

A portrait of an elderly man with white hair, wearing a dark suit, white shirt, and a patterned tie. He is looking directly at the camera with a neutral expression. The background is a dark grey gradient. To the right of the portrait, there are two red rectangular blocks stacked vertically.

Chairman's Message

We are strong believers in ethical business practices and that has been a fundamental truss to our success through good times and bad. Having now completed the second year post MFA withdrawal, I am very pleased at how Brandix has weathered the storm, risen to the challenge and overcome the obstacles. A forward thinking paradigm and an astute reading of the global industry, brands and customers long before the threat of the abolition of the MFA loomed, saw us prepared for the changing milieu. Now, it's time to move on – our customers perceive us with expectations of playing a lead in doing the right thing, to integrating a total environment of sustainable practices into the wider vista of ethics and integrity within our business. The next financial year will see us launch a cohesive 'Green Plan', which will be charted over the next five years that would imbue the tenets of carbon neutralisation, waste and energy management and alternative energy options, cleaner technology initiatives and health and safety among a host of measures to ensure a completely 'green compliant' organisation within that time span.

The year under review has been a record one with a substantial increase in bottom line profits. The strategies and policies infused into Brandix to ensure a sustainable business that would succeed in a fast evolving industry over the past years, have been the primary ingredients for this year posting an even greater profit than the last. I am also particularly glad to have observed a further consolidation of the corporatisation process. Brandix, though a private company, has crossed the threshold into enacting the culture of the public domain, ensuring transparency, accountability and sincerity of action and incorporating the fundamental principles generally required of a public company. The corporatisation process has encouraged the necessity of ensuring ethical business practices, good governance and risk management. As of today, I firmly believe that Brandix is an organisation that has the required criteria and benchmarks to become a successful public company, whenever the shareholders deem it necessary.

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I am also extremely pleased with the strong relationship I have seen built between Brandix and the employees at all levels. This is a relationship that has continued to strengthen and one that the Directors and Management have worked on assiduously to become the backbone to the success of the organisation. Having striven to attract the best talent available, we also want to ensure their retention through motivation and in instilling ownership and commitment to our vision, values and the organisation as a whole. An ESOP (uncommon among private companies) has just been mooted, initially among the top level Management, which will eventually be permeated across all levels. This also spells the commitment of the shareholders to corporatisation in the true sense of the word and the secure confidence they have built in themselves, the organisation and employees.

One of our most significant achievements over the year has been the launch of our entry into India and the start of


production albeit at a temporary location. Again, I see a visionary approach to entering a completely new environment. Seeing opportunities and potential, Brandix established a centre to train its workforce and began production at two temporary plants, while the new facility is being constructed in the 1,000-acre facility of Brandix India Apparel City (BIAC) – an integrated apparel facility which is due for completion by June 2008. The Brandix image, work ethic and governance structure have been instrumental in pioneering a number of strategic alliances over the years. The exposure we have thus gained greatly enabled global players to subscribe to the BIAC concept. A noteworthy equity infusion has been made by Brandix and international equity partners to take this project through its first phase of development. A special note of appreciation to the Government of India and the State Government of Andhra Pradesh for their integral role and partnership in ensuring the success of this mammoth initiative.

I must re-iterate that while we are constantly pursuing newer opportunities and scouting for potential, business expansion in Sri Lanka will firmly remain an integral and essential feature in our organisational plans. Our investment in Sri Lanka has been significant to be recognised as the largest apparel exporter in the country by the Export Development Board (EDB) of Sri Lanka. Investments made in Sri Lanka in the last year have been a substantial US\$ 25 million (LKR 2.5 billion), sizeable by most standards, while we have earmarked another US\$ 35 million (LKR 3.5 billion) in investments for the next financial year. The 223-acre Brandix Sri Lanka Apparel City in Horana, conceptualised on similar lines to that of BIAC although on a smaller scale, for which we signed an MOU with the Board of Investments (BOI) in Sri Lanka, is a prime example of our commitment to developing on the success we have had in Sri Lanka and position Sri Lanka firmly on the international apparel map.

We are extremely proud of our state of the art Brandix Centre of Inspiration (BCI), the first of its kind in this region and conceptualised to standards emulating the best in Europe or the USA. BCI began its first year of manufacture of casual wear contributing significantly to the record year we posted, leveraging on the synergies it brings to the table via the 'One Team One Focus' concept. The success of this model will be emulated to the other product groups of Brandix with the next initiative of launching a similar Centre for Intimate products in the next year. Expansion, modernisation and attracting new investments continue to remain firmly on the cards as I see Brandix on the threshold of moving ahead despite some external challenges which need to be addressed.

The year ahead will in all event, be even more challenging than the last. The global industry continues to evolve, now at a faster pace than before and it has been left to us to manage

that evolution and to use it to our advantage. Our expansion and investment plans therefore are modelled according to these future paradigms, with focus not only on our bottom-line but a holistic concept. We do acknowledge and take seriously the significant competition posed by both China and India and that threat is certainly not going to recede in the coming year, but rather will be stepped up by those countries. And the onus remains on us therefore to stay on top of it, which, given the imperatives of the past and the future ones planned, I am confident we can and undoubtedly will!



KEN BALENDRA
Chairman
Brandix Lanka Limited