

# TEXTURED JERSEY LANKA PLC

## **Interim Report**

Period ended 31st December 2011

# TEXTURED JERSEY LANKA PLC

## CHAIRMAN'S REVIEW

The continuing uncertainty in global markets notwithstanding, Textured Jersey Lanka PLC (TJL) ended the nine months to 31<sup>st</sup> December 2011 on a positive note, with strong top line growth through a combination of strategic price and volume increases and the introduction of higher value products to its product portfolio. Revenue grew by 35% YoY to Rs 3.1 billion in the third quarter, taking the company's nine month turnover to Rs 9.1 billion, a growth of 36 per cent YoY. The key customers of TJL continued to maintain their long-standing relationships, and the company also succeeded in gradually widening its customer base in the period under review.

Although Gross Profit (GP) was broadly unchanged during the quarter at Rs 367 million, TJL's GP margins improved sharply to 11.9% in the third quarter, from 7.3% during the first half of the year (and just 5.9% in the preceding quarter). Consequently, Gross Profit for the nine months ended December 2011 totaled Rs 816 million, reflecting a growth of 8% YoY.

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 company's principal raw material. Cotton typically accounts for 60 – 65% of turnover. Cotton prices increased over 90% in 2010, and reached a record high of more than US\$ 2.2 per lb in March 2011, before more than halving in the remainder of 2011, making cotton one of the worst performing commodities in 2011. Throughout the past decade, cotton has never displayed such extreme volatility, and the unprecedented price swings posed challenges in both inventory management and price negotiation with savvy buyers. Cotton price volatility began easing in late 2011, enabling the company to partially recover its GP margins. We also benefited from productivity enhancements. As a result, GP margins in December 2011 were in fact better than those achieved in December 2010.

Continued adherence to tight cost control enabled TJL to contract SG&A overheads to 3.8% of sales during the nine months under review from 4.1% of sales during the same period of 2010/11. Operating profit, at Rs 227 million in the third quarter, showed significant sequential improvement over the Rs 81 million and Rs 156 million reported in the two preceding quarters of the year. As a result of the strong third quarter performance, cumulative operating profit of Rs 464 million for the nine months under review was only 3% lower YoY.

The finance cost of Rs 40 million for the quarter was largely due to a one-off provision of Rs 42.6 million in respect of an unexpected 3% currency devaluation in late 2011. Excluding this unrealized exchange loss, finance costs for the quarter were negligible, benefiting from the company's strong balance sheet.

Net profit in the third quarter before provision for this exchange loss was Rs 230 million, more than the cumulative net profit of Rs. 222mn recorded for the preceding six months. Cumulative net profit for the nine months, at Rs 452 million before exchange losses, reflected a marginal drop of 2% over the corresponding period of the previous financial year, while cumulative net profit after exchange losses was down 11% YoY to Rs 409 million for the nine months reviewed.

While continuing to focus on high capacity utilization, the management is actively exploring options for both organic and inorganic growth, taking advantage of TJL's strong balance sheet and competitive position. With a strong order book in place, Textured Jersey is confident of consolidating its topline during the final quarter of FY12, and a further improvement in GP margins is also expected. The management remains confident of delivering sustainable earnings growth that will translate to superior share price performance in the longer term.

**Ashroff Omar**  
Chairman

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

	Company				
	Quarter ending 31 Dec		Period ending 31 Dec		
	2011 Unaudited	2010 Unaudited	2011 Unaudited	2010 Unaudited	%
Sales	3,072,401	2,270,243	9,146,774	6,733,308	35.8%
Cost of sales	(2,705,888)	(1,901,252)	(8,331,216)	(5,978,775)	39.3%
<b>Gross profit</b>	<b>366,513</b>	<b>368,991</b>	<b>815,558</b>	<b>754,533</b>	8.1%
Other operating income	Nil	30	Nil	30	-100.0%
Selling and Admin. expenses	(139,035)	(91,634)	(351,448)	(276,360)	27.2%
Operating profit	227,478	277,387	464,110	478,203	-2.9%
Non operating income	Nil	Nil	Nil	Nil	0.0%
Net Finance Costs	(40,208)	(10,717)	(54,747)	(16,716)	227.5%
Profit before tax	187,270	266,670	409,363	461,487	-11.3%
Tax	Nil	Nil	Nil	Nil	0.0%
<b>Net profit</b>	<b>187,270</b>	<b>266,670</b>	<b>409,363</b>	<b>461,487</b>	-11.3%

Earnings per share (EPS) in Rs.                      0.31                      0.46                      0.67                      0.80

*\* Net Finance Costs of Rs. 40.2mn includes an unrealised exchange loss of Rs. 42.6mn*

Signed on behalf of the Board of Directors of Textured Jersey Lanka PLC on 31st January 2012

Sgd  
Director

Sgd  
Director

# TEXTURED JERSEY LANKA PLC

## BALANCE SHEET

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

	Company		
	Unaudited 31 Dec 2011	Unaudited 31 Dec 2010	Audited 31 March 2011
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	2,353,975	2,601,074	2,473,360
Capital work-in-progress	20,834	13,257	71,527
Intangible assets	43,779	56,893	50,871
Receivables and prepayments	82,462	83,448	81,454
	<b>2,501,050</b>	<b>2,754,672</b>	<b>2,677,212</b>
<b>Current assets</b>			
Inventories	1,986,568	2,133,769	3,215,671
Receivables and prepayments	1,464,488	1,128,459	1,310,853
Short-term investment	1,200,000	Nil	Nil
Cash and cash equivalents	295,848	269,136	22,357
	<b>4,946,904</b>	<b>3,531,364</b>	<b>4,548,881</b>
<b>Total assets</b>	<b>7,447,954</b>	<b>6,286,036</b>	<b>7,226,093</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Stated capital	2,749,266	1,597,229	1,597,229
Exchange equalisation reserve	420,341	234,674	194,105
Retained earnings	1,587,279	954,671	1,177,916
	<b>4,756,886</b>	<b>2,786,574</b>	<b>2,969,250</b>
<b>Non-current liabilities</b>			
Borrowings	Nil	1,537,590	2,301
Deferred tax liabilities	44,765	23,384	43,071
Defined benefit obligations	75,253	50,142	54,154
	<b>120,018</b>	<b>1,611,116</b>	<b>99,526</b>
<b>Current liabilities</b>			
Trade and other payables	1,154,636	1,219,899	1,897,909
Borrowings	1,416,414	668,447	2,259,408
	<b>2,571,050</b>	<b>1,888,346</b>	<b>4,157,317</b>
<b>Total liabilities</b>	<b>2,691,068</b>	<b>3,499,462</b>	<b>4,256,843</b>
<b>Total equity and liabilities</b>	<b>7,447,954</b>	<b>6,286,036</b>	<b>7,226,093</b>
<b>Net Asset Per Share (Rs.)</b>	<b>7.82</b>	<b>4.85</b>	<b>5.16</b>

Signed on behalf of the Board of Directors of Textured Jersey Lanka PLC on 31st January 2012

Sgd  
Director

Sgd  
Director

# TEXTURED JERSEY LANKA PLC

## CASH FLOW STATEMENT

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

### Operating Activities

Profit before tax	409,363	461,487
Adjustments for non cash movements	491,528	324,683
Changes in working capital	416,740	(803,913)
<b>Cash generated from / (used in) generated from operations</b>	<b>1,317,631</b>	<b>(17,743)</b>

Interest received	46,236	Nil
Interest paid	(65,063)	(16,716)
Defined benefit obligations paid	(3,718)	(14,000)
<b>Net cash from / (used in) operating activities</b>	<b>1,295,086</b>	<b>(48,459)</b>

### Investing Activities

Additions to capital work-in-progress	(47,880)	(8,101)
Purchase of property, plant and equipment	(7,785)	(16,725)
Proceeds from property, plant and equipment	Nil	30
Investment in fixed deposit	(1,200,000)	Nil
<b>Net cash used in investing activities</b>	<b>(1,255,665)</b>	<b>(24,796)</b>

### Financing Activities

Net movement in borrowings	(750,937)	177,790
Proceed from Issue of shares (Net of cost of issue)	1,152,037	Nil
<b>Cash generated from financing activities</b>	<b>401,100</b>	<b>177,790</b>

**Increase in cash and cash equivalents**

**440,521**      **104,535**

### Movement in cash and cash equivalents

At the beginning of the period	(391,577)	21,988
Increase	440,521	104,535
<b>At the end of the period</b>	<b>48,944</b>	<b>126,523</b>

Signed on behalf of the Board of Directors of Textured Jersey Lanka PLC on 31st January 2012

Sgd  
Director

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Director

TEXTURED JERSEY LANKA PLC

**STATEMENTS OF CHANGES IN EQUITY**  
**For the period ending 31 Dec 2011**

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

	Stated Capital	Exchange Equalisation Reserve	(Accumulated losses)/ Retained earnings	Total
<b>Balance at 1 April 2010</b>				
- As previously reported	1,597,229	314,215	516,790	2,428,234
- 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 period	Nil	Nil	684,732	684,732
Effect of movement in foreign exchange rates	Nil	(120,332)	Nil	(120,332)
<b>Balance as at 31 March 2011</b>	<b>1,597,229</b>	<b>194,105</b>	<b>1,177,916</b>	<b>2,969,250</b>
<b>Balance at 1 April 2011</b>	1,597,229	194,105	1,177,916	2,969,250
Profit for the period	Nil	Nil	409,363	409,363
Issue of shares	1,200,000	Nil	Nil	1,200,000
Cost of issue of shares	(47,963)	Nil	Nil	(47,963)
Effect of movement in foreign exchange rates	Nil	226,236	Nil	226,236
<b>Balance at 31 Dec 2011</b>	<b>2,749,266</b>	<b>420,341</b>	<b>1,587,279</b>	<b>4,756,886</b>
<b>Balance at 1 April 2010</b>				
- As previously reported	1,597,229	314,215	516,790	2,428,234
- 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 period	Nil	Nil	461,487	461,487
Effect of movement in foreign exchange rates	Nil	(79,763)	Nil	(79,763)
<b>Balance at 31 Dec 2010</b>	<b>1,597,229</b>	<b>234,674</b>	<b>954,671</b>	<b>2,786,574</b>

Signed on behalf of the Board of Directors of Textured Jersey Lanka PLC on 31st January 2012

Sgd  
 Director

Sgd  
 Director

# TEXTURED JERSEY LANKA PLC

## 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 31<sup>st</sup> March 2011, and also in compliance with Sri Lanka Accounting Standard 34 - 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 31<sup>st</sup> 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 31<sup>st</sup> March 2011.

(5) <b>Market Price per share</b>	<b>Highest (Rs)</b>	<b>Lowest (Rs)</b>
Nine months ended 31st December 2011	15.70	9.70
Last Traded Price (on 30th December 2011)	10.20	

(6) **Key Ratio's for the Company**

<u>Profitability Ratios</u>	<i>Period Ending 31 Dec 2011</i>	<i>Period Ending 31 Dec 2010</i>
Net Profit Margin	4.48%	6.85%
Asset to Turnover	1.23	1.07
Debt:Equity	0.57	1.26
Return on Assets (ROA)	7.44%	10.48%
Return on Equity (ROE)	14.13%	23.60%

Investor Ratios

Earnings per share (EPS) (Rs)	0.67	0.80
Net Book Value per Share (Rs)	7.82	4.85
Price/Earning (PE Ratio) - Annualised	11.37	N/A
Price to Book value Ratio	1.30	N/A

(Per Share values are based on 575mn + 80 mn shares issued on )

(PE and PBV Ratios are based on market price of Rs. 10.20/- per share close 30/12/2011)

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

# TEXTURED JERSEY LANKA PLC

## NOTES TO THE FINANCIAL STATEMENTS

- (8) Number of shares representing the entity's stated capital - 655,002,440 shares
- (9) No circumstances have arisen since the Balance Sheet date which would require adjustment to or disclosure in the Financial Statements

- (10) List of the 20 Largest Shareholders

PACIFIC TEXTURED JERSEY HOLDINGS LTD	262,001,464	40.0%
BRANDIX LANKA LIMITED	197,000,976	30.1%
EMPLOYEES PROVIDENT FUND	13,813,200	2.1%
INDRA TRADERS (PVT) LTD.	8,602,900	1.3%
MELSTACORP (PRIVATE) LIMITED	6,889,500	1.1%
INDRA PROPERTY DEVELOPMENT (PVT) LTD	6,028,100	0.9%
DISTILLERIES COMPANY OF SRI LANKA LIMITED	4,246,400	0.6%
INDRA FINANCE LTD.	4,019,600	0.6%
PEOPLES BANK	3,755,800	0.6%
MCBRIDGE BLUE (PRIVATE) LIMITED	3,119,300	0.5%
DEUTSCHE BANK NOMINEES (JERSEY) LIMITED A/C NO 02	2,811,100	0.4%
FERGASAM GARMENT INDUSTRIES (PVT) LTD.	2,811,100	0.4%
TIMEX GARMENTS (PVT) LTD	2,791,100	0.4%
HSBC INTL NOM LTD-UBS AG SINGAPORE BRANCH (EX SBC)	2,694,100	0.4%
PERICEYL ( PRIVATE ) LIMITED A/C NO. 03	2,694,100	0.4%
VIDULLANKA PLC.	2,456,000	0.4%
DEE INVESTMENTS (PVT) LTD	2,443,400	0.4%
LHLMP HARADASA	2,393,300	0.4%
ADL CAPITAL LTD	2,377,300	0.4%
WATAPOTA INVESTMENTS PLC	2,343,300	0.4%

- (11) No shares of the company are held by any of its Directors or Officials

- (12) Public Shareholding - 196,000,000 shares, 29.92%