, during the course of the year TJL was able to further cement its position as Sri Lanka's leading weft-knit fabric solutions provider. It now has its sights firmly set on becoming the leading solutions provider of weft-knit fabric in the South Asia region.

In this context, I am pleased to present the Annual Report and the Audited Financial Statements of the company for the financial year ending 31st March 2013. During this period the company's performance was affected at many levels by external factors. Globally, lower volumes and selling prices affected our topline and domestically, higher energy costs impacted the bottom line.

However the company's strict adherence to its core values, assisted by the significant benefit that accrued due to the depreciation of the rupee, enabled TJL to overcome challenges and deliver a strong performance for the period.

The Textured Jersey Brand

TJL's continuous commitment to innovation, superior quality, speed and sustainability has created uniqueness for the Brand Textured Jersey. The company's valued clientele regard it as a frontrunner of innovative techniques, enabling TJL to position itself as a dynamic and comprehensive textile mill, in line with the highest global standards but with an integral Sri Lankan touch to it.

TJL is recognised as a brand that is synonymous with eco-friendly manufacturing initiatives, being a leading green mill in the region.

The company's initiatives have been recognised by its prestigious customer base, local authorities and international organizations for standardisation.

In Sri Lanka the company has been a driver of innovative initiatives recognising, awarding and supporting the future of the textiles sector by joining hands with leading local design and academic institutes. Also keeping its promise, the company has undertaken many initiatives to support and upgrade the living standards of the community at large.

Markets

The main markets for TJL's products are the European Union, USA and the UK. The company's main customers comprise leading global brands such as Victoria's Secret, Marks & Spencer, Decathlon and Intimissimi. To further strengthen the strategic relationships with these customers, TJL has expanded into differentiated programs and strengthened the existing product portfolio.

The turbulent economic environment in the European Union led to a slight decline in the volume of orders during the first half. However, effective responsive measures through product realignment and innovative solutions enabled us to regain volumes, and progress at a pace that we have strived to achieve.

We are currently in a stronger position to face similar challenges due to our diverse product portfolio and strong delivery capabilities.

CHAIRMAN'S MESSAGE CONTD.

The textile and garments sub sector exports have performed exceptionally in comparison to other industrial exports from Sri Lanka, growing from 39.7% to 40.8% during the year in terms of the share of total exports.

Similarly, as the US makes steady progress towards an economic recovery, faring better than analysts have projected, we remain very positive about the US market for the future.

Sector performance in Sri Lanka

The textile and garments sub-sector exports have performed exceptionally in comparison to other industrial exports from Sri Lanka, growing from 39.7% to 40.8% during the year in terms of the share of total exports.

However, the value of exports from the textile and garments sub sector was USD 3.99 billion in 2012, down from USD 4.19 billion a year before. This could be attributed not only to the reduction in export volumes owing to the challenging conditions in the US and Europe, but also to the lower selling prices stemming from lower cotton prices in the global market. The same impact was felt by TJL, with average selling prices seeing corresponding adjustments to reflect the changes in cotton prices.

However, TJL was able to consolidate itself despite the intermittent fluctuations which affected its operations during the year.

Sustainable Development

During the year,in addition to our main customers, we strategically identified and developed relationships with brands such as Calvin Klein, PVH and G Star, which will create new opportunities in the growth of the company.

From a cost perspective, the main factors that affect the business from an external point of view are yarn prices and cost of energy. As global yarn price fluctuations affect all fabric manufacturers similarly, we consider it a pass through cost.

In the area of energy the company has undertaken several major initiatives to reduce energy consumption. In order to address the cost of energy TJL commenced the construction of a multi-fuel boiler plant to reduce the dependency on furnace oil and the national grid. The boiler will produce TJL's entire requirement of steam and substantially reduce the dependence on furnace oil. The steam generated will also be used to generate 1 megawatt of electricity and enable TJL to use heat absorption technology to support the air conditioning system instead of electricity. This plant, once commissioned at the end of the current financial year, is expected to produce substantial savings in energy costs.

Our commitment to best corporate practices and governance has ensured that we pursue a path that provides an economically, socially and environmentally viable business model.

Financial Performance

TJL was able to finish the financial year with a landmark net profit of Rs. 1.02 billion and increase its ROE to 18.09% compared to 14.88% in the previous period.

Although revenue dropped 11.42% YoY to Rs. 10.95 billion, cost of sales declined at a faster rate of 12.68%, thereby enabling gross profit to decline by only 0.45% to Rs. 1.27 billion. The combined result of lower volumes and lower selling prices affected revenues. The decline in selling prices reflected the lower cotton prices that prevailed during the period, which also resulted in cost of sales being lower, leading to a higher gross profit margin of 11.59% compared 10.32% during the previous period. Additionally, the effects of strict management control were reflected in reduced administrative and distribution expenses, which helped increase TJL's operating profit to Rs. 955 million, an increase of 14.72% YoY. The strong cash flow generation also allowed TJL to end the period with a significant cash position and zero long term debt, helping the company generate a finance income versus a finance expense for the period.

Lastly, the depreciating rupee had a material positive impact at every level, which helped propel the bottom line beyond the Rs. 1 billion mark.

Dividends

TJL's exceptional performance during the year and its strong cash position made it possible for the company to declare a first interim dividend of LKR 0.66 per share, substantially higher than the LKR 0.48 per share full year dividend paid in the previous financial year.

Future outlook and expansion plans

In line with our vision to become the leading weft-knit fabric solutions provider in South Asia, we are firmly focused on furthering our regional expansion strategy. To this end we are carefully evaluating our options both from a financial feasibility perspective as well as a business integration perspective, in order to create the most shareholder value.

While our expansion into the region will enable us to grow our top line, we are relentless in our pursuit of greater margins and continue to add higher value-added products and solutions to our portfolio. Furthermore, we are constantly searching for ways to acquire new technologies and techniques to enhance productivity and product quality while speeding up the entire process on a sustainable basis.

In appreciation

Finally, I would like to convey my sincere gratitude to the board of directors and the faithful and loyal management and staff for a strong performance despite a turbulent and fluctuating economic environment. I would also like to thank our distinguished clientele for the continued support and trust, which we hope to enhance and enrich in the years to come.

Furthermore, I would like to acknowledge the support and contribution of all our stakeholders who have played no small part in the journey of TJL, making us one of the best in our chosen field of expertise.

Sgd.
Wing Tak Bill Lam
Chairman

OUR HISTORY

Initial commercial operations of the company began in August 2001 producing fabric for M&S. In 2004 the partners changed, where Textured Jersey UK exited the Joint Venture partnership and was replaced by Pacific Textiles, one of the largest and most profitable mills in China.

With the technical expertise of Pacific Textiles, the company doubled capacity in 2005 and 2007 respectively. In 2008, the shareholding changed, with Pacific Textiles and Brandix Lanka taking over the joint venture partnership. Subsequently in 2011 TJL was listed in the Colombo Stock Exchange and became a public quoted company.

Within a short period of time TJL has been able to secure the best brands in the global fashion industry capturing niche markets in the manufacturing of Viscose, Modal, Micro Modal and Tencel fabrics incorporating the latest technology.

Textured Jersey Lanka PLC publishes the first GHG Report in Sri Lanka in accordance with ISO 14064-1

Textured Jersey Lanka PLC created history achieving the feat of being the first Sri Lankan corporate entity to publish a Green House Gas (GHG) emission report compliant with ISO 14064-1 standard for the period 1st April 2011 to 31st March 2012, which was certified by the British Standards Institute (BSI). This is the germination of one of the seeds planted under the sustainability initiatives of the organisation a few years ago which was achieved through rigorous efforts of the team.

Globally the industry is moving towards environmental protection. Some of the leading brands have already become partners of the Sustainability Consortium which is working on an overall Sustainability Index. On recognising the initial signals from these customer calls, the company decided to work on this area pro-actively.

This report would also enable the company to identify specific improvements that it could make in respect of greenhouse gas emissions and these improvements, when implemented, will not only reduce its dependency on fossil fuels, but also reduce costs and provide the entity a defence against its vulnerability to oil price hikes in the future.

OUR CUSTOMERS

MARKS & SPENCER

M&S is UK's leading global retailer, with over 21 million people visiting its stores each week. This brand is the leader in UK for women's wear and lingerie and rapidly growing its market share in men's and kid's wear categories. M&S employs over 78,000 people in the UK and abroad. It has over 700 stores in the UK, along with an expanding international business. A leader in green credentials have come up with five-year eco plan, *Plan A*, which will see them, amongst other things, become carbon neutral.

TJL was pioneered in UK to cater to M&S requirements and hence has been a continuous partner in its successful journey. Initially started off with five pair brief packs for ladies, now it has diversified its presence in to mainly menswear. With the initiation of PLAN A, TJL has become a firm supplier on their green initiations working with all green global supplier chain to offer solutions to PLAN A requirements. Recently TJL launched its latest Collection – *Transcend Collection*- special finish fabrics to suit the PLAN A requirements for the menswear category.

TJL is the largest supplier for T 14 – men's underwear segment for M&S in the Island, having a phenomenal growth since 2002. The share it enjoys is almost 65% from the total M&S turnover.

VICTORIA'S SECRET

Victoria's Secret is the US based global fashion leader for intimate wear under Limited brands. The brand made USD 6.12 billion sales in 2012 and continues its success as the leader in fashion intimate wear and lingerie. The main categories they sell are bras, briefs, yoga and lounge.

TJL has been a continuous supplier for VS since 2003 and became the largest supplier in the world for their yoga category in 2011/2012. The company currently does 5 million metres a year on this product alone making it the single largest product at TJL. In addition to this the company is a clear leader in offering speed solutions to the brand where it has become a benchmark for the rest of the mills in the region on speed.

OUR CUSTOMERS

intimissimi

The Intimissimi brand is a part of the successful Italian company, CALZEDONIA S.p.A Group. The brand boasts of an extensive global franchise network whose shops set the benchmark in sensual, romantic and comfortable underwear. The brand has become one of the largest underwear suppliers for the EU region.

TJL takes pride in serving the customer from their inception in Sri Lanka and has now become a strategic partner in their fabric solutions. From a humble start of USD 24,000 it has grown to become a USD 20 – 34 million business at TJL. For almost 6 years it has been the largest supplier for mens wear in the region for Intimissimi.

Tezenis is the fastest growing brand for CALZEDONIA S.p.A and has a younger and chic identity. Textured Jersey started Tezenis in 2007 and has now become a fabric solutions partner for their fashion category. TJL caters to the categories of briefs, tops and pyjamas in the ladies segment.

OUR CUSTOMERS

DECATHLON

Decathlon is the French sporting giant which is one of the largest sports retailers with a top line of 6.5 billion Euros in 2012. It offers a wide variety of sporting items from equipment to clothing.

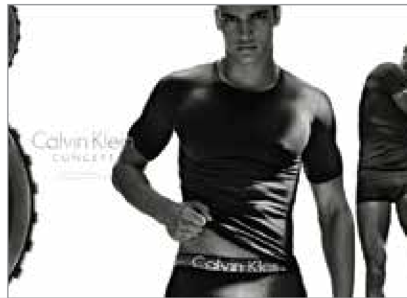
TJL started business with Decathlon 3 years ago and currently it is considered as the fastest growing brand under the Emerging Brands segment. Its now been identified as a separate customer unit nearing USD 6 million last year. The brand considered TJL as one of the most preferred suppliers from the region for fabrics. It caters to the yoga / fitness category on the performance wear.

DBApparel

The French brand is one of the largest intimates retailers in Europe. One of the clear leaders in the Emerging Brands TJL intends to grow the business next year specially targeting men's wear performance fabrics.

FILA

OUR CUSTOMERS



Calvin Klein

CK is one of the fastest growing retailers across the globe. This USA based customer started the business with TJL a year ago and hopes to grow the business by 10% next year catering to the CK menswear category.

G-STAR RAW

This is a Netherlands based fashion brand and is a leader in EU for Denims. TJL started to work with G-Star a year back in the ladies casual tops category and hope to develop this business in coming years.

BOARD OF DIRECTORS

Mr. Wing Tak Bill Lam - *Chairman/ Non-Executive Director*

Mr. Ashroff Omar - *Non-Executive Director*

Dr. King Man Clement Lam - *Non-Executive Director*

Mr. Kam Chuen Mau - *Executive Director*

Mr. Hasitha Premaratne - *Non-Executive Director*

Mr. Kang Po Tsang - *Non-Executive Director*

Prof. Malik Ranasinghe - *Independent Non-Executive Director*

Mr. Amitha Gooneratne - *Independent Non-Executive Director*

BOARD OF DIRECTORS CONTD.

Mr. Wing Tak Bill Lam

Chairman/ Non-Executive Director

Mr. Lam is the CEO of Pacific Textiles. Mr. Lam is responsible for Sales and Marketing and the formulation of the overall corporate direction and business strategies for the whole group. He carries an experience of over 37 years in the Textile Industry. He holds a MBA from the University of Macau and a Bachelor of Business Administration from the Chinese University of Hong Kong. Mr. Lam is a Member of Board of Trustee of New Asia College, the Chinese University of Hong Kong.

Mr. Ashroff Omar

Non-Executive Director

Ashroff Omar is a Director of Phoenix Ventures Limited, Chief Executive Officer of Brandix Lanka Ltd and serves as Director on many of it's subsidiary companies.

He was the founder Chairman of the Joint Apparel Association Forum (JAAF) and former Chairman of the Sri Lanka Apparel Exporters Association.

He serves as a Non-Executive Director on the board of John Keells Holdings PLC, Director of the Sri Lanka Institute of Nanotechnology (SLINTEC), Board of Directors of the United States-Sri Lanka Fulbright Commission and Chairman of the Advisory Committee on Garments - Export Development Board (EDB).

He is Hon. Consul General of the Republic of Finland. A Chartered Member of the Textile Institute International-United Kingdom and a Senior Member of the Society of Plastics Engineers, Connecticut, USA.

Dr. King Man Clement Lam

Non-Executive Director

Dr. Lam joined Pacific Textiles in 1998 as a Senior Executive. Since 2008 he has been the Production Director and is responsible for overseeing Manufacturing, Research and Development of Pacific Textiles and its affiliate companies. Dr. Lam has over 30 years of experience in the textile, garment, dyeing and finishing industries. He obtained a Ph.D. degree from the Postgraduate School of Colour Chemistry and Colour Technology at the University of Bradford, United Kingdom and a Higher Diploma in Textile Chemistry from Hong Kong Polytechnic. He is a Chartered Colourist and a fellow of the Society of Dyers and Colourists, United Kingdom.

Mr. Kam Chuen Mau

Executive Director

Mr. Mau has over 35 years of experience in the Textile Industry. He obtained a higher certificate in Textile Technology from the Hong Kong Polytechnic. Mr. Mau joined Pacific Textiles Limited, Hong Kong, in April 2002 and was transferred to the Company in April 2004. He was appointed as a Director of the Company in April 2011. Prior to joining Pacific Textiles Limited and the Company, Mr. Mau was a Production Manager of Esquel Group in Malaysia and China. He retired from the company on 31st March, 2013.

Mr. Hasitha Premaratne

Non-Executive Director

Hasitha is currently the Chief Financial Officer of Brandix Lanka Ltd, one of the largest apparel exporters with a consolidated turnover of USD 600 million. He leads group finance team with responsibilities in Group Investments, Investor Relations, Cross Boarder Investments, Corporate Planning, Group Financial Reporting, Funding, Treasury Management and Group Financial Strategy. He is also a Director of several subsidiaries of the Brandix Group, including listed company Kuruwita Textile Mills Ltd.

He was formally the head of research at HNB Stockbrokers (Pvt) Ltd and possesses plenty of experience in the fields of Capital Markets, Economics, Strategic Finance, Management and Research.

He holds a MBA in International Finance and a B.Sc in Computer Science. He is also an Associate Member of Chartered Institute of Management Accountants (CIMA - UK), the Society of Certified Management Accountants (CMA) and a Fellow Member of Association of Chartered Certified Accountants (ACCA-UK). His lecturing experience expands for 11 years, both locally and overseas. Hasitha was the winner of the *"Tutor of The Year Award"* at CIMA Global Financial Management Awards 2009 held in London during November 2009. He was the winner and Gold Medalist of prestigious *"CIMA Star of the year"* award in 2012 and the winner of *"Young CIMA Star of the year"* award, in 2006.

Mr. Kang Po Tsang

Non-Executive Director

Mr. Kang Po Tsang, is the Vice Chairman of Pacific Textiles. Mr. Tsang is responsible for Sales and Marketing and the formulation of the overall corporate direction and business strategies for the whole group. Mr. Tsang has over 34 years of experience in the Textile Industry. Mr. Tsang obtained a MBA degree from the Open University of Hong Kong and a Master of Science in Business Economics from the Chinese University of Hong Kong.

Professor Malik Ranasinghe

Independent Non-Executive Director

Prof. Malik Ranasinghe is a Senior Professor in Civil Engineering at the University of Moratuwa, Chartered Engineer and International Professional Engineer, fellow of the Institution of Engineers-Sri Lanka, National Academy of Sciences-Sri Lanka, Institute of Project Managers-Sri Lanka, and an Independent Non-Executive Director of Sampath Bank PLC, Hemas Power PLC, and Access Engineering PLC. He is the immediate past Vice-Chancellor of the University of Moratuwa, past Chairman of the Committee of Vice-Chancellors and Directors (CVCD) of Sri Lanka, former Council Member of the Association of Commonwealth Universities (ACU), former fellow of the National University of Singapore, former Non-Executive Director of the Colombo Stock Exchange and Lanka IOC PLC. Prof. Ranasinghe obtained his PhD in 1990 from the University of British Columbia, Vancouver, Canada, as a Canadian Commonwealth Scholar. He was honoured, for outstanding contribution to education at the World Education Congress 2012, India, with the Most Outstanding Senior Researcher in technology and related sciences award in 2012 by the Committee of Vice-Chancellors and Directors (CVCD) of Sri Lanka, with the Trinity Prize for Engineering in 2004 for outstanding contributions made to his chosen profession and with the Sri Lanka Association for the Advancement of Science (SLAAS) General Research Committee Award for Outstanding Contribution to Sri Lankan Science in 1999.

Mr. Amitha Gooneratne

Independent Non- Executive Director

Mr. Amitha Gooneratne has held several senior positions at Commercial Bank of Ceylon PLC and served as the Managing Director from 1996 to April 2012. He is a Fellow Member of the Institute of Chartered Accountants-United Kingdom and Wales and a fellow member of the Institute of Chartered Accountants, Sri Lanka. He was the founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd. He was the former Chairman of the Sri Lanka Bank's Association (Guarantee) Ltd. He was also the Managing Director of Commercial Development Company PLC, a Public Quoted Company listed in the CSE and was also the Chairman of Commercial Insurance Brokers (Pvt) Limited. He was also nominated to the Board of Sri Lankan Airlines during 2002–2004 by the Government of Sri Lanka.

