textured jersey

Annual Report 2011-2012

Our success is the *Fabric* we create
and our *Team* is the thread that runs through it...

Our undying passion drives us to redefine sophistication, as we explore the edge to the advancements of the latest technology and trends.

Consumer-Centricity is our continuous drive.
Sustainability is our oath and our promise.
Hi-Tech innovation and ideas are our areas of expertise.
To be the textile hub of South Asia is our mission.

textured jersey

Textures of Perfection.

Contents

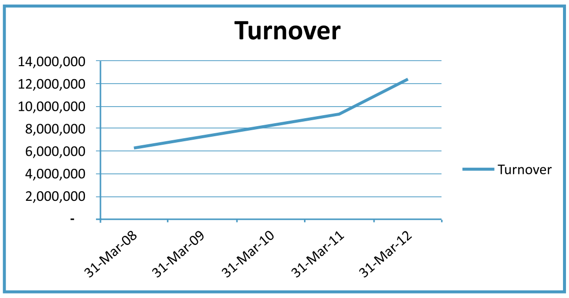
Financial Highlights

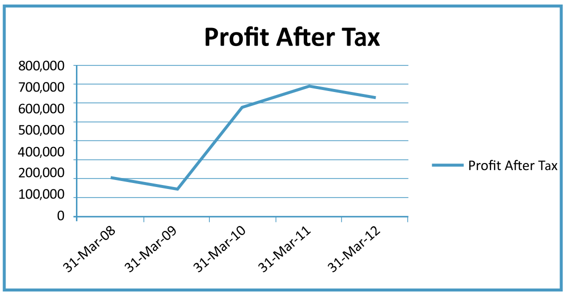
	2012 Rs. '000	2011 Rs. '000	Charge %
Operations			
Turnover	12,236,724	9,284,583	31.80%
Profit from Operations	828,043	730,824	13.30%
Finance Costs - net	166,973	24,973	568.61%
Profit after Taxation	628,029	684,732	(8.28%)
Balance Sheet			
Non Current Assets	2,746,027	2,677,212	2.57%
Current Assets	4,699,558	4,548,881	3.31%
Current Liabilities	1,830,899	4,157,317	(55.96%)
Non Current Liabilities	145,226	99,526	45.92%
Capital and Reserves	5,469,460	2,969,250	84.20%
Per Share Data (Rs.)			
Earnings per Share	1.00	1.19	(16.07%)
Closing Market Value per Share	7.20	N/A	N/A
P/E Ratio	7.20	N/A	N/A
Net Assets per Share	8.35	5.16	61.71%
Ratios			
Gross Profit Margin	10.86%	11.73%	
Net Profit Margin	5.1%	7.4%	
Return on Equity	11.32%	23.06%	
Return on Assets	8.43%	9.48%	
Return on Capital Employed	14.54%	23.81%	
Debt : Equity	0.03	0.03	
Interest Cover (times)	10.53	22.18	
Current Ratio	2.57	1.09	

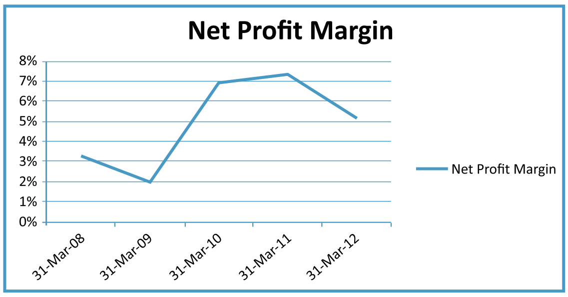
Five Year Summary

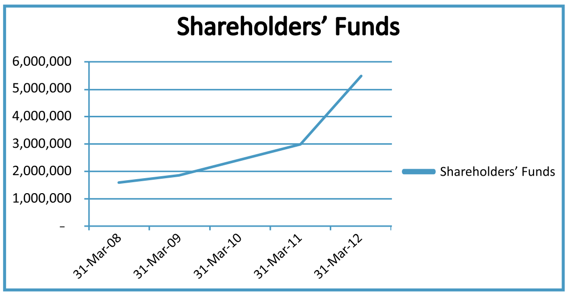
(All Amounts in Sri Lankan Rupees Thousands)

Five Year Financial Summary	**31-Mar-08 (15 Months)**	**31-Mar-09**	**31-Mar-10 (Restated)**	**31-Mar-11**	**31-Mar-12**
Trading Results					
Turnover	6,254,379	7,188,120	8,351,690	9,284,583	12,236,724
Profit before Taxation	204,316	144,548	580,362	705,851	661,070
Current Taxation	-	-	(2,882)	(21,119)	(33,041)
Profit after Taxation	204,316	144,548	577,480	684,732	628,029
Balance Sheet					
Stated Capital	1,597,229	1,597,229	1,597,229	1,597,229	2,749,266
Revenue Reserves	(208,120)	(63,572)	493,184	1,177,916	1,727,345
Other Reserves	222,011	336,149	314,437	194,105	992,849
	1,611,120	1,869,806	2,404,850	2,969,250	5,469,460
Non Current Assets	3,363,526	3,559,778	3,139,790	2,677,212	2,746,027
Net Current Assets/ (Liabilities)	142,451	336,506	940,187	391,564	2,868,659
Long Term Deferred Liabilities	(1,894,857)	(2,026,478)	(1,675,127)	(99,526)	(145,226)
	1,611,120	1,869,806	2,404,850	2,969,250	5,469,460
Key Indicators					
Annual Growth in Turnover	26%	44%	16%	11%	32%
Net Profit to Turnover	3%	2%	7%	7%	5%
Gearing	54%	52%	41%	3%	3%
Earnings per Share (Rs.)	0.28	0.25	1.00	1.19	1.00
Dividends per Share	Nil	Nil	Nil	Nil	0.48
Net Assets per Share at year end (Rs.)	2.80	3.25	4.18	5.16	8.35









Chairman's Message

The year under review was an eventful one for Textured Jersey Lanka PLC (TJL). The highlight of FY2011/12 was your company's Initial Public Offering (IPO) and its listing on the Colombo Stock Exchange (CSE). TJL was resilient to the turbulence in the external business climate and posted strong operational results, despite challenges such as volatile cotton prices, the Eurozone debt crisis and the sudden depreciation of the Sri Lanka Rupee. We are encouraged by this performance and believe it provides a platform for growth in the years ahead.

Operative Overview

Sri Lanka's apparel industry performed exceptionally well in 2011 recording the highest export revenue of US$ 4 billion, a 20% growth over the previous year. The main contributing factor to this growth was the relative stability of the economic climate in the country in comparison with several other supplier nations which were battling rising costs compounded by civil and labour unrest. Sri Lanka is not as yet competitive purely on price, but the industry continues to be attractive to brands focused on fast, reliable supply that is accompanied by an assurance of social and environmental accountability. The industry has consolidated its status as a resilient, reliable and innovative supplier for fast fashion and has emerged as a viable alternative to traditional fast fashion suppliers such as Turkey.

Export of knit products in 2011 grew by 24% to US$ 2.1 billion while exports of woven products recorded a growth of 16% to US$ 1.9 billion. Sri Lanka imported knit fabric to the value of US$ 359 million in the year reviewed.

An interesting trend observed during the year was a shift to more non-traditional markets. Exports to these markets accounted for 10% of the total, reflecting our efforts to diversify our markets.

As a region, South Asia continues to prove its mettle as a growth region with total apparel exports of US$ 41 billion in 2011 from US$ 34 billion in 2010, recording an increase of 23% over the previous year. Knit apparel exports in the region kept pace increasing from US$ 17 billion in 2010 to US$ 21 billion in 2011. Sri Lanka is enacting necessary legislation and developing the infrastructure to facilitate its positioning as a hub for the region, enabling the industry to harness the benefits of regional growth.

Company Performance

TJL posted a record turnover of Rs. 12.2 billion in FY2011/12 in comparison to Rs. 9.3 billion in the preceding year, generating top line growth of 31.8%. We believe this growth is attributable primarily to your company's policy of strengthening its customer base as well as its

longstanding relationships with key customers. A gradual recovery in the US economy also enabled us to increase volumes to that market. US GDP grew by 3.8% in 2011 and personal consumption of goods and services improved by 4.4%. In addition, unemployment declined to 8.5%. These encouraging numbers were reflected in TJL's performance with growth in revenue from a number of US brands including Victoria's Secret. Some price adjustments necessitated by the higher cotton prices in the first half of the year also contributed to the increased turnover.

Your company also maintained its strong relationships with customers in Europe, resulting in growth in revenue from customers such as Intimissimi and Decathlon, despite the negative climate in European Union (EU) economies, which reported dismal economic figures during 2011.

Net Profit grew 14% during the year to Rs. 780 million excluding one-off unrealised exchange losses of Rs. 152 million. This result was made possible by a number of cost saving exercises as well as process improvements carried out by your company. Net profit for the year including unrealised exchange losses stood at Rs. 628 million, a drop of 8% over the previous financial year. This is a noteworthy achievement in the context of the unprecedented volatility, particularly in the first two quarters of the year in the prices of cotton. The impact this commodity exerted on the business was reported on in our quarterly statements and needs no further elaboration.

Looking ahead, the sharp depreciation of the Sri Lanka Rupee should continue to help the company's operating performance, as its US Dollar denominated sales contracts with customers will generate improved profit margins.

Expansion

The previous green-field expansion plans of the company are now being looked at in a different light, and the management is actively pursuing its policy of inorganically expanding within the region via acquisition of an existing facility. Acquisition of operational facilities, which may be now available at a reasonable price following last year's industry upheavals, should provide a faster return than organic expansion, thereby optimizing yields on the IPO funds.

Furthermore, the recent fuel price hike, which resulted in an increase of Rs. 40 per litre in the price of furnace oil, has forced us to re-look at our energy sources. In this respect, management is evaluating options for an alternative energy source, including but not limited to coal and bio-mass, which will require an investment into the relevant technology. Such an investment would enable your company to enjoy substantial savings to its future energy cost.

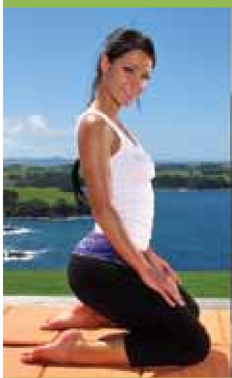
Looking Towards the Horizon

In line with our declared policy of distributing at least 1/3rd of profits to shareholders, your company has declared a total dividend of Rs. 0.48 per share out of its profits for the year under review. This amounts to a total dividend pay-out of Rs. 314.4 million which is 50% of TJL's net profit of Rs. 628 million for the year. The management believes the next financial year whilst being challenging will be profitable for the company. The year will, no doubt, have its share of uncertainty given the global economic climate, but we are confident that TJL is well placed to manage such turbulence through its well-founded relationships and a dedicated work force.

Ashroff Omar
Chairman

Our Customers

Customer-Centricity is our continuous drive. Our reliable corporate principles and responsible methods of operation give supreme importance to the concerns of our customers.



VICTORIA'S SECRET

MARKS & SPENCER

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TEZENIS intimo

Textured Jersey has secured and built relationships with some of the most elite brands in the world which have not only revolutionized the course of the industry, but have also pioneered in changing thought and lifestyles.

FILA DECATHLON TESCO DBApparel

Board Directors

Mr. Ashroff Omar - 01
Professor Malik Ranasinghe - 02
Mr. Kam Chuen Mau - 03
Dr. King Man Clement Lam - 04
Mr. Amitha Gooneratne - 05
Mr. Dave Ranasinghe -06
Mr. Wing Tak Bill Lam - 07


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Board Directors (contd.)

Mr. Ashroff Omar
Chairman

Mr. Ashroff Omar is a Director of Phoenix Ventures Ltd. the holding company of Brandix Lanka Ltd. He also serves as Director in many of its subsidiaries across the Brandix Group.

A frequent spokesperson for the apparel industry, Mr. Ashroff was founder Chairman of The Joint Apparel Association Forum (JAAF) – the apex body of the apparel industry, primarily involved in driving strategy for the industry. He was also the former Chairman of The Sri Lanka Apparel Exporters Association.

He is a Director of NANCO (Pvt) Limited which is the pioneering nanotech park in Sri Lanka for initiating and researching nano-technology. He is also the Chairman of the Export Development Board (EDB), Advisory Committee on Garments and a member of the EDB Advisory Committee on Export Market Promotion.

He is Hon. Consul General of the Republic of Finland since March 2007, a Chartered Member of The Textile Institute International, United Kingdom and a Senior Member of the Society of Plastics Engineers, Connecticut, USA.

Mr. Wing Tak Bill Lam
Director

Mr. Lam is the CEO of Pacific Textiles and he 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.

Dr. King Man Clement Lam
Director

Dr. Lam has been a senior executive of Pacific Textiles since 2008. He is responsible for overseeing manufacturing, research and development of Pacific Textiles and its affiliate companies. He has over 30 years of experience in the textile, garment, dyeing and finishing industry. He obtained a PhD 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.

Professor Malik Ranasinghe
Independent Director

Prof. Malik Ranasinghe is a Senior Professor in Civil Engineering at the University of Moratuwa, Fellow Chartered Engineer and International Professional Engineer of the Institution of Engineers Sri Lanka, Fellow member of the National Academy of Sciences Sri Lanka, and independent non-executive Director of Sampath Bank PLC, Hemas Power PLC and Access Engineering PLC. He is the immediate former Vice-Chancellor of the University of Moratuwa, former 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, and 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 with the Sri Lanka Association for the Advancement of Science (SLAAS) General Research Committee Award in 1999 for Outstanding Contribution to Sri Lankan Science and Trinity Prize for Engineering for 2004 in recognition of the outstanding contributions made to his chosen profession.

Mr. Amitha Gooneratne
Independent Director

Mr. Amitha Gooneratne has held several senior positions at Commercial Bank of Ceylon PLC and was appointed as the Managing Director subsequently. 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. and is the current Vice-Chairman of the Sri Lanka Banks' Association (Guarantee) Ltd. He is also the Managing Director of Commercial Development Company PLC, a Public Quoted Company listed in the CSE and is also the Chairman of Commercial Insurance Brokers (Pvt) Limited. He was also nominated to the Board of Sri Lankan Air Lines during 2002–2004 by the Government of Sri Lanka.

On his retirement, Mr. Gooneratne, assumed duties as Managing Director of Melstacorp Limited, which is a 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.

Mr. Dave Ranasinghe
Director

Mr. Dave Ranasinghe is the Managing Director of Seeds Intimate Apparel India (Pvt) Ltd. which is a joint venture between four major organizations related to the global apparel industry. He is also a Director of Brandix Apparel Limited and Comfortwear (Private) Limited.

He was formerly the Managing Director of Bodyline (Pvt) Ltd and held Board level positions at MAS Holdings, MAS Apparel, Intimate Fashions, MAS Research & Innovation, MAS Intimates and MAS Investments.

He was adjudged the CEO of the Best Employee Involvement Organization at the National Convention on Quality & Productivity in 2002 by the Sri Lanka Association for the Advancement of Quality & Productivity and also awarded the Most Outstanding Citizen Award 2003 by the Lions Clubs International, District 306A, Sri Lanka in recognition of his superlative contribution in the field of Industry & Business Management. A visiting lecturer for the MSc Programme in Textile, Clothing & Management of the University of Moratuwa on Strategic Management. He is a Fellow member of the Chartered Institute of Management Accountants, United Kingdom and has also received extensive executive education at Ashridge Management College, UK and National University of Singapore.

As an environment-conscious team, we place great importance to emphasize the necessity of safeguarding our planet not merely to survive, but also as an investment for future generations.

We are able to adapt to the fast paced innovative activity 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.

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Management Review

Textured Jersey Lanka PLC enjoyed an eventful FY 2011/12, which brought about new opportunities and its share of challenges. The year also placed the company on a new footing, with its Initial Public Offer, and subsequent listing on the main board of the Colombo Stock Exchange. Operationally the Company has achieved positive returns whilst recording growth in year on year performance. The Company made a landmark USD 100 million revenue last year to become the first in Sri Lanka to do so.

Strong Performance

Revenue for the full year was Rs. 12.2bn in comparison with Rs. 9.3bn for the previous year. This is a growth of 31.8%, which is a result of the marketing and product strategy to offer more value added services whilst building on the customer relationships to partner on the raw material price increases. A key initiative in the marketing strategy of the Company was to align the product and service offerings in line with the customer strategies. Partnering with M&S on some of its key initiatives on Plan A is an example. TJL also won many value added programs from its key customers, which generated better revenue as well as profitability. The increase in cotton price was also partially passed on to our customers via price increases, thereby contributing towards revenue growth. Cotton futures almost doubled during 2010, to reach an all-time high of US$ 2.2/lb in March 2011. However during the latter period of 2011, cotton prices dipped rapidly ending the year more than 50% below the all-time high figure recorded during March 2011. This erratic movement in prices resulted in cotton becoming one of the worst performing commodities in 2011. This is an unprecedented volatility for cotton as a commodity, which for over a decade has been relatively stable in price movements, in comparison to other commodities on the market. *(Refer C 1)*

GP margin of TJL was impacted heavily by the cotton price volatility during the year reaching a low of 5.9% during Q2 of FY 2011/12 and a high of 16.6% during Q4. The year closed at a GP margin of 10.9% which was assisted by the reduction in cotton prices during the latter part of the financial year. The management undertook a number of steps to manage challenges with regard to inventory management and price negotiations in the wake of these swings in price levels of cotton, and ensured that gross profit was not adversely affected. Although the Company improved the gross profit margin at the end of the year the high cotton prices resulted in it recording a margin below the mark of 11.7% recorded during FY 2010/11. Gross profits for the year recorded an improvement of 22.1% to Rs. 1.3bn in comparison to FY 2010/11. *(Refer C 2)*

SD&A overheads for the year stood at Rs. 501.9mn. This is 4.1% of the revenue generated during the year and is an increase from 3.9% of revenue during the FY 2010/11. However, the benefits accrued through the efforts of the management in areas of productivity and inventory management, which enabled a higher gross profit assisted in negating this increase in SD&A overheads. This supported a growth in operating profits of TJL by 13.3% to Rs. 828.0mn in comparison to Rs. 730.8mn during FY 2010/11. The latter part of FY 2011/12 saw an unprecedented increase in the price of furnace oil as well as other crude oil based fuels. This increase will lead to a significant impact to TJL's energy costs which will be a challenge for the management in FY 2012/13. A number of alternative energy sources are being considered including a bio mass/coal boiler, which we believe will assist us in negating this adverse impact.

Net finance costs for the full year stood at Rs. 167.0mn in comparison to Rs. 25.0mn for FY 2010/11. Although this appears to be an extraordinary growth during the year, finance costs for the year includes an unrealised exchange loss of Rs. 152.2mn. This exchange loss arose from the sharp and unexpected devaluation of the LKR during the budget speech presented to Parliament at the budget reading of November 2011 and its subsequent depreciation over the latter part of FY 2011/12. Excluding this unrealised loss net finance costs have declined to just under Rs. 15mn during the year which is a reduction of approximately 40%. The reduction in current borrowings of TJL from Rs. 2.3bn to Rs. 0.7bn had a significant impact on this reduction of net finance costs, while effective working capital management too contributed to the reduction. Better working capital management was also instrumental in improving the Company's cash position as at 31 March 2012 to Rs. 1.3bn. Net profit for the Company for FY 2011/12 was Rs. 628mn which is a drop of 8.3% over the previous year. This reduction arose almost entirely through the unrealised exchange loss. Excluding this loss the Company has recorded a net profit of Rs. 780mn which is a growth of 13.9% over the previous year.

Operationally the Company has attempted to go beyond the traditional confines of a fabric manufacturer and move towards becoming a total solutions provider, by working closely with its customers on design aspects as well. The Company's sponsorship of the Sri Lanka Design Festival (SLDF) as its fabric partner was another step in this direction. Students of the Academy of Design presented a range of evening wear at the festival, which was produced using textile by TJL. In being involved with an event of this nature TJL was able to introduce, local talent to the larger stage, which is a step towards improving the national design capability. TJL believes in producing textures of perfection, which is a belief and concept that runs through the Company's value chain.

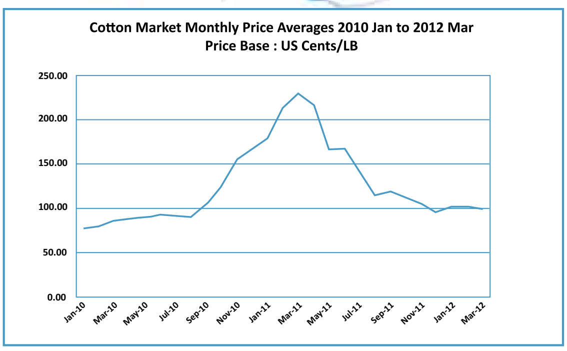
Sustainability

TJL is committed towards environmental sustainability and understands the importance of preserving the environment and resources consumed. Accordingly the Company has commenced working towards obtaining ISO 14064-1 Certification on Green House Gas (GHG) emissions, to ensure that its impact on the environment is minimal. This standard provides businesses with a set of tools for programmes aimed at measuring, quantifying and reducing GHG emissions and enables them to take part in emissions trading schemes using a globally recognised standard.

TJL constantly looks towards solutions beyond cotton. Accordingly the Company actively uses alternatives which offer a higher value proposition to the consumers, such as Viscose, Modal and Micro-modal in production. TJL actively looks at the usage of such substitutes in its design process as a total solutions provider to its customers.

The Company actively promotes the employment of youth from the villages surrounding its production facility in Avissawella, with a view to empowering the development of these individuals as well as the communities in which they belong to. A key factor for the success of the Company has been the PEOPLE. TJL has been successful as part of its social sustainability initiatives has been to develop and bring together the community in which it operates. Recently the TJL cricket team consisting entirely of the employees from the village were able to compete and excel as the champions of the MCA "D" Division 50 over tournament whilst similar achievements have been achieved in the Volleyball arena.

The management of the Company remains steadfastly committed towards achieving operational excellence with a view of improving year on year returns. Whilst ensuring that the Company achieves tangible growth the management of TJL will continuously ensure that it meets its responsibilities towards the environment as well as towards its stakeholders.



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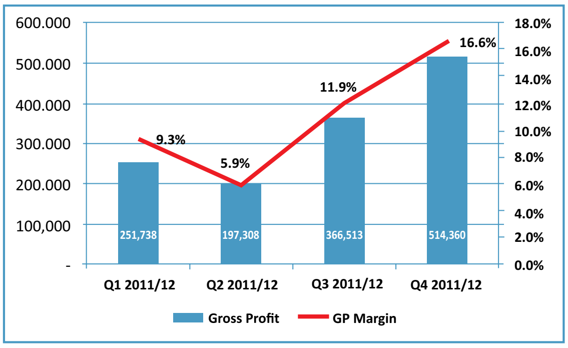

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Executive Committee

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.

Pubudu De Silva

General Manager - Production

Mr. De Silva has over 22 Years of experience in Apparel and Textile industry of which 11 years directly manufacturing experience in the textile industry. Prior to joining at TJ he was the Head of Planning at Slimline - Pannala. He holds a Masters in Business Administration from University of Lincoln (UK), A Masters In Manufacturing Management from University of Colombo (Sri Lanka) and a Diploma in Business Administration – University of Colombo (Sri Lanka). 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

Mr. Arland has total experience of 15 years in the industry of which he has spent five years in managerial positions. He joined TJL in 2001 and is responsible in overlooking Marketing and Merchandising, Planning and Supply Chain Operations. He is holding a postgraduate degree in Marketing and has won an ISO recognition award. Prior to joining the company he was a Senior Merchandiser at Bangkok Phaisarn Textiles.

Sajith Govinda Wickramaarachchi

General Manager – Human Resource and Administrations

Mr. Wickramaarachchi has total work experience of over 31 years in the industry of which he has spent over 16 years in managerial positions. Prior in joining the company he has worked as a Welfare Service Manager, Trainee Service Manager, Employee Relations Manager and an Operations Manager at Ceylon Tobacco Company. He has also worked as the Manager, HR and Administration at Virtusa, General

Manager - HR and Administration at LoadStar (Pvt) Ltd and as consultant HR personnel at Bank of Ceylon. He was instrumental in winning the Silver award for the company at the National HR awards in 2010. He is also a member of the Institute of Certified Professional Managers. He has an EDBA from the University of Colombo, Sri Lanka and is currently reading an HR specialized MBA at the University of Colombo, Sri Lanka.

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 Hayley's-MGT Textiles PLC. He has an NDT in Textile & Clothing Technology from the University of Moratuwa and 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).

Zhu Hua Jeff

Senior General Manger – Production

Mr. Zhu has a total work experience of over 22 years in the industry of which he has spent 14 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.

Moiz Rehmanjee

Chief Financial Officer

Mr. Rehmanjee has over 14 years experience of which over 5 years has been in Senior Managerial positions in the areas of Finance, Advisory, Branding and Supply Chain in a range of industries. At Textured Jersey his responsibilities entail overall Financial Management, Annual Strategic Planning and Working Capital Management. He is a member of the Institute of Chartered Accountants of Sri Lanka, Chartered Institute Management Accountants (UK) and Association of Chartered Certified Accountants (UK). Prior to joining the Company he had held managerial positions at KPMG, and senior managerial positions in the Hemas Group.

Senior Management

Kapila Wijesekara
Manager-Supply Chain

Janaka Senevirathne
Manager-Engineering

Lalith Athapaththu
Manager-Planning

Manjula Thushara
Manager-Finance

Randeer Mendis
Manager-Inventory Control

Our operational team is responsible for achieving our Company's goals which has resulted in the prodigious heights we have reached and continue to challenge.

Somasiri Manage
Manager-Quality Assurance & Development

Upul Nallaperuma
Manager-Knitting Operations

Samadhi Weerakoon
Manager-Business Development

Samantha Morawatta
Manager-Color Technology and Printing

Shamil Fernando
Manager-Customer Care

Eric See
Manager-Knitting

Linkesh Ratnasamy
Manager-Information Technlology

We function in an organizational culture that thrives on the exuberance and the spirit of our young and focused team. Their unwavering commitment and positive vigour keeps our company fresh and active.

Indunil Nimalaruwan
Manager-Quality Operations

Laxman Warnasiri
Manager-Dyeing Operations

Kolitha Thilakarathna
Manager-Finishing

Risk Management

Risk Management is the process of understanding and managing the risks that are faced by an entity in attempting to achieve its objectives. The risk management framework of Textured Jersey Lanka PLC takes into account the internal and external risks assessed through an analysis and identification process in which these risks are recorded in a risk grid. The risk grid is updated at least annually. The management team attempts to eliminate or manage the risks through an assessment of the likelihood of exposure and the impact of each risk. The type of risk, the risks under those types of risks identified during the risk assessment process and how the company attempts to manage these risks are given below.

Corporate Risks

Under Corporate Risks, your company has identified the risk of 'Company failing to achieve corporate objectives', Stakeholder Reputation Risk which is the risk of 'Company failing to deliver stakeholder expectations', Competition/ Industry Risk which is the risk of 'Threats to the margins, market share or competitiveness', Regulatory/Compliance Risk which is the 'risk of generating negative goodwill, penalties or other action due to non-compliance' as being the likely risks that are significant for consideration.

Operational Risks

Under Operational Risks, your company has identified the following risks as being risks significant for consideration.

- Socio Economic Risk: Risks associated with operating in the current socio-economic environment
- Political Risk: Risks associates 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 break even capacity
- Claims Risk : Risk of claims, penalties, rebates, etc. due to operational inefficiencies and 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 levels 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 useable

The risks identified above are managed perpetually through a system of internal controls. Internal control systems include policies and standard operating procedures to ensure 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 in place.

Corporate Social Responsibility

Our Pledge to Mother Earth

"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."

Philanthropy is a philosophy that is embedded in our organizational culture. With cutting-edge innovation at the forefront of our corporate strategies, we have realized the importance of working towards the upliftment of social welfare. Since its inception, TJL has dedicated itself to the development of communities in Avissawella. It all began with a project designed to renovate the Avissawella Base Hospital. Today, we have broadened our philosophy to embrace the larger concept of sustainability. Going beyond CSR, our commitments have expanded to include economical and environmentally conscious development. Our focus is primarily aimed at building a better world. The importance of building sustainable relationships with our employees has created a three dimensional approach to our Corporate Social Responsibilities: the Employee, the Environment and the Society. With the aim of knitting a sustainable future, we have undertaken initiatives in the following areas.

Climate Control

At Textured Jersey, we have gained considerable ground in helping to conserve natural resources and reduce carbon footprint by implementing internal projects. These aim to control energy and power consumption through effective controls in generators, compressors and AV chillers. It also includes performing flash steam recovery to limit energy loss.

In our endeavor to assist the conservation process of natural resources, we have implemented various key strategies to affirm our enthusiasm to reduce carbon footprint by controlling energy and power consumption within our factories through effective control in generators, compressed and AV chillers, incorporating the flash steam recovery system and establishing the "Green Team" – a group dedicated to monitoring the above controls.

Corporate Social Responsibility (contd.)



Waste Management

As part of our commitment to protecting the environment, all factory-generated effluent is treated in a two-stage process. Firstly, the effluent is treated chemically in the factory treatment section, and thereafter it is discharged into the investment zone effluent treatment system, where it undergoes biological treatment. Waste water is also treated similarly and waste heat is recovered by way of plate heat exchange.

Textured Jersey has further moved to recycling and reprocessing raw material cotton products and white and grey yarn while re-using packing material and polythene packs, which has adverse effects on the sustainability of the environment

Sustainable Raw Materials

We are pioneers in the use of sustainable raw materials, including:

- Fair trade cotton
- Organic cotton
- Soya bean fibre
- Man-made eco friendly fibre

Fair Partner

Our partners can be proud of us because at Textured Jersey we engage in Fair Trade practices, and subscribe to the international social accountability standards under the SA 8000 declaration.

We are also the first mill in the region to provide our partner Marks & Spencer with BETTER COTTON, thus becoming a strong ally in their sustainability programme.

Corporate Social Responsibility (contd.)

Caring Employer

As an employer, we strive to maintain mutually satisfying relationships with all our employees. Thus, we engage in continuous training and development, regularly monitor the work environment, provide annual health checks for employees and supply protective equipment to all our factory workers. Further, we regularly conduct awareness programmes to maintain internal health and work safety.

Caring Corporate Citizen

Textured Jersey takes great pride in supporting and lending a helping hand to the community in building a sustainable future for us all. From large scale humanitarian assistance projects such as providing volunteer services and financial assistance for rebuilding tsunami-struck homes, renovation of the Avissawella base hospital to supporting and maintaining the mentally handicapped children at Jayaviru Sevana, the employees take a hands-on approach in all these projects to help bring a smile to the faces of our community.

Recognitions

In recognition of our commitment to our people, planet and partners, our achievements have been rewarded:

- National Safety Award in 2008
- National HR Award in 2010 Silver award
- SA8000 certification for Social Compliance
- National Energy Efficiency Award in 2010 for large scale manufacturing plants
- OEKO Tex Certificate since 2007

Corporate Social Responsibility (contd.)

A Greener Tomorrow

Green is not just a color that we embed in the textures we create. At Textured Jersey we recognize and value the necessity of being environmentally caring and responsible, not just to survive, but as an investment for our future generations. This is a philosophy we follow within our company, in our endeavour to contribute to the environment in which we function, which inspires us and assists us to deliver material of superior quality produced with the efficient use of cutting edge technology.

Having submitted our first report this January, Textured Jersey became one of the very few companies in Sri Lanka to volunteer in the very first Green Reporting System which inherited GRI Reporting Indicators. At Textured Jersey, we adopt the triple bottom line approach to sustainability, focusing on social, economic and environment.

Functioning within an industry that is recognized for causing severe pollution, Textured Jersey administers great importance to contributing towards a sustainable tomorrow. For this purpose, we implemented a method to calculate our emissions while complying with the ISO 14064 Environmental Standards on monitoring and reducing Greenhouse Gas emissions. This initiative is one of the many other steps that we have taken in our effort to creating a sustainable future. It is our pride to highlight that we are the very first company in Sri Lanka to initiate and adhere to the GHG emission standards.

Selecting 2009/2010 as our base financial year till 2011/2012, Textured Jersey was faced with many obstacles during our commitment to achieve ISO 14064-1. Having completed the first two years calculating the GHG emissions consisting of CO_2, CH_4, N_2O and refrigerants, our findings produced extremely satisfactory results. We have succeeded in reducing a drop of GHG emission per fabric meter in comparison to the previous year. The results obtained were compared with a fellow textile mill, where we learnt that no other large scale textile mill has been successful in achieving this feat. Textured Jersey is also actively engaged in projects to reduce GHG emissions generated from electricity, furnace oil, waste disposal and transport.

"It is a passion for us! We believe that we need to be proactive rather than reactive when preserving this world for our loved ones who will inherit this place we call home!"

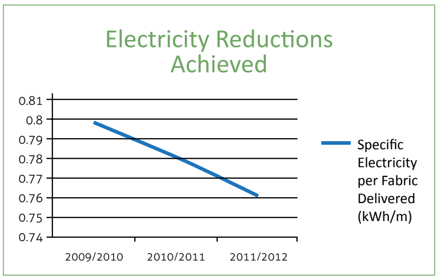
Rasika Gunawardana,
the Environmental Engineer spearheading the green drive at TJ.

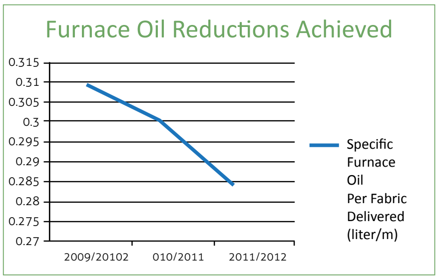
Corporate Social Responsibility (contd.)

Textured Jersey always strives to achieve excellence through continuous improvements and innovations blended into its operations. In keeping with our sustainability oath, we have succeeded in achieving remarkable reduction rates through the efficient use of furnace oil and electricity. As procedure in our mission to reduce the consumption of electricity, we monitored the efficient running of chillers, optimized the air compressor usage and introduced inverters. These strategies recorded a 2.5% reduction each year.

In order to achieve notable reductions in specific furnace oil consumption, Textured Jersey made further improvements to its sustainability processes. With 100% condensate and flash steam recovery systems in place, we optimized the supply pressure through trials and upgraded our waste heat recovery system. These upgrades brought about a 6% reduction in furnace oil consumption during the past financial year. Furthermore, Textured Jersey recorded a reduction of 2.2% in the amount of kilometers done per head during the financial year of 2011/2012 by employing fuel efficient means such as carpooling etc.

We uphold the importance of being proactive in our mission to preserve the environment. This is more than just a corporate objective at Textured Jersey. This is our passion.





Green is more than just a colour. It is our responsibility. A responsibility we undertake with austerity to fulfill the duties we owe to our environment and our society by protecting and restoring the fast decaying world around us.

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 of 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.

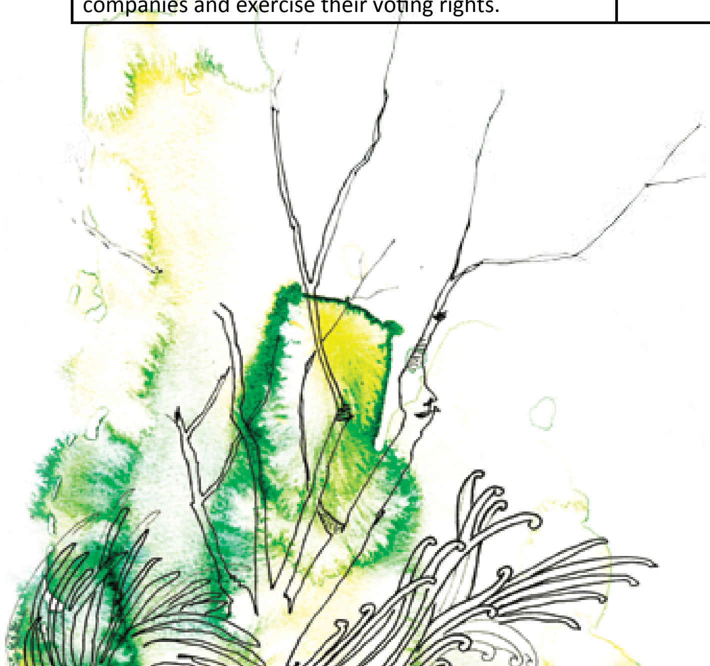
Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
A: DIRECTORS		
Principle A.1 - Every public company should be headed by an effective Board, which should direct, lead and control the Company.	Compliant	TJL PLC is headed by a seven member Board of Directors of which two are Independent 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 of 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.

Corporate Governance (Contd.)

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
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.
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 independent 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 this information.
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 compliance 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 Annual Reports.
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 organization.

Corporate Governance (Contd.)

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
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.
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 and the management.
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.
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.



Building Character in Times of Leisure

Mercantile Cricket at Textured Jersey was initiated six years ago as a part of the Company's continuous journey to increase the quality of life of both the internal and the wider community. This endeavour was launched with the intention of encouraging budding cricketing talent from the outskirts of Colombo, granting them the opportunity to perfect their skills and discover a world of potential. The cricket team comprises of not the professional cricketers but driven and talented youth from outstations. We at Textured Jersey are on a constant mission to discover, identify and provide exposure to the cricketing arena to the youth from these areas.

The unprecedented talent of these young cricketers was proven in 2011, when Textured Jersey PLC created history in Mercantile Cricket in Sri Lanka by becoming the only team to have won the championships in two different divisions within the same year. Maintaining an unbeaten record by winning all ten matches played in *Division F,* Textured Jersey moved on to beat Aitken Spence in the Final and emerged victorious as Champions of the first half of 2011. Textured Jersey also emerged overall champions of *Division D* winning the Final against Softlogic Holdings PLC. Having won fifteen out of sixteen matches played during this calendar year, Textured Jersey continued to maintain an unbeaten record until the Semi-Finals in *Division B.*

Helping the Future of Design

Bridging the gap between the creative and talented youth of Sri Lanka and the technologically advancing apparel industry, Textured Jersey expanded the parameters of its sustainability activities by awarding a special scholarship to Matheesha Palihawadana, a final year fashion student at the Academy of Design (AOD). This prestigious sholarship for higher education was presented to Matheesha by Mr. Shehan Witharana, the former Director - Operations of Textured Jersey, at the Sri Lanka Design Festival's 'Young Designers Fashion Show 2011'. Matheesha was deservingly rewarded for the display of exceptional creativity, skill and fabric research in his creative pattern making focused fashion collection.
British fashion designer and AOD Principal Karen MacLeod stated that Matheesha combines his understanding of global trends & Sri Lankan heritage, using draping inspired from Kandyan sarees and traditional sarong styles; "This revolutionary combination of local and international styles and technical craftsmanship together with TJ's visionary, high quality fabrics make a recipe for a perfect marriage between young creative Sri Lankan designers & apparel industry excellence."

AOD and Textured Jersey have worked together in several projects that bring out the best of young talent and industrial technology.

AOD's fashion students worked on Textured Jersey's client brand position and design product ranges to develop and promote Textured Jersey fabrics in a Student Research and Development Project initiated by Textured Jersey. Working closely with our company, AOD students were also given the opportunity to showcase their fashion collections at *Expo 2011,* organized by the Sri Lanka Government's Export Development Board (EDB). AOD's 2nd year fashion students designed an Eco-Tshirt print that promoted Textured Jersey's sustainable corporate policy at the Sri Lanka Design Festival 2011. Furthermore, at Earth Walk Sri Lanka 2012, AOD's 1st and 2nd year students displayed a collection of designs and accessories created from Textured Jersey's waste fabric material.

Audit Committee Report

Composition

The Audit Committee comprises of two independent Non-Executive Directors one of which is the chairman of the Audit Committee and one Non-Executive Director.

Members of Audit Committee

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

Objectives

An Internal Audit Charter defining the purpose, objectives, responsibility and protocols, composition and frequency of meetings was established and approved by the Board. It also spells out the independence of the Internal Audit Function and the external audit process. The key responsibility of the Audit Committee according to the charter is the establishment and monitoring of the risk tolerance of the organization. The Audit Committee will perform the board oversight function in relation to the Financial Reporting process as well as ensure the adequacy and the effectiveness of the internal control environment, monitoring of compliance with the standards, laws and regulations and ensuring the independence of the external audit process of the organization.

Conclusion

The audit committee is satisfied that the internal controls and procedures in place for assessing and managing risks are adequate. It is of the view that the internal controls and procedures in place provide a reasonable assurance that the Company's assets 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 under review.

Sgd.
Mr. Amitha Gooneratne
Chairman - Audit Committee

Remuneration Committee Report

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 Audit Committee

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

Objectives

The objectives 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 organization to achieve strategic and operational objectives.

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 Medical Insurance and common transport.

Board of Directors

No Remuneration is paid to Non-Executive Directors other than the directors fees paid based on their participation at board meeting and other committee meetings.

Total fees and remuneration paid to Directors are disclosed in Note No. 7 to the financial statements.

Sgd.
Prof. Malik Ranasinghe
Chairman - Remuneration Committee

Annual Report of the Board of Directors

The Directors have pleasure in presenting to the members their Report together with the audited financial statements of Textured Jersey Lanka PLC for the year ended 31 March 2012.

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 21 June 2012.

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 47 of the annual report.

Financial Statements

The financial statements of the Company for the year ended 31 March 2012 which include the income statement, balance sheet, statement of changes in equity, cash flow statement and the notes to the financial statements are set out on pages 41 to 67 of the annual report.

Independent Auditor’s Report

Independent Auditors’ Report on the financial statements is given on page 42 of the annual report.

Significant Accounting Policies

The accounting policies adopted by the Company have been consistently applied from previous years except for actuarial valuation of the provision for defined benefit obligations by an independent actuary (Note 2.14).

Review of Business

The state of affairs of the Company as at 31 March 2012 is set out in the balance sheet on page 44 of the annual report.

Property, Plant and Equipment

The movements in property, plant and equipment during the year are set out in Note 13 to the financial statements.

Market Value of Properties

The Directors are of the opinion that the carrying amount of properties stated in Note 13 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 45 of the financial statements.

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.

Annual Report of the Board of Directors (Contd.)

Directors

The Board of Textured Jersey Lanka PLC 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 the end of the year:-

Mr. Mohamed Ashroff Omar	- Chairman and Non-Executive Director
Mr. Wing Tak Bill Lam	- Non-Executive Director
Dr. King Man Clement Lam	- Non-Executive Director
Mr. Kam Chuen Mau	- Executive Director
Mr. Dave Ranasinghe	- Non-Executive Director
Mr. Amitha Gooneratne	- Independent Non-Executive Director
Prof. Malik Ranasinghe	- Independent Non-Executive Director

Mr. Paul Kang Po Tsang, Mr. Mohamed Aslam Omar and Mr. Ajith Joseph Johnpillai retired from the Board with effect from 15 April 2011. The Board wishes to place on record the Company's sincere appreciation of the services rendered by Mr. Paul Kang Po Tsang, Mr. Mohamed Aslam Omar and Mr. Ajith Joseph Johnpillai.

Mr. Kam Chuen Mau, Mr. Dave Ranasinghe, Mr. Amitha Gooneratne and Prof. Malik Ranasinghe were appointed to the Board with effect from 15 April 2011 and in terms of the articles of association of the Company, Mr. Amitha Gooneratne and Prof. Malik Ranasinghe will offer themselves for re-election at the forthcoming Annual General Meeting.

Director's Interest in Shares

As at 31 March 2012, none of the Directors held shares in the Company.

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 28 to the financial statements.

Directors' Remuneration and Other Benefits

The remuneration and other benefits of the Directors are given in Note 7 to the financial statements on page 55.

Risk Management

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

Annual Report of the Board of Directors (Contd.)

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 29 to 31 of the annual report.

Stated Capital

The Stated Capital of the Company amounts to Rs. 2,749,265,770 consisting of 655,002,440 ordinary shares.

Dividends

During the financial year the Board approved the payment of an interim dividend of Rs. 0.12 per share to the shareholders which was paid on 15 March 2012. The Board of Directors recommend a payment of a final dividend of Rs. 0.36 per share for the financial year 2011/12 to the shareholders of the Company. The Board of Directors have obtained the certificate of solvency on the proposed dividend from the statutory auditors. As stipulated by Sri Lanka Accounting Standard No 12: *Events after the balance sheet date,* the proposed dividend is not recognized as a liability as at 31 March 2012.

Shareholdings

As at 31 March 2012 there were 13,312 registered shareholders and the twenty largest shareholders of the Company and the corresponding percentages held are set out in page 68.

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. 10 of 2006 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 authorizing the Directors to fix their remuneration and to audit the financial statements for the accounting period ending 31 March 2013 as recommended by the Audit Committee will be proposed at the Annual General Meeting.

The remuneration payable by the Company to the independent auditors is given in Note 7 to the financial statements on page 55 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.

Annual Report of the Board of Directors (Contd.)

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 the balance sheet date.

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 Rs. 1,831,260 during the year ended 31 March 2012 (year ended 31 March 2011 - Rs. 622,226).

Going Concern

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

Post Balance Sheet Events

No events had occurred since the balance sheet date and the approval of these financial statements, which would require adjustments to, or disclosure in, these financial statements.

For and on behalf of the Board,
Textured Jersey Lanka PLC.

Sgd.
Ashroff Omar
Chairman

Sgd.
Kam Chuen Mau
Director

Sgd.
Corporate Services (Private) Limited
Secretaries

22 June 2012

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Financial Reports

Independent Auditor's Report

Independent Auditor's Report
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 balance sheet as at 31 March 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 47 to 67.

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 2012 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2012 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) of the Companies Act, No. 07 of 2007.

22 June 2012
COLOMBO

CHARTERED ACCOUNTANTS

Income Statement

(All Amounts in Sri Lankan Rupees Thousands unless otherwise specifically stated)

	Notes	Year Ended 31 March 2012	Year Ended 31 March 2011
Sales	5	12,236,724	9,284,583
Cost of Sales		(10,906,806)	(8,195,116)
Gross Profit		1,329,918	1,089,467
Other Operating Income	6	Nil	7,889
Distribution Expenses		(93,462)	(78,665)
Administrative Expenses		(408,413)	(287,867)
Operating Profit	7	828,043	730,824
Finance Costs - Net	9	(166,973)	(24,973)
Profit Before Tax		661,070	705,851
Tax	10	(33,041)	(21,119)
Net Profit		**628,029**	**684,732**
Earnings Per Share - Basic (Rs)	11	**1.00**	**1.19**

The notes on pages 47 to 67 form an integral part of these financial statements.
Independent Auditor's Report is set out on page 42.

Balance Sheet

(All Amounts in Sri Lankan Rupees Thousands unless otherwise specifically stated)

	Notes	31 March 2012	31 March 2011
ASSETS			
Non-Current Assets			
Property, Plant and Equipment	13	2,592,635	2,473,360
Capital Work-in-Progress	14	16,646	71,527
Intangible Assets	15	45,017	50,871
Receivables and Prepayments	17	91,729	81,454
		2,746,027	2,677,212
Current Assets			
Inventories	16	1,949,075	3,215,671
Receivables and Prepayments	17	1,471,222	1,310,853
Cash and Cash Equivalents	18	1,279,261	22,357
		4,699,558	4,548,881
Total Assets		**7,445,585**	**7,226,093**
EQUITY			
Capital and Reserves			
Stated Capital	25	2,749,266	1,597,229
Exchange Equalisation Reserve	26	992,849	194,105
Retained Earnings		1,727,345	1,177,916
		5,469,460	2,969,250
LIABILITIES			
Non-Current Liabilities			
Borrowings	20	Nil	2,301
Deferred Tax Liabilities	22	72,772	43,071
Defined Benefit Obligations	21	72,454	54,154
		145,226	99,526
Current Liabilities			
Trade and Other Payables	19	1,173,698	1,897,909
Borrowings	20	657,201	2,259,408
		1,830,899	4,157,317
Total Liabilities		**1,976,125**	**4,256,843**
Total Equity and Liabilities		**7,445,585**	**7,226,093**

The Board of Directors is responsible for the preparation and presentation of these financial statements. These financial statements were approved for issue by the Board of Directors on 22 June 2012.

Signed on behalf of the Board on 22 June 2012.

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

Sgd.	Sgd.	Sgd.
Ashroff Omar	**Kam Chuen Mau**	**Moiz Rehmanjee**
Chairman	Director	Chief Financial Officer

The notes on pages 47 to 67 form an integral part of these financial statements.

Independent Auditor's Report is set out on page 42.

Statement of Changes in Equity

(All Amounts in Sri Lankan Rupees Thousands unless otherwise specifically stated)

	Notes	Stated Capital	Exchange Equalisation Reserve	Retained Earnings	Total
Balance as at 01 April 2010					
- As previously reported		1,597,229	314,215	516,790	2,428,234
- Effect of deferred tax provision	22	Nil	Nil	(23,384)	(23,384)
- Effect of movement in foreign exchange rates		Nil	222	(222)	Nil
- As restated		1,597,229	314,437	493,184	2,404,850
Net Profit for the year		Nil	Nil	684,732	684,732
Effect of movement in foreign exchange rates		Nil	(120,332)	Nil	(120,332)
Balance as at 31 March 2011		**1,597,229**	**194,105**	**1,177,916**	**2,969,250**
Balance as at 1 April 2011		1,597,229	194,105	1,177,916	2,969,250
Issue of shares at the Initial Public Offering (IPO)	25	1,200,000	Nil	Nil	1,200,000
IPO expenses	25	(47,963)	Nil	Nil	(47,963)
Interim dividend paid - 2011/12	12	Nil	Nil	(78,600)	(78,600)
Net Profit for the year		Nil	Nil	628,029	628,029
Effect of movement in foreign exchange rates		Nil	798,744	Nil	798,744
Balance as at 31 March 2012		**2,749,266**	**992,849**	**1,727,345**	**5,469,460**

The notes on pages 47 to 67 form an integral part of these financial statements.
Independent Auditor’s Report is set out on page 42.

Cash Flow Statement

(All Amounts in Sri Lankan Rupees Thousands unless otherwise specifically stated)

	Notes	Year Ended 31 March 2012	Year Ended 31 March 2011
Cash Flows from Operating Activities			
Cash generated from / (used in) operations	27	1,982,022	(168,987)
Interest received	9	72,626	1,375
Interest paid	9	(78,616)	(32,946)
Defined benefit obligations paid	21	(5,895)	(14,847)
Net cash generated from / (used in) operating activities		**1,970,137**	**(215,405)**
Cash Flows from Investing Activities			
Additions to capital work-in-progress	14	(67,894)	(81,485)
Purchase of property, plant and equipment	13	Nil	(23,439)
Purchase of intangible assets	15	Nil	(4,461)
Proceeds from disposal of property, plant and equipment		146	7,889
Net cash used in investing activities		**(67,748)**	**(101,496)**
Cash Flows from Financing Activities			
Proceeds from issue of shares	25	1,200,000	Nil
IPO costs	25	(47,963)	Nil
Dividend paid	12	(78,600)	Nil
Net movement in borrowings		(1,367,982)	(96,664)
Net cash used in financing activities		**(294,545)**	**(96,664)**
Increase / (decrease) in cash and cash equivalents		**1,607,844**	**(413,565)**
Movement in Cash and Cash Equivalents			
At start of year		(391,577)	21,988
Increase / (decrease)		1,607,844	(413,565)
At end of year	18	**1,216,267**	**(391,577)**

The notes on pages 47 to 67 form an integral part of these financial statements.

Independent Auditor's Report is set out on page 42.

Notes to the Financial Statements

(All Amounts in Sri Lankan Rupees Thousands unless otherwise specifically stated)

1. General Information

Textured Jersey Lanka PLC carries on the business of manufacturing and selling of weft knit fabrics. The Company is listed on the Colombo Stock Exchange and incorporated and domiciled in Sri Lanka. The address of its registered office is Block D8-D14, C V Gooneratne Seethawaka International Industrial Park, Avissawella. The Company has entered into an agreement with the Board of Investment in Sri Lanka (BOI) on 24 July 2000 and enjoys a tax holiday period of fifteen years from October 2001 under section 17 of the BOI Law, No. 04 of 1978. Accordingly, the tax holiday period will be expired on October 2016.

These financial statements have been approved for issue by the Board of Directors on 22 June 2012.

2. Summary of Significant Accounting Policies

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

The financial statements are prepared in accordance with and comply with Sri Lanka Accounting Standards. The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with SLASs requires the use of certain critical accounting estimates. It also requires management to exercise their judgment in the process of applying the Company's accounting policies.

The financial statements of the Company are prepared in USDs in accordance with and in compliance with Sri Lanka Accounting Standards and the conversion to Sri Lanka Rupees is performed in accordance with the recommendations made in the Sri Lanka Accounting Standard (SLAS) 21; *The Effects of Changes in Foreign Exchange Rates (Revised).* The procedures followed are as follows:

(a) Assets and liabilities for each balance sheet presented (including comparatives) are translated at the closing rate existing at the date of each balance sheet presented;

(b) Income and expenses for each income statement (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.

Foreign currency transactions of the Company are recorded at the average exchange rate prevailing in the month of the transaction. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the year end exchange rate, are recognised in the income statement.

2.2 Foreign Currency Translation

(a) Functional and presentation currency

The items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in "United States Dollar", which is considered the Company's functional and presentation currency.

Notes to the Financial Statements (Contd.)

2. Summary of Significant Accounting Policies (Contd...)

2.2 Foreign Currency Translation (Contd...)

(b) Transactions and Balances

Foreign currency transactions are translated into the reporting currency using the exchange rates prevailing at the dates of the transactions. 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 'Finance costs - net'.

2.3 Property, Plant and Equipment

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

(a) Measurement

The historical cost includes all costs directly attributable to bringing an asset to working condition for its intended use and significant renovations.

The 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 parts are derecognised. All repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

An asset's carrying amount is written down immediately to its recoverable amount if the carrying amount is greater than its estimated recoverable amount.

The interest costs on borrowings to finance the construction of property, plant and equipment are capitalised during the period that is taken to complete and prepare the asset for its intended use.

Capital work in progress represents all amounts paid on work undertaken, and still in an unfinished state as at the end of the year.

(b) 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 and equipment and installations	10 years
Fixtures and fittings	8 years
Office equipment	5 years
Motor vehicles	4 years
Computer and communication equipment	4 years

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Summary of Significant Accounting Policies (Contd...)

2.3 Property, Plant and Equipment (Contd...)

(c) 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.

2.4 Computer Software Development Cost

Generally, costs associated with developing computer software programmes are recognised as an expense as incurred. However, costs that are clearly associated with an identifiable and unique product which will be controlled by the Company and has probable benefits exceeding the cost beyond one year, are recognised as an intangible asset. Associated costs include consultants costs of the development team and an appropriate portion of relevant overheads.

Expenditure which enhances and extends the benefits of computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as intangible assets are amortised using the straight line method over their useful life, not exceeding a period of 4 years.

Costs associated with the maintenance of existing computer software programmes is expensed as incurred, to the income statement.

2.5 Impairment of Non-Financial Assets

Assets that have an indefinite useful life, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.6 Accounting for Leases by the Lessee

Leases of property, plant and equipment where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period, so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

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.

Notes to the Financial Statements (Contd.)

2. Summary of Significant Accounting Policies (Contd...)

2.7 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.

2.8 Trade Receivables

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

Trade receivables are amounts due from customers for products sold in the ordinary course of business. If collection is expected in one year or less (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.

2.9 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 borrowings in current liabilities.

2.10 Stated Capital

The ordinary shares are classified as equity.

2.11 Trade 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.

2.12 Borrowings

Borrowings are recognised at the values at which borrowings have been obtained net of transaction costs incurred.

2.13 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.

2.14 Defined Benefit Obligations

During the year under review, the Company changed its accounting policy on defined benefit obligation from the formula method to actuarial valuation method. Both valuation methods are permitted by Sri Lanka Accounting Standard 16 *Employee Benefits.* This change was made to comply with the Sri Lanka Accounting Standard 16; *Employee Benefits* for listed entities.

Notes to the Financial Statements (Contd.)

2. Summary of Significant Accounting Policies (Contd...)

2.14 Defined Benefit Obligations (Contd...)

Typically, a defined benefit plan defines an amount of benefit that an employee will receive on retirement, which is usually dependent on one or more factors such as period of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit plans is the present value of defined benefit obligations at the balance sheet date together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by the Company using the projected unit credit method. The present value of defined benefit obligation is determined by discounting the estimated future cash outflows using estimated long term interest rates.

The assumption, based on which the results of the actuarial valuation were determined, are included in Note 21 to the Financial statements.

2.15 Defined Contribution Plans

All employees of the Company are members of the Employees' Provident Fund and the Employees' Trust Fund, to which the Company contributes 12% and 3% respectively of such employees' basic or consolidated wage or salary, cost of living and all other allowances.

The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due.

2.16 Taxation

The tax expense for the period solely comprise of current tax and deferred tax.

(a) Income Tax

Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

The charge for taxation is based on the results for the year adjusted for disallowable items and for timing differences to the extent that they are unlikely to result in an actual tax liability in the foreseeable future. Timing differences arise from the recognition for tax purposes of items of income and expenditure in different accounting periods from those in which they are recognised in the financial statements.

(b) Deferred Taxation

Deferred income tax is provided in full, 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, the deferred income tax is 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax assets is realised or the deferred income tax liability is settled.

2.16 Taxation (Contd...)

(b) Deferred Taxation (Contd...)

Deferred income 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.

2.17 Revenue Recognition

(a) 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.

(b) Interest Income

Interest income is recognised on a time-proportion basis.

2.18 Expenditure Recognition

(a) Operating Expenses

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.

(b) Net Financing Costs

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested, and foreign exchange gains and losses that are recognised in the income statement.

All interest and other costs incurred in connection with borrowings are expensed as incurred as part of net financing costs.

2.19 Comparatives

"Air freight expenses" previously disclosed under cost of sales are now shown under administrative expenses and "Health and Safety expenses" previously disclosed under administrative expenses are now shown under cost of sales.

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

3. Financial Risk Management

3.1 Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

3.1.1 Foreign Exchange Risk

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar and the Sri Lankan Rupee.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

Notes to the Financial Statements (Contd.)

3. Financial Risk Management (Contd...)

3.1.2 Interest Rate Risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from short-term borrowings. The borrowings at variable rates expose the Company to cash flow interest rate risk whilst borrowings at fixed rates exposes the Company to interest rate risk. The Company analyses its interest rate exposure on a dynamic basis.

3.1.3 Credit Risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables. The utilisation of credit limits is regularly monitored.

3.1.4 Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Company treasury maintains flexibility in funding by maintaining availability under committed credit lines.

3.2 Capital Risk 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, issue new shares or sell assets to reduce debt.

4. Critical Accounting Estimates, Assumptions and Judgements

Estimates, assumptions and judgements 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, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below:

4.1 Impairment of Property Plant and Equipment

The Company reviews for impairment of property, plant and equipment in accordance with the Accounting Policy in note 2.3. The recoverable amount of these assets have been determined based on higher of the assets' fair value less cost to sell and value in use. These calculations require the use of estimates and judgements.

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.

4.2 Defined Benefit Obligations

The Company has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no longer or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employees service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans 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.

4. Critical Accounting Estimates, Assumptions and Judgments (Contd...)

4.2 Defined Benefit Obligations (Contd...)

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated yearly 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 interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension 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.

For defined contribution plans, the Company pays contribution to publicly administered pension insurance plans on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

It is expected that such actuarial valuations will be carried out annualy and the principal assumptions made are given in note 21.

5. Sales

Sales are made up as follows:

	Year ended 31 March 2012	Year ended 31 March 2011
Sales		
- Export	445,663	98,587
- Indirect Export	11,791,061	9,185,996
	12,236,724	**9,284,583**

Sales shown under indirect export are stated under suspended and normal Value Added Tax system. Sales made through related parties are disclosed in Note 28 to the financial statements.

6. Other Operating Income

Other operating income in the previous year wholly consists of profit on disposal of property, plant and equipment of Rs 7,889,153 (2012 - a loss of Rs 7,159 included under administrative expenses).

Notes to the Financial Statements (Contd.)

7. Operating Profit

The following items have been charged / (credited) in arriving at Operating Profit:

	Year Ended 31 March 2012	Year Ended 31 March 2011
Directors' Emoluments	2,300	2,065
Auditors' Renumeration		
- Audit	322	279
- Non Audit	850	134
	1,172	413
Depreciation (Note 13)	380,216	413,397
Provision / (reversal of provision) for slow moving inventories [Note 16(a)]	89,082	(137,501)
Provision / (reversal of provision) for bad and doubtful debts [Note 17(b)]	17,070	(1,121)
Amortisation of intangible assets - software development (Note 15)	22,867	20,627
Amortisation of leasehold land [Note 17(a)]	3,166	2,942
Repair and maintenance expenditure	119,302	150,655
Reversal of previously written off ESC	(13,557)	Nil
Staff costs (Note 8)	627,465	508,812

8. Staff Costs

	Year Ended 31 March 2012	Year Ended 31 March 2011
Salaries, wages and other fringe benefits	547,667	444,257
Defined benefit obligations (Note 21)	24,196	12,695
Defined contribution plans	55,602	51,860
	627,465	**508,812**
Average number of employees employed by the Company during the year:		
Permanent Employees	**1,199**	**1,196**

9. Finance Costs - Net

	Year Ended 31 March 2012	Year Ended 31 March 2011
Interest Income	(72,626)	(1,375)
Net foreign transaction and translation losses / (gains)	160,983	(6,598)
Interest expense		
- Short term working capital loans	60,447	22,824
- Bank overdrafts	17,530	8,562
- Bank borrowings	639	1,560
	166,973	**24,973**

10. Tax

	Year Ended 31 March 2012	Year Ended 31 March 2011
Current Tax	13,557	Nil
Deferred Tax Charge (Note 22)	19,484	21,119
	33,041	**21,119**

10. Tax (Contd...)

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:

	Year Ended 31 March 2012	Year Ended 31 March 2011
Profit before tax	661,070	705,851
Tax calculated at a tax rate of 28% (2011-12%)	185,100	84,702
Income not subject to tax	(360,483)	(82,756)
Expenses not deductible for tax purposes	161,492	7,426
Adjustments due to the estimated deferred tax base in previous years	46,932	11,747
Tax Charge	**33,041**	**21,119**

The Company was initially exempted from income tax on its profits for a period of 12 years, from the first year of commencement of commercial operations. The commercial operations commenced in October 2001. Following the additional investment made by the shareholders and increase in investment in fixed assets of the Company to LKR 2.5 billion, a supplementary agreement was entered between the Company and the Board of Investment of Sri Lanka extending the existing tax exemption period from 12 to 15 years on 31 January 2007. After the expiration of the tax exemption period, the profits of the enterprise for any year of assessment shall be charged at the rate of 15% for a period of 8 years.

In view of the above, the Company is not liable to income tax for the year of assessment 2011/2012. However Company liable for tax at the rate of 28% per annum for other sources of income. The current tax wholly consists of tax on interest income.

The tax losses available for carry forward as at 31 March 2012 amounting to Rs 25,419,142 (as at 31 March 2011 - Rs 50,349,482) 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 22.

11. 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:

	Year Ended 31 March 2012	Year Ended 31 March 2011
Net profit attributable to equity holders of the Company (Rs)	628,029,000	684,732,000
Weighted average number of ordinary shares in issue	628,335,773	575,002,440
Earnings Per Share - Rs	1.00	1.19

Weighted Average Number of Ordinary Shares

Weighted average number of shares for the year ended 31 March 2011 was restated as 575,002,440 as a result of the events described below, as required by SLAS 34 - *Earnings Per Share*

11. Earnings Per Share (Contd...)

As approved by the shareholders of the Company at the Extraordinary General Meetings (EGMs) held on 25 March 2011, shares were sub-divided in April 2011.

Accordingly, 159,722,900 ordinary shares held as at 31 March 2011 were increased to 575,002,440 with the shareholders receiving eighteen shares for every five shares held. Due to this, there was no increase in the stated capital of the Company which amounted to Rs 1,597,229,000.

12. Dividends

The Company has declared and paid an interim dividend of Rs 78,600,293 representing Rs 0.12 per share for the year ended 31 March 2012 (year ended 31 March 2011 - Rs Nil). The Board of directors has recommended a final dividend of Rs 235,800,878 for the year ended 31 March 2012, which is to be approved by the shareholders at the Annual General Meeting to be held on 2 August 2012. The Board of Directors has obtained the Report of Solvency on the proposed dividend from statutory auditors. As stipulated by Sri Lanka Accounting Standard No. 12; *Events After the Balance Sheet Date,* the proposed dividend is not recognised as a liability as at 31 March 2012 (2011 - Rs Nil).

13. Property, Plant and Equipment

	Leasehold Buildings	Plant & Equipment Installation	Fixtures,Fittings Factory Equipment	Office Equipment	Computer & Communication	Motor Vehicles	Total
At 31 March 2010							
Cost	1,095,154	3,338,673	429,607	16,030	154,606	9,575	5,043,645
Accumulated depreciation	(85,147)	(1,652,674)	(199,304)	(12,495)	(108,164)	(9,575)	(2,067,359)
Net book amount	**1,010,007**	**1,685,999**	**230,303**	**3,535**	**46,442**	**Nil**	**2,976,286**
Year ended 31 March 2011							
Opening net book value	1,010,007	1,685,999	230,303	3,535	46,442	Nil	2,976,286
Additions	158	6,155	2,607	368	14,151	Nil	23,439
Transfers from capital work-in-progress (Note 14)	28	9,180	4,604	Nil	Nil	Nil	13,812
Disposals - cost	Nil	Nil	Nil	Nil	(942)	(6,947)	(7,889)
Accumulated depreciation	Nil	Nil	Nil	Nil	942	6,947	7,889
Effect of movement in foreign exchange rates	(44,937)	(70,024)	(9,704)	(136)	(1,979)	Nil	(126,780)
Depreciation charge (Note 7)	(22,060)	(327,535)	(42,196)	(1,599)	(20,007)	Nil	(413,397)
Closing net book amount	**943,196**	**1,303,775**	**185,614**	**2,168**	**38,607**	**Nil**	**2,473,360**
At 31 March 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
Additions	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Transfers from capital work-in-progress (Note 14)	281	79,649	17,335	314	18,618	Nil	116,197
Disposals - cost	Nil	Nil	Nil	(427)	(166)	(2,372)	(2,965)
Accumulated depreciation	Nil	Nil	Nil	387	54	2,372	2,813
Effect of movement in foreign exchange rates	157,794	190,737	28,381	268	6,266	Nil	383,446
Depreciation charge (Note 7)	(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**

(a) Property, plant and equipment include fully depreciated assets the cost of which as at 31 March 2012 amounted to Rs 1,927,894,416 (as at 31 March 2011 - Rs 288,232,769).

(b) Buildings have been constructed on four leasehold lands leased out from Board of Investment of Sri Lanka and of which three are 30 years and balance one for 50 years. The remaning lease periods as of 31 March 2012 are 39, 23, 26 and 26 years respectively (Note 24).

(c) NDB term Loan is over machinery at a Value of Rs. 158,843,865.

14. Capital Work-in-Progress

	Year Ended 31 March 2012	Year Ended 31 March 2011
Balance at beginning of the year	71,527	5,317
Expenses incurred on property, plant and equipment	67,894	81,485
Transferred to property plant and equipment (Note 13)	(116,197)	(13,812)
Transferred to intangible assets (Note15)	(10,191)	Nil
Effect of movement in foreign exchange rates	3,613	(1,463)
Balance at end of the year	**16,646**	**71,527**

15. Intangible Assets

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

	Year Ended 31 March 2012	Year Ended 31 March 2011
Balance at beginning of the year	50,871	69,881
Additions	Nil	4,461
Transferred from capital work-in-progress (Note 14)	10,191	Nil
Amortisation charge (Note 7)	(22,867)	(20,627)
Effect of movement in foreign exchange rates	6,822	(2,844)
Balance at end of the year	**45,017**	**50,871**

16. Inventories

	31 March 2012	31 March 2011
Raw materials	793,850	1,502,119
Work-in-progress	567,221	979,242
Finished goods	315,291	331,263
Engineering spares, needles and sinkers	215,466	200,592
Effluent chemicals, fuel and consumables	40,750	19,430
Goods in transit	16,497	183,025
	1,949,075	**3,215,671**

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

	Year Ended 31 March 2012	Year Ended 31 March 2011
Balance at beginning of the year	46,637	190,186
Provision / (reversal of provision) for slow moving inventories (Note 7)	89,082	(137,501)
Effect of movement in foreign exchange rates	21,054	(6,048)
Balance at end of the year	**156,773**	**46,637**

(b) Bank overdrafts are secured over inventories.

17. Receivables and Prepayments

	31 March 2012	31 March 2011
Non - Current		
Prepayments on leasehold land [See Note (a) below]	**91,729**	**81,454**
Current		
Trade receivables	703,056	663,904
Trade receivables from related companies [See Note 28 (iii)]	689,564	544,139
Other receivables [See Note (c) below]	60,536	87,346
Prepayments	18,066	15,464
	1,471,222	**1,310,853**

(a) 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 receivables and prepayments - current. Reconciliation of the prepaid operating lease is as follows:

	Year Ended 31 March 2012	Year Ended 31 March 2011
At beginning of the year	90,063	97,319
Amortisation	(3,166)	(2,942)
Effect of movement in foreign exchange rates	14,910	(4,314)
At end of the year	**101,807**	**90,063**

Prepaid operating leases can be analysed as follows:

	31 March 2012	31 March 2011
Current (Not later than one year)	10,078	8,609
Non-current (Later than one year)	91,729	81,454
	101,807	90,063

(b) Receivables and prepayments are stated after provision for bad debts and the movement on the provision is as follows:

	Year Ended 31 March 2012	Year Ended 31 March 2011
Balance at beginning of the year	1,530	2,754
Provision/(reversal of provision) for bad and doubtful debtors	17,070	(1,121)
Effect of movement in foreign exchange rates	2,769	(103)
Balance at end of the year	**21,369**	**1,530**

(c) Other receivables mainly consist of VAT receivables of Rs 26,089,933 (as at 31 March 2011 - Rs 63,632,228).

18. Cash and Cash Equivalents

	31 March 2012	31 March 2011
Short term bank deposits	818,904	Nil
Cash at bank and in hand	460,357	22,357
	1,279,261	**22,357**

The weighted average effective interest rate on short term deposits (Rs) was 9% - 12.5% (year ended 31 March 2011 (USD term deposits) - 2.75 %).

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

	31 March 2012	31 March 2011
Cash and bank balances	1,279,261	22,357
Bank overdrafts (Note 20)	(62,994)	(413,934)
	1,216,267	**(391,577)**

19. Trade and Other Payables

	31 March 2012	31 March 2011
Trade payables	95,502	513,594
Amounts due to related companies [Note 28(iv)]	724,512	1,199,401
Accrued expenses [See Note (a) below]	285,431	113,285
Other payables	68,253	71,629
	1,173,698	**1,897,909**

(a) Accrued expenses mainly consists of electricity payable of Rs 51,763,790 (as at 31 March 2011 - Rs 44,291,894), marketing office expenses of Rs 17,934,031 (as at 31 March 2011 - Rs 15,663,699) and air freight expenses of Rs 51,447,017 (as at 31 March 2011 - Rs Nil).

20. Borrowings

	31 March 2012	31 March 2011
Current		
Bank overdrafts [See Note (a) below]	62,994	413,934
Import loans [See Note (b) below]	592,498	1,835,350
Bank loan [See Note (c) below]	1,709	10,124
	657,201	2,259,408
Non-Current		
Bank borrowings		
Bank loan [See Note (c) below]	Nil	2,301
	Nil	2,301
	657,201	**2,261,709**

(a) The bank overdrafts are secured over inventories.
(b) NDB term Loan is Secured over machinary at a value of Rs. 158,843,865.

20. Borrowings (Contd...)

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

Total borrowings:

	31 March 2012	31 March 2011
- at fixed rates	1,709	12,425
- at floating rates	655,492	2,249,284
	657,201	**2,261,709**
Weighted average effective interest rates:		
- US Dollar borrowings	LIBOR + 3.75 %	LIBOR + 3.75 %
- Sri Lanka Rupee borrowings - bank loan	8.5%	8.5%
- Bank overdrafts	LIBOR + 3.42 %	LIBOR + 3.75 %

21. Defined Benefit Obligations

The movement in the defined benefit obligations during the year is as follows:

	Year Ended 31 March 2012	Year Ended 31 March 2011
At beginning of the year	54,154	58,911
Current service cost	10,768	9,326
Interest cost	7,123	6,877
Recognition of transitional liability	6,305	Nil
Actuarial gains	Nil	(3,508)
	24,196	12,695
Benefits paid	(5,895)	(14,847)
Effect of movement in foreign exchange rates	(1)	(2,605)
At the end of the year	**72,454**	**54,154**

The amounts recognised in the income statement are as follows:

	Year Ended 31 March 2012	Year Ended 31 March 2011
Current service cost	10,768	9,326
Interest cost	7,123	6,877
Actuarial gains	Nil	(3,508)
Recognition of transitional liability	6,305	Nil
	24,196	**12,695**

The provision for defined benefit obligation is not externally funded, but actuarially valued and the valuation was carried out by Messrs Piyal S Goonetilleke and Associates, an independent actuary, using Projected Unit Credit Method (as at 31 March 2011 - an actuarial valuation was carried out by the Company using the Projected Unit Credit Method using the formula method as per recommendations made in the Sri Lanka Accounting Standard, SLAS 16; *Employee Benefits).*

21. Defined Benefit Obligations (Contd...)

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

			31 March 2012	31 March 2011
Discount rate			12.4% p.a	12.0% p.a
Future salary increases	-	non executive staff	10% p.a	10% p.a
	-	executive staff	10% p.a	7% p.a
Staff turnover factor	-	non executive staff	Age-related	20% p.a
	-	executive staff	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.

22. Deferred Tax Liabilities

Deferred income taxes are calculated on all temporary differences under the liability method and are measured using a tax rate of 15% applicable on profit on the expiry of the tax exemption period in 2016. The movement on the deferred income tax account is as follows:

	Year Ended 31 March 2012	Year Ended 31 March 2011
At the beginning of the year		
- as previously reported	43,071	Nil
- prior year adjustments	Nil	23,384
- as restated	43,071	23,384
Income statement charge (Note 10)	19,484	21,119
Effect of movement in foreign exchange rates	10,217	(1,432)
At end of the year	**72,772**	**43,071**

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.

	31 March 2012	31 March 2011
Deferred tax assets :		
- Deferred tax assets to be recovered after more than 12 months	(40,364)	(18,242)
- Deferred tax assets to be recovered within 12 months	Nil	Nil
	(40,364)	(18,242)
Deferred tax liabilities :		
- Deferred tax liabilities to be recovered after more than 12 months	113,136	61,313
- Deferred tax liabilities to be recovered within 12 months	Nil	Nil
	113,136	61,313
Deferred tax liabilities (net)	**72,772**	**43,071**

22. Deferred Tax Liabilities (Contd...)

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	Total
At 31 March 2010	59,745	59,745
Charged to income statement	4,327	4,327
Effect of movement in foreign exchange rates	(2,759)	(2,759)
At 31 March 2011	61,313	61,313
Charged to income statement	36,056	36,056
Effect of movement in foreign exchange rates	15,767	15,767
At 31 March 2012	**113,136**	**113,136**

Deferred Tax Assets	Defined Benefit Obligations	Obsolete Stock Provisions	Bad Debts Provisions	Tax Losses	Total
At 1 April 2010	(7,069)	(22,822)	(330)	(6,140)	(36,361)
Charged / (credited) to income statement	259	16,579	135	(181)	16,792
Effect of movement in foreign exchange rates	312	724	12	279	1,327
At 31 March 2011	(6,498)	(5,519)	(183)	(6,042)	(18,242)
(Credited) / charged to income statement	(2,843)	(14,113)	(2,607)	2,992	(16,571)
Effect of movement in foreign exchange rates	(1,527)	(3,017)	(415)	(592)	(5,551)
At 31 March 2012	**(10,868)**	**(22,649)**	**(3,205)**	**(3,642)**	**(40,364)**

23. Contingencies

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

24. 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 12.13 acres.

Capital Commitments

There were no material capital commitments outstanding as at the balance sheet date.

25. Stated Capital

	No. of Shares	Amount (Rs'000)
As at 31 March 2011	159,722,900	1,597,229
Sub division of shares	415,279,540	Nil
Issue of shares - IPO	80,000,000	1,200,000
IPO expenses set off	Nil	(47,963)
At 31 March 2012	**655,002,440**	**2,749,266**

All issued shares are fully paid.

26. Exchange Equalisation Reserve

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

27. Cash Generated from / (used in) Operations

Reconciliation of profit before tax to cash generated from / (used in) operations:

	Year Ended 31 March 2012	Year Ended 31 March 2011
Profit before tax	661,070	705,851
Adjustments for:		
Depreciation (Note 13)	380,216	413,397
Amortisation of intangible assets (Note 15)	22,867	20,627
Amortisation of leasehold lands (Note 17)	3,166	2,942
Provision / (reversal of provision) for slow moving inventories [Note 16(a)]	89,082	(137,501)
Provision / (reversal of provision) for bad and doubtful debts [Note 17(b)]	17,070	(1,121)
Interest income (Note 9)	(72,626)	(1,375)
Interest expense (Note 9)	78,616	32,946
Reversal of previously written off ESC (Note 7)	(13,557)	Nil
Loss / (profit) on disposal of property, plant and equipment	7	(7,889)
Effect of movement in foreign exchange rates	173,731	6,718
Changes in working capital:		
- Inventories	1,493,869	(1,776,328)
- Trade and other receivables	38,232	(360,121)
- Trade and other payables	(913,917)	920,172
Provision for defined benefit obligations (Note 21)	24,196	12,695
Cash generated from / (used in) operations	**1,982,022**	**(168,987)**

28. Directors' Interest in Contracts with the Company and Related Party Transactions

(i) 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.

	Mohamed Ashroff Omar	**Wing Tak Bill Lam**	**King Man Clement Lam**	**Gerald Dave Michael Ranasinghe**
Pacific Textiles Limited	-	X	-	-
Pacific Overseas Textiles Macao Commercial Offshore Limited	-	-	X	-
Brandix Lanka Limited	X	-	-	-
Brandix Apparel Limited	X	-	-	X
Brandix Mercury Asia (Private) Limited	X	-	-	-
Brandix Textile Limited	X	-	-	-
Quenby Lanka Prints (Private) Limited	X	-	-	-

The following transactions were carried out with related parties:

(i) Sale of Goods and Services:	**Year Ended 31 March 2012**	**Year Ended 31 March 2011**
Sale of Goods:		
Brandix Apparel Limited	5,507,970	3,443,266
Quenby Lanka Prints (Private) Limited	197,153	150,506
	5,705,123	**3,593,772**

(ii) Purchase of Goods and Services:	**Year Ended 31 March 2012**	**Year Ended 31 March 2011**
Purchase of raw materials:		
Pacific Textiles Limited	1,091,499	468,663
Pacific Overseas Textiles Macao Commercial Offshore Limited	3,285,013	1,270,182
	4,376,512	**1,738,845**
Purchase of Administrative and Other Services:		
Pacific Textiles Limited	81,907	58,643
Brandix Lanka Limited	5,594	Nil
Quenby Lanka Prints (Private) Limited	266,422	322,135
Brandix Mercury Asia (Private) Limited	62	Nil
	353,985	**380,778**

(iii) Receivables from Related Parties:	**31 March 2012**	**31 March 2011**
Brandix Apparel Limited	671,411	526,628
Brandix Textiles Limited	Nil	223
Quenby Lanka Prints (Private) Limited	18,153	17,288
	689,564	**544,139**

28. Directors' Interest in Contracts with the Company and Related Party Transactions (Contd...)

(iv) Payables to Related Parties:	31 March 2012	31 March 2011
Brandix Lanka Limited	2,132	1,892
Brandix College of Clothing Technology (Private) Limited	Nil	8
Pacific Textiles Limited	122,912	562,203
Pacific Overseas Textiles Macao Commercial Offshore Limited	595,922	635,274
Brandix Casualwear (Private) Limited	Nil	7
Brandix Uknits (Private) Limited	Nil	17
Brandix Apparel Limited	1,175	Nil
Brandix Mercury Asia (Private) Limited	8	Nil
Quenby Lanka Prints (Private) Limited	2,363	Nil
	724,512	**1,199,401**

(v) Key Management Compensation:	Year ended 31 March 2012	Year ended 31 March 2011
Salaries and Other Benefits	**73,435**	**48,319**

(vi) The Company has offered an Employee Share Option Plan (ESOP) to the senior management personnel for a quantum of 1% of the issued Stated Capital 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 will not be providing any financial assistance in respect of the said ESOP.

29. Post Balance Sheet Events

No events had occurred since the balance sheet date and the approval of these financial statements, which would require adjustments to, or disclosure in, these financial statements.

Shareholder Information

1.List of 20 Largest Shareholders as at 31 March 2012

Name of Shareholder	No. of Shares	%
PACIFIC TEXTURED JERSEY HOLDINGS LTD	262,001,464	40.00
BRANDIX LANKA LIMITED	197,000,976	30.08
INDRA TRADERS (PVT) LTD.	15,956,500	2.44
EMPLOYEES PROVIDENT FUND	13,813,200	2.11
MELSTACORP (PRIVATE) LIMITED	8,276,300	1.26
DISTILLERIES COMPANY OF SRI LANKA LIMITED	4,246,400	0.65
PEOPLES BANK	3,755,800	0.57
HSBC INTL NOM LTD-UBS AG SINGAPORE BRANCH (EX SBC)	3,694,100	0.56
J.B. COCOSHELL (PVT) LTD	3,335,600	0.51
MCBRIDGE BLUE (PRIVATE) LIMITED	3,119,300	0.48
FERGASAM GARMENT INDUSTRIES (PVT) LTD.	2,811,100	0.43
TIMEX GARMENTS (PVT) LTD	2,791,100	0.43
INDRA PROPERTY DEVELOPMENT (PVT) LTD	2,694,100	0.41
PERICEYL (PRIVATE) LIMITED A/C NO. 03	2,694,100	0.41
VIDULLANKA PLC.	2,445,000	0.37
DEE INVESTMENTS (PVT) LTD	2,443,400	0.37
LHLMP HARADASA	2,393,300	0.37
ADL CAPITAL LTD	2,377,300	0.36
WATAPOTA INVESTMENTS PLC	2,343,300	0.36
D.P. PIERIS	2,081,400	0.32
TOTAL OF TOP 20	**540,273,740**	**82.48**
OTHER SHAREHOLDINGS	**114,728,700**	**17.52**
NUMBER OF SHARES IN ISSUE	**655,002,440**	**100.00**

2. Distribution of Shareholding

Holdings	Residents			Non-Residents			Total		
	No. of Holders	No. of Shares	%	No. of Holders	No. of Shares	%	No. of Holders	No. of Shares	%
1-1,000	7,955	4,772,117	0.73	4	2,100	0.00	7,959	4,774,217	0.73
1,001-5,000	3,438	9,364,805	1.43	6	20,000	0.00	3,444	9,384,805	1.43
5,001-10,000	1,073	8,137,142	1.24	8	69,200	0.01	1,081	8,206,342	1.25
10,001-50,000	568	13,148,504	2.01	7	201,800	0.03	575	13,350,304	2.04
50,001-100,000	80	6,382,198	0.97	2	125,000	0.02	82	6,507,198	0.99
100,001-500,000	111	23,063,200	3.52	3	643,500	0.10	114	23,706,700	3.62
500,001-1,000,000	18	14,063,800	2.15	0	-	-	18	14,063,800	2.15
Over 1,000,000	34	303,746,010	46.37	5	271,263,064	41.41	39	575,009,074	87.79
Total	13,277	382,677,776	58.42	35	272,324,664	41.58	13,312	655,002,440	100.00

3. Director’s Interest in Shares of the Company	**as at 31.03.2012**
Directors do not Hold any Shares	NIL

4. Shareholding Structure			**as at 31.03.2012**
	No. of Shareholders	**Total Holding**	**% of Total**
Individuals	13,055	78,226,965	11.94
Institutions	257	576,775,475	88.06
Total	**13,312**	**655,002,440**	**100.00**

5. Public Holding		**as at 31.03.2012**
	No. of Shareholders	% of Total
	196,000,000	29.92%

6. Share Valuation and Earnings	**2012**	**2011**
Highest Market Price per Share during the year	15.70	N/A
Lowest Market Price per Share during the year	7.00	N/A
Last traded Price (30 March)	7.20	N/A
Earnings per share	1.00	1.19
Net Assets per Share	8.35	5.16

Notice of AGM

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 the Second (02nd) day of August 2012 at the Grand Ballroom, Taj Samudra Hotel, 25, Galleface Centre Road, Colombo 03 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 2012 together with the Report of the Auditors thereon.

2. 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.

3. (a) To re-elect Mr. Amitha Lal Gooneratne, a Director who comes up for re-election 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 Prof. Kulatilleke Arthanayake Malik Kumar Ranasinghe, a Director who comes up for re-election in terms of Article 27 (3) of the Articles of Association of the Company, and being eligible has offered himself for re-election.

4. To declare a final dividend of LKR 0.36 per share for the financial year ended 31st March 2012 as recommended by the Board.

5. To authorize Directors to determine contributions to charities.

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

At Colombo, on this 09th day of July 2012.

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.

(3) It is proposed to dispatch the dividend warrants on 13th August 2012 in accordance with the rules of the Colombo Stock Exchange, the shares of the Company will be quoted ex-dividend with effect from 03rd August 2012.

Notes

Form of Proxy

I/We………..of

………

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

1.	Mr. Mohamed Ashroff Omar	or failing him,
2.	Mr. Wing Tak Bill Lam	or failing him,
3.	Dr. King Man Clement Lam	or failing him,
4.	Mr. Kam Chuen Mau	or failing him,
5.	Prof. Kulatilleke Arthanayake Malik Kumar Ranasinghe	or failing him,
6.	Mr. Gerald Dave Michael Ranasinghe	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 Grand Ballroom, Taj Samudra Hotel, 25, Galleface Centre Road, Colombo 03 on the 02nd day of August 2012 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 2012 together with the Report of the Auditors' thereon.		
2.	To re-appoint Messrs. PricewaterhouseCoopers as the auditors of the Company and to audit the financial statements for the ensuing year and authorize the Directors to fix their remuneration.		
3.	(a) To re-elect Mr. Amitha Lal Gooneratne, a Director who comes up for re-election 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 Prof. Kulatilleke Arthanayake Malik Kumar Ranasinghe, a Director who comes up for re-election in terms of Article 27 (3) of the Articles of Association of the Company, and being eligible has offered himself for re-election.		
4.	To declare a final dividend of LKR 0.36 per share for the financial year ended 31st March 2012 as recommended by the Board.		
5.	To authorize the Directors to determine contributions to charities.		

Signed this ……….. day of …………… 2012.

……..................................
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 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 12th July 2000.

Company Registration No.
PV 7617 PB/PQ

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

Registered Office
Block D8 – D14, Seethawaka International Industrial Park, Avissawella.

Directors
Mr. Mohamed Ashroff Omar - Chairman
Mr. Wing Tak Bill Lam
Dr. King Man Clement Lam
Mr. Kam Chuen Mau
Mr. Dave Ranasinghe
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 Braybrooke 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 / Rusiru Abeysinghe
Brandix Lanka Ltd.

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The talent behind the paintings and sketches that depict the theme of this Annual Report were the creations of 23 year old D. L. Dhanushka Ariyaratne. Currently in the process of completing his third year in Integrated Design at the University of Moratuwa, he records his greatest achievement to be the moment he was awarded the Gold Medal for the Best Packaging Design at the 2011 Lanka Star Asia Star Awards. In our constant committment to recognize, assist and value young talent in our country, Textured Jersey saw Dhanushka's capabilities as worthy and deserving of the opportunity to be featured in our Annual Report.