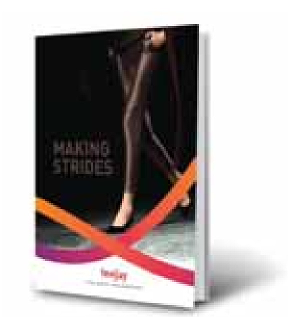
MAKING STRIDES

teejay

TEEJAY LANKA PLC - ANNUAL REPORT 2018/19



Scan the QR Code with your smart device to view this report online

Our Annual Report is also available online. Please visit our website at www.teejay.com to access the report

MAKING STRIDES

18 years ago our journey began with the bold ambition to become the region's preferred fabric solutions provider for branded clothing.

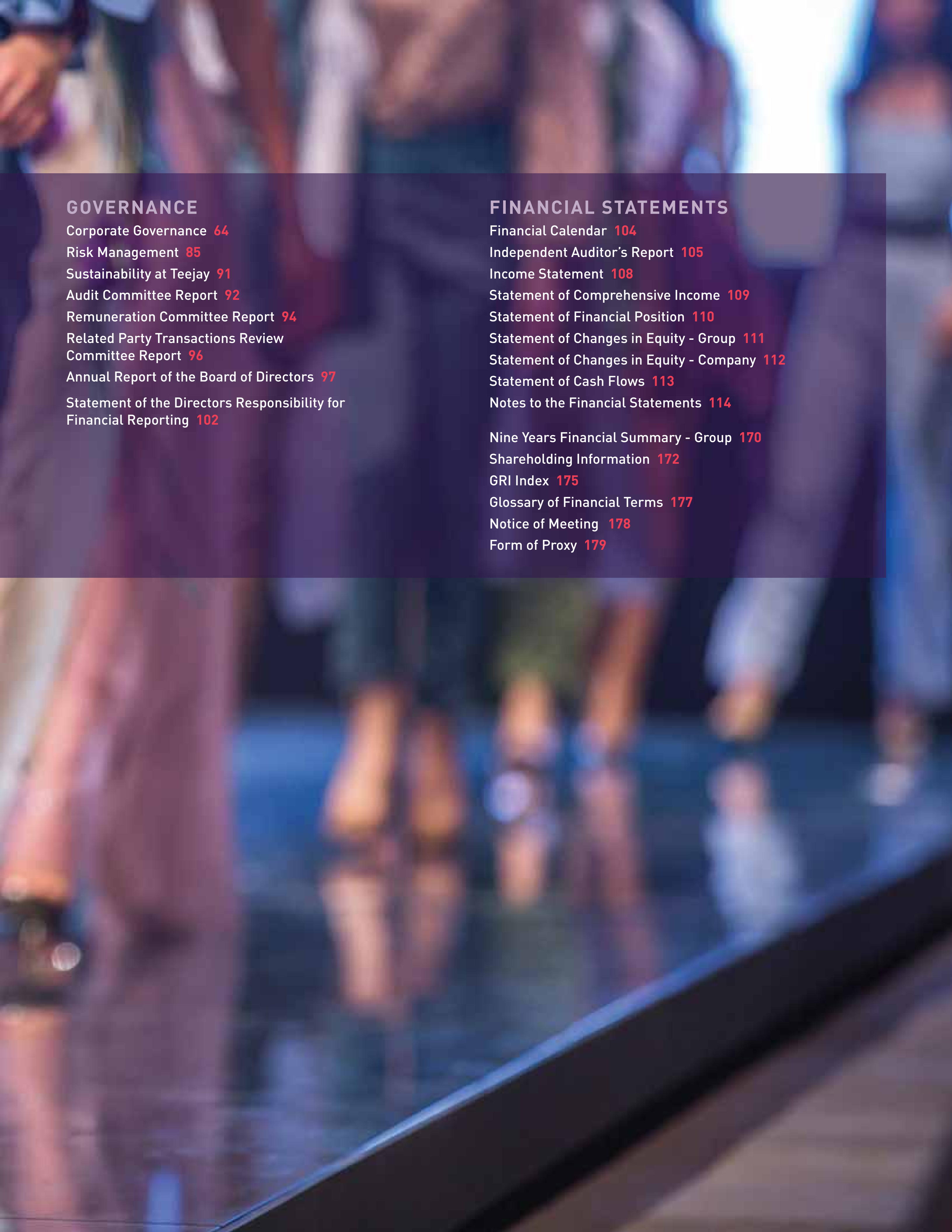
We have made definitive strides towards that vision by becoming an industry leading fabric manufacturer with a strong reputation for game-changing innovation and relentless dynamism.

We cater to the world's leading fashion brands through our operations in Sri Lanka while our overseas expansion has extended our capabilities. Our strategic investments in the continuous development of our people and technologies are the foundation of our sustained progress. With foresight and fortitude, we are well positioned to continue our unrivalled performance.

This year, our team strode forward by recording a remarkable 29% topline growth, and capitalised on opportunities to remain stable and resilient. It was a performance that belied the strains of business environment weighed down by unfavourable macro-economic conditions and high prices of raw material and utilities.

As we stride into a new year that takes us closer to our vision, we stand inspired, confident and humble in our abilities and potential.

CONTENTS



GOVERNANCE

FINANCIAL STATEMENTS

ABOUT THIS REPORT

GRI 102-01 102-10 102-12 102-45 102-46 102-48 102-49 102-50 102-51 102-52 102-53 102-54

Welcome to our 8th Integrated Annual Report in which we hope to share how the Group "Made Strides" in its value creation journey during the year 2018/19 and how we directed our strategies to stride ahead and how we will determine our strides to create value in the future. The Report also intends to presents how we direct strategy in an integrated manner as we aim to balance the often-competing interests of our diverse stakeholders.

Scope & Boundary

This Report covers the operations of Teejay Lanka PLC and its operating subsidiaries in Sri Lanka and India from April 1, 2018 to March 31, 2019.This Report presents the performance of the Group's fabric manufacturing, operations, non-financial and operational information presented herein (unless specifically mentioned) represents the same.
There were no material restatements, significant changes to the group size, structure or supply chain during the year. The Group follows an annual reporting cycle and our previous report for the financial year ending 31 March 2018 was covered in the 2017/18 Annual Report.

Standards and Principles

- Financial Information: Sri Lanka Financial Reporting Standards, Company Act No. 07 of 2007, Sri Lanka Auditing Standards.
- Narrative Report: Integrated Reporting Framework of International Integrated Reporting Council.
- Corporate Governance: Listing Requirements of the Colombo Stock Exchange, Code of Best Practice on Corporate Governance issued by Securities and Exchange Commission of Sri Lanka (2017).
- Sustainable Development Goals Reporting.
- Sustainability Report: Global Reporting Initiative GRI standards in Accordance Core option.

About the Chapters

- Our Leadership Team (Page 22-25)
- Our Strategies to create an enhance value (Page 32-36)
- Value Creation through our Capitals (Page 37-62)
- Governance Structure (Page 64-84)

Navigating our Report

To demonstrate interconnectivity of information and facilitate ease of navigation, we have used the following icons throughout the report.