On his retirement, Mr. Gooneratne, assumed duties as Managing Director of Melstacorp Limited, which is the strategic investment arm of the Distilleries Company of Sri Lanka PLC. He also joined the boards of several subsidiary companies of Melstacorp Limited namely, Melsta Regal Finance Limited, Melsta Logistics (Pvt) Limited, Periceyl (Pvt) Limited, Balangoda Plantation PLC, Lanka Bell Limited, Bellvantage (Pvt) Limited, Texpro Industries Limited, Bogo Power Limited and Continental Insurance Limited.

He is also an Independent Director of Lanka IOC and Commercial Development Company Limited.

CUTTING EDGE TECHNOLOGY

We are able to adapt to the fast paced innovative activities around us and we ensure that our systems are constantly upgraded in order to respond more efficiently to the opportunities that arise with the changes that occur in the sphere of technology.

Dye machine insulation, upgrading the capacitor ban system, energy efficient lighting, use of natural lights, revamping of the condensate recovery system are some key initiatives the company took last year in upgrading the service for our clientele.









During the year TJL laid the foundation in commencing yet another initiative with the Sri Lanka Institute of Nanotechnology (SLINTEC) where the company is conducting a collaborative research project to introduce Nanotechnology to the Textile manufacturing process which will be instrumental in upgrading the Textile Industry.

From design to delivery TJL is continuously and constantly innovating fabric solutions to the customers that comes in numerous applications in usage and targeting different requirements. With a young passionate team driving the company TJL will keep on setting new trends for the Textile Industry in Sri Lanka.

MANAGEMENT REVIEW

Despite the drop in revenue, all our performance indicators show strong improvements. During the year,the gross profit margin improved to 11.59% from 10.32% against the previous financial year, mainly due to the focus on process innovation and efficiencies, a strategic alignment in marketing and the depreciation of the rupee. Effective cost control strategies and working capital management, combined with the positive effects of the weaker rupee resulted in net profit margin increasing to 9.28%, from 5.09% last year. The strong cash generation also allowed us to end the period with zero long term debt and register a finance income of Rs. 79 million for the period.

Operating environment

In the current financial year the company has faced a range of both global and domestic challenges. However, with the advantage of a weaker rupee and effective management measures we have been highly successful in overcoming these obstacles and have been able to deliver an impressive financial performance for the year.

During the 2012/13 financial year, market sentiment remained generally weak across world commodity markets, as concerns over the global economic outlook persisted on the back of the Euro zone crisis and slow US economic recovery. While crude oil prices eased in 2012, weighed down by concerns that slower than expected growth of the world economy would reduce demand growth, the lower global growth expectations also had a negative impact on the apparel and textile sector by dampening demand for clothing and raw cotton.

This global uncertainty impacted TJL in the form of greater business volatility and increased pressure on fabric prices. While both our main markets, the US and EU, experienced slow growth, US demand remained generally stable. However, European demand saw a downturn during the year, for certain product categories.

Meanwhile, domestic market conditions had a new an impact on the local textile industry. Rising energy costs for instance, had a direct unfavourable impact on the industry due to the high energy consumption of the textile manufacturing process. As a result, the rising electricity tariffs and the increase in furnace oil prices, compared to the previous year, contributed towards significant growth in TJL's operating costs.

Faced with these domestic and global challenges TJL responded speedily with a two pronged strategy to contain negative impacts on one end and to sustain growth on the other. Innovative processes and technology solutions were introduced to enhance internal efficiencies, while reducing administration costs and operational wastage. Internal processes were streamlined at both management and operational levels to facilitate bottom line growth through more cost effective and speedy solutions for customers. Due to our innovative customer solutions, TJL continues to be one of the more sought after and recognised fabric solutions providers in the world.

Financial performance

During our second year as a publicly listed company, we have continued to show strong growth despite a sluggish global economy. In fact, during the financial year 2012/13, TJL achieved the landmark success of pushing past the Rs. 1 billion mark in bottom line. During the year ending March 31, 2013, TJL's net profit stood at Rs. 1.02 billion compared to the net profit of Rs. 629 million in the previous financial year. This is the highest profitability recorded by a textile company in Sri Lanka to date. Our profit from operations increased from Rs. 833 million in 2011/12, to Rs. 955 million in the current year.

Revenue fell 11.42% during the year due to the decrease in average selling prices and a drop in volume. The decline in average selling prices was mainly due to the decrease of global cotton prices. Since yarn, the main raw material we use to manufacture fabric, is derived from cotton, the drop in cotton prices required a corresponding adjustment to our fabric prices, resulting in a reduction in the average selling price and revenue. Similarly an increase in cotton prices would require a corresponding increase in fabric selling prices, thus making cost of yarn essentially a pass through cost, with merely a timing based impact on margins. The drop in volumes was a direct impact of the slowdown in the Euro-zone, which impacted the company during the second quarter. However, our strategic responses to the situation were able to minimise further adverse impacts for the rest of the year.

Despite the drop in revenue, all our performance indicators show strong improvements. During the year,the gross profit margin improved to 11.59% from 10.32% against the previous financial year, mainly due to the focus on process innovation and efficiencies, a strategic alignment in marketing and the depreciation of the rupee. Effective cost control strategies and working capital management, combined with the positive effects of the weaker rupee resulted in net profit margin increasing to 9.28%, from 5.09% last year. The strong cash generation also allowed us to end the period with zero long term debt and register a finance income of Rs. 79 million for the period.

By surpassing the Rs. 1 bn bottom line we were able to enhance shareholder value by increasing return on equity (ROE) to 18.09% from 14.88%, while return on assets (ROA) improved to 13.16% from 8.50%.

Strategic direction

Over the long term, our vision is to be the leading weft - knit fabric solutions provider in South Asia by offering innovations in products, speed and sustainable solutions, to leading international apparel brands. A core strategy in this direction is to build strong partner relationships by offering on-time delivery and quality performance throughout the supply chain. Therefore, we are actively building sustainable client and supply bases by supporting the growth of our customers and suppliers, through continuous value additions to our products and services. The success of this strategy can be seen in the fact that today TJL has become a strategic partner for many of our customers.

The current year saw the emergence of new customers, in addition to the existing customers, such as G –Star, Calvin Klein and PVH, mitigating market risks and ensuring revenue growth into the future. Most of these brands represent new markets in Europe and North America. This geographic market penetration will increase the opportunities in different markets and will open up new business opportunities for the company in new destinations, ensuring long term sustainability in the future. As part of our strategic direction, we focused on providing solutions for high value products, while also maintaining growth in commodity goods. Our goal is to gradually increase higher value products in our portfolio by providing niche market products to the end consumer.

While the rising energy prices have become a severe obstacle to a majority of local businesses, TJL considers this situation a challenge and an opportunity. During the current financial year, we invested in a multi-fuel boiler that meets all our steam requirements for manufacturing. The steam will also be used to generate one megawatt of electricity and will power the air conditioning system through heat absorption. The combined results of this will substantially reduce our dependence on furnace oil and the national grid and bring us significant energy cost savings. We have also invested in new machinery to facilitate new manufacturing processes and more efficient and effective service to customers. Currently, we are examining the traditional dyeing process to reduce dyeing time, energy costs and margin of error. We have also collaborated with the Institute of Nanotechnology, to identify the use of nanotechnology in the production of fabric and fabric dyeing.

Sustainability of client base

Our partnership based approach, along with the full length of the supply chain, has created an environment with a high degree of reliability and commitment. Over the years we have built strong relationships with international brands and garment manufactures that have contributed towards a sustainable client base by building narrow and deep relations with our customers. Our leading clients are some of the world's largest international apparel brands such as Victoria's Secret, Marks and Spencer, Intimissimi, Decathlon and DBA. Among our more recent relationships are Calvin Klein, PVH and G-Star.

For each of our customers we have identified sustainable unique selling propositions, in terms of quality, speed and business solutions. We are continuously innovating and developing our products and services, aiming to achieve better speed, quality, reliability and value for money.

As part of our product improvement drive, we plan to upgrade our cotton based products into more value added products. On-going investments into research and development (R&D) have enabled us to create special finish fabrics and increase our product portfolio by introducing products made of viscose, modals, micro modals, modal blends, polyesters, polyester blends and performance finishes in cotton based fabrics.

MANAGEMENT REVIEW CONTD.

Our business with this leading British high street retailer has grown at a rate of 25% year-on-year, in the post GSP+ era. Today, TJL is one of the largest fabric solution partners for its men's underwear globally, with a 60% growth rate year-on-year for M&S.

The focus on new product development has allowed us to penetrate the international value added fabric market by offering new products to our main customers and diversify our customer portfolio reducing the risk of a narrow customer base. This has also supported a shift into high value products from cottons and cotton blends. Currently value added products represent closer to 20% of our sales turnover.

To serve our customer portfolio better we have replicated the speed model adopted by Turkey, to offer speed and innovation to the ever increasing demand for shorter lead times. This process has enabled TJL to match lead times offered by suppliers in Europe at a lower cost, unlocking new markets for the company and strengthening the relationships with our brand partners.

A key area of focus has been the development of sustainable business practices and TJL is a pioneer in greenhouse gas emission controls. We are the first corporate entity in Sri Lanka, and the first mill in the region, to receive the prestigious ISO 14064-1 certification for greenhouse gas emission reporting.

TJL has also been persistent in developing Sri Lanka's young design talent through internships and sponsorships. We have sponsored the fashion shows of the University of Moratuwa, one of the leading institutions in the development of the younger generation in the garment industry.

Our portfolio

Victoria's Secret:
Victoria's Secret is a US based global fashion leader of intimate wear and is one of the world's largest apparel brands, with an annual turnover of USD 6 billion. The brand has been TJL's fastest growing brand year on year in 2012/13.

Our strong growth in the current financial year can be attributed to our spearheading a 'Speed Solution' in fabric manufacturing for the brand. Our instant 'YOGA Solutions,' for VS's Pink brand is one of the most successful speed solutions offered to VS from among its global textile supplier network. We have increased our market share for the VSD local business through continuous product innovation and speed capturing close to 80% of the business volumes in Sri Lanka.

Marks and Spencer (M&S):
Our business with this leading British high street retailer has grown at a rate of 25% year-on-year, in the post GSP+ era. Today, TJL is one of the largest fabric solution partners for its men's underwear globally, with a 60% growth rate year-on-year for M&S.

In line with our strategy to penetrate the higher- value segments, we have upgraded our product range from the commodity range to the value added range under the M&S Autograph range during the past three years creating new business opportunities not only for TJL, but also for the country.

As a business partner, we have exceeded M&S's Plan A sustainability expectations. We have set the benchmark on all initiatives to reduce waste and improve efficiency. We have also excelled at sustainable raw-material usage and at building strategic partnerships along the supply chain. On better cotton initiatives (BCI) yarn we have offered the brand solutions on price, quality and lead time. As a result, we are one of M&S's most preferred Plan A partners in the region.

Intimissimi:
This is Italy's largest intimate wear brand and it aims to become the leading brand in the EU for intimate apparel by 2015.

TJL is the No 1 fabric supplier in the region for Intimissimi menswear and has rapid growth in business volumes during the past six years As a result of our strategic partnership, during the year, Intimissimi shifted its Eastern European garment and fabric production to Asia and increased its garment manufacturing in Sri Lanka, creating significant business opportunities for the country. TJL has started working with the brand on 'flash orders,' which means Sri Lanka is now able to offer solutions that are either equal, or faster to the European garment manufacturers. TJL has expanded the Intimissimi portfolio significantly during the past couple of years capturing a significant part of business that was shifted from Eastern Europe.

Decathlon:
Decathlon is the French sporting giant, one of the world's largest sports retailers with a turnover of 6.5

billion euro. TJL works very closely with the brand and has responded effectively to the brand's requirement of the best value for price. Our ethical business practices coupled with speed solutions have also contributed towards Decathlon's decision to source from Sri Lanka and to make Sri Lanka one of its global strategic production hubs.

Emerging brands:

Emerging brands currently represent 18% of the company's total turnover from 5% in 2010 and has a high growth opportunity for TJL. We believe strategic partnerships with these non-traditional brands will increase growth and contribute towards further diversifying our customer portfolio. TJL has also established strong links with brands such as Express, Calvin Klein, PVH, DBA, G-star, Tesco and Lululemon that have aggressive growth plans in the near future.

Looking to the future

Looking forward, our internal processes and people are geared to face new challenges in the future. Therefore, we look forward to presenting our shareholders with a strong performance in the new financial year.   We will also continue to uphold our commitments to our suppliers, clients, employees and the communities we work with. Most importantly, we will continue to improve our efforts to ensure sustainable growth, by doing our utmost to protect our natural environment.

EXECUTIVE COMMITTEE

Andrew Chow Yin Li *(Senior General Manager)*

Mr. Zhu Hua Jeff (*Senior General Manger - Production)*

Mr. Pubudu De Silva *(General Manager - Production and Operations)*

Mr. Rodney Arland *(General Manager - Marketing, Planning and Supply Chain)*

Mr. Sanjaya Basnayake *(Deputy General Manager - Production)*

Andrew Chow Yin Li

Senior General Manager

Mr. Li has over 30 years experience in Textile Industry of which 15 years directly link to manufacturing experience-from yarn to finished knitted Fabric. He has been in managerial positions for 15 years. Prior to joining TJL he was the General Manager at Ocean Lanka (Pvt) Ltd. and was the Manager-TQM at Fountain Set (Holding) Ltd. He holds a Master Degree in Engineering Business Management from University of Warwick (UK), Licentiate membership of Textile Institute (UK).

Zhu Hua Jeff

Senior General Manger - Production

Mr. Zhu has a total work experience of over 23 years in the industry of which he has spent 15 years in managerial positions. Prior to joining the company Mr. Zhu was a Factory Manager at Ocean Lanka (Pvt) Ltd and Pacific (Panyu) Textiles Limited, China.

Pubudu De Silva

General Manager - Production and Operations

Mr. De Silva has over 22 Years experience in Apparel and Textile Industry of which 11 years directly manufacturing experience in the Textile Industry. Prior to joining TJL he was the Head of Planning at Slimline- Pannala. He holds a Masters in Business Administration from University of Lincoln (UK), Masters in Manufacturing Management from the University of Colombo and a Diploma in Business Administration – University of Colombo. Currently he is responsible for the entire manufacturing process including Engineering, Warehouse, Quality Assurance, Innovation and Development departments. He further trained in Six Sigma Black Belt at the National Institute of the Business Management (NIBM).

Rodney Arland

General Manager-Marketing, Planning and Supply Chain

Mr. Arland has total experience of 16 years in the Textile Industry of which he has spent six years in managerial positions. He joined TJL in 2001 and is responsible in overlooking the functions of Marketing and Merchandising, Planning and the Supply Chain operations. He has won an ISO recognition award. Prior to joining the company he was a Senior Merchandiser at Bangkok Phaisarn Textiles.

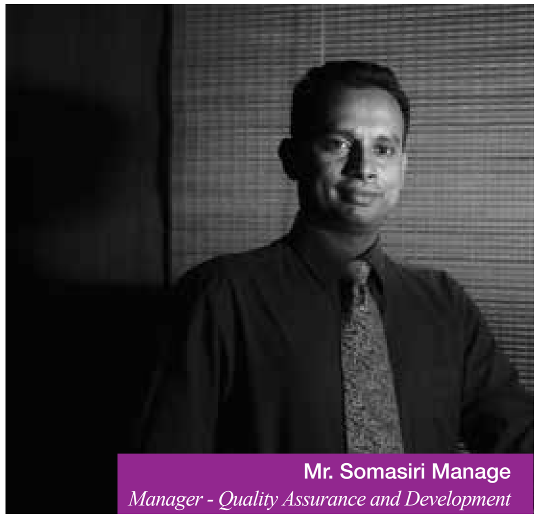
Sanjaya Basnayake

Deputy General Manager-Production

Mr. Basnayake has total work experience of over 18 years in the industry of which he has spent over 10 years in managerial positions. He is responsible for the Knitting, Dyeing , Finishing and Color Lab functions of the Company. Prior to joining the company he was a Senior Executive at Hayleys-MGT Textiles PLC. He has a NDT in Textile & Clothing Technology from the University of Moratuwa, a Diploma in Management from OUSL and also he is a Chartered Member of the Textile Institute International-United Kingdom. He has expertise in technology of Dyeing, Finishing and Knitting and implementation of cost reduction projects. He is a gold medal award winner from Textile Institute (UK).

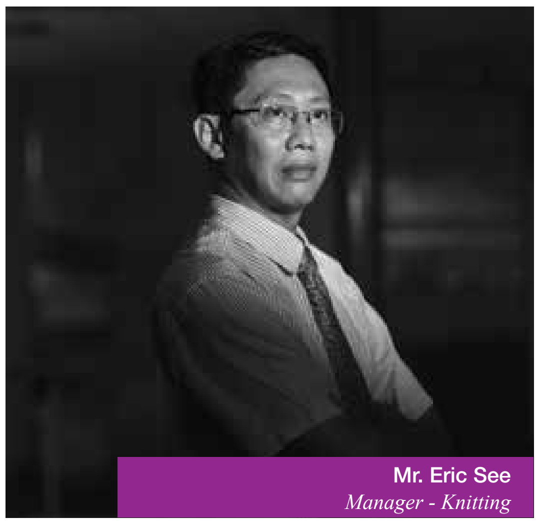
SENIOR MANAGEMENT


Mr. Shamil Fernando
Manager - Customer Care


Mr. Somasiri Manage
Manager - Quality Assurance and Development

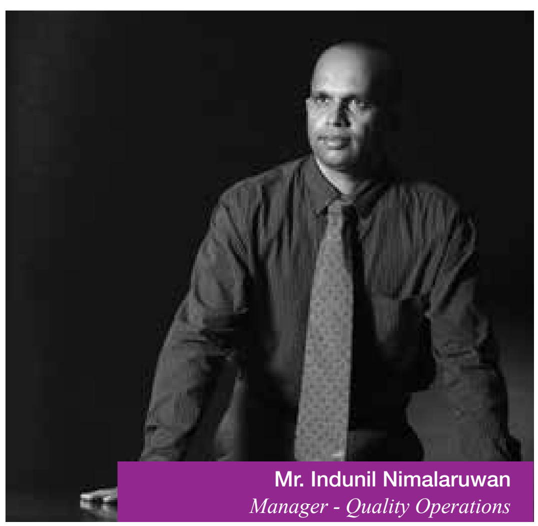

Mr. Samantha Morawatta
Manager - Colour Technology and Printing

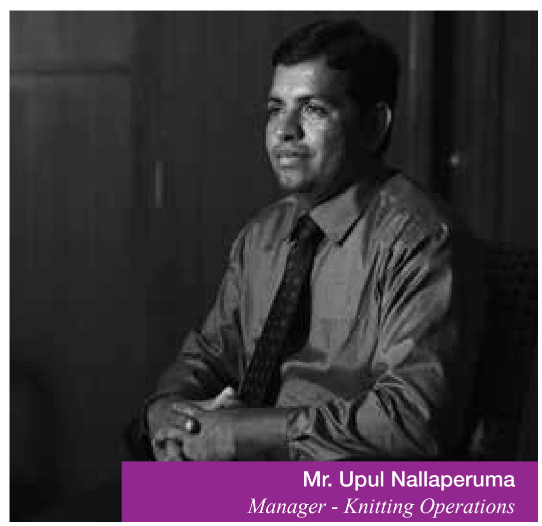

Mr. Laxman Warnasiri
Manager - Dyeing Operations


Mr. Eric See
Manager - Knitting


Mr. Kolitha Thilakarathna
Manager - Finishing


Mr. Janaka Senevirathne
Manager - Engineering


Mr. Indunil Nimalaruwan
Manager - Quality Operations


Mr. Upul Nallaperuma
Manager - Knitting Operations

Mr. Randeer Mendis
Manager - Inventory Control

Mr. Linkesh Rathnasamy
Manager - Information Technology

Mr. Lalith Athapaththu
Manager - Planning

Mr. Kapila Wijesekara
Manager - Supply Chain

Mrs. Samadhi Weerakoon
Manager - Business Development

Mr. Manjula Thushara
Manager - Finance

Mr. Salman Nishtar
Financial Controller

Mr. Prabash Hettiarachchi
Manager - Human Resource

Mr. Kosala Gunawardene
Head of Energy Projects

NEWS HIGHLIGHTS

Textured Jersey awards designers from Moratuwa University

Three of Sri Lanka's brightest fashion designers of the future have been recognised with special awards for Creativity, Innovation and Inspiration respectively by Textured Jersey PLC, the country's largest manufacturer of knitted fabric.

The three designers were chosen from 20 students who presented designs when the 34 that made up the seventh batch of the University of Moratuwa's Bachelor of Design Degree in Fashion Design and Product Development graduated recently. One of the university's principal partners from the industry, Textured Jersey presented the 'Creative Knitwear Designer award,' the 'Innovative Textile Fabric Designer award' and the 'Serendib Inspirational award' at the graduation ceremony.

The recipients of these special awards presented by the company as part of its commitment to promoting sustainability, were Adhini De Silva of Galle, Chathura Sudharshan of Bandaragama and Achala Leekoh of Katubedda.

"Textured Jersey works very closely with the University of Moratuwa to support the education of the undergraduates who will take Sri Lanka's fashion industry forward in the years ahead," said Samadhi Weerakoon, the company's Business Development Manager. "We provide students with the required training on production and textile engineering and supply them with the materials to come up with their own designs. We believe that the three areas chosen for our special awards are vital to the future of Sri Lanka's fashion industry."

The graduation ceremony included a fashion show at which the final year students of the Fashion Design and the Product Development Degree presented their catwalk collections for 2013. Each collection, designed to a theme and comprising of six complete new outfits, was based on in-depth research of a particular market and a customer.

Adhini De Silva, who won the Textured Jersey Creative Knitwear Designer award, produced a collection of women's occasional knitwear under the concept of 'Ebony Dreaming' for the spring- summer of 2014 for the brand name of 'Ekaterina Kukhareva.'

The winner of the Textured Jersey Innovative Textile Fabric Designer award Chathura Sudharshan used innovative textile fabrics to produce a collection of mixed performance wear under the concept 'Fantasy of Mystic' for the brand 'ACIS Innovations.'

The Textured Jersey Serendib Inspirational award was won by Achala Leekoh for her collection of women's evening semi casual wear under the concept of 'Chronicle Robust' for the 'AKOH' brand.

"Textured Jersey works very closely with the University of Moratuwa to support the education of the undergraduates who will take Sri Lanka's fashion industry forward."


textured jersey
Textures of Perfection
GRADUATION FASHION SHOW 201
DEPARTMENT OF TEXTILE & CLOTHING TECHNOLO
UNIVERSITY OF MORATUWA


FASHIONED WITH
VIRTUE

SUSTAINABILITY REPORT

"We at TJL strive to engage in all measures to protect Mother Nature, Our People and Society. In this journey we will work closely with all Our Partners to make Sustainable Development a reality, to create a Better World."

Sustainability at TJL

At TJL, we have made a conscious commitment towards supporting the creation of a greener, healthier and safer world for future generations. To achieve this objective, we have expanded our frame of reference of sustainable business, to cover not only the financial sustainability of the company, but also environmental and social sustainability. So much so, that today, sustainability is one of the principal platforms on which TJL is building its business and intends to compete.

Therefore, during the year under review, we continued investing in our pledge to mother earth,to build a sustainable future. As part of this ongoing process we strengthened our existing sustainable business practices and embarked on a number of new initiatives on environmental accountability and social obligations.

Setting the Benchmark for Green Reporting

We are proud to announce that TJL was recognised at Sri Lanka's first National Green Reporting Awards last year,conducted by the Central Environment Authority (Ministry of Environment), for the quality of our sustainable reporting standards.

Sri Lanka's first National Green Reporting Awards, that measures corporate activity against environmental, social and economic sustainability indicators, was held on 21st December 2012, at the Water's Edge, with the participation of many other industries representing various economic sectors of the country. TJL made history at this event, by winning the award for the Best Green Report under the Tier 02 category.

TJL is one of the few Sri Lankan companies to successfully put into operation the stringent Green Reporting System that inherited indicators from Global Reporting Initiatives to report on sustainable practices. The National Green Reporting System comprises 50 indicators, which includes 24 environmental indicators, 20 social indicators and 06 economic indicators. The reporting system provides five tiers under which an industry or company may report its performance. TJL presented its report under the Tier 02 classification.

Pioneering Carbon Footprint Reporting in Sri Lanka

We are proud to have set a new landmark in environmental impact assessment in Sri Lanka by pioneering the first independently audited greenhouse gas emissions report, conforming to ISO 14064-1 standard. The Textured Jersey Greenhouse Gas Report for April, 2011 - March, 2012, marked the first time a Sri Lankan business has produced a report on greenhouse gas emissions, which has been audited by the British Standards Institute and verified as conforming with ISO 14064-1 (with a reasonable level of assurance), the specific international standard formulated for this purpose.

We made the decision to measure our carbon footprint, as climate change is increasingly becoming a topic of concern for consumers and buyers. The process of greenhouse gas monitoring at TJL was conducted under the guidance of a dedicated steering committee. To facilitate the process, relevant training was provided for employees. To identify activities that results in greenhouse gas emissions, all operations of TJL were scanned. Every attempt was made to ensure the reliability of the information stated in the report, through a systematic, ongoing, data collection process. Data integrity was ensured through a dedicated system for data collection, verification and recording. To ensure data validity, uncertainties were calculated using separate, accepted methodologies. The report was verified by the British Standards Institute and was also audited, on site, by two British Standards Institute inspectors, over a period of five days.

As a result of our study, we were able to establish that the greenhouse gas emissions from TJL, for the period 2011/12, were 42,438 tonnes of CO_2 equivalent. During the period 2012/13, we have been actively engaged in cutting down emissions from electricity, furnace oil, waste disposal and transportation. Therefore, we are happy to announce that the calculation of emissions of CO_2, CH_4, N_2O and refrigerants, indicated that we have succeeded in reducing emissions per fabric metre, in comparison to the previous year. This is an achievement unmatched by other large scale textile mills in the country.

The process of calculating our carbon footprint has allowed us to identify areas for improvement in our operations, to reduce greenhouse gas emissions. We believe once implemented, these improvements will also reduce our dependency on fossil fuels, which will in turn, reduce operating costs and increase our resilience to oil price volatility. Our initiative has also paved the way for other organisations to monitor and manage their carbon footprints. It has also been a first step in enabling Sri Lankan entities to pronounce their carbon footprint in the global landscape.

Partnering Responsible Care

TJL became a member of the Lanka Responsible Care Council (LRCC), which was established in 2012 as a

SUSTAINABILITY REPORT COND.

National Partner for Earth Hour - Sri Lanka 2012

Textured Jersey, Earth Hour Team participating in the Earth Hour Campaign in R'pura

voluntary Association in collaboration with the National Cleaner Production Centre (NCPC) and New Zealand Responsible Care Council. Responsible Care is a global initiative established in 55 countries to support local industries to practice Responsible Care.

Responsible Care is a global commitment undertaken by businesses, towards responsible management of chemicals through their entire life cycle. Given the strong commitments that are taken on by Responsible Care members, the use of the Responsible Care Logo is considered a prestige by international chemical industries. Therefore, any Sri Lankan company using it will be recognised and esteemed by all chemical industries world over.

TJL is one of the few inaugural members in Sri Lanka to have made a commitment to the environment and to the public, by taking precautions to minimise environmental impacts.

We are confident that our membership with the LRCC will help us further minimise waste, improve the standard of chemical handling, use and storage, resulting in financial benefits and ultimately reducing negative environmental impacts.

Earth Hour

We are proud to announce that we were a national partner and the official fabric provider for Earth Hour Sri Lanka (EHSL), the global sustainability movement. TJL joined hands with millions of people across the globe, on 23rd March 2013, to support 'Earth Hour,' by switching off non-essential lights. However, in line with our core commitment towards sustainable business practices,we went beyond this one off act of support, by taking the Earth Hour message to the masses.

We went 'beyond the hour' by taking the concept of conservation beyond the factory premises and into the hearts and minds of the general public, through an awareness campaign. We kicked off our awareness campaign prior to the Earth Hour date, by circulating informative e-mails about Earth Hour and publishing announcements on notice boards. We organised a poster campaign in the factory premises to create awareness among employees. The public campaign was also launched in Ratnapura town, to spread the message of conservation and sustainability among Sri Lankan families.

Supporting the Ethical Fashion Movement

As a key raw material supplier to Sri Lanka's apparel industry, we are acutely conscious of our social obligation of promoting and encouraging sustainable practices within the industry. We believe our long term sustainability hinges on the sustainability of the industry as a whole. Therefore, we believe in encouraging sustainable industry practices to ensure long term returns for all industry stakeholders. It is with this long term vision for the industry that we have made a decision to support Sri Lanka's emerging ethical fashion movement.

The concept of ethical fashion is gaining momentum across the world,due to rising awareness regarding environmental impacts of apparel and fashion industry waste. Therefore, ethical fashion is an emerging trend that utilises industrial fabric waste and trims, to create innovative and environmentally friendly clothing. These fabric waste and trims were traditionally dumped in landfills causing adverse environmental impacts. However, ethical fashion facilitates reusing and recycling potential waste,to reduce environmental impacts.

TJL contributed towards the ethical fashion drive in Sri Lanka by supplying fabric leftovers to two

Winning the 'Best Corporate Green Report' in the Island for 2012

At the National Green Awards 2012

popular Sri Lankan designer labels, 'Redcocoon' and 'House of Lonali'. The two brands incorporated the fabric in their latest design collections, displayed at the Sri Lanka Design Festival 2012. Both fashion brands are eco-friendly labels that produce sustainable clothing, by using only recycled fabrics and industrial fabric waste.

TJL supported the 'Redcocoon' label, which is Sri Lanka's first sustainable clothing line by supplying reclaimed fabric and trims. The 'House of Lonali' label used fabric leftovers from TJL to produce a collection of crochet toppers and pullovers manufactured in knitting centres in Mallavi and Mullaitivu, as well as garments made from handloom weaves using some of the waste yarn and cut off salvages from TJL. These innovative designs will enter the commercial fashion arena supported by TJL. We hope they will encourage Sri Lankan consumers to be more environmentally conscious, while also encouraging young designers to invest in ethical fashion designing.

Supporting Young Design Talent

As a further initiative to support the local apparel industry, TJL presented three special awards for creativity, innovation and inspiration, to three young fashion designers at the graduation ceremony of the Moratuwa University's Fashion Design & Product Development degree, held at the Colombo Hilton. The three designers were chosen from 20 students who showcased their designs at the event.

One of the university's principal partners from the industry, TJL presented the 'Creative Knitwear Designer award,' the 'Innovative Textile Fabric Designer award' and the 'Serendib Inspirational award' to the three designers, Adhini De Silva of Galle, Chathura Sudharshan of Bandaragama and Achala Leekoh of Katubedda.

We are confident these young designers will flourish with the growth of Sri Lanka's fashion industry and we wish all the young design graduates a bright future.

Energy Conservation

We are proud to announce that due to our focus on energy conservation, during the year, we were able to conserve over 1 million litres of furnace oil and 1.4 million kWh of electricity, compared to the previous financial year. This is an 8.3% reduction in furnace oil consumption and a 1.4% reduction in electricity consumption year on year.

At TJL we have been gradually reducing electricity and fuel consumption over the last three years through the implementation of some major internal improvements. These include dye machine insulation, upgrading the capacitor bank system, the use of energy efficient lighting, the use of natural lighting and revamping the condensate recovery system at the service block.

Waste Management

Proper waste management has been central to our efforts at reducing any adverse environmental impacts through our operations. Therefore, all factory-generated effluents are treated in a two-stage process. Firstly, the waste matter is treated chemically in the factory treatment section, and thereafter it undergoes biological treatment at the investment zone's effluent treatment system. Waste water is also treated similarly and waste heat is recovered by way of plate heat exchange.

In addition, TJL recycles and reprocesses raw material cotton products, and white and grey yarn, while re-using packing material and polythene packs.

Sustainable Supply Chain

We have also made it a policy to incorporate sustainable practices into

SUSTAINABILITY REPORT COND.

Organizing Eco-Awareness programmes among the school children in Anuradhapura District

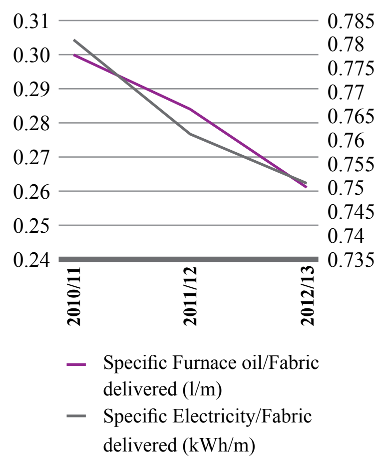
the supply chain by purchasing from other sustainable producers. Our supply network includes;

- Fair Trade Cotton
- Better Cotton
- Organic Cotton
- Soya bean fibre
- Man-made eco friendly fibre

We engage in ethical trade practices, and subscribe to the international social accountability standards under the SA 8000 declaration. We are also the first textile mill in South Asia to supply Better Cotton based products to Marks & Spencer.

Our People

We believe a key element of long term sustainability is a motivated and dedicated work force. Therefore, we invest in continuous training and development and provide growth and development opportunities to motivate our employees. Operational health and safety standards are given priority to ensure a safe work environment. We supply protective equipment to all our factory workers and conduct regular awareness programmes on health and work safety. We also provide a range of benefits and welfare facilities for our staff including annual health checks.



	2010/11	2011/12	2012/13
Specific Furnace oil/ Fabric delivered (l/m)	0.3004	0.2842	0.2607
Specific Electricity/ Fabric delivered (kWh/m)	0.7812	0.7611	0.7506

CORPORATE GOVERNANCE

Corporate Governance refers to the framework through which the relationships between all the stakeholders in a company are maintained. The key stakeholders include the shareholders, directors, and management of a company, as defined by the corporate charter, bylaws, formal policy and rule of law. Also included are community, customers, suppliers, employees and other related institutions such as Customs, BOI, and other government entities.

At Textured Jersey Lanka PLC, we have chosen to follow a collection of best practices on Corporate Governance jointly issued by the Institute of Chartered Accountants Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC) issued in July 2008, Colombo Stock Exchange (CSE) listing rules and the relevant requirements of BOI. These best practices of Corporate Governance are being adopted and are being implemented/ inculcated into business processes. **At the date of this annual report, the Company is compliant with the Corporate Governance Rules identified above**. Employees are actively involved in planning and implementing the Corporate Governance Best Practices by setting up committees with clear roles and responsibilities. Given below is the compliance status for each of the Corporate Governance Principles as identified in the Corporate Governance Best Practices by ICASL and SEC in 2008.

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
A: DIRECTORS		
Principle A.1 - Every public company should be headed by an effective Board, which should direct, lead and control the Company.	Compliant	TJL PLC is headed by a seven member Board of Directors of which two are Independent Directors.
Frequency of Board Meetings	Compliant	The Board meets at least once a quarter.
Principle A.2 - There are two key tasks at the top of every public company – conducting the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.	Compliant	The Board provides the leadership and direction. The Executive Director is responsible for the day to day operation of the business.
Principle A.3 - The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.	Compliant	Chairman facilitates the effective discharge of Board functions.
Principle A.4 - The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	Compliant	Persons with financial acumen are available in the board.
Principle A.5 - It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision taking process.	Compliant	The Board consists of Two Independent Non-Executive Directors and Five Non-Independent Directors.
Principle A.6 - The Board should be provided with timely information in a form and of a quality appropriate to enable it discharge its duties	Compliant	The Board is provided with timely information.
Principle A.7 - There should be a formal and transparent procedure for the appointment of new Directors to the Board.	Compliant	This is done as per Articles of Association.
Principle A.8 - All Directors should be required to submit themselves for re-election at regular intervals and at least once every three years.	Compliant	This is done as per Articles of Association.
Principle A.9 - Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.	Compliant	
Principle A.10 - Shareholders should be kept advised of relevant details in respect of Directors.	Compliant	Shareholders are advised of the relevant qualifications and details of Directors.

CORPORATE GOVERNANCE CONTD.

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
CSE.7.10.2.b The Board shall require each Non-Executive Director to declare annually his/her independence against the specified criteria.	Compliant	All Non-Executive Directors have declared their independence in writing.
B: DIRECTORS' REMUNERATION		
Principle B.1 - Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration.	Compliant	The Board consists of a Remuneration Committee which decides on Executive Remuneration.
Principle B.2 - Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.	Compliant	The company follows a performance based incentive culture at all levels.
Principle B.3 - The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.	Compliant	The Remuneration Committee Report in the annual report contains a statement on the Remuneration Policy and details of remuneration of the Board.
C: RELATIONS WITH SHAREHOLDERS		
Principle C.1 - Boards should use the AGM to communicate with shareholders and should encourage their participation.	Compliant	
Principle C.2 - Further to comply with the requirements under the Companies Act,directors should disclose to shareholders all proposed corporate transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a company with subsidiaries, the consolidated group net asset base.	Compliant	All capital commitments for future periods are disclosed in the Note No. 26 of Notes to the Financial Statements.
D: ACCOUNTABILITY AND AUDIT		
Principle D.1 - The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.	Compliant	An assessment of the financial position of the company is included in the Annual report of the Directors.
Principle D.2 - The Board should maintain a sound system of internal control to safeguard shareholders' investments and the Company's assets.	Compliant	The entire Board is collectively responsible for the control environment prevailing within the organisation.
Principle D.3 - The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.	Compliant	The Board of Directors maintains a formal and a transparent relationship with the external Auditors. Board ensures that accounting policies are consistent with previous years unless a change is required by changes to Financial Reporting Standards in which case changes are specifically stated in the Auditors Report. Due to the requirement to meet SLFRS, comparative figure are provided where appropriate.
Principle D.4 - Companies must adopt a Code of Business Conduct & Ethics for directors and members of the senior management team and must promptly disclose any waivers of the Code for directors or others.	Compliant	Code of Business Conduct and Ethics are available and is followed by the Directors, Management and Executives.
Principle D.5 - Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.	Compliant	Adherences to Corporate Governance Best Practices are disclosed in this area.

