

TEXTURED JERSEY LANKA LTD

Interim Report

Quarter ended 30th June 2011

CHAIRMAN'S REVIEW

Dear Shareholder,

Following the successful Initial Public Offering of the company's shares, I take this opportunity to thank all those who placed their trust in Textured Jersey by applying to become part of its impressive story. Your company has now embarked on an exciting journey as the premier listed firm in Sri Lanka's Apparel industry. The first quarter of FY 2011/12 has been a fruitful one for Textured Jersey. The company has improved its key financial and operational indicators, creating significant value to new shareholders.

During the quarter, the company grew its top line by 33% year on year to Rs. 2.7bn compared to Rs. 2bn during the same quarter of 2009/10. The company followed a focused change in its product and marketing strategy, and achieved satisfactory results. These results were achieved not only by hard work, but even more importantly, by the unrelenting discipline and focus shown by all. The US market was proactive during the quarter and significantly outperformed the EU in earnings growth. The company also benefitted from a 30% price increase which demonstrated its ability to pass on negative external impacts on its cost structure to customers. This was possible mainly due to the level of quality your company maintains in production as well as delivery, which makes it a preferred supplier of fabric to most of the well-known brands in the world. We are committed to maintaining our focus and continuously staying close to our customers.

The unprecedented growth experienced has allowed us to improve our operating results by every important measure. The gross profit of the company grew to Rs. 251mn during the quarter from Rs. 161mn during the same quarter of the previous year. This represents a growth of more than 56%. The most impressive point to note is that the company was able to achieve this growth on the back of an increase of almost 31% in its cost of sales. This increase was mainly as a result of the increase in prices of cotton which is the primary raw material used by Textured Jersey.

The company put in place a number of cost saving initiatives during the quarter, in addition to well thought-out improvements to its processes. Significant savings of costs were made by the management in utilization of dyes & chemicals, machinery maintenance, packaging and transportation. The improvements made to processes also helped achieve substantial cost savings. These measures were largely responsible in keeping the SG&A Overheads of the company almost unchanged even with a growth in top line. This also translated to a growth in operating profits of over 140% to Rs. 156mn from Rs. 64mn during the same quarter of the previous year. We have learned to shut out the things that are outside our scope and focus on those that we can influence. The above figures are a clear indicator of this focus.

Finance costs of the company saw an increase during the year to Rs. 12mn which was mainly due to a conscious decision made by the company to increase its raw material inventory due to the rapid fluctuations that were witnessed in cotton prices and also the shortage of cotton in the market. This policy also contributed to the increase in finance costs of the company. However, the strong operational results of the company positively impacted its bottom line as well, with net profit recording a growth of 136%. The net profit recorded during the quarter was Rs. 144mn compared to Rs. 61mn in the same quarter of the previous financial year.

The management of the company remains strongly committed to achieve greater profitability and we believe the impetus provided by the strong results of the first quarter will further strengthen the team's ability to deliver the expected results.

Asroff Omar
Chairman

INCOME STATEMENT

(all amounts are in Sri Lanka Rupees 000's)

Company			
Quarter ending 30th June			
	2011 Unaudited	2010 Unaudited	%
Sales	2,707,623	2,036,818	32.9%
Cost of sales	(2,455,885)	(1,875,775)	30.9%
Gross profit	251,738	161,043	56.3%
Other operating income	Nil	Nil	
Selling and Admin. expenses	(95,646)	(96,956)	-1.4%
Operating profit	156,091	64,088	143.6%
Non operating income	Nil	Nil	
Net Finance Costs	(12,120)	(3,237)	274.4%
Profit before tax	143,971	60,850	136.6%
Tax	Nil	Nil	
Net profit	143,971	60,850	136.6%

Earnings per share (EPS)

0.25

0.11

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act No, 07 of 2007.

Signed on behalf of the Board of Directors of Textured Jersey Lanka Limited on 5th August 2011

Sgd

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Director

Sgd

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Director

BALANCE SHEET

(all amounts are in Sri Lanka Rupees 000's)

	Company		
	Unaudited 30 June 2011	Unaudited 30 June 2010	Audited 31 March 2011
ASSETS			
Non-current assets			
Property, plant and equipment	2,388,201	2,857,326	2,473,360
Capital work-in-progress	86,907	9,278	71,527
Intangible assets	45,755	65,129	50,871
Receivables and prepayments	80,857	86,893	81,454
	2,601,721	3,018,626	2,677,212
Current assets			
Inventories	3,482,409	1,474,220	3,215,671
Receivables and prepayments	1,528,557	1,320,520	1,310,853
Cash and cash equivalents	231,775	81,732	22,357
	5,242,741	2,876,472	4,548,881
Total assets	7,844,462	5,895,098	7,226,093
EQUITY AND LIABILITIES			
Capital and reserves			
Stated capital	1,597,229	1,597,229	1,597,229
Exchange equalisation reserve	199,890	321,515	194,105
Retained earnings	1,321,887	554,034	1,177,916
	3,119,006	2,472,778	2,969,250
Non-current liabilities			
Borrowings	1,171	1,580,441	2,301
Deferred tax liabilities	43,157	-	43,071
Defined benefit obligations	61,274	61,374	54,154
	105,602	1,641,815	99,526
Current liabilities			
Trade and other payables	2,661,053	1,215,272	1,897,909
Borrowings	1,958,800	565,233	2,259,408
	4,619,854	1,780,505	4,157,317
Total liabilities	4,725,456	3,422,320	4,256,843
Total equity and liabilities	7,844,462	5,895,098	7,226,093
Net Asset Per Share	5.42	4.30	5.16

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Director

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Director

CASH FLOW STATEMENT

(all amounts are in Sri Lanka Rupees
000's)

Operating Activities

Profit before tax
Adjustments for non cash movements
Changes in working capital
Cash (used in) / generated from operations

Interest received
Interest paid
Defined benefit obligations paid
Net cash from operating activities

Investing Activities

Additions to capital work-in-progress
Purchase of property, plant and equipment
Net cash used in investing activities

Financing Activities

Net movement in borrowings
Net cash used in financing activities

(Decrease)/increase in cash and cash equivalents

Movement in cash and cash equivalents

At the beginning of the period
(Decrease)/increase
At the end of the period

Company	
Quarter ending 30th June	
Unaudited 2011	Unaudited 2010
143,971	60,850
118,371	113,718
291,317	(314,324)
553,659	(139,756)
330	171
(12,450)	(3,408)
(318)	(1,001)
541,221	(143,994)
(15,238)	(3,997)
(11,117)	(6,548)
(26,355)	(10,545)
(116,877)	145,386
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397,989	(9,153)
(391,577)	21,988
397,989	(9,153)
6,412	12,835

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Director

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STATEMENTS OF CHANGES IN EQUITY
For the quarter ending 30th June 2011

(all amounts are in Sri Lanka Rupees 000's)

	Stated Capital	Exchange Equalisation Reserve	(Accumulated losses)/ Retained earnings	Total
Balance at 1 April 2010	1,597,229	314,215	516,790	2,428,234
- As previously reported				
- Effect of deferred tax provision	Nil	Nil	(23,384)	(23,384)
- Effect of movement in foreign exchange rates	Nil	222	(222)	-
- As restated	1,597,229	314,437	493,184	2,404,850
Profit for the year	Nil	Nil	60,850	60,850
Effect of movement in foreign exchange rates	Nil	7,078	Nil	7,078
Balance at 30 June 2010	1,597,229	321,515	554,034	2,472,778
Balance at 1 April 2011	1,597,229	194,105	1,177,916	2,969,250
Profit for the year	Nil	Nil	143,971	143,971
Effect of movement in foreign exchange rates	Nil	5,785	Nil	5,785
Balance at 30 June 2011	1,597,229	199,890	1,321,887	3,119,006

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NOTES TO THE FINANCIAL STATEMENTS

- (1) The Quarterly financial statements of the Company have been prepared in accordance with the accounting policies set out in the Audited Financial Statements for the year ended 31st March 2011, and also in compliance with Sri Lanka Accounting Standard 35 - Interim Financial Reporting.
- (2) Income statement and the Balance Sheet is presented in the same format used in the Audited Financial Statements for the year ended 31st March 2011.
- (3) The figures for the corresponding period of the previous period/year have been re-arranged wherever necessary, to be comparable with those for the current period/year.
- (4) There has not been a significant change in the nature of the contingent liabilities which were disclosed in the Financial Statements for the year ended 31st March 2011.

(5) **Key Ratio's for the Group**

<u><i>Profitability Ratios</i></u>	<i>Quarter Ending 30th June 2011</i>	<i>Quarter Ending 30th June 2010</i>
Net Profit Margin	5.32%	2.99%
Asset to Turnover	0.35	0.35
Debt:Equity	1.52	1.38
Return on Assets (ROA)	7.64%	4.10%
Return on Equity (ROE)	18.92%	10.93%

Investor Ratios

Earnings per share (EPS) (Rs)	0.25	0.11
Net Book Value per Share (Rs)	5.42	4.30
Price/Earning (PE Ratio) - Annualised	14.98	35.44
Price to Book value Ratio	2.77	3.49

(Per Share values are based on 575mn shares in circulation as at 30/6/2011)
(PE and PBV Ratios are based on IPO price of Rs. 15/- per share)

- (6) There is no liability to management fees or any other similar expenditure that has not been provided for in the interim financial statements.

NOTES TO THE FINANCIAL STATEMENTS

- (7) Number of shares representing the entity's stated capital - 575,002,440 shares
- (8) No circumstances have arisen since the Balance Sheet date which would require adjustment to or disclosure in the Financial Statements