Financial Capital

Manufactured Capital

Human Capital

Intellectual Capital

Social & Relationship Capital

Natural Capital

Materiality

In selecting the content to be included in this Report we have adopted the principle of materiality and structured the discussion based on the material issues which matter most to our stakeholders and to our business.

External Assurance

We adopt a combined assurance model to ensure the credibility and integrity of our reporting. External assurance on the financial statements have been provided by the Messers. PricewaterhouseCoopers while financial, compliance and operating controls are assessed by Group management audit and system review, who are engaged in our internal audit function. The Company's Audit Committee also monitors adequacy and effectiveness of the financial reporting and internal control systems.

Available Form

Teejay Lanka PLC
Annual Report 2018/19

Online Available as PDF
www.teejay.com

CD-Rom Posted to all Shareholders

Feedback

We understand that Integrated Reporting is a journey of continuous improvement and would appreciate any suggestions you may have in terms of what you would like to see in our next Report. Please direct your feedback to,

The Chief Financial Officer
Teejay Lanka PLC.
Block D8-D14,
Seethawaka Export
Processing Zone,
Avissawella.

E mail: info@teejay.com

Tel: 036 4279500

MILESTONES

2000

Textured Jersey Lanka is incorporated

2001

Commercial Production Commences

2004

Pacific Textile Holdings enters as a joint venture partner while Textured Jersey UK exits the joint venture

2006

First phase of expansion
100% of capacity

2007

Changes to the shareholding structure with Pacific Textiles owning 60% and Brandix Lanka owning 40% of the Company

2008

Second phase of expansion 100% of capacity introduction of energy saving equipment and launch of "Green Initiatives" in line with our commitment to sustainability

2011

Textured Jersey Lanka is listed on the main board of the Colombo Stock Exchange

2014

Third phase expansion
10 -12% of capacity

2015

Winning World Textile Awards

Acquisition of Ocean India Private Ltd

Acquisition of Quenby Lanka Prints (Private) Ltd

2016

Rebranded as "Teejay"
Teejay Lanka PLC
Teejay Lanka Prints (Private) Limited
Teejay India Private Limited

Winner of Forbes Asia's 200 Best Under a Billion

Commercial launch of the first Synthetic Fabric

2018

Expansion at Teejay India doubling the capacity which enhanced Group's manufacturing capacity to USD 210 Mn

2019

Initiate the 'Operational Excellence' journey at Teejay

OUR PHILOSOPHY AND DIRECTION

GRI 102-16

Our Vision

To be the preferred fabric solutions provider for branded clothing.

Our Mission

To become a USD300 Mn Company in 2021/22 providing customers with world-class fabric solutions delivered through sustainable operations and best in class talent.

Our Values

Integrity
Innovate to Lead
Collaboration
Togetherness.

Our Culture

We Breed Integrity.

We are Collaborative and Team Driven.

We are Operational Excellence Driven.

We Focus on Speed, Innovation and Sustainability.

'Integrity' stands at the core in our culture. Doing the right thing always is our passion.

'Innovate to Lead' setting the benchmark to the industry while leading in an innovative deck is a way of life for us.

'Collaboration' is a practice at Teejay. We Collaborate with all our stakeholders for the well-being of everyone.

'Togetherness' is a norm for us. Team work is the success behind Teejay's continual growth and performance.

At Teejay, we aspire 'To be the preferred fabric solutions provider for branded clothing', becoming a USD 300 Mn Company in 2021/22 by providing customers with world class knit fabric solutions delivered through sustainable operations and best in class talent. This lofty aspiration is built on some fundamental pillars, which we hold dear as we journey ahead. At the heart of everything, we do, we believe in developing a deep customer-centric understanding of global fashion trends and the required value propositions, which we consciously strive to deliver to the desired expectations. At the core of our service lies 'Speed', which drives us in providing an incomparable experience for our customers.

At the core, we believe in continued investment in technology and active focus on process improvements and waste reduction to continually deliver cost efficacy.

The journey to bring inspiration and value to our stakeholders can be delivered by engaging in ethical business practices. For us, respecting and protecting the environment we operate in is essential, and so, 'Sustainability' has become a way of life and is second nature for the entire Teejay team. Environmental consciousness is ingrained into the conduct of our business at every stage.

We continue to invest and bring organizational alignment to support this thrust, with the hope of bringing excitement and prosperity to the entire industry. Thus, we deliver Operational Excellence, quality and on-time delivery; we will keep growing and developing our team competencies and skill sets.

This is the identity of Teejay. Modern and futuristic, yet embracing the goodness of a rich heritage which is built upon shared values, discussion and consultation. These collective energies will help us journey towards becoming the preferred fabric solutions provider for branded clothing.

PERFORMANCE HIGHLIGHTS

		Metric	2019	2018	% Variance
Financial Capital	**Operations**				
	Revenue	Rs: 000's	31,746,592	24,647,488	28.8
	Gross profits	Rs: 000's	3,686,058	2,911,199	26.6
	Profit from operations	Rs: 000's	2,344,649	1,810,842	29.5
	Profit after taxation	Rs: 000's	1,858,717	1,596,114	16.5
	Revenue growth	%	28.8	11.3	154.9
	Operating profit margin	%	7.4	7.3	1.4
	Return on equity (ROE)	%	14.5	14.0	3.6
	Return on assets (ROA)	%	8.9	8.8	1.1
	Return on capital employed (ROCE)	%	11.8	11.5	2.6
	Financial Position				
	Non current assets	Rs: 000's	9,026,474	8,437,181	7.0
	Current assets	Rs: 000's	13,359,457	11,127,755	20.0
	Non current liabilities	Rs: 000's	1,591,380	1,632,454	(2.5)
	Current liabilities	Rs: 000's	6,869,296	6,231,060	10.2
	Capital and reserves	Rs: 000's	13,925,255	11,701,422	19.0
	Debt/Equity	%	11.4	14.0	(18.6)
	Current ratio	No. of Times	1.9	1.8	5.6
	Quick assets ratio	No. of Times	1.3	1.1	18.2
	Shareholder Information				
	No of shares in issue	Number	701,956,580	701,956,580	-
	Market value per share (closing)	Rs:	30.4	31.9	(4.7)
	Dividend per share	Rs:	1.95	1.60	21.9
	Earnings per share	Rs:	2.65	2.16	22.7
	Net assets per share	Rs:	19.8	16.7	18.6
	P/E ratio	No. of Times	11.5	14.0	(17.9)