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
E: INSTITUTIONAL INVESTORS		
Principle E.1 - Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	Compliant	
Principle E.2 - When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	Compliant	
F: OTHER INVESTORS		
Principle F.1 - Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	Compliant	All individual shareholders are provided with adequate information on the performance of the company thereby encouraging them to analyse their investments adequately.
Principle F.2 - Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	Compliant	All individual shareholders are sent due AGM notices well in advance encouraging them to exercise their voting rights.

ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management is the process of understanding and managing the risks that are faced by an entity in attempting to achieve its objectives. During the period under review, TJL's Enterprise Risk Management framework was brought in line with the Enterprise Risk Management (ERM) process of one of its parent companies Brandix through the implementation of the 10 step ERM process followed by Brandix group companies. The Risk Model which was the outcome of the ERM process was subsequently reviewed by Pacific Textiles. The 10 Step ERM process implemented during the year is given below.

During the ERM process, the management attempts to understand the risk profile of each risk through an assessment of the detectability of occurrence, likelihood of exposure and the impact of each risk. As a result of the implementation of ERM process, risks falling into risk categories listed below were identified as having high risk scores.

Corporate Risks

Under Corporate Risks, the management has identified the following risks as significant for consideration and mitigation;

- Corporate Performance Risk: Risk of company failing to achieve corporate objectives whilst maintaining corporate reputation
- Stakeholder Reputation Risk: Risk of company failing to deliver stakeholder expectations
- Competition / Industry Risk: Risk of Threats to margins, loss of market share or competitiveness
- Regulatory/Compliance Risk: Risk of generating negative goodwill, penalties or other action due to non-compliance
- Investment Risk: Risk of not making adequate capacity related investments to expand capability

Operational Risks

Under Operational Risks, the management has identified the following risks as being risks significant for consideration;

- Capacity Risk: Risk of failing to accommodate customer requirements due to capacity constraints, failing to fill capacity
- Energy Cost Escalation Risk: Risk of increasing energy costs
- Socio Economic Risk: Risks associated with operating in the current socio-economic environment
- Political Risk: Risks associated with operating in the current political environment
- Environmental Risk: Risks associated with environmental emissions and the related regulation
- Business Risk : Risk of not being able to operate above BE capacity and generate planned profits
- Claims Risk: Risk of claims, penalties, rebates etc. due to operational issues or failures
- IT Systems Failure Risk: Risk of IT systems not being available to support the operation
- HR Risk: Risk of employees not supporting the operations plan
- Fraud Risk : Risk of fraud resulting in losses
- Procurement Risk: Risk of procuring items that are not required, risk of paying higher than normal prices, risk of getting poor quality supplies, risk of not using demand based procurement, risk of excessive stock level that result in high write-offs
- Reputation Risk: Risk of generating negative perception due to operational issues
- Liquidity Risk: Risk of not being able to generate a positive cash flow
- Market Risk : Risks associated with the demand for the end product
- Inventory Risk: Risk of carrying FG inventory that is not saleable, RM or WIP inventory that is not usable or obsolete

The risks identified above are managed perpetually through a system of internal controls and a set of risk mitigation action plans where the company had identified the need to eliminate, reduce or manage the risk. These risk mitigation action plans are implemented with guidance of Executive Committee. The company evaluates the risks quarterly and updates the risk scores where appropriate to arrive at updated risk profile for the organisation. These updated risk profiles are presented to the Audit Committee for review and guidance.

Internal control systems that include policies and standard operating procedures to ensure achievement of company objectives of efficient business operation, safeguarding of assets, prevention and detection of fraud and errors, the accuracy and completeness of accounting records, compliance to laws and regulations and timely recording of all transactions, timely preparation of reliable financial information are achieved are in place and forms part of the Enterprise Risk Management process.

Figure 1 : Brandix 10 Step Enterprise Risk Management Model

AUDIT COMMITTEE REPORT

Role of Audit Committee

The role of the Audit Committee is to perform the Board oversight function in relation to the Financial Reporting process and its integrity as well as ensure the adequacy and the effectiveness of the internal control environment and the risk management system, monitoring of compliance with the standards, laws and regulations, ensure the independence of the external audit process and the adequacy and performance of the internal audit function of the organisation.

Process

An Internal Audit Charter defining the purpose, objectives, responsibility and protocols, composition and frequency of meetings which is approved by the Board governs the operation of the Audit Committee. It also spells out the independence of the Internal Audit Function and the audit process. The key responsibility of the Audit Committee according to the charter is the establishment and monitoring of the risk tolerance of the organisation. In fulfilling its duties, the Audit Committee evaluates the independence and the performance of Internal and External Auditors. The Audit Committee maintains free and open communication with the Chief Internal Auditor, the External Auditors and the management of the company.

Composition

The Audit Committee comprises of three members, two of which are Independent Non-Executive Directors and one Non-Executive Director. One of the Independent Non-Executive Directors functions as the Chairman of Audit Committee. Profiles of the members of the Audit Committee could be found under the section Board of Directors.

Members of Audit Committee (2012-13)

Mr. Amitha Gooneratne - *Chairman of Audit Committee and Independent Non-Executive Director*

Prof. Malik Ranasinghe - *Audit Committee Member and Independent Non-Executive Director*

Mr. Wing Tak Bill Lam - *Audit Committee Member and Non-Executive Director*

Engagement

The Audit Committee met four times during the year with full participation of all members. The Chief Internal Auditor, The Chief Financial Officer, Executive Committee Members, Board Directors participated in Audit Committee meeting by invitation.

Audit Committee guided the implementation of a new Enterprise Risk Management Process and the establishment of a Risk Model during the first quarter. It reviewed the Risk Model, the key risks that the company faced and the implementation of risk mitigation actions each quarter subsequently. The Audit Committee also provided guidance on internal controls including areas to be audited. The Audit Committee reviewed the internal audit findings and the implementation of agreed remedial measures to improve the control environment.

Formal written confirmations have been received from the senior management of the company on a quarterly basis on compliance with applicable laws, regulations and standards.

An independent firm of Accountants was engaged to conduct a special inventory review with full coverage of all inventory categories. The Audit Committee reviewed the results of this stock count which the company plans to undertake every year.

Financial Reporting

The Audit Committee has reviewed and discussed the quarterly and annual financial statements of the company prior to publication with management and the external auditors, including the extent of compliance with Sri Lanka Accounting Standards,the appropriateness of its accounting policies and material judgmental matters. The year under review is the first year the financial statements have been presented in compliance with the new Sri Lanka Financial Reporting Standards (SLFRS/LKAS), which have materially converged with the International Financial Reporting Standards (IFRS). Considerable effort and planning has gone into ensuring that this exercise and the underlying transition requirements have been fulfilled adequately.

Conclusion

The Audit Committee is satisfied that the internal controls and Enterprise Risk Management process in place to assess and manage risks are adequate. It is of the view that the internal controls and procedures in place provide a reasonable assurance that the assets of the company are safeguarded and the Financial Statements of the company are compiled using reliable information. The Audit Committee has observed that based on the compliance reporting, the company has complied with standards, laws and regulations during the period 2012-13 under review.

Sgd.
Mr. Amitha Gooneratne
Chairman of the Audit Committee

Table: Attendance at Audit Committee Meetings

Audit Committee Member	10 May 2012	2 Aug 2012	8 Nov 2012	5 Feb 2013
Mr. Amitha Gooneratne	☑	☑	☑	☑
Prof. Malik Ranasinghe	☑	☑	☑	☑
Mr. Wing Tak Bill Lam	☑	☑	☑	☑

REMUNERATION COMMITTEE REPORT

Objective

The objective of the Remuneration Committee is to ensure that the company follows appropriate remuneration policies in order to attract and retain employees with appropriate professional, managerial and operational expertise who can assume leadership roles in the organisation to achieve strategic and operational objectives.

Composition

The Remuneration Committee comprises of two Independent Non-Executive Directors, one of which is the Chairman of the Remuneration Committee and one Non-Executive Director.

Members of Remuneration Committee (2012-13)

Prof. Malik Ranasinghe – *Chairman of Remuneration Committee and Independent Non-Executive Director*

Mr. Amitha Gooneratne – *Member of Remuneration Committee and Independent Non-Executive Director*

Mr. Mohamed Ashroff Omar – *Member of Remuneration Committee and Non-Executive Director*

Remuneration Package and Benefits for Employees

The remuneration package of employees consists of a fixed component which is made of Basic Salary and Allowances and a variable component which is made of various incentives and annual bonus. The employees enjoy other benefits such as meals, medical insurance and common transport.

Remuneration of Directors

No remuneration is paid to Non-Executive Directors other than the directors fees paid based on their participation at board meetings and other committee meetings.
Total fees and remuneration paid to Directors during the period are disclosed in Note No. 8 to the financial statements.

Conclusion

The Remuneration Committee is satisfied that the company follows appropriate remuneration policies in order to attract and retain employees with appropriate professional, managerial and operational expertise who can assume leadership roles in the organization to achieve strategic and operational objectives. The Remuneration Committee is of the view that the performance appraisal, career development, rewards and recognition processes in place provide a reasonable assurance that the company's human capital is safeguarded.

Sgd.
Prof. Malik Ranasinghe
Chairman – Remuneration Committee

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Textured Jersey Lanka PLC ("the Company") has pleasure in presenting to the members their report together with the audited financial statements of the Company for the year ended 31 March 2013.

Textured Jersey Lanka PLC is a public limited liability company incorporated in Sri Lanka on 12 July 2000, listed in the main Board of the Colombo Stock Exchange of Sri Lanka on 9 August 2011.

The Board of Directors approved the financial statements on 13 June 2013.

Nature of the business of the Company

The nature of the business of the Company is given in Note 1 to the financial statements on page 55 of the annual report.

Financial Statements

The financial statements of the Company for the year ended 31 March 2013 which include the statements of income and other comprehensive income, statement of financial position, statements of changes in equity, statement of cash flows and the notes to the financial statements are set out on pages 50 to 83 of the annual report.

Independent Auditor's Report

The Auditors' Report on the Financial Statements is given on page 49 of the annual report.

Changes in accounting Policies

This is the first set of financial statements prepared in accordance with Sri Lanka Accounting Standards (SLFRS/LKAS). The effect of the transition to SLFRS/LKAS on previous reported financial position, financial performance and cash flows of the Company is provided in Note 5 to the financial statements. The significant accounting policies adopted in the preparation of financial statements are given on pages 55 to 65 of the annual report.

Review of business

The state of affairs of the Company as at 31 March 2013 is set out in the statement of financial position on page 52 of the annual report.

Property, plant and equipment

The movements in property, plant and equipment during the year are set out in Note 14 to the financial statements.

Market value of properties

The directors are of the opinion that the carrying amount of properties stated in Note 14 to the financial statements reflects their fair value.

Reserves

Total reserves and their composition are set out in the statement of changes in equity on page 53 of the financial statements.

Directors

The Board of Directors of the Company consists of seven Directors as at end of the financial year with wide financial and commercial knowledge and experience. The following were the Directors of the Company as at 31 March 2013:-

Mr. Wing Tak Bill Lam
Chairman and Non-Executive Director

Mr. Mohamed Ashroff Omar
Non-Executive Director

Dr. King Man Clement Lam
Non-Executive Director

Mr. Hasitha Premaratne
Non-Executive Director

Mr. Kang Po Tsang
Non-Executive Director

Mr. Amitha Gooneratne
Independent Non-Executive Director

Prof. Malik Ranasinghe
Independent Non-Executive Director

Mr. Dave Ranasinghe and Mr. Kam Chuen Mau resigned from the Board with effect from 01 August 2012 and 31 March 2013 respectively. The Board wishes to place on record the Company's sincere appreciation of the services rendered by Mr. Dave Ranasinghe and Mr. Kam Chuen Mau.

Mr. Hasitha Premaratne and Mr. Kang Po Tsang were appointed to the Board with effect from 01 August 2012 and 31 March 2013 respectively. In terms of article 27 (3) of the articles of association of the Company, Mr. Hasitha Premaratne and Mr. Kang Po Tsang will offer themselves for re-election at the forthcoming Annual General Meeting.

In keeping with the rotation policy of the Company on Chairmanship, Mr. Wing Tak Bill Lam was appointed as the new Chairman of the Company with effect from 08 November 2012. The previous Chairman Mr. Mohamed Ashroff Omar continued to be a Director of the Company.

Interest Register

The Interest Register is maintained by the Company as per the Companies Act No. 07 of 2007. All Directors have made declarations as provided for in Section 192 (2) of the Companies Act No. 07 of 2007. The related entries were made in the Interest Register during the year under review.

Directors' Interest in Shares

Shareholding of the Directors as at 1st April 2012 and 31 March 2013 is as follows.

Name	1 April 2012	31 March 2013
Mr. Wing Tak Bill Lam	Nil	Nil
Mr. Mohamed Ashroff Omar	Nil	Nil
Dr. King Man Clement Lam	Nil	Nil
Prof. Malik Ranasinghe	Nil	Nil
Mr. Amitha Gooneratne	Nil	Nil
Mr. Kang Po Tsang	Nil	Nil
Mr. Hasitha Premaratne	N/A*	40,000

*Appointed to the Board with effect from 01st August 2012."

Director's Interest in Transactions

The Directors of the Company have made general disclosures provided for in section 192 (2) of the Companies Act No. 07 of 2007.

The Directors' interests in contracts and proposed contracts with the Company, both direct and indirect, are set out in Note 30 to the financial statements.

Director's Remuneration and other benefits

The remuneration and other benefits of the Directors are given in Note 8 to the financial statements on page 66 of the annual report.

Risk Management

The Board has instituted an effective and comprehensive system of internal controls covering financial operations, compliance control and risk management

ANNUAL REPORT OF THE BOARD OF DIRECTORS

CONTD.

required to carry on the business of the company in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records.

Corporate Governance

The Directors place great emphasis on instituting and maintaining effective corporate governance practices and principles in respect of management and operations of the Company. Accordingly, systems and structures have been introduced and improved from time to time to enhance risk management measures and to improve accountability and transparency.

The corporate governance report is given on pages 39 to 41 of the annual report.

Stated Capital

The Stated Capital of the Company amounts to LKR 2,797, 229,000.00 consisting of 655,002,440 ordinary shares. There was no change in the stated capital of the company during the year.

Dividends

The Company paid a final dividend of LKR 235,800,878 (USD 1,787,725) representing LKR 0.36 per share approved by the shareholders at the annual general meeting held on 2 August 2012 in respect of the year ended 31 March 2012.

Further, the Company declared and paid an interim dividend of LKR 432,301,610 (USD 3,424,985) representing LKR 0.66 per share for the year ended 31 March 2013.

The Board of Directors proposes recommending the payment of a final dividend to the shareholders of the Company for the year ended 31 March 2013 subject to obtaining the approval of the shareholders at the forth coming annual general meeting.

Shareholding

As at 31 March 2013 there were 11,612 registered shareholders and the twenty largest shareholders of the Company and the corresponding percentages held are set out in page 84 of the annual report.

Employee Share Option Schemes

The Company has offered an Employee Share Option Plan ("ESOP") to the senior management personnel for a quantum of 1% of the issued shares as at 26 March 2011. The ESOP will be in the form of options with an exercise price of LKR 15 per share and the earliest exercise date for the options will be 31 May 2013 with an expiration date of 30 November 2013. A special resolution was passed on 31 March 2011 by the shareholders approving the same. The Company has not and will not be providing, directly or indirectly any financial assistance in respect of the said ESOP.

All of the options proposed to be granted under the ESOP ("Options") were granted to identified employees on 5th February 2013. The number of employees to whom Options were granted as aforesaid on 5th February 2013 was twenty (20).

During the financial year ended 31 March 2013:-

(a) none of the options were vested in the employees;
(b) no options were exercised by the employees
(c) none of the options were cancelled.

Directors' responsibility for financial reporting

The directors are responsible for the preparation of financial statements of the company to reflect a true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Inland Revenue Act No. 30 of 2000 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

Auditors

The Audit Committee of the Company has recommended the re appointment of PricewaterhouseCoopers Chartered Accountants as the auditors of the Company and a resolution relating to their re appointment and authorising the Directors to fix their remuneration and to audit the financial statements for the accounting period ending 31March 2014 will be proposed at the Annual General Meeting.

The remuneration payable by the Company to the independent auditors is given in Note 8 to the financial statements on page 66 of the annual report.

The directors are satisfied that, based on written representations made by the independent auditors to the Board, the auditors did not have any relationship or any interest with the Company that would impair their independence.

Statutory Payments

All statutory payments due to the Government of Sri Lanka and on behalf of employees have been made or accrued for as at date of the statement of financial position.

Environmental Protection

After making adequate enquiries from management, the Directors are satisfied that the Company operates in a manner that minimises the detrimental effects on the environment and provides products and services that have a beneficial effect on the customers and the communities within which the Company operates.

Donations

The Company has made donations amounting to LKR 998,872 during the year ended 31 March 2013 (year ended 31 March 2012 - LKR 2,123,155).

Going Concerns

The financial statements are prepared on going concern principles. After making adequate inquires from the management, the Directors are satisfied that the Company has adequate recourses to continue its operations in the foreseeable future.

Post Balance Sheet events

No events had occurred since the date of the statement of financial position which would require adjustments to, or disclosure in, the financial statements.

For and on behalf of the Board
Textured Jersey Lanka PLC

Sgd.
Director

Sgd.
Director

Sgd.
Director
Corporate Services (Private) Limited
Secretaries

13 June 2013

FINANCIAL REPORTS

STATEMENT OF THE DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Directors in relation to the financial statements of the Company, is set out in the following statement. The responsibility of the Auditors, in relation to the financial statements, prepared in accordance with the provisions of the Companies Act, No. 07 of 2007 [" the Act"], is set out in the Independent Auditor's Report on page 49.

The financial statements comprise the:

- statements of income and other comprehensive income, which present a true and fair view of the results of the Company for the year ended 31 March 2013; and
- statement of financial position, which present a true and fair view of the state of affairs of the Company as at 31 March 2013, which comply with the requirements of the Act.

The Directors have ensured that, in preparing these financial statements:

- appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;
- all applicable Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, as relevant, have been followed; and
- judgments and estimates have been made which are reasonable and prudent.

The Directors have also ensured that the Company has adequate resources to continue in operation to justify applying the going concern basis in preparing these financial statements.

Further, the Directors have, as part of their responsibility, ensured that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of the Company, and to ensure that the financial statements presented comply with the requirements of the Act.

The Directors have also taken reasonable steps to safeguard the assets of the Company and in this regard to give proper consideration to the establishment of appropriate internal control systems with a view to preventing and detecting fraud and other irregularities.

The management of the Company meets periodically with the independent statutory auditors to review the manner in which the auditors are performing their responsibilities, and to discuss auditing, internal control and financial reporting issues. To ensure complete independence, the independent statutory auditors have full and free access to the members of the Board to discuss any matter of substance.

The Directors are required to have prepared the financial statements and to provide the independent auditors with every opportunity to take whatever steps and undertake whatever inspections that may be considered to be appropriate to enable them to give an independent audit opinion.

The Directors are of the view that they have discharged their responsibilities as set out in this statement.

Compliance report

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the Company, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the date of the statement of financial position have been paid, or where relevant provided for.

By Order of the Board

Sgd.
CORPORATE SERVICES
(PRIVATE) LIMITED
Secretaries
TEXTURED JERSEY LANKA PLC

INDEPENDENT AUDITORS' REPORT

pwc

To the members of Textured Jersey Lanka PLC

Report on the Financial Statements

1. We have audited the accompanying financial statements of Textured Jersey Lanka PLC, which comprise the statement of financial position as at 31 March 2013, the statements of income and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements as set out on pages 50 to 83.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

   An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

   We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

4. In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2013 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2013 and of its results and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

5. These financial statements also comply with the requirements of Section 151(2) as appropriate of the Companies Act, No. 07 of 2007.

13 June 2013

CHARTERED ACCOUNTANTS

COLOMBO
SRI LANKA

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Partners Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, N.R. Gunasekera FCA, S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA

INCOME STATEMENT

(all amounts in Sri Lankan Rupees thousands)

	Note	Year ended 31 March 2013	2012
Revenue	6	10,951,455	12,363,531
Cost of sales		(9,681,753)	(11,088,147)
Gross profit		1,269,702	1,275,384
Other income	7	29,097	48,177
Distribution expenses		(78,544)	(93,462)
Administrative expenses		(265,083)	(397,460)
Results from operating activities	8	955,172	832,639
Finance income		78,614	72,626
Finance costs		(19,453)	(243,293)
Net finance income / (cost)	10	59,161	(170,667)
Profit before tax		1,014,333	661,972
Income tax	11	1,614	(33,041)
Profit for the year		1,015,947	628,931
Earnings per share			
Basic earnings per share (LKR)	12	1.55	1.00

The notes on pages 55 to 83 form an integral part of these financial statements.

Independent auditor's report is set out on page 49.

STATEMENT OF COMPREHENSIVE INCOME

(all amounts in Sri Lankan Rupees thousands)

	Note	Year ended 31 March 2013	2012
Profit for the year		1,015,947	628,931
Other comprehensive income			
Actuarial gain on retirement benefit obligations	23	802	21,562
Share issue expenses	27 (b)	Nil	(47,963)
Currency translation differences	28	(82,364)	797,115
Total other comprehensive income for the year		(81,562)	770,714
Total comprehensive income for the year		934,385	1,399,645

The notes on pages 55 to 83 form an integral part of these financial statements

Independent auditor's report is set out on page 49.

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lankan Rupees thousands)

	Note	At 31 March 2013	At 31 March 2012	At 1 April 2011
ASSETS				
Non-current assets				
Property, plant and equipment	14	2,288,643	2,592,635	2,473,360
Capital work-in-progress	15	67,758	16,646	71,527
Intangible assets	16	41,082	45,017	50,871
Lease rentals paid in advance	19	93,396	98,176	86,961
		2,490,879	2,752,474	2,682,719
Current assets				
Inventories	18	1,795,172	2,075,471	3,338,943
Trade and other receivables	19	1,382,736	1,464,775	1,305,346
Cash and cash equivalents	20	2,196,949	1,279,261	22,357
		5,374,857	4,819,507	4,666,646
Total assets		7,865,736	7,571,981	7,349,365
EQUITY AND LIABILITIES				
Capital and reserves				
Stated capital	27	2,797,229	2,797,229	1,597,229
Exchange equalisation reserve	28	908,971	991,335	194,220
Retained earnings		2,044,071	1,695,425	1,171,495
		5,750,271	5,483,989	2,962,944
Non-current liabilities				
Borrowings	22	Nil	Nil	2,301
Deferred tax liabilities	24	67,678	72,772	43,071
Retirement benefit obligations	23	55,154	54,071	60,460
		122,832	126,843	105,832
Current liabilities				
Trade and other payables	21	1,632,736	1,303,948	2,021,181
Borrowings	22	Nil	594,208	1,845,474
Bank overdrafts	22	359,897	62,993	413,934
		1,992,633	1,961,149	4,280,589
Total liabilities		2,115,465	2,087,992	4,386,421
Total equity and liabilities		7,865,736	7,571,981	7,349,365

I certify that financial statements comply with the requirements of the Companies Act No. 7 of 2007.

Sgd.
Salman Nishtar
Finance Controller

The Board of Directors is responsible for the preparation and presentation of these financial statements.

Sgd.
Ashroff Omar
Director

Sgd.
Hasitha Premarathne
Director

13 June 2013

The notes on pages 55 to 83 form an integral part of these financial statements.
Independent auditor's report is set out on page 49.

STATEMENT OF CHANGES IN EQUITY

(all amounts in Sri Lankan Rupees thousands)	Note	Stated capital	Exchange equalisation reserve	Retained earnings	Total
Balance at 1 April 2011		1,597,229	194,220	1,171,495	2,962,944
Profit for the year		Nil	Nil	628,931	628,931
Other comprehensive income		Nil	797,115	(26,401)	770,714
Total comprehensive income		Nil	797,115	602,530	1,399,645
Transactions with owners					
Issue of shares at the Initial Public Offering (IPO)	27	1,200,000	Nil	Nil	1,200,000
Interim dividend paid 2011/12	13	Nil	Nil	(78,600)	(78,600)
Balance at 31 March 2012		2,797,229	991,335	1,695,425	5,483,989
Balance at 1 April 2012		2,797,229	991,335	1,695,425	5,483,989
Profit for the year		Nil	Nil	1,015,947	1,015,947
Other comprehensive income		Nil	(82,364)	802	(81,562)
Total comprehensive income		Nil	(82,364)	1,016,749	934,385
Transactions with owners					
Final dividend paid - 2011/12	13	Nil	Nil	(235,801)	(235,801)
Interim dividend paid - 2012/13	13	Nil	Nil	(432,302)	(432,302)
		Nil	Nil	(668,103)	(668,103)
Balance at 31 March 2013		2,797,229	908,971	2,044,071	5,750,271

The notes on pages 55 to 83 form an integral part of these financial statements.

Independent auditor's report is set out on page 49.

STATEMENT OF CASH FLOW

(all amounts in Sri Lankan Rupees thousands)

	Note	Year ended 31 March 2013	2012
Cash flows from operating activities			
Cash generated from operations	29	1,952,179	1,982,023
Finance income received	10	78,614	72,626
Finance cost paid	10	(5,006)	(78,616)
Retirement benefit obligations paid	23	(14,033)	(5,895)
Net cash generated from operating activities		2,011,753	1,970,138
Cash flows from investing activities			
Additions to capital work-in-progress	15	(122,221)	(67,894)
Proceeds from disposal of property, plant and equipment		Nil	146
Net cash used in investing activities		(122,221)	(67,748)
Cash flows from financing activities			
Proceeds from issue of shares	27	Nil	1,200,000
Share issue expenses	27 (b)	Nil	(47,963)
Dividend paid	13	(668,103)	(78,600)
Repayments of borrowings		(600,645)	(1,367,982)
Net cash used in financing activities		(1,268,748)	(294,545)
Net increase in cash and cash equivalents		620,784	1,607,845
Cash and cash equivalents at the beginning of the year		1,216,268	(391,577)
Cash and cash equivalents at the end of the year	20	1,837,052	1,216,268

The notes on pages 55 to 83 form an integral part of these financial statements.

Independent auditor's report is set out on page 49.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Textured Jersey Lanka PLC is a public limited company incorporated in Sri Lanka on 12 June 2000, listed in the Main Board of the Colombo Stock Exchange of Sri Lanka on 9 August 2011.

The registered office of the Company is located at Block D8-D14, C V Gooneratne Seethawaka International Industrial Park, Avissawella.

The Company carries on the business of manufacturing and selling of weft knit fabrics.

These financial statements have been approved for issue by the Board of Directors on 13 June 2013.

2. Summary of significant accounting policies

This is the first set of financial statements prepared in accordance with the Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka. The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1. Basis of preparation and adoption of Sri Lanka Financial Reporting Standards

The Company prepares its financial statements in accordance with Sri Lanka Accounting Standards - 2011 (SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka. Sri Lanka Accounting Standards (SLASs) were revised to incorporate International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board, which requires all entities to apply these standards effective for years beginning on or after 1 January 2012.

Subject to certain transition exemptions and exceptions disclosed in Note 5, the Company has consistently applied the accounting policies in the preparation of its opening statement of financial position at 1 April 2011 and throughout all periods presented, as if these policies had always been in effect. Note 5 discloses the impact of the transition to SLFRSs on the Company's reported financial position and financial performance, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended 31 March 2012 prepared under previous Sri Lanka Accounting Standards (SLAS).

These financial statements have been prepared under the historical cost convention, as modified by the revaluation and fair valuation of the financial assets and liabilities preparation of financial statements in conformity with SLFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Company's financial statements are disclosed in Note 4.

An explanation of how the transition to SLFRSs has affected the reported financial position and financial performance of the Company is provided in Note 5.4.

Presentation and functional currency

The financial statements are prepared and presented in United States Dollars (US$), in accordance with and comply with SLFRSs and the conversion to Sri Lankan Rupees is performed in accordance with the recommendations made in the LKAS 21; The Effect of Changes in Foreign Exchange Rates. The procedures followed are as follows:

(a) Assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate existing at the date of each statement of financial position presented;
(b) Income and expenses for each statements of comprehensive income and other comprehensive income (including comparatives) are translated at the exchange rates existing at the dates of the transactions or a rate that approximates the actual exchange rates; and
(c) All resulting exchange differences are recognised directly in equity.

2.2 Sri Lanka Accounting Standards (SLFRS/LKAS) issued but not yet effective

SLFRS 13, 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across SLFRSs. The management is yet to assess the full impact of this standard.

SLFRS 9, 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. SLFRS 9 replaces the parts of LKAS 39 that relate to the classification and measurement of financial instruments. SLFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the LKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess SLFRS 9's full impact and intends to adopt SLFRS 9 no later than the accounting period beginning on or after 1 January 2015.

There are no other standards, amendments and interpretations that are not yet effective that would be expected to have a material impact on the Company.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

2.3 Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the monthly average exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'Net finance income/ (cost)'.

2.4 Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation.

Cost

Property, plant and equipment are tangible items that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and are expected to be used during more than one year.

All property, plant and equipment is initially recorded at cost and stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items and also includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Cost of long term capital projects are carried forward in capital work-in-progress until they are available for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Depreciation

Depreciation is calculated using the straight line method to allocate the cost of each asset, to their residual values over their estimated useful lives commencing from the date of acquisition, date available for use or date of commencement of use. On disposal of assets depreciation is calculated exclusive of the date on which disposal takes place.

The estimated useful life of property, plant and equipment is as follows:

Leasehold buildings	30 to 50 years
Plant, equipment and installations	10 years
Fixtures and fittings	8 years
Office equipment	5 years
Motor vehicles	4 years
Computer and communication equipment	4 years

Depreciation begins when an item of property, plant and equipment is available for use and will continue until it is derecognised, even if during that period the item is idle.

Borrowing costs

Interest costs on borrowings to finance the construction of qualifying assets are capitalised, during the period of time that is required to complete and prepare the asset for its intended use.

Gains / (losses) on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed for impairment either annually or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognised in the income statement.

2.5 Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Intangible assets

Intangible assets wholly consist of cost of computer software. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as a part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which does not exceed four years.

2.7 Accounting for leases by the lessee

Leases of assets under which all the risks and benefits of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of lease.

2.8 Financial assets

Classification

The Company classifies its financial assets under loans and receivables, based on purpose for which the financial assets were acquired.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets as trade and other receivables except for maturities greater than 12 months after the balance sheet date.

Recognition of financial asset

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently carried at amortised cost using effective interest method.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

Assets carried at amortised cost (Loans and receivables)

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or Company of financial assets is impaired. A financial asset or a Company of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Company of financial assets that can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists.

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the statement of comprehensive income.

Impairment testing of trade receivables is described in Note 2.11.

2.9 Financial liabilities

The Company's financial liabilities include trade and other payables and borrowings. All financial liabilities except are recognised initially at their fair values and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the Weighted Average Cost (WAC) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

2.12 Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdrafts. In the balance sheet, bank overdrafts are included in current liabilities.

2.13 Stated capital

The ordinary shares are classified as equity.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non - current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they incurred.

2.16 Provisions

Provisions are recognised when the Company has a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

The provisions are measured at the present value of expenditures expected to be required to settle the obligation.

2.17 Employee benefits

Defined benefit plan - Gratuity

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plan define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit plan comprises the gratuity provided under the Act, No 12 of 1983.

The liability recognised in the statement of financial position in respect of defined benefit plan is the present value of the defined benefit obligation at the date of statement of financial position together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using appropriate interest rates by the actuarial valuer.

Past service costs are recognised immediately in income statement, unless the changes to the defined benefit plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised to equity in other comprehensive income in the period in which they arise.

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 23 to the financial statements.

Defined contribution plans

For defined contribution plans, such as the Employees' Provident Fund and Employees' Trust Fund, the Company contributes 12% and 3% respectively, of the employees' basic or consolidated wage or salary. The Company has no further payment obligations once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

2.18 Current and deferred tax

The tax expense for the period comprises current and deferred tax.

Current taxes

Tax is recognised in the income statement, except to the extent that it relates to items recognised in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred taxes

Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax is provided using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. it is probable that the temporary difference will not reverse in the foreseeable future.

The principal temporary differences arise from depreciation on property, plant and equipment, provisions for defined benefit obligations and other post retirement benefits.

2.19 Revenue recognition

Finance income

Interest income is recognised on a time proportion basis.

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is shown net of Value Added Tax, returns, rebates and discounts.

Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

2.20 Expenditure recognition

The expenses are recognised on an accrual basis. All expenses incurred in the ordinary course of business and in maintaining property, plant and equipment in a state of efficiency is charged against income in arriving at the profit for the period.

2.21 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2.22 Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. A summary of such changes is as follows:

	As reported previously	Current presentation
Sales of downgrade fabric and scrap	Cost of sales	Revenue & other operating income as appropriately
Retirement benefit obligations charge attributable to production employees	Administrative expenses	Cost of sales
Prepaid lease rentals for 1 -3 years	Current - trade and other receivables	Non current - trade and other receivables
Bank overdrafts	Borrowings	Bank overdrafts

Management believes that the above re-classifications give a fairer presentation.

2.23 Share based payments

The Company operates an equity-settled, share based compensation plan, under which the entity receives services from employees as consideration for equity instruments of the Company. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted.

At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non market vesting conditions. The Company recognizes the impact of the revision to original estimates, if any, in the Statement of Comprehensive Income, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to stated capital.

3. Financial risk management

3.1 Financial risk factors

The principal financial instruments of the Company comprise of bank loans, short term deposits and cash. The main purpose of these finance instruments is to raise and maintain liquidity for the Company's operations and maximise returns on the Company's financial reserves. The Company has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

NOTES TO THE FINANCIAL STATEMENTS CONTD.

The Company is exposed to a variety of financial risks. These include market risks, credit risks and liquidity risks. Based on our economic outlook and the Company's exposure to these risks, the Board of the Company approves various risk management strategies from time to time.

Market risk

Foreign exchange risk

The Company is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of the US Dollar (USD) against the Sri Lankan Rupee (LKR). The Company's functional currency is USD in which most of the transactions are denominated, and all other currencies are considered foreign currencies for reporting purposes. Certain bank balances, receivables and payables are denominated in foreign currencies. Foreign currencies are used to settle purchases of equipment, suppliers and certain other expenses.

Sensitivity analysis

At 31 March 2013, if the Sri Lanka Rupees had strengthened by 1% against in the LKR financial year, profit after tax would have been decreased LKR 16,497,216. The analysis assumes that all other variables, in particular interest rates, remain constant.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long term debt obligations with floating rates.

The Company manages its interest rate risk by daily monitoring and managing cash flows, keeping borrowings to a minimum and negotiating favourable rates on borrowings and deposits. Company is not exposed to interest rate risk as at 31 March 2013, as the Company does not have any borrowings at variable rates of interest.

Credit risk

The credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to foreign customers, including outstanding receivables and committed transactions.

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts. Following table shows the maximum risk positions.

At 31 March 2013	Trade and other receivables LKR '000	Amounts due from related parties LKR '000	Cash and equivalents LKR '000	Total LKR '000
Risk exposure				
Trade and other receivables	562,540	Nil	Nil	562,540
Amounts due from related parties	Nil	739,011	Nil	739,011
Cash and cash equivalents (excluding cash in hand)	Nil	Nil	2,196,449	2,196,449
	562,540	739,011	2,196,449	3,498,000

Liquidity risk

In the management of liquidity risk, the Company monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Access to sources of funding is sufficiently available.

The table below summarises the maturity profile of the Company's financial liabilities at 31 March 2013 based on contractual undiscounted payments.

Year ended 31 March 2013	Due within 3 months LKR '000	Due between 3 months and 1 year LKR '000	Due between 1 and 2 years LKR '000
Liabilities			
Bank overdrafts	359,897	Nil	Nil
Trade and other payables (excluding statutory liabilities)	1,616,005	Nil	Nil
Total liabilities	1,975,902	Nil	Nil

3.2 Capital management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders and issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings by total equity. Total borrowings including non current and current borrowings as shown in the statement of financial position. Total equity is calculated as 'Total equity' in the statement of financial position.

The gearing ratio at 31 March 2013 was as follows:

	2013 LKR '000	2012 LKR '000
Total borrowings	359,897	657,201
Total equity	5,750,271	5,483,989
Gearing ratio	6%	11%

The decrease in the gearing ratio during 2013 resulted from decrease in borrowings during the year.

4. Critical accounting estimates, assumptions and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

Estimated impairment of non-current assets

The Company tests annually the indicators to ascertain whether non current assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.5. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

Management believes that any reasonably possible change in the estimated future cash flows of the operations on which the recoverable amounts of the cash generating units is based would not cause the cash generating units' carrying on amount to exceed its recoverable amount.

Defined benefit plan - Gratuity

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit plan.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions. Additional information is disclosed in Note 23.

Other key assumptions for gratuity obligations are based in part on current market conditions, additional information is disclosed in Note 23.

Estimated useful lives of Property, Plant and Equipment (PPE)

The Company reviews annually the estimated useful lives of PPE based on factors such as business plan and strategies, expected level of usage and future developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of PPE would increase the recorded depreciation charge and decrease the PPE balance.

5. First time adoption of SLFRS / LKAS

These are the Company's first set of financial statements prepared in accordance with Sri Lanka Accounting Standards (SLFRS / LKAS). The accounting policies set out in Note 2 have been applied in preparing the financial statements for the year ended 31 March 2013 together with comparative information for the year ended 31 March 2012 and opening SLFRS statement of financial position as at 1 April 2011 being the transition date of the Company.

In preparing SLFRS statement of financial position for previously reported financial periods, required adjustments have been made in accordance with respective SLFRSs. The effect of the transition from Sri Lanka Accounting Standards (SLASs) to SLFRSs has been illustrated in the reconciliation statements and accompanying notes to the reconciliations.

Set out below are the applicable exemptions and exceptions under SLFRS 1 applied by the Company in transition to SLFRSs.

5.1 SLFRS 1 - Optional exemptions

Following voluntary exemption has been applied by the Company.

SLFRS 2 - Share based payments - The Company has not recognised the employee share option scheme granted prior to 1 January 2011 based on the exemption allowed by SLFRS 1

The following exemptions do not apply to the Company.

- *LKAS 23 - Borrowing cost, as the policy adopted under previous GAAP (SLASs) was inline with LKAS 23.*

NOTES TO THE FINANCIAL STATEMENTS CONTD.

- *SLFRS 4 - Insurance contracts, as this is not relevant to the Company's operations.*

- *LKAS 21 - Foreign operations, as the Company does not have any foreign operations as defined in LKAS 21.*

- *IFRIC 4 - Arrangements contains a lease, IFRIC 18 - Transfers of assets from customers, as the Company has not entered into these types of arrangements at the date of transition.*

- *LKAS 19 - Employee benefits, as the policy adopted under previous GAAP (SLASs) was in line with LKAS 19.*

- *LKAS 27 - Investments in subsidiaries, jointly controlled entities and associates, as the Company does not have such investments.*

- *Designation of previously recognised financial instruments under LKAS 39 as available-for-sale or fair value through profit or loss before the Company's and the Group's transition date, as Company has not designated any financial instrument either as available-for-sale or fair value through profit or loss before the transition date.*

- *IFRIC 1 - Decommissioning liabilities included in the cost of property, plant and equipment, as the accounting treatment applied by the Company for changes in existing decommissioning liabilities are aligned with IFRIC 1.*

- *IFRIC 12 - Service Concession Arrangements, as the Company has not entered into agreement within the scope of IFRIC 12.*

- *IFRIC 19 - Extinguishing financial liabilities with equity instruments, the Company do not have these types of financial instruments as at the date of transition.*

- *LKAS 29 - Financial reporting in hyperinflationary economies, as the Company does not operate in a hyperinflationary economy.*

- *IFRS 1 - Deemed cost, the Company opt to apply the exemption as the policy on historical cost remained unchanged.*

- *LKAS 32 - Compound Instruments - the Company does not have any compound instruments at the date of transition.*

- *IFRIC 18 - Transfers of assets from customers, this is not applicable to the Company.*

5.2 SLFRS 1 - Mandatory exceptions

Set out below are the applicable mandatory exceptions in SLFRS 1 applied in the conversion from SLAS to SLFRS.

Exception for estimates

SLFRS estimates as at 1 April 2011 are consistent with the estimates as at the same date made in conformity with Sri Lanka Accounting Standards.

The other compulsory exceptions of SLFRS 1 have not been applied as these are not relevant to the Company.

- Derecognition of financial assets and financial liabilities
- Non - controlling interests
- Hedge accounting

5.3 Reconciliations of SLAS to SLFRS

Sri Lanka Accounting Standards (SLFRS / LKAS) requires an entity to reconcile equity, comprehensive income and cash flows for prior periods. The Company's first time adoption did not have an impact on the total operating, investing or financing cash flows. The Notes 5.3.1 and 5.3.2 represent the reconciliations from SLAS to SLFRS / LKAS for the respective periods noted for equity, earnings and comprehensive income.

In preparing these financial statements in accordance with the SLFRS / LKAS, all the mandatory exceptions and the optional exemptions from full retrospective application of the SLFRS / LKAS are not applicable to the Company.

(all amounts in Sri Lankan Rupees thousands)

5.3 Reconciliations of SLAS to SLFRS (Contd.)

5.3.1 Reconciliation of shareholders' equity

	Note	As per SLAS	1 April 2011 Transitional adjustments	As per SLFRSs	As per SLAS	31 March 2012 Transitional adjustments	As per SLFRSs
ASSETS							
Non-current assets							
Property, plant and equipment		2,473,360	Nil	2,473,360	2,592,635	Nil	2,592,635
Capital work-in-progress		71,527	Nil	71,527	16,646	Nil	16,646
Intangible assets		50,871	Nil	50,871	45,017	Nil	45,017
Prepaid lease rentals	a	81,454	5,507	86,961	91,729	6,447	98,176
		2,677,212	5,507	2,682,719	2,746,027	6,447	2,752,474
Current assets							
Inventories	b	3,215,671	123,272	3,338,943	1,949,075	126,396	2,075,471
Trade and other receivables	a	1,310,853	(5,507)	1,305,346	1,471,222	(6,447)	1,464,775
Cash and cash equivalents		22,357	Nil	22,357	1,279,261	Nil	1,279,261
		4,548,881	117,765	4,666,646	4,699,558	119,949	4,819,507
Total assets		7,226,093	123,272	7,349,365	7,445,585	126,396	7,571,981
EQUITY							
Equity and liabilities							
Capital and reserves							
Stated capital	c	1,597,229	Nil	1,597,229	2,749,266	47,963	2,797,229
Exchange equalisation reserve		194,105	115	194,220	992,849	(1,514)	991,335
Retained earnings	c	1,177,916	(6,421)	1,171,495	1,727,345	(31,920)	1,695,425
		2,969,250	(6,306)	2,962,944	5,469,460	14,529	5,483,989
Non-current liabilities							
Borrowings		2,301	Nil	2,301	Nil	Nil	Nil
Deferred tax liabilities		43,071	Nil	43,071	72,772	Nil	72,772
Retirement benefit obligations	d	54,154	6,306	60,460	72,454	(18,383)	54,071
		99,526	6,306	105,832	145,226	(18,383)	126,843
Current liabilities							
Trade and other payables	b	1,897,909	123,272	2,021,181	1,173,698	130,250	1,303,948
Borrowings	a	2,259,408	(1,845,474)	413,934	657,201	(62,993)	594,208
Bank overdrafts	a	Nil	1,845,474	1,845,474	Nil	62,993	62,993
		4,157,317	123,272	4,280,589	1,830,899	130,250	1,961,149
Total liabilities		4,256,843	129,579	4,386,422	1,976,125	111,867	2,087,992
Total equity and liabilities		7,226,093	123,272	7,349,365	7,445,585	126,396	7,571,981

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(all amounts in Sri Lankan Rupees thousands)

5.3 Reconciliations of SLAS to SLFRS (Contd.)

5.3.2 Reconciliation of comprehensive income for the year ended 31 March 2012

	Note	As per SLAS	Transitional adjustments	As per SLFRSs
Revenue	a	12,236,724	126,807	12,363,531
Cost of sales	a	(10,906,806)	(181,341)	(11,088,147)
Gross profit		1,329,918	(54,534)	1,275,384
Other income	a	Nil	48,177	48,177
Distribution expenses	a	(93,462)	Nil	(93,462)
Administrative expenses	a and e	(408,413)	10,953	(397,460)
Operating profit		828,043	4,596	832,639
Finance income		72,626	Nil	72,626
Finance costs	f	(239,599)	(3,694)	(243,293)
Net finance income/(cost)	f	(166,973)	(3,694)	(170,667)
Profit before tax		661,070	902	661,972
Income tax expense		(33,041)	Nil	(33,041)
Profit for the year		628,029	902	628,931
Other comprehensive income:				
Actuarial gain on retirement benefit obligations	a and d	Nil	21,562	21,562
Share issue expenses	g	Nil	(47,963)	(47,963)
Currency translation differences	g	798,744	(1,629)	797,115
Other comprehensive income for the year		798,744	(28,030)	770,714
Total comprehensive income for the year		1,426,773	(27,128)	1,399,645

5.3.3 Reconciliation of cash flow statement

There is no material differences between the Company's statement of cash flows presented under SLFRSs and the statement of cash flows presented under SLASs.

5.4 Notes to the reconciliation of SLAS to SLFRS

(a) Please refer comparatives Note 2.22 under summary of significant accounting policies

(b) Inventories

The Company's practice was to recognise the inventory at the point of issuing of Goods received notes (GRNs). However, the management of the Company now recognises its inventory at the time of dispatching from the exporter's port under FOB terms and at the time of arriving of goods to importer's port under CIF terms, since the risks and rewards are passed at particular point of time to the Company. The adjustment reflects the recognition of those goods in transit and resulting liabilities.

(c) Retained earnings

Except for the reclassification items, all the other adjustments were recognised against retained earnings at 1 April 2011 and 31 March 2012 are as follows:

	31 March 2012 LKR '000	1 April 2011 LKR '000
As per SLAS	1,727,345	1,177,916
Share issue expenses set off against retained earnings [Note 27 (b)]	(47,963)	Nil
Impact of retirement benefit obligations adjustment	21,562	(6,421)
Impact of currency translation difference	(5,519)	Nil
As per SLFRS	1,695,425	1,171,495

(d) Retirement benefit obligations

As required by LKAS 19, the retirement benefit obligations should be at the present value net of actuarial gains and transitional liability on initial adoption of the standard, at end of the year. The adjustment reflects the impact of adjusting the retirement benefit obligations in the statement of financial position to the present value.

(e) Administrative expenses

The adjustment reflects the impact of recognition of interest cost on retirement benefit obligations as required by LKAS 19 and other comparative changes included in Note 2.23 under summary of significant accounting policies.

(f) Finance costs

The adjustment reflects the exchange translation impact resulted from the adjustment to the retirement benefit obligations as required by LKAS 19.

(g) Other comprehensive income

Apart from the reclassification of actuarial gain under other comprehensive income, additional actuarial gain of LKR 21,561,811 has been recognised with adjustments to the retirement benefit obligations as required by LKAS 19. Further, currency translation differences of LKR 5,519,483 and share issue expenses of LKR 47,963,230 have been recognised under other comprehensive income.

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6. Revenue

	2013 LKR '000	2012 LKR '000
Export	399,798	516,237
Indirect export	10,500,599	11,796,065
Local	51,058	51,229
	10,951,455	12,363,531

The Company has declared the Revenue for Direct and Indirect Tax purposes in Sri Lanka.

7. Other income

Other income wholly consists of scrap sales of LKR 29,096,859 (2012 - LKR 48,176,648).

8. Results from operating activities

Results from operating activities are stated after charging all expenses including the followings:

		2013 LKR '000	2012 LKR '000
Directors' emoluments		2,400	2,350
Auditors' remuneration	- audit	996	543
	- non audit	991	850
		1,987	1,393
Depreciation		321,201	380,216
Provision for slow moving inventories		36,771	89,082
(Reversal) / provision for impairment of trade receivables		(19,234)	17,070
Amortisation of intangible assets		30,787	22,867
Amortisation of lease rentals paid in advance		3,670	3,166
Repair and maintenance expenditure		148,915	119,302
Reversal of previously written off ESC		(2,693)	(13,557)
Employee benefit expenses		650,753	622,869

9. Employee benefit expenses

	2013 LKR '000	2012 LKR '000
Salaries, wages and other fringe benefits	575,924	547,667
Defined contribution plans	59,034	55,602
Retirement benefit obligations (Note 23)	15,795	19,600
	650,753	622,869
Average number of employees employed during the year		
Permanent	1,151	1,199

10. Net finance income / (cost)

	2013 LKR '000	2012 LKR '000
Finance income:		
Interest income on short term deposits	78,614	72,626
Finance cost:		
Net foreign transaction and translation losses	(14,447)	(164,677)
Interest expense		
- short term working capital loans	(4,949)	(60,447)
- bank overdrafts	(8)	(17,530)
- bank borrowings	(49)	(639)
Total finance cost	(19,453)	(243,293)
Net finance income / (cost)	59,161	(170,667)

11. Income tax

	2013 LKR '000	2012 LKR '000
Current tax:		
Current income tax on profits for the year	2,693	13,557
Deferred tax :		
Origination and reversal of temporary differences (Note 24)	(4,307)	19,484
Income tax	(1,614)	33,041

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable to profits of the Company as follows:

	2013 LKR '000	2012 LKR '000
Profit before tax	1,014,333	661,972
Tax calculated at a tax rate of 12% (2012 - 15%)	121,720	99,266
Income not subject to tax	(119,714)	(193,116)
Expenses not deductible for tax purposes	1,556	87,324
Adjustments due to the estimated deferred tax base in previous years	(5,176)	39,537
Tax (credit) / charge	(1,614)	33,041

In terms of the agreement with the Board of Investment of Sri Lanka, profit and income of the Company is exempted from income tax for a period of 15 years commenced from 12 September 2001.

In view of the above, profit and income of the Company is not liable to income tax for the year of assessment 2012/2013. The tax charged for the year represents the income tax on local sales and on interest income.

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The tax losses available for carry forward at 31 March 2013 amounting to LKR 19,328,051 (at 31 March 2012 - LKR 24,229,918) wholly consist of tax losses incurred up to year of assessment 2000 / 2001 before commencement of tax holiday.

Further information about deferred tax is provided in Note 24.

12. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year:

	2013	2012
Profit attributable to equity holders of the Company (LKR '000)	1,015,947	628,931
Weighted average number of ordinary shares ('000)	655,002	628,336
Earnings per share - LKR	1.55	1.00

13. Dividends per share

	Per share LKR	2013 LKR '000	Per share LKR	2012 LKR '000
Declared and paid during the year				
Final Dividend *	0.36	235,801	Nil	Nil
Interim Dividend	0.66	432,302	0.12	78,600
Total Dividend	1.02	668,103	0.12	78,600

* Previous years' final dividend paid in the current year.

The Company has paid final dividend of LKR 235,800,878 representing LKR 0.36 approved by shareholders at the Annual General Meeting held on 2 August 2012 in respect of the year ended 31 March 2012. Further, the Company declared and paid an interim dividend of LKR 432,301,610 representing LKR 0.66 per share for the year ended 31 March 2013 [2012 - LKR 78,600,293 representing LKR 0.12 per share]. The Board of Directors are yet to declare final dividend for the year ended 31 March 2013 which is to be approved by the shareholders at the Annual General Meeting to be held on 23 July 2013.

14. Property, plant and equipment

	Leasehold buildings LKR '000	Plant & equipment installation LKR '000	Fixtures, fittings & factory equipment LKR '000	Office equipment LKR '000	Computer & communication equipment LKR '000	Motor vehicles LKR '000	Total LKR '000
At 1 April 2011							
Cost	1,046,181	3,203,877	417,405	15,674	160,637	2,324	4,846,098
Accumulated depreciation	(102,985)	(1,900,102)	(231,791)	(13,506)	(122,030)	(2,324)	(2,372,738)
Net book amount	943,196	1,303,775	185,614	2,168	38,607	Nil	2,473,360
Year ended 31 March 2012							
Opening net book value	943,196	1,303,775	185,614	2,168	38,607	Nil	2,473,360
Transfers from capital work-in-progress (Note 15)	281	79,649	17,335	314	18,618	Nil	116,197
Disposals - cost	Nil	Nil	Nil	(427)	(166)	2,324	1,731
- accumulated depreciation	Nil	Nil	Nil	387	54	(2,324)	(1,883)
Effect of movement in foreign exchange rates	157,794	190,737	28,381	268	6,266	Nil	383,446
Depreciation charge (Note 8)	(22,296)	(296,389)	(39,857)	(951)	(20,723)	Nil	(380,216)
Closing net book amount	1,078,975	1,277,772	191,473	1,759	42,656	Nil	2,592,635
At 31 March 2012							
Cost	1,225,116	3,842,221	508,551	18,218	209,227	Nil	5,803,333
Accumulated depreciation	(146,141)	(2,564,449)	(317,078)	(16,459)	(166,571)	Nil	(3,210,698)
Net book amount	1,078,975	1,277,772	191,473	1,759	42,656	Nil	2,592,635
Year ended 31 March 2013							
Opening net book value	1,078,975	1,277,772	191,473	1,759	42,656	Nil	2,592,635
Transfers from capital work-in-progress (Note 15)	412	9,760	23,405	2,737	6,077	Nil	42,391
Effect of movement in foreign exchange rates	(12,540)	(10,624)	(1,803)	(59)	(156)	Nil	(25,182)
Depreciation charge (Note 8)	(25,859)	(225,743)	(46,503)	(1,035)	(22,061)	Nil	(321,201)
Closing net book amount	1,040,988	1,051,165	166,572	3,402	26,516	Nil	2,288,643
At 31 March 2013							
Cost	1,210,622	3,805,041	525,240	20,672	212,621	Nil	5,774,196
Accumulated depreciation	(169,634)	(2,753,876)	(358,668)	(17,270)	(186,105)	Nil	(3,485,553)
Net book amount	1,040,988	1,051,165	166,572	3,402	26,516	Nil	2,288,643

(a) Property, plant and equipment include fully depreciated assets, the cost of which at 31 March 2013 amounted to LKR 2,072,170,103 (2012 - LKR 1,927,894,416).

(b) Company has constructed nine buildings on four leasehold lands leased out from Board of Investment of Sri Lanka at Seethawaka International Industrial Park. The remaining lease periods as at 31 March 2013 are 38, 22, 25 and 25 years respectively.

(c) Depreciation expense of LKR 312,899,691 (2012 - LKR 372,531,944) has been charged in cost of goods sold and LKR 8,301,198 (2012 - LKR 7,684,223) in administrative expenses.

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15. Capital work-in-progress

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Balance at the beginning of the year	16,646	71,527	5,317
Expenses incurred	122,221	67,894	81,485
Transferred to property plant and equipment (Note 14)	(42,391)	(116,197)	(13,812)
Transferred to intangible assets (Note 16)	(27,321)	(10,191)	Nil
Effect of movement in foreign exchange rates	(1,397)	3,613	(1,463)
Balance at the end of the year	67,758	16,646	71,527

(a) Capital work-in-progress as at 31 March 2013 mainly comprises new yarn processing knitting machineries being constructed and initial construction expenses incurred on multi - fuel power project.

16. Intangible assets

These intangible assets wholly consists of expenditure incurred on software development by the Company.

	Software Development LKR '000	Total LKR '000
At 1 April 2011		
Cost	176,472	176,472
Accumulated amortisation	(125,601)	(125,601)
Net book amount	50,871	50,871
Year ended 31 March 2012		
Opening net book amount	50,871	50,871
Transfer from capital work-in-progress (Note 15)	10,191	10,191
Effect of movement in foreign exchange rates	6,822	6,822
Amortisation charge (Note 8)	(22,867)	(22,867)
Closing net book amount	45,017	45,017
At 31 March 2012		
Cost	218,289	218,289
Accumulated amortisation	(173,272)	(173,272)
Net book amount	45,017	45,017
Year ended 31 March 2013		
Opening net book amount	45,017	45,017
Transfer from capital work-in-progress (Note 15)	27,321	27,321
Effect of movement in foreign exchange rates	(469)	(469)
Amortisation charge (Note 8)	(30,787)	(30,787)
Closing net book amount	41,082	41,082
At 31 March 2013		
Cost	242,334	242,334
Accumulated amortisation	(201,252)	(201,252)
Net book amount	41,082	41,082

Amortisation charge amounting to LKR 30,787,239 (2012 - LKR 22,866,981) relating to the intangible assets are included in cost of sale.

17. Financial instruments by category

(a) Financial assets - Loans and receivables

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Trade receivables (Note 19)	499,559	715,108	664,614
Other receivables (excluding statutory receivables)	62,981	46,884	39,178
Amounts due from related companies (Note 19)	739,011	677,512	543,429
Cash and cash equivalents (Note 20)	2,196,949	1,279,261	22,357
	3,498,500	2,718,765	1,269,578

(b) Financial liabilities - Other financial liabilities

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Trade payables (Note 21)	260,046	221,898	636,866
Accrued expenses (Note 21)	256,717	289,285	113,285
Other payables (excluding statutory payables)	168,004	46,884	68,850
Amounts due to related companies (Note 21)	931,238	724,512	1,199,401
Borrowings (Note 22)	Nil	594,208	1,847,775
Bank overdrafts (Note 22)	359,897	62,993	413,934
	1,975,902	1,939,780	4,280,111

(c) Credit quality of financial assets

The credit quality of financial assets that are not impaired can be assessed by reference to historical information.

Trade receivables and amounts due from related parties:

	2013 LKR '000
Export customers / overseas	35,729
Local customers	465,692
Related parties	739,462
	1,240,883

Cash at bank:

	2013 LKR '000
AAA	555,334
AA+	109,969
AA	1,528,800
A+	2,346
	2,196,449

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18. Inventories

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Raw materials	743,463	793,850	1,502,119
Work-in-progress	472,582	567,221	979,242
Finished goods	234,091	315,291	331,263
Engineering spares, needles and sinkers	116,508	215,466	200,592
Effluent chemicals, fuel and consumables	40,568	40,750	19,430
Goods in transit	187,960	142,893	306,297
	1,795,172	2,075,471	3,338,943

(a) Inventories are stated after a provision for slow moving inventories and the total movement on the provision is as follows:

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Balance at the beginning of the year	156,773	46,637	190,185
Provision for / (reversal of) slow moving inventories (Note 8)	36,771	89,082	(137,501)
Effect of movement in foreign exchange rates	(2,743)	21,054	(6,047)
Balance at the end of the year	190,801	156,773	46,637

(b) Bank overdrafts are secured over inventories (Note 22).

19. Trade and other receivables

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Current			
Trade receivables	501,421	724,425	666,143
Less - provision for impairment	(1,862)	(9,317)	(1,529)
Trade receivables - net	499,559	715,108	664,614
Amounts due from related companies [See Note 30 (iii)]	739,462	689,564	543,429
Less - provision for impairment	(451)	(12,052)	Nil
Amount due from related companies - net	739,011	677,512	543,429
Prepayments	120,190	119,873	105,526
Other receivables [See Note (g) below]	117,372	50,458	78,738
	1,476,132	1,562,951	1,392,307
Less			
Non current portion of lease rentals paid in advance [See note (f) below]	(93,396)	(98,176)	(86,961)
Current portion	1,382,736	1,464,775	1,305,346

19. Trade and other receivables (Contd.)

(a) The movements on the impairment loss on trade receivables and amounts due from related companies are as follows:

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Balance at the beginning of the year	21,369	1,529	2,754
(Reversal of provision) / provision for impairment of trade receivables (Note 8)	(19,234)	17,070	(1,122)
Effect of movement in foreign exchange rates	178	2,770	(103)
Balance at the end of the year	2,313	21,369	1,529

As of 31 March 2013, trade receivables and amounts due from related companies of LKR 2,313,132 (2012 - LKR 21,369,135) were impaired. The amount of the reversal of provision was LKR 19,233,675 as of 31 March 2013 (2012 charge for the year - LKR 17,070,283). The ageing of these impaired receivables is as follows:

	2013 LKR '000
Up to 3 months	Nil
3 to 6 months	2,313
	2,313

(b) Trade receivables and amounts due from related companies by credit quality are as follows:

	2013 LKR '000
Neither past due nor impaired	1,055,928
Past due but not impaired	182,642
Impaired	2,313
	1,240,883

(c) The ageing of trade receivables and amounts due from related companies that are past due but not impaired are as follows:

	2013 LKR '000
Amount overdue:	
Up to 3 months	182,642
3 month to 6 months	Nil
	182,642

(d) The carrying amounts of trade receivables and amounts due from related companies are denominated in following currencies:

	2013 LKR '000
US Dollars	1,240,883

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(e) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Company does not hold any collateral as security.

(f) The non-current portion of prepayments solely consists of the operating lease paid in advance for the lands occupied by the Company. The Company amortises the leasehold lands over the lease period, on a straight line basis. Current portion of prepayments on leasehold land is included in prepayments under trade and other receivables - current. Reconciliation of the prepaid operating lease is as follows:

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
At the beginning of the year	100,867	90,062	97,319
Amortisation	(3,670)	(3,166)	(2,942)
Effect of movement in foreign exchange rates	(214)	13,971	(4,315)
At the end of the year	96,983	100,867	90,062

Prepaid operating leases can be analysed as follows:

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Current (Not later than one year)	3,587	2,691	3,101
Non-current (Later than one year)	93,396	98,176	86,961
	96,983	100,867	90,062

(g) Other receivables mainly consists of advances to suppliers amounting to LKR 56,412,608 (2012 - LKR 14,217,180), ESC receivables amounting to LKR 26,577,505 (2012 - LKR Nil) and interest receivables amounting to LKR 12,006,207 (2012 - LKR Nil).

(h) As of 31 March 2013, trade receivables of LKR 1,055,927,973 (2012 - LKR 1,290,036,100) were fully performing.

(i) The other classes within trade and other receivables do not contain impaired assets.

20. Cash and cash equivalents

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Short term bank deposits	1,522,623	818,904	Nil
Cash at bank and in hand	674,326	460,357	22,357
	2,196,949	1,279,261	22,357

The weighted average effective interest rate on short term deposits (USD) was 5.2% - 5.5% [Year ended 31 March 2012 (LKR short term deposits) 9% - 12.5%].

20. Cash and cash equivalents (Contd.)

For the purpose of the cash flow statement, the year end cash and cash equivalents comprise the following:

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Cash and bank balances	2,196,949	1,279,261	22,357
Bank overdrafts (Note 22)	(359,897)	(62,993)	(413,934)
	1,837,052	1,216,268	(391,577)

21. Trade and other payables

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Trade payables	260,046	221,898	636,866
Amounts due to related companies [Note 30 (iv)]	931,238	724,512	1,199,401
Accrued expenses [See Note (a) below]	256,717	289,285	113,285
Other payables	184,735	68,253	71,629
	1,632,736	1,303,948	2,021,181

(a) Accrued expenses mainly consists of accrued employee bonus of LKR 75,628,166 (2012 - LKR Nil), electricity expenses of LKR 67,758,753 (2012 - LKR 51,134,394) and air freight expenses of LKR 29,642,331 (2012 - LKR 50,821,473).

22. Borrowings

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Non-current			
Bank borrowings	Nil	Nil	2,301
	Nil	Nil	2,301
Current			
Bank overdrafts [See Note (a) below]	359,897	62,993	413,934
Import loans	Nil	592,499	1,835,350
Bank borrowings	Nil	1,709	10,124
	359,897	657,201	2,259,408
	359,897	657,201	2,261,709

(a) Bank overdrafts as of 31 March 2013 reflect a book overdrawn situation.

(b) The bank overdrafts are secured over inventories (Note 18).

NOTES TO THE FINANCIAL STATEMENTS CONTD.

22. Borrowings (Contd.)

(c) The interest rate exposure of the borrowings of the Company are as follows:

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Total borrowings:			
- at fixed rates	Nil	1,709	12,425
- at floating rates	359,897	655,492	2,249,284
	359,897	657,201	2,261,709
Weighted average effective interest rates:			
- US Dollar borrowings	Nil	LIBOR + 3.75 %	LIBOR + 3.75 %
- Sri Lanka Rupee borrowings	Nil	8.5%	8.5%
- Bank overdrafts	LIBOR + 4.09%	LIBOR + 3.42 %	LIBOR + 3.75 %

23. Retirement benefit obligations

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Statement of financial position obligations for:			
Gratuity benefits	55,154	54,071	60,460
Statement of comprehensive income charge:			
Gratuity benefits	15,795	19,600	16,203
Other comprehensive income:			
Actuarial gains	(802)	(21,562)	(3,508)
Recognition of transitional liability	Nil	Nil	6,305
	(802)	(21,562)	2,797

(a) The movement in the defined benefit obligation over the year is as follows:

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
At the beginning of the year	54,071	60,460	58,911
Current service cost	8,087	10,768	9,326
Interest cost	7,708	8,832	6,877
Recognition of transitional liability	Nil	Nil	6,305
Actuarial gain	(802)	(21,562)	(3,508)
Benefits paid	(14,033)	(5,895)	(14,847)
Effect of movement in foreign exchange rates	123	1,468	(2,604)
At the end of the year	55,154	54,071	60,460

23. Retirement benefit obligations (Contd.)

The amounts recognised in the statement of comprehensive income are as follows:

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Current service cost	8,087	10,768	9,326
Interest cost	7,708	8,832	6,877
Total included in employee benefit expense (Note 9)	15,795	19,600	16,203

As stated in paragraph 2.16 under summary of significant accounting policies, an actuarial valuation was carried out by an independent actuary, Messer Piyal S Goonetilleke and Associates, using the Projected Unit Credit method to calculate the liability for retirement benefit obligations as at 31 March 2013, based on their actuarial valuation carried out as at the previous year end. The provision for retirement benefit obligations is not externally funded.

The principal actuarial assumptions used in the calculation were as follows:

	2013 LKR	2012 LKR	1 April 2011 LKR
Discount rate	12.4% p.a	12.4% p.a	12% p.a
Future salary increases - Non-Executive staff	10% p.a	10% p.a	10% p.a
Future salary increases - Executive staff	10% p.a	10% p.a	7% p.a
Staff turnover factor - Non-Executive staff	Age-related	Age-related	20% p.a
Staff turnover factor - Executive staff	Age-related	Age-related	10% p.a

In addition to the above, demographic assumptions such as mortality, disability and retirement age were considered for the actuarial valuation. GA 1983 Mortality Table was taken as the basis for the mortality assumption.

24. Deferred income tax liabilities

Deferred income taxes are calculated on all temporary differences under the liability method and are measured using a tax rate of 12% applicable on profit on the expiry of the tax exemption period in 2016. The movement on the deferred income tax account is as follows:

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
At the beginning of the year	72,772	43,071	23,384
Income statement (release) / charge (Note 11)	(4,307)	19,484	21,119
Effect of movement in foreign exchange rates	(787)	10,217	(1,432)
At end of the year	67,678	72,772	43,071

NOTES TO THE FINANCIAL STATEMENTS CONTD.

24. Deferred income tax liabilities (Contd.)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Deferred tax assets :			
- Deferred tax assets to be recovered after more than 12 months	(34,289)	(40,364)	(18,242)
	(34,289)	(40,364)	(18,242)
Deferred tax liabilities :			
- Deferred tax liabilities to be recovered after more than 12 months	101,967	113,136	61,313
	101,967	113,136	61,313
Deferred tax liabilities (net)	67,678	72,772	43,071

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities	Accelerated tax depreciation LKR '000	Total LKR '000
At 1 April 2011	61,313	61,313
Charged to income statement	35,975	35,975
Effect of movement in foreign exchange rates	15,848	15,848
At 31 March 2012	113,136	113,136
Credited to income statement	(10,021)	(10,021)
Effect of movement in foreign exchange rates	(1,148)	(1,148)
At 31 March 2013	101,967	101,967

24. Deferred income tax liabilities (Contd.)

Deferred tax assets	Retirement benefit obligations LKR '000	Provision for slow moving inventory LKR '000	Provision for impairment of trade receivables LKR '000	Tax losses LKR '000	Total LKR '000
At 1 April 2011	(6,497)	(5,520)	(183)	(6,042)	(18,242)
Credited / (charged) to income statement	(2,843)	(14,033)	(2,607)	2,992	(16,491)
Effect of movement in foreign exchange rates	(1,527)	(3,097)	(415)	(592)	(5,631)
At 31 March 2012	(10,867)	(22,650)	(3,205)	(3,642)	(40,364)
Charged / (credited) to income statement	1,965	(535)	2,956	1,328	5,714
Effect of movement in foreign exchange rates	87	288	(28)	14	361
At 31 March 2013	(8,815)	(22,897)	(277)	(2,300)	(34,289)

25. Contingencies

There were no material contingent liabilities outstanding at the balance sheet date.

26. Commitments

Operating lease commitments

The Company obtained the land consisting of 18.18 acres on a 50 year lease for which the Company has a commitment to pay an annual fee of USD 3,850 per acre, to the Board of Investment as lease rent. Further, the Company obtained another block of land on a 30 year lease during the financial year ended 31 December 2006 in order to construct residential facilities for the employees for which the Company has an additional commitment to pay an annual fee of USD 1,150 per acre, on 3.063 acres.

Further, the Company obtained another 2 blocks of land on a 30 year lease on 23 March 2007 in order to facilitate the expansion of production capacity, for which the Company is committed to pay an annual fee of USD 3,850 per acre, on 12.130 acres.

Capital commitments

Capital expenditure contracted at the end of the reporting period, but not yet incurred is as follows:

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Property, plant and equipment	316,343	Nil	Nil

NOTES TO THE FINANCIAL STATEMENTS CONTD.

27. Stated capital

	No. of Shares	Amount LKR '000
At 1 April 2011	159,772,900	1,597,229
Sub division of shares	415,279,540	Nil
Issue of shares - IPO	80,000,000	1,200,000
At 31 March 2012	655,052,440	2,797,229
At 31 March 2013	655,052,440	2,797,229

(a) All issued shares are fully paid.

(b) The expenses of LKR 47,963,230 incurred in connection with the IPO which were set-off against proceeds received from issue of shares in the previous year have been adjusted against the retained earnings with retrospective effect to be in line with the Companies Act No. 07 of 2007.

28. Exchange equalisation reserve

The exchange equalisation reserve at the balance sheet date represents all exchange differences resulting from the translation of assets, liabilities, income, expenses and equity items as explained in Note 2.1 to the accounting policies.

29. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2013 LKR '000	2012 LKR '000
Profit before tax	1,014,333	661,972
Adjustments for:		
Depreciation (Note 14)	321,201	380,216
Amortisation of intangible assets (Note 16)	30,787	22,867
Amortisation of lease rentals paid in advance [Note 19 (f)]	3,670	3,166
Provision for slow moving inventories [Note 18 (a)]	36,771	89,082
(Reversal of) / provision for impairment of trade receivables [Note 19 (a)]	(19,234)	17,070
Reversal of previously written off ESC (Note 8)	(2,693)	(13,557)
Finance income (Note 10)	(78,614)	(72,626)
Finance cost (Note 10)	5,006	78,616
Loss on disposal of property, plant and equipment	Nil	7
Effect of movement in foreign exchange rates	(36,693)	174,066
Changes in working capital:		
- inventories	224,230	1,509,493
- trade and other receivables	84,957	38,232
- trade and other payables	352,663	(926,181)
Retirement benefit obligations (Note 23)	15,795	19,600
Cash generated from operations	1,952,179	1,982,023

30. Directors' interests in contracts with the Company and related party transactions

The directors of the Company are also directors of following companies with which the Company had transactions in the ordinary course of business during the year.

	Wing Tak Bill Lam	Mohamed Ashroff Omar	King Man Clemment Lam	Mau Kam Chuen	Hasitha Premarathne	Amitha Lal Goonarathna	Malik Kumar Ranasinghe	Tsang Kang Po
Pacific Textiles Limited	√	-	-	-	-	-	-	√
Pacific Overseas Textiles Macao Commercial Offshore Limited	-	-	√	-	-	-	-	-
Brandix Lanka Limited	-	√	-	-	-	-	-	-
Brandix Apparel Limited	-	√	-	-	-	-	-	-
Brandix Mercury Asia (Private) Limited	-	√	-	-	-	-	-	-
Quenby Lanka Prints (Private) Limited	-	√	-	-	-	-	-	-

The following transactions were carried out with related parties:

(i) Sale of goods and services:

Sale of goods:	2013 LKR '000	2012 LKR '000
Brandix Apparel Limited	5,650,314	5,507,970
Quenby Lanka Prints (Private) Limited	354,264	197,153
	6,004,578	5,705,123

(ii) Purchase of goods and services:

	2013 LKR '000	2012 LKR '000
Purchase of raw materials:		
Pacific Textiles Limited	969,822	1,091,499
Pacific Overseas Textiles Macao Commercial Offshore Limited	3,441,376	3,285,013
	4,411,198	4,376,512
Purchase of administrative and other services:		
Pacific Textiles Limited	64,452	81,907
Brandix Lanka Limited	14,592	5,594
Quenby Lanka Prints (Private) Limited	82,958	266,422
Brandix Mercury Asia (Private) Limited	1,050	62
	163,052	353,985

NOTES TO THE FINANCIAL STATEMENTS CONTD.

30. Directors' interest in contracts with the Company and related party transactions (Contd.)

(iii) Receivables from related parties:

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Brandix Apparel Limited	691,080	671,411	526,628
Brandix Textiles Limited	Nil	Nil	223
Quenby Lanka Prints (Private) Limited	48,382	18,153	16,578
	739,462	689,564	543,429
Less - provision for impairment of amounts due from related companies	(451)	(12,052)	Nil
	739,011	677,512	543,429

(iv) Payables to related parties:

	2013 LKR '000	2012 LKR '000	1 April 2011 LKR '000
Brandix Lanka Limited	515	2,132	1,892
Brandix College of Clothing Technology (Private) Limited	Nil	Nil	8
Pacific Textiles Limited	294,168	122,912	562,203
Pacific Overseas Textiles Macao Commercial Offshore Limited	636,550	595,922	635,274
Brandix Casualwear (Private) Limited	Nil	Nil	7
Brandix Uknits (Private) Limited	Nil	Nil	17
Brandix Apparel Limited	Nil	1,175	Nil
Brandix Mercury Asia (Private) Limited	5	8	Nil
Quenby Lanka Prints (Private) Limited	Nil	2,363	Nil
	931,238	724,512	1,199,401

30. Directors' interest in contracts with the Company and related party transactions (Contd.)

(v) Key Management compensation:

	2013 LKR '000	2012 LKR '000
Salaries and other benefits	56,450	73,435

(vi) The Company has offered an Employee Share Option Plan ("ESOP") to the senior management personnel for a quantum of 1% of the issued shares as at 26 March 2011. The ESOP will be in the form of options with an exercise price of LKR 15 per share and the earliest exercise date for the options will be 31 May 2013 with an expiration date of 30 November 2013. A special resolution was passed on 31 March 2011 by the shareholders approving the same. The Company has not and will not be providing directly or indirectly any financial assistance in respect of the said ESOP.

Share options are granted to selected employees. The options are exercisable during the period commencing on 31 May 2013 and ending on 30 November 2013. The Company has no legal or constructive obligation to repurchase or settle the options in cash.

Number of share options outstanding and their related weighted average exercise prices are as follows:

	2013		2012	
	Average exercise price in LKR per share	Options	Average exercise price in LKR per share	Options
At 1 April	15.00	5,750,024	15.00	5,750,024
At 31 March	9.16	5,750,024	15.00	5,750,024

No options have been exercised by the employees during the year 2012/2013 .

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant-vested	Expiry date	Exercise in LKR per share	Shares 2013	Shares 2012
30 March 2011	30 November 2012	9.16	5,750,024	5,750,024

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was LKR 2.00 per option. The significant inputs into the model were weighted average share price of the Company LKR 9.30 at the grant date, exercise price shown above, volatility of 33% , dividend yield of 0.053% , an expected option life of one year and an annual risk-free interest rate of 12.15 %. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year.

No expense has been recognised for employee share options existed at 31 March 2013 as the amount involved considered to be not significant.

31. Events after the end of the reporting period

No circumstances have arisen since the statement of financial position date which would require adjustments to, or disclosure in, the financial statements.

SHAREHOLDER INFORMATION

1. List of 20 Largest Shareholders at 31 March

Name of Shareholder	2013 No. of Shares	2013 %	2012 No. of Shares	2012 %
PACIFIC TEXTURED JERSEY HOLDINGS LTD	262,001,464	40.00	262,001,464	40.00
BRANDIX LANKA LTD	197,000,976	30.08	197,000,976	30.08
YSHI SILVA	15,956,500	2.44	-	-
EMPLOYEES PROVIDENT FUND	13,813,200	2.11	13,813,200	2.11
MELSTACORP LIMITED	12,622,428	1.93	8,276,300	1.38
J.B. COCOSHELL (PVT) LTD	11,048,879	1.69	3,335,600	0.51
MAS CAPITAL (PRIVATE) LIMITED	5,966,322	0.91	-	-
HSBC INTL NOM LTD-UBS AG SINGAPORE BRANCH (EX SBC)	3,694,100	0.56	3,694,100	0.56
MCBRIDGE BLUE (PRIVATE) LIMITED	3,119,300	0.48	3,119,300	0.48
FERGASAM GARMENT INDUSTRIES (PVT) LTD.	2,811,100	0.43	2,811,100	0.43
TIMEX GARMENTS (PVT) LTD	2,791,100	0.43	2,791,100	0.43
INDRA PROPERTY DEVELOPMENT (PVT) LTD	2,694,100	0.41	2,694,100	0.41
PERICEYL (PRIVATE) LIMITED A/C NO. 03	2,694,100	0.41	2,694,100	0.41
DEE INVESTMENTS (PVT) LTD	2,443,400	0.37	2,443,400	0.37
LHLMP HARADASA	2,402,994	0.37	2,393,300	0.37
DP PIERIS	2,081,400	0.32	2,081,400	0.32
NUWARA ELIYA PROPERTY DEVELOPERS (PVT) LTD	2,050,900	0.31	-	-
MCSEN RANGE PRIVATE LIMITED	2,031,400	0.31	-	-
NAWALOKA PILING PRIVATE LIMITED	2,031,400	0.31	-	-
CLASSIC VENTURE SECURITY (PRIVATE) LIMITED	2,031,400	0.31	-	-
TOTAL OF TOP 20	551,286,463	84.17		
OTHER SHAREHOLDINGS	103,715,977	15.83		
NUMBER OF SHARES IN ISSUE	655,002,440	100.00		

2. Distribution of Shareholding

Holdings	Residents No. of Holders	Residents No. of Shares	Residents %	Non-Residents No. of Holders	Non-Residents No. of Shares	Non-Residents %	Total No. of Holders	Total No. of Shares	Total %
1 - 1,000	6,989	4,031,878	0.62	5	1,800	0.00	6,994	4,033,678	0.62
1,001 - 5,000	2,954	8,162,056	1.25	7	25,900	0.00	2,961	8,187,956	1.25
5,001 - 10,000	883	6,729,474	1.03	10	86,950	0.01	893	6,816,424	1.04
10,001 - 50,000	502	11,854,262	1.81	12	285,178	0.04	514	12,139,440	1.85
50,001 - 100,000	75	5,979,943	0.91	4	335,000	0.05	79	6,314,943	0.96
100,001 - 500,000	110	24,793,467	3.79	4	1,109,800	0.17	114	25,903,267	3.95
500,001 - 1,000,000	21	16,402,650	2.50	1	650,511	0	22	17,053,161	2.60
Over 1,000,000	32	307,605,738	46.96	3	266,947,833	40.76	35	574,553,571	87.72
Total	11,566	385,559,468	58.86	46	269,442,972	41.14	11,612	655,002,440	100.00

3. Directors' Interest in Shares of the Company

	31 March 2013 No. of Shares	%
Hasitha Premaratne	40,000	-

4. Shareholding Structure

31 March 2013	No. of Shareholders	Total Holding	% of Total
Individuals	11,366	92,437,795	14.11
Institutions	246	562,564,645	85.89
Total	11,612	655,002,440	100.00

5. Public Holding

31 March 2013 No. of Shareholders	% of Total
196,000,000	29.92%

6. Share Valuation and Earnings

	2013	2012
Highest market price per share during the year	10.50	15.70
Lowest market price per share during the year	7.00	7.00
Last traded price (28 March 2013)	9.90	7.20
Earnings per share	1.55	1.00
Net assets per share	8.78	8.35

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Textured Jersey Lanka PLC will be held at 2.30 p.m. on 23rd July 2013 at the Committee Room 'B', The Bandaranaike Memorial International Conference Hall, Bauddhaloka Mawatha, Colombo 07 for the following purposes:

AGENDA

1. To receive and consider the Annual Report of the Board and the Financial Statements of the Company for the financial year ended 31st March 2013 together with the Report of the Auditors thereon.

2.
   (a) To re-elect Mr. Hasitha Premaratne, a Director who retires in terms of article 27 (3) of the Articles of Association of the Company, and being eligible has offered himself for re-election.

   (b) To re-elect Mr. Kang Po Tsang, a Director who retires in terms of article 27 (3) of the Articles of Association of the Company, and being eligible has offered himself for re-election.

3. To re-appoint Messrs. PricewaterhouseCoopers, Chartered Accountants, as the Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the ensuing year.

4. To declare a final dividend for the financial year ended 31st March 2013 as recommended by the Board.

5. To consider and if thought fit to pass the following revisions to the employee share ownership scheme established by the Company with the approval of the shareholders of the Company by special resolution passed on 31st March 2011 ("the ESOP"), as a Special Resolution:-

Special Resolution

(a) revision of the price at which shares in the Company will be issued upon the exercise of the share options granted by the Company to identified employees under the ESOP, from Rupees Fifteen (LKR 15/-) per share to Rupees Nine Cents Sixteen (LKR 9.16) per share being the volume weighted average price of the shares of the Company for the thirty (30) day period prior to the grant of the options which took place on 5th February 2013;

(b) revision of the exercise period of the options granted under the ESOP from the period commencing on 31st May 2013 and ending on 30th November 2013 to the period commencing on 31st May 2014 and ending on 31st August 2014 so that the employees to whom the options have been granted may exercise such options on or after 31st May 2014 until 31st August 2014.

6. To authorise Directors to determine contributions to charities.

By order of the Board
CORPORATE SERVICES (PRIVATE) LIMITED
Secretaries
TEXTURED JERSEY LANKA PLC

At Colombo, on this 26th day of June, 2013.

Note:

(1) Any member entitled to attend and vote is entitled to appoint a proxy instead.

(2) A proxy need not be a member, instruments appointing proxies must be lodged with the registered office of the Company, Block D8 – D14, Seethawaka International Industrial Park, Avissawella not less than 48 hours before the time appointed for the holding of the meeting.

FORM OF PROXY

*I/We ....

of ....

being a shareholder/shareholders of Textured Jersey Lanka PLC do hereby appoint

1. Mr. Wing Tak Bill Lam	or failing him,
2. Mr. Mohamed Ashroff Omar	or failing him,
3. Dr. King Man Clement Lam	or failing him,
4. Mr. Kang Po Tsang	or failing him,
5. Prof. Kulatilleke Arthanayake Malik Kumar Ranasinghe	or failing him,
6. Mr. Hasitha Premaratne	or failing him,
7. Mr. Amitha Lal Gooneratne	or failing him,

……………………………………………………………………………………………………...of

………

as *my/our Proxy to attend and vote at the Annual General Meeting of the Company to be held at the Committee Room 'B', The Bandaranaike Memorial International Conference Hall, Bauddhaloka Mawatha, Colombo 07, on 23rd July 2013 at 2.30 p.m. and at any adjournment thereof.

	For	Against
1. To receive and consider the Annual Report of the Board and the Financial Statements of the Company for the financial year ended 31st March 2013 together with the Report of the Auditors thereon.	☐	☐
2. (a) To re-elect Mr. Hasitha Premaratne, a Director who retires in terms of article 27 (3) of the Articles of Association of the Company, and being eligible has offered himself for re-election.	☐	☐
(b) To re-elect Mr. Kang Po Tsang, a Director who retires in terms of article 27 (3) of the Articles of Association of the Company, and being eligible has offered himself for re-election.	☐	☐
3. To re-appoint Messrs. PricewaterhouseCoopers as the auditors of the Company and to audit the financial statements for the ensuing year and authorise the Directors to fix their remuneration.	☐	☐
4. To declare a final dividend for the financial year ended 31st March 2013 as recommended by the Board.	☐	☐
5. To consider and if thought fit to pass the following revisions to the employee share ownership scheme established by the Company with the approval of the shareholders of the Company by special resolution passed on 31st March 2011 ("the ESOP"), as a Special Resolution:-	☐	☐

Special Resolution

(a) revision of the price at which shares in the Company will be issued upon the exercise of the share options granted by the Company to identified employees under the ESOP, from Rupees Fifteen (LKR 15/-) per share to Rupees Nine Cents Sixteen (LKR 9.16) per share being the volume weighted average price of the shares of the Company for the thirty (30) day period prior to the grant of the options which took place on 5th February 2013;

(b) revision of the exercise period of the options granted under the ESOP from the period commencing on 31st May 2013 and ending on 30th November 2013 to the period commencing on 31st May 2014 and ending on 31st August 2014 so that the employees to whom the options have been granted may exercise such options on or after 31st May 2014 until 31st August 2014.

6. To authorise the Directors to determine contributions to charities .

Signed this ……….. day of …………… 2013

……………….................

Signature/s

Note: Instructions as to completion are noted on the reverse hereof.

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name, address and sign in the space provided. Please fill in the date of signature.

2. Please return the completed Form of Proxy to the Company after crossing out one or the other of the alternative words indicated by the asterisks on the body of the Form and by indicating with an 'X' in the space provided against each resolution, the manner in which you wish your vote to be cast.

3. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him.

4. In the case of a Corporate Member, the form of Proxy must be completed under its Common Seal, which should be affixed and attested in the manner prescribed by the Articles of Association.

5. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by the Articles of Association.

6. The completed Form of Proxy should be deposited at the Registered Office of the Company, Block D8 – D14, Seethawaka International Industrial Park, Avissawella not less than forty eight (48) hours before the appointed time for meeting

7. If there is any doubt as to the manner in which the proxy should vote by reason of the manner in which instructions in 2 above have been carried out, the proxy holder will vote as she/he thinks fit.

8. A shareholder appointing a proxy (other than a Director of the Company) to attend the meeting should indicate the proxy holder's National Identity Card (NIC) number on the Form of Proxy and should instruct the proxy holder to bring his/her National Identity Card to the Meeting.

CORPORATE INFORMATION

Name
Textured Jersey Lanka PLC

Legal Form
A public quoted Company with limited liability, incorporated on 12 July 2000.

Company Registration No.
PV 7617 PB/PQ

Stock Exchange Listing
The issued Ordinary Shares of the Company was listed on the Main Board of the Colombo Stock Exchange of Sri Lanka on 9 August 2011.

Registered office
Block D8 – D14, Seethawaka International Industrial Park, Avissawella, Sri Lanka

Director
Mr. Wing Tak Bill Lam – Chairman
Mr. Mohamed Ashroff Omar
Dr. King Man Clement Lam
Mr. Hasitha Premaratne
Mr. Kang Po Tsang
Mr. Amitha Gooneratne
Prof. Malik Ranasinghe

Secretaries
Corporate Services (Private) Limited
216, de Saram Place,
Colombo 10.
Sri Lanka.

Auditors
PricewaterhouseCoopers, Chartered Accountants
P.O. Box 918, 100, Braybrook Place, Colombo 2, Sri Lanka.

Attorneys
F J & G de Saram
Attorneys-at-Law
216, de Saram Place,
Colombo 10.
Sri Lanka

Bankers
Bank of Ceylon
Commercial Bank of Ceylon PLC
The Hongkong and Shanghai Banking Corporation
Standard Chartered Bank
National Development Bank PLC

Investor Relations
Hasitha Premaratne / Kishan Gunawardena
Brandix Lanka Ltd.

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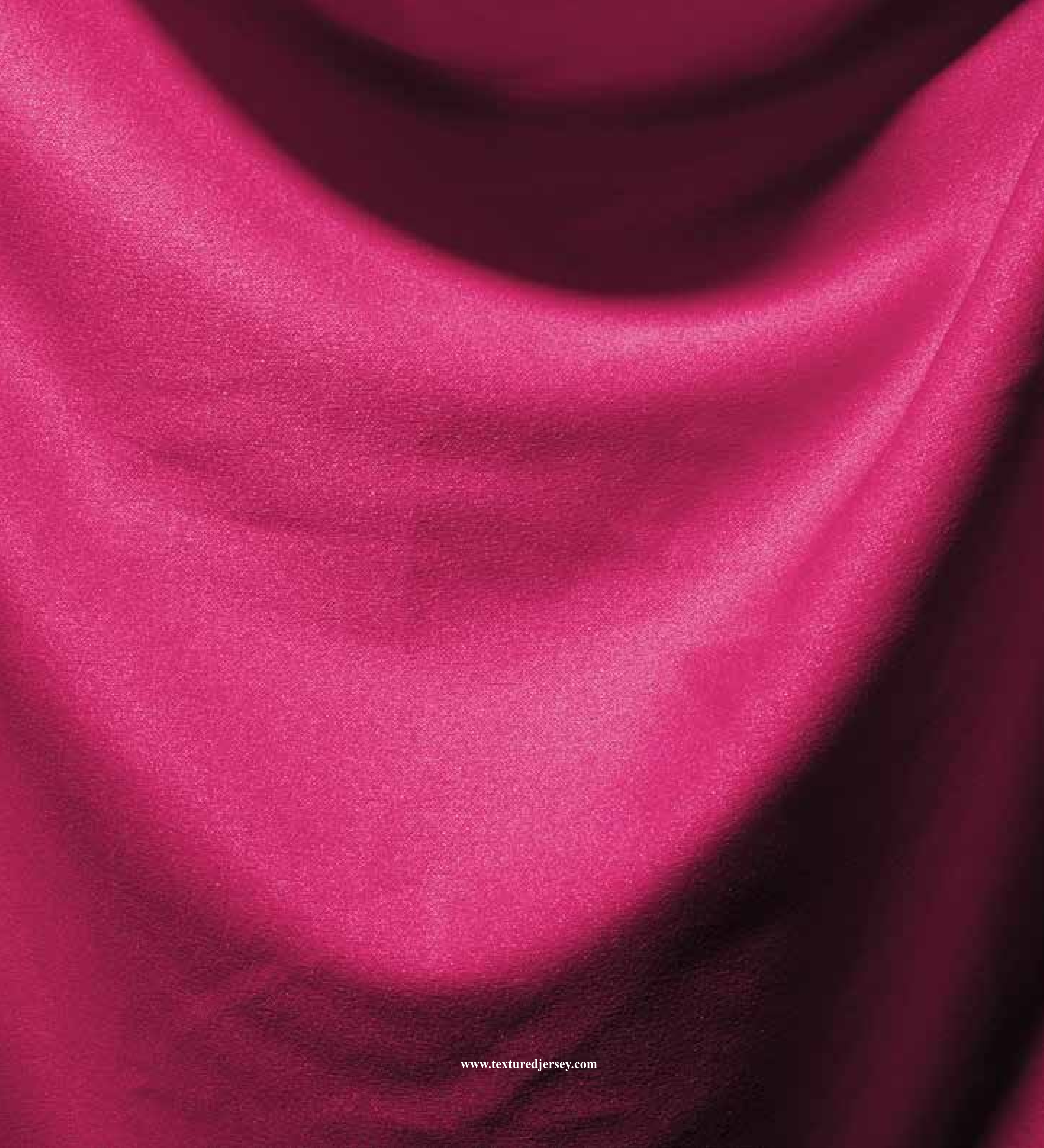
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