Financial Capital

28.8%
Revenue Growth

16.5%
Net Profit

Manufactured Capital

Rs. 813 Mn
Capital Expenditure

Human Capital

Rs. 44 Mn
Investment in Training & Development

		Metric	2019	2018	% Variance
Manufactured Capital	Property, plant and equipment	Rs: 000's	8,408,235	7,534,180	11.6
	Capital expenditure	Rs: 000's	812,944	1,673,005	(51.4)
Human Capital	Total employees	No.	2,610	2,338	11.6
	Payments to employees	Rs: 000's	2,205,955	1,636,491	34.8
	No. of promotions	No.	35	47	(25.5)
	Investment in training	Rs: 000's	43,912	10,845	304.9
	Total training hours	Hours	41,827	21,952	90.5
	Average training hours/employee	Hours	16.03	10.03	59.8
Intellectual Capital	New products approved	No.	92	105	(12.4)
	Investment in R&D	Rs: 000's	497	2,285	(78.2)
Social & Relationship Capital	Strategic customers	No.	8	6	33.3
Natural Capital	Water consumption	m3 '000	2,048	2,057	(0.4)
	Specific electricity consumption	kWh/m	0.579	0.591	(2.0)*

* Company only

Intellectual Capital

Rs. 497 Mn
Investment in R & D

92
New Product Developments

Social & Relationship Capital

8
Strategic Customers

Natural Capital*

2%
Electricity

13%
Water

* Company only (Figures are based on specific consumption)

OUR BUSINESS

GRI 102-02 102-03 102-04 102-05 102-06 102-07

The Teejay Group, is one of the largest knit fabric mills in South Asia specializing in weft knitting, with manufacturing facilities in Sri Lanka and India, and a state of the art printing plant in Sri Lanka, Teejay is also Sri Lanka's only multi national mill.

The Group offers a wide range of products and services related to weft knit manufacturing which includes dyeing, finishing and printing. Over the recent years it also extended the portfolio to include lace dyeing, yarn dyeing and synthetic fabric production. Teejay's fabrics portfolio includes a wide range such as Single Jersey, Interlock, Rib and Pique whilst the fabric is sourced by globally leading brands from intimates to sleep wear, lingerie and active wear.

Teejay's reputation for quality of its products and customer service; combined with the ability to meet evolving customer needs in the fast changing industry of fashion, through its innovation and research capabilities; have enabled it to build and grow a customer portfolio comprising world's leading retail brands from Europe, USA to Asia. The customer portfolio includes PVH, Calzedonia, L Brands, Decathlon, Marks & Spencer, Nike, Uniqlo and LIDL amongst others.

The Group's Research arm, which engages in R&D in fiber, yarn, dyes, chemicals, fabrics, as well as processes, provides the ability to offer customized solutions to clients and a competitive edge to constantly innovate.

Our Scale

3 Manufacturing facilities in 2 countries with a printing plant

2,610
Employees

Performance

Rs. 1.86 Bn
Profit attributable to Shareholders

Rs. 31.7 Bn
Revenue

Group Structure

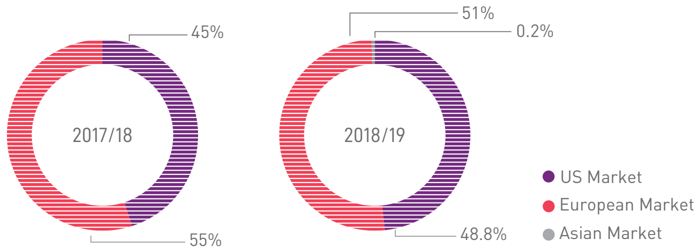
Teejay Lanka PLC
Manufacturing of weft knitted fabrics

- Teejay Lanka Prints (Private) Limited
  Rotary screen printing of knitted & woven fabrics
- Ocean Mauritius Limited
  Investment Holding
  - Teejay India Private Limited
    Manufacturing of weft knitted fabrics

Our Market Reach

Teejay reaches markets across the USA, Europe and Asia via the relationships it has established with 8 leading global retail apparel brands.

Customer Profile



USA	UK	Italy	France	Germany	Japan
PVH L Brands NIKE	Marks & Spencer	Calzedonia	Decathlon	LIDL	Uniqlo

CHAIRMAN'S MESSAGE

> Overall, the Group recorded one of its best years in operations, achieving the highest in meeting quality and on-time delivery standards.

Dear Stakeholder,
It gives me great pleasure to welcome you to the 8th Annual General Meeting of Teejay Lanka PLC and to present to you our Annual Report and Financial Statements for the year ending 31 March, 2019.

The Group performed well to achieve a Net Profit growth of 16% to reach Rs. 1.86 billion in Net Profits, and a Group Revenue of Rs. 31.7 billion despite an increase in the costs of the main raw material cotton, which accounts for 65% of raw material costs. Overall, the Group recorded one of its best years in operations, achieving the highest in meeting quality and on-time delivery standards. An increase in volumes to USA and the EU led the Group's Revenue and Profitability growth and it is most encouraging that all of Teejay's strategic customers contributed to the 29% growth in Revenue.

Operating Environment

I write this message as Sri Lanka is en route to recover from a tragedy that shocked the nation, impacted lives and the entire country's peace of mind. My heartfelt sympathies go out to all those affected across the country by the catastrophe of Easter Sunday attacks. Many economic sectors are impacted, however, we are happy to note that companies such as Teejay continued to operate throughout the crisis period and faced no impact on its order book as our products are for customers overseas. The export manufacturing industries such as Teejay, have hitherto been resilient through times of political and security unrest, and we expect would countinue to spearhead economic growth in the country in the year ahead.

The apparel and textiles subsectors together contributed around 78% of the overall growth in Sri Lanka's manufacturing sector in 2018; and it is noteworthy that manufacture of textiles recorded a considerably higher 3.6% growth in 2018, compared with a growth of 2.3% in 2017.

Sri Lanka's export earnings in 2018 increased by 4.7% to reach over US Dollars 11 billion, underpinned by the restoration of the EU GSP+ facility; conducive external trade policies together with strong institutional support and the flexible exchange rate policy maintained by the Central Bank. The flexible exchange rate policy resulted in a sharp depreciation of the Sri Lankan Rupee thus benefiting the export sector. Meanwhile, export earnings from textiles and garments also increased by 5.7%. Exports to the EU grew by 3.6% owing to the higher demand from Germany, Italy, Netherlands and Sweden. Whilst, earnings from garment exports to the USA increased by 6%, it is also most encouraging that Sri Lanka's earnings from non-traditional markets such as India, Japan, Australia and Mexico increased by 3.5% in 2018. Export earnings from textiles and made up textile articles also increased by 26.6% and 10.9%, respectively due to an increased demand from the EU, the USA, India, Vietnam and Turkey.

In the global landscape, the year under review saw an escalation of long standing trade disputes between the US and China; as the US unilaterally imposed tariffs (amounting to US Dollars 250 billion) on Chinese goods and merchandise. The Chinese government retaliated by levying tariffs (amounting to the same value) on US goods. The resulting impacts, led by a decline in the demand for Chinese imports in the US market, such as apparel and textiles is likely to offer some opportunities for the Sri Lankan apparel and textile industries to meet the demand in the US on the one hand, and to benefit from a reduced raw material costs due to a likely decrease in the demand for cotton from China.

Sri Lanka has built its competitive edge through value-addition with greater emphasis on product quality and its ability to manufacture niche products. Despite increasing international competition, Sri Lanka is thus well positioned for growth, based on its reputation as a destination where best business practices partner with social responsibility and ethical manufacturing to provide exceptional solutions to leading global brands.

Moreover, the McKinsey Global Fashion Index forecasts healthy growth of 4% to 5% for 2019, marginally above the forecast of 3.5% to 4.5% for 2018 and considerably above the 2.5%to 3.5% growth in 2017. The growth in 2018 was driven primarily by, a strong growth in the US supported by tax cuts and growth in emerging markets.

Governance

The Group believes in upholding the highest standards in governance is indispensable to creating long term value to its stakeholders and must be pursued uncompromisingly. The Board - as the highest governing body, sets the tone at the top by promoting professional standards and corporate values that cascade down to senior management and other employees of the Company. A robust system of internal controls ensures professionalism, integrity and commitment of the Board of Directors. The Company ensures that its mechanisms for good governance are constantly reviewed, benchmarked and strengthened to meet evolving requirements. During the year, the Group also revisited its strategic intent and outlook and reassessed its Vision and Mission statements whilst also launching a set of Values during the year. We are confident the team's unstinted commitment to these Values would also help strengthen transparency, ethics and good governance within the Group.

Outlook

Several developments in the global industry landscape bode well for new growth opportunities for the industry and the country. We see an increasing preference for locating manufacturing plants in South Asia vis a vis China (who until now has been the world's largest producer of apparel) due to several factors, such as the change in US tariff policy and the increasing cost of labour, amongst others. Moreover, a rise in the location of manufacturing plants by globally leading apparel brands in the African continent, also augurs well for new opportunities for Sri Lanka which enjoys a comparative advantage of location and a reputation for high product quality vis a vis competition. Your Group will continue to strengthen its strategically important customer relationships which have been nurtured over time, and expect would expand the win-win opportunities for sustained value creation for all our stakeholders in the next few years ahead.

The apparel industry across the global market space has become a rapidly evolving one, in line with changing retail market behavior; thus necessitating much shorter lead times. Accordingly, the fabric industry needs to be well prepared to ensure faster delivery as well as flexibility in the solutions it can offer. The journey towards Operational Excellence that your Company has launched, underscores its commitment to continue raising the bar on product quality, efficiency and speed of delivery,

CHAIRMAN'S MESSAGE

> We will continue to leverage it to enhance customer convenience and satisfaction, innovating how and what we deliver.

which have been the cornerstones of Teejay's success. We will remain focused on the need to be nimble enough to meet new opportunities and respond to fast changing market needs, life styles, research findings and increasing competition in the global fabric and apparel industry.

Technology, as for most industries, is an imperative to enhance value creation and sustain our competitiveness amidst rapidly changing life styles and landscapes of the apparel and fabric industry. We will continue to leverage it to enhance customer convenience and satisfaction, innovating how and what we deliver. The use of cutting edge technology combined with our commitment to continuous innovation, to not only be on par with the rapidly changing requirements of the fabric industry but also to spearhead fashion trends in fabric markets and increase efficiencies amidst tightening margins, will be a key to sustaining growth into the future. Teejay, driven by its Triple Bottom Line focus, invested significantly in the modernization of its plants and on reducing its carbon footprint, as demonstrated by the continuing curtailment of water and energy consumption despite the expansion in production output.

The extension of the GSP+ for Sri Lanka until end 2020, a favorable global industry backdrop and the increasing trend of locating apparel manufacturing plants in South Asia and the African continent, offer a landscape of many opportunities for the Sri Lankan fabric industry to leverage the competitive advantages it is endowed with. Thus, Teejay, as Sri Lanka's leading fabric manufacturer with a regional presence, will look to enhance the value it creates for all its stakeholders, as it strides ahead, spurred by the quality of its products, the speed of delivery a passion for innovation and the relationships it has built.

Acknowledgments
I would like to convey my sincere appreciation to the Board of Directors, the Management team and all employees for their talent, passion and commitment, which keeps Teejay on its trajectory of growth and as a leading regional player in the fabric industry. The Board of Directors joins me in expressing our sincere appreciation to Mr. Rodney Arland who served as Deputy CEO and retired during the year under review, for his invaluable contribution to the Group, and we wish him the best in his new endeavors. I also extend my heartfelt thanks to all our customers, investors and other stakeholders for whom we will aim to keep enhancing the value we create.

Wing Tak Bill Lam
Chairman

CEO'S MESSAGE

GRI 102-10 102-14

Teejay performed excellently, despite challenges in the external environment to achieve a Net Profit of Rs. 1.86 billion.

Dear Stakeholder,

It is my pleasure to share with you our performance, outlook and strategies at the end of a year in which your Company continued on its trajectory of growth, reporting five consecutive years of growth in its Top Line and six consecutive quarters of growth in Profit.

Performance

Teejay performed excellently, despite challenges in the external environment to achieve a Net Profit of Rs. 1.86 billion. Net Profits increased by 16% over the previous year whilst Group's Revenue grew by 29% to reach Rs. 31.7 billion. We are heartened by the fact that Teejay is now on course to achieve the targets we've established for 2020 and reach its next tier of expansion and growth.

The Group's results were well supported by its investments into capacity expansion that began in the previous year and a journey of Operational Excellence launched during the year under review. A full order book throughout the year, and growth in volumes across all brands, led by PVH and LIDL, helped us harness the expanded capacity for higher Revenue whilst improvements in on-time delivery (in the Company's best operational year thus far) and product quality, bolstered our Profits. Volumes across the entire Group grew by 13% underscoring the strength of our portfolio.

CEO'S MESSAGE

It is significant that the Group added two more of the world's leading apparel brands to its customer portfolio during the year; Nike (the world's most valuable apparel brand) and Uniqlo (the largest casual wear brand in Asia). The number of strategic customers in the Group portfolio has thus expanded to 8, from 6 in the previous year and 3 in 2004. The Group expects these two new customers to our portfolio to become leading contributors to growth in the year ahead.

Growth in Profitability, as I mentioned above, was dampened by the higher price of cotton yarn, furnace oil and utilities during the year. However, cotton prices which rose due to a short supply and peaked during the second quarter of the year, began to stabilize towards year end due to a decrease in demand from China.

During the year, the Group also reassessed its Vision and Mission and a set of values that would influence 2,610 individuals that make up team Teejay to embrace, practice, nurture in each other, and be inspired by, in their professional and personal lives. Following the launch in March, the Group also began workshops conducted by an external facilitator to create a deeper understanding and appreciation of the values; namely Integrity, Innovate to Lead, Collaboration and Togetherness.

The Group has taken up the journey of Operational Excellence to foster a high performance culture based on strong values. These are an important element in building a high performing team, nurturing a shared sense of responsibility and ownership and facilitating greater focus on achieving the Group's long-term objectives.

Culture, driven along with seamless integration and automation of processes as part of our journey of Operational Excellence launched during the year, contributed to the Group's commendable performance by facilitating faster decision-making and problem solving which helps in improved quality and delivery performance.

Our People

Concurrently, we also initiated an integrated Group Human Resource strategy with a sharp focus on talent development and succession planning to facilitate the achievement of the Group's long-range objectives through a stronger and more empowered team. The strategy includes a comprehensive plan for the development of the individual for career progression through training and development on a wider spectrum of aspects; cross-functional transfers; talent identification and employee recognition. These initiatives are discussed at length in the Human Capital report of the ensuing MD&A.

The talents, passion and commitment of our people will continue to be a cornerstone of our value creation model and Teejay will continue to invest significantly in developing its talent, in expanding the potential of the individual and the Group. The fact that many in team Teejay have been part of its journey since inception and that their careers have followed the growth path of the Company; as indicated by the comparatively low attrition rates in the industry, are a reflection of the value we place on the relationships with our people.

Sustainability

We believe that sustainable value creation by an enterprise is an integrated process, and is a result of interplay between all its capitals - financial, manufactured, human, intellectual, natural and the society within which it operates. As a leading manufacturing enterprise, our environmental sustainability initiatives are two pronged; minimizing our carbon footprint on the one hand and proactively espousing and spearheading environmental causes through green initiatives. Teejay's proactive sustainability efforts also reached a new paradigm as it ventured into the manufacture of fabric made of discarded items which would otherwise harm the environment; thus integrating the practices of reusing and recycling into our products.

It is also noteworthy that our production capacity expansions during the past few years have not contributed to a per unit increase in the Group's energy or water consumption due to the acquisition of more energy and water efficient state of the art machinery.

In addition to the social and environmental sustainability focus of the Group, Teejay also continued to engage in CSR activities to uplift communities in the localities of its 3 plants. During the year, the Group also fine-tuned its CSR footprint to be able to make a more meaningful impact, and in the process of has identified sanitation in schools as a priority for its sustainability agenda for the year ahead. In addition the Group will continue to carry out the multitude of diverse CSR projects with which it aims to uplift the local communities, local organization, religious institutions and employee families amongst others.

Looking ahead

We are buoyant on the prospects for the future, with Teejay's platform for growth, is well augmented by a journey of Operational Excellence, capacity expansion launched the previous year, its strategic customer portfolio and the spread of country and location risk which enables Teejay to be Sri Lanka's only multinational fabric manufacturer. We expect the two new comers to the portfolio, Nike and Uniqlo, to become leading contributors to growth in the year ahead. It also augurs well that Nike, for whom Sri Lanka is one of the largest global suppliers, has decided to increase its supply from the South Asian region.

The global industry and market environment also bodes well for new growth opportunities for Teejay and Sri Lanka. A growing number of retail apparel brands have begun to show a preference to relocate to the South Asian region due to factors such as higher labour costs and US tariffs on Chinese imports. Thus, a likely decline in demand for cotton in China who is also one of the two leading suppliers of cotton yarn in the global market, could help curtail prices of our key raw material. Moreover, a growing trend of establishing apparel manufacturing plants in the African continent, where there are only a few fabric mills at present, we expect would open up new opportunities for Teejay through its vendor partners, to become a key supplier to the region. Sri Lanka's geographic positioning on a central maritime route to Africa has bestowed it with a competitive advantage which will well compliment Teejay's agility and flexibility to meet the decreasing lead times in the industry.

The inflow of leading retail brands into India and the expansion of India's middle class, also brings much opportunities for Teejay which is well positioned with its manufacturing presence in India, to meet the demand in this growing retail market, offering speed of delivery and higher quality vis a vis competing suppliers to this market.

True to our credo that business is built on relationships, we continue to nurture and deepen our relationships with our direct clients as well as end customers. The year ahead will see the Group look to focus on a select profile of strategic customers, which would allow it to offer innovative and customer specific solutions and be a total end to end solutions provider; thus harnessing economies of scale for win-win opportunities for growth.

The continuing journey of Operational Excellence will continue to augment our value propositions of quality and reliability. Moreover, our modernization and expansion of production capacities in the year ahead will extend to other areas such as the finishing segment.

Sri Lanka's manufacturing sector across industries, continues to grapple with high costs of utilities. The Group will hence continue to focus on enhancing its energy and operational efficiencies and in finding alternatives to fossil fuel to sustain and grow the value it creates.

Whilst we look to expand our capacities and our contribution to the Sri Lankan economy, we are also constrained by the limitations to infrastructure at the BOI zone. Thus, it is our fervent hope that these limitations will be addressed with improvements and additions to the existing infrastructure in the near future.

The cornerstones of Teejay's success to become a regional leader in weft knit fabric has been in the high standards of its products, the strength of the long term relationships with retailers and vendors and the ability and flexibility to offer customized solutions, combined with the Group's sophisticated management capability. We thus look ahead to the next few years with much vigour, to harness our strengths and competitive advantages and the myriad new opportunities that we foresee in the global market. They would spur us on, to our next milestone of being a US $ 300 Million Company in 2021/22 and true to our Vision, to being " THE preferred fabric solutions provider for branded clothing".

Conclusion

My sincere appreciation to our Chairman and the Board of Directors for their expertise, guidance, and constant support. My heartfelt thanks to our energetic Management Team and the entire team that make up the Group for their passion, commitment and untiring efforts that continue to drive growth, sustain our leadership in the industry, and propel the Company towards new horizons. A sincere thank you to our strategic vendor partners and our key customers in Sri Lanka and across the globe, our investors and all other stakeholders for the confidence they have placed in us and the inspiration they provide to keep raising the bar for ourselves, the industry and the nation.

Shrihan Perera
CEO

BOARD OF DIRECTORS

01. Amitha Lal Gooneratne
Independent Non - Executive Director

02. Prof. Malik Kumar Ranasinghe
Independent Non - Executive Director

03. Wing Tak Bill Lam
Chairman/Non - Executive Director

04. Mohamed Ashroff Omar
Non - Executive Director

05. Hasitha Premaratne
Non - Executive Director

06. Kit Vai Tou (Not in the picture)
Non - Executive Director

07. Wai Loi Wan (Not in the picture)
Non - Executive Director

Wing Tak Bill Lam
Chairman/Non-Executive Director

Mr. Lam was the CEO of Pacific Textiles Holdings Limited. He was 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 44 years in the textile industry. He holds an MBA from the University of Macau and a Bachelor of Business Administration from the Chinese University of Hong Kong. Mr. Lam is the Vice Chairman of the Board of Trustees of the New Asia College and is a Honourary Fellow of the Chinese University of Hong Kong.

Mohamed Ashroff Omar
Non-Executive Director

Group Chief Executive Officer of Sri Lanka's largest apparel exporter, Brandix Apparel Limited, Ashroff Omar has been instrumental in redefining the Sri Lankan apparel industry for over four decades. Ashroff spearheads a Company that comprises of manufacturing and product development facilities offering end-to-end solutions from Tokyo to the US, including UK, Cambodia, Haiti, Sri Lanka, India and Bangladesh for some of the world's most renowned brands, with a commitment to offering 'Inspired Solutions' to its clientele.

He is also credited with pioneering environmentally-friendly apparel manufacture in the world and establishing the world's first LEED platinum manufacturing facility for eco-friendly manufacture. His extensive experience and ability to think beyond the norm has secured him positions in the Boards of some of Sri Lanka's most respected corporates. He is also the Founder Chair of the Joint Apparel Association Forum (JAAF), the apex body of the Sri Lanka Apparel industry.

Hasitha Premaratne
Non – Executive Director

Hasitha is the Group Finance Director of Brandix Group. He leads the overall Finance Function of the Group and is also responsible for Strategy and Long Range Planning. He is the Managing Director of Brandix India Apparel City and overlooks all joint ventures and investments of the Brandix Group. He is a Director of many subsidiaries of Brandix Group, including the listed company Teejay Lanka PLC.

He was formally the Head of Research at HNB Stockbrokers (Pvt) Ltd and possesses plenty of experience in the fields of capital markets, economics, strategic finance, management and research. His lecturing experience expands for 11 years for CIMA (UK), ACCA (UK) examinations in Sri Lanka, India, Singapore and Philippines. He was a board member of the CIMA Sri Lanka during 2016 and is presently a committee member of Ceylon Chamber of Commerce.

He holds an MBA in International Finance and a B.Sc in Computer Science. He is a Fellow Member of The Chartered Institute of Management Accountants (CIMA - UK), Association of Chartered Certified Accountants (ACCA-UK) and the Institute of Certified Management Accountants (CMA - SL). He is also a Chartered Global Management Accountant (CGMA).

Hasitha was the winner of the "Tutor of The Year Award" at CIMA Global Financial Management Awards 2009 held in London. He was the Winner and Gold Medalist of prestigious "CIMA Star of the Year" award in 2012 and the Winner of "Young CIMA Star of the Year" award, in 2006.

Prof. Malik Kumar Ranasinghe
Independent Non-Executive Director

Prof. Ranasinghe is a Senior Professor in Civil Engineering at the University of Moratuwa, Chartered Engineer and International Professional Engineer, Fellow of the Institution of Engineers - Sri Lanka, National Academy of Sciences - Sri Lanka, Institute of Project Managers - Sri Lanka. He is the Chairman, Sampath Bank PLC, Member of the University Grants Commission, Member of the National Research Council and Independent Non-Executive Director of Sampath Bank PLC, Access Engineering PLC. Teejay Lanka PLC, United Motors Lanka PLC and Resus Energy PLC. He is a former Vice- Chancellor of the University of Moratuwa, past Chairman of the Committee of Vice-Chancellors and Directors (CVCD) of Sri Lanka, former Council Member of the Association of Commonwealth Universities (ACU), former Fellow of the National University of Singapore, and former Non-Executive Director of the Colombo Stock Exchange, Hemas Power PLC 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 Education Leadership Award 2013 at the 4th Asia's Best B-School Awards, Singapore, the Award for Outstanding Contribution to Education at the World Education Congress 2012, India, the Most Outstanding Senior Researcher in Technology and Related Sciences award in 2012 by the Committee of Vice-Chancellors and Directors (CVCD) of Sri Lanka, the Trinity Prize for Engineering in 2004 for outstanding contributions made to his chosen profession and with the Sri Lanka Association for the Advancement of Science (SLAAS), General Research Committee Award for Outstanding Contribution to Sri Lankan Science in 1999.

BOARD OF DIRECTORS

Amitha Lal Gooneratne
Independent Non-Executive Director

Mr. Gooneratne has held several senior positions at Commercial Bank of Ceylon PLC and served as the Managing Director from 1996 to April 2012. He is a Fellow Member of The Institute of Chartered Accountants, United Kingdom and Wales and a Fellow member of The Institute of Chartered Accountants, Sri Lanka. He was the Founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd., and former Chairman of Sri Lanka Banks' Association (Guarantee) Ltd. He was also the Managing Director of Commercial Development Company PLC, and was the Chairman of Commercial Insurance Brokers (Pvt) Limited. He was also nominated to the Board of Sri Lankan Airlines during 2002-2004 by the Government of Sri Lanka. On his retirement, Mr. Gooneratne, assumed duties as Managing Director of Melstacorp Limited, which was the strategic investment arm of the Distilleries Company of Sri Lanka PLC which subsequent to a restructure of the Group is now the Holding Company and is listed on the Colombo Stock exchange. He is the Chairman of Bellvantage (Pvt) Limited, Melsta Logistics (Pvt) Limited; board member of Periceyl (Pvt) Limited, Balangoda Plantation PLC, Lanka Bell Limited, Telecom Frontier (Pvt) Limited, Bell Solutions (Pvt) Limited, Timpex (Pvt) Limited, Texpro Industries Limited, Continental lnsurance Limited, Bogo Power Limited, Melsta Tower (Pvt) Limited, Melsta Health (Pvt) Limited, Melsta Pharmaceuticals (Pvt) Limited and Browns Beach Hotel PLC which are subsidiary companies of Melstacorp PLC. He is an Independent Director of Lanka IOC and Commercial Development Company Limited. He is also an Alternate Director on the Boards of Distilleries Company of Sri Lanka and Aitken Spence PLC.

Kit Vai Tou
Non - Executive Director

Mr. Kit Vai Tou is an Executive Director and the Chief Financial Officer of Pacific Textiles Holdings Limited. Mr. Tou is a Fellow member of the Hong Kong Institute of Certified Public Accountants and The Association of Chartered Certified Accountants. He has extensive experiences in factory operations, financial management, project management and ERP Systems.

Wai Loi Wan
Non - Executive Director

Mr. Wai Loi Wan is the Chairman of Pacific Textiles Holdings Limited and a Founder of the Group. Mr. Wan is responsible for leading the management team, overseeing the overall production and operation of the Group, providing corporate direction and formulating business strategies of the Group. Mr. Wan has over 48 years of experience in the textile industry. He obtained a Bachelor of Science Degree in Chemical Engineering from Taiwan National Cheng Kung University.

EXECUTIVE COMMITTEE

01. Shrihan Perera
Chief Executive Officer

02. Pubudu De Silva
Deputy Chief Executive Officer

03. Sanjaya Basnayake
Chief Operating Officer - Production & Engineering

04. Salman Nishtar
Chief Financial Officer

LEADERSHIP TEAM

01. Upul Nallaperuma
General Manager – Teejay India Operations

02. Salman Nishtar
Chief Financial Officer

03. Shrihan Perera
Chief Executive Officer

04. Hemantha Mannapperuma
General Manager - Group Internal Audit

05. Chanaka Nanayakkara
Senior General Manager - Marketing & Business Development

06. Sanjaya Basnayake
Chief Operating Officer - Production & Engineering

07. Samadhi Weerakoon
General Manager - European Brands, Corporate Communication and CSR

08. Pubudu De Silva
Deputy Chief Executive Officer

09. Janaka Nanayakkara
General Manager - Human Resources

10. Zu Hua Jeff
Senior General Manager - Dyeing and Finishing

11. Pamoda Kariyawasam
General Manager - Planning and Supply Chain

LEADERSHIP TEAM

Shrihan Perera
Chief Executive Officer

Mr. Perera is the Chief Executive Officer of Teejay Group. Prior to joining Teejay, Mr. Perera has served as the Chief Executive Officer at Brandix Apparel Solutions Limited since 2010 and was responsible for drawing up and implementing strategies across all business units in the intimate apparel SBUs in Sri Lanka and India. He was also a member of the Brandix Apparel Leadership Team since 2014. He previously held positions of Group Financial Controller & Treasurer, Group Accounts Manager and Finance Director at Unilever Sri Lanka while counting overall experience over 30 years both with Engineering and Finance exposures in amongst competitive conditions and multi-dimensional challenges.

He holds a B.Sc. Mechanical Engineering - 2nd Class Upper Honours from the University of Moratuwa and is a Fellow of the Chartered Institute of Management Accountants/CGMA, UK. 1990.

Pubudu De Silva
Deputy Chief Executive Officer

Mr. De Silva has over 29 Years' experience in Apparel and Textile Industry of which 19 years is directly in manufacturing experience in the textile industry. Currently, he is responsible for the entire Manufacturing Process, Human Resources, Engineering also overseeing Marketing and Branding functions of the Teejay Group.

Prior to joining Teejay, he was the Head of Planning at Slimline - Pannala. He holds a Master's in Business Administration from University of Lincoln (UK), Masters in Manufacturing Management from the University of Colombo and a Diploma in Business Administration from the University of Colombo. He was further trained in Six Sigma Black Belt at the National Institute of the Business Management Sri Lanka and Leadership Development Program (LDP®) at the Center for Creative Leadership (CCL) in Singapore.

Sanjaya Basnayake
Chief Operating Officer - Production & Engineering

Mr. Basnayake has total work experience of over 25 years in the industry of which he has spent over 16 years in managerial positions. He is responsible for the entire production functions of the Group including R&D, Engineering and CHP operation. 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, a Diploma in Management from Open University of Sri Lanka, and is a Chartered Member of the Textile Institute International, United Kingdom. He is a Six Sigma Black Belt holder at the United Tractors and Equipment's Ltd in Sri Lanka and member of Leadership Development Program (LDP®) at the Center for Creative Leadership (CCL) in Singapore. He has expertise in technology of dyeing, finishing and knitting and implementation of cost reduction projects. He is a gold medal award winner from the Textile Institute (UK).

Salman Nishtar
Cheif Financial Officer

Mr. Nishtar holds over 13 years of professional experience in the field of Finance.

Following the launch of his career at Ernst & Young Chartered Accountants, Sri Lanka, Mr. Nishtar continued to take up position as Chief Financial Officer at American & Efird Bangladesh and Teejay Lanka PLC. His current role at Teejay Group includes leadership and key responsibilities in the fields of Overall Financial Management, Annual Strategic Planning and Working Capital Management.

He is an Associate Member of Chartered Management Accountants (United Kingdom), Institute of Chartered Accountants (Sri Lanka) and Chartered Global Management Accountants (CGMA). He is an old boy of S. Thomas' College, Mount Lavinia.

Zu Hua Jeff
Senior General Manager - Dyeing and Finishing

Mr. Jeff has a total work experience of over 29 years in the industry of which he has spent 21 years in managerial positions. Prior to joining the Company Mr. Jeff was a Factory Manager at Ocean Lanka (Pvt) Ltd and Pacific (Panyu) Textiles Limited, China.

Chanaka Nanayakkara
Senior General Manager - Marketing & Business Development

Mr. Nanayakkara has a total of 25 years of experience in the industry. He has spent 10 years in managerial positions and joined Teejay in 2018 and is responsible for overlooking Sales, Marketing and Business Development for the Teejay Group. He is a Chartered Marketer (CIM-UK) and holds a Post Graduate Diploma in Marketing from Chartered Institute of Marketing (UK). He also holds a Post Graduate Diploma in Management from Post Graduate Institute of Management, University of Sri Jayawardenepura. He is a Professional Member of The Canadian Institute of Marketing.

Janaka Nanayakkara
General Manager – Human Resources

Mr. Nanayakkara leads the Human Resources team at Teejay and holds the designation of General Manager – Human Resources. At Teejay, the functions of Executive HR, Works HR, Compliance, HES, and Admin are core responsibilities of GM HR. He joined Teejay in April 2017 on retirement from the Sri Lanka Air Force (SLAF) after 29 years of distinguished service. He held the rank of Air Commodore at the time of retirement from the SLAF. He possesses National Diploma in HR from IPM (SL) and an MBA from the Australian Institute of Business.

He is an old boy of S Thomas' College Mount Lavinia.

Samadhi Weerakoon
General Manager – European Brands, Corporate Communication & CSR

Mrs. Weerakoon is responsible for Managing Sales and Marketing function for Strategic European customers of Intimissimi and M&S and responsible for Corporate Communications and CSR for the overall Group. She was the former Business Development manager at Teejay Lanka PLC. She has been in Merchandising and Business Development at Teejay for 17 years. Before joining Teejay, she was working in the advertising field based at Bates Strategic Alliance. She holds a BSc Degree in Marketing from University of Jayawardhanapura and an MBA from Australian Institute of Business.

Hemantha Mannapperuma
General Manager – Group Internal Audit

Mr. Mannapperuma is responsible for Internal Audit function of the Teejay Group. He also facilitates the Corporate Governance and Enterprise Risk Management Processes, and contributes to general business management processes of the organization as a member of the leadership team.

He has spent over 7 years in Textile Industry as an employee of Teejay. Prior to joining the Company, Mr. Mannapperuma had held senior managerial positions in Cooperative Insurance Company where he held the post of ICT Manager and managerial positions in Ceylon Tobacco Company where he performed many roles such as Internal Auditor, Master Scheduler, ICT Business Area Manager, Business Excellent Consultant, MRP Program Manager, ERP and Supply Chain Consultant and Business Excellence Delivery Manager during a stint of 12 years.

He holds a B.Sc. (Hons.) in Statistics and Computer Science and a Postgraduate Diploma in Development Economics from University of Colombo, a Master's Degree in Business Management from Postgraduate Institute of Management (PIM) of the University of Sri Jayawardenepura. He is also a qualified Management Accountant (ACMA, CGMA).

Pamoda Kariyawasam
General Manager - Planning and Supply Chain

Mr. Kariyawasam has over 14 years work experience in the fields of Finance, Supply Chain and Planning of which 11 years in apparel/textile industry. He started his career at Unilever Sri Lanka Limited and continued to take up position as Deputy General Manager - Finance at Teejay India Private Limited.

Currently he is responsible for the overall Supply Chain and Planning functions of Teejay Group which includes Sales and Operations Planning (S&OP), Supply Chain Management, Strategic Sourcing and Supplier Relations. His main skills are in business partnering in transforming businesses where he has played a major role in turning around number of companies throughout his career.

He is a Chartered Management Accountant also holds a Special Degree in Business Administration with a Second-Class Honors (Upper Division) from the University of Colombo.

Upul Nallaperuma
General Manager – Teejay India Operation

Mr. Nallaperuma is responsible for overall operations at Teejay India Private Limited since 2013. He joined Teejay (Teejay Lanka) in the year 2002 and counts experience of over 17 years.

He holds a BSc Engineering from University of Moratuwa and Masters in Manufacturing Management from University of Colombo.

FACTORY LEADERSHIP TEAMS

01 02 03 04 05

Teejay Lanka FLT

01. Prasanna Bandara
Centre of Business Excellence: Customer Service Business Partner

02. Sampath Kumarage
FLT Head

03. Harshana Fonseka
Finance Business Partner

04. Chamara Kotuwelle
Supply Chain Business Partner

05. Faahira Jaliel
Marketing Business Partner

06. Princely Weerakoon
Operations: Knitting

07. Prabath Suraweera
Development Business Partner

08. Sajeewa Chandrasiri
Operations: Finishing

09. Edga Melan
Engineering Business Partner

10. Niluka Bandara
HR Business Partner

FACTORY LEADERSHIP TEAMS

Teejay Prints FLT

01. Manjula Thushara
Finance Business Partner

02. Manjula Rankothgedara
Marketing Business Partner

03. Padhmanatha Bandaranayake
Operations

04. Tharindu Dissanayake
HR Business Partner

05. Somasiri Manage
FLT Head

06. Kolitha Thilakarathne
Operations

07. Lalith Atapattu
Centre of Business Excellence – Customer Service Business Partner

Teejay India FLT

01. Rodney Rafael
Marketing Business Partner

02. Prabash Hewage
Operations

03. Upul Nallaperuma
FLT Head

04. Pradeep Sagi
Supply Chain and Capacity Fulfillment Business Partner

05. Raghu Raju
HR Business Partner

06. Ananda Dissanayake
Centre of Business Excellence – Customer Service Business Partner

07. Siraj Ahmed
Finance Business Partner

Pubudu De Silva
Deputy CEO

> A journey of Operational Excellence launched during the year contributed to it being operationally the best year for Teejay thus far in quality and on time delivery and will be a corner stone of our growth and sustainability in the next few years ahead.

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

GRI 102-44

OVERVIEW

Our Value Creation Process

At Teejay Group, we believe in sustainable value creation for both your Company and the environment in which it operates. The model shown below details the transformation of capitals, core business activities, and the process through which stakeholder value is created.

Capital Inputs

Financial Capital
Shareholders' funds: Rs. 13.9 Bn
Net Debt free Balance Sheet
Net Cash Surplus Rs. 1.9 Bn
(pages 37 to 40)

Manufactured Capital
Property, plant and equipment: Rs. 8.4 Bn
(pages 41 to 42)

Human Capital
2,610 employees
(pages 43 to 48)

Intellectual Capital
Tacit knowledge
(pages 49 to 52)

Social & Relationship Capital
Customer Relationships
Business Partner Relationships
Relationship with Our Communities
(pages 53 to 56)

Natural Capital
(pages 57 to 62)

Our Value Creating Activities

Togetherness | Integrity

- Strategy Formulation
- Financial Management
- Human Resource Management
- Supply Chain Management

MANUFACTURING

- Marketing & Distribution
- Customer Care & Aftersales
- Process Maintenance & Improvement
- Product Development & Innovation

Innovate to Lead | Collaboration

Output/Outcome

Output
World Class Knit Fabric

Outcome

Shareholders
Sustainable value creation

Customers
Customer satisfaction

Employees
Employee morale

Community
Community development

Environment
Environment impact

Government
Adhering to rules and regulations

Civil Society
Cordial Relationships

Industry
Industry Enhancements

Multiple Locations | **Operational Excellence** | **Competent Workforce**

Strategic Pillars
- HES - Health Environment and Safety
- S&OP - Sales and Operations Planning
- IIR - Incident Investigation and Reporting
- KPI - Key Performance Indicators
- FE - Functional Excellence

Empowered By
- Corporate Governance
- Risk Management
- Continuous Improvement
- Stakeholder Engagement

As detailed above, the six capital inputs are transformed into one key output - world-class knit fabric, which results in a positive outcome for our key stakeholders, namely shareholders, customers, employees, the community and the environment. Overall, the value creation process is supported by our underlying values of Integrity, Innovate to Lead, Collaboration and Togetherness. Our key pillars, namely our multiple locations, operational excellence and a competent workforce are the strategies through which value is created.

GRI 102-40 102-42 102-43 102-44

Stakeholder Engagement

We place immense value on human connections and believe in innovation through collaboration. Therefore, following in our spirit of creating enduring relationships, the table below details the Company's engagement with our key stakeholders during the year under review.

Primary Stakeholders	Level of Engagement	Mode of Engagement	Frequency
Community	To improve the hygiene, sanitation and its infrastructure of the schools in the vicinity	CSR Initiatives	Quarterly, plus situation based
Shareholders	Awareness build up and service	AGM/EGM	Annual
		Annual Report	Annual
		Quarterly Financial Statements	Quarterly
		Company Website	Online
		CSE Website	Online
		Investor Conference call	Quarterly
		Investor Forums	Annual, Ad hoc
		Investor Meetings	Monthly, Ad hoc
Banks & Financial Institutions / Regulatory Bodies	Relationship build up, awareness and Information sharing	Meetings	Quarterly Monthly
Employees	Sustainable career growth and succession planning	Employee Committee Meetings	Every Month
		Trainning and Development	Continuous
	Job rotation		
	Key competency developments	Open Door Policy	
	Welfare	Annual Employee Surveys	Annual
		Individual Performance Review	Continuous, Annual
		Employee Rewards	Bi-annual
		Reach Beyond	Continuous
		The Welfare Shop	Annual
		Annual Excursions	Annual
		Annual Health Check	Annual
		Family Day	Annual
Vendors / Suppliers	Service/Relationship Building	OTD Meetings	Weekly
		OTD and Quality Meetings	Monthly
		Meetings on Performance	Quarterly
		New Product Presentations	Quarterly
		Customer Compliments	Annual
		Customer Get-togethers	Annual
		Customer Reviews (Service/Quality)	Quarterly
		Supplier Reviews	Monthly
		Supplier Visits	Quarterly
Brands	Service/Relationship Building	Quarterly New Product Presentations	Quarterly
		Customised Brochures	Quarterly
		Innovation Week	Bi-annual

MANAGEMENT DISCUSSION & ANALYSIS
OVERVIEW

Our Strategy
The Group continued to review the strategies it considered as its key imperatives over the last two years and consider them still vital and relevant to sustain and enhance the value it creates for all its stakeholders, in the context of the strengths and weaknesses of the Group and the opportunities and threats in the environment. In keeping with the Group's Triple Bottom Line focus, and the principles of Integrated Reporting, our performance is reviewed and strategies are determined in the wider context of social and environmental factors considering them as important and integrated to sustained value creation.

Key Strategic Imperative	Relevance	Progress in 2018/19
Consolidation of our regional presence	• To gain access to new markets. • Minimising risk through geographic diversification. • Harnessing different competitive advantages of different geographic locations. • As a solution to meet escalating costs of labour. • The growth opportunities in India driven by an expanding middle class.	Consolidating the full expanded capacity in India. Increase in sales to Bangladesh. Increase in sales to Africa.
Capacity Expansion	• Harnessing the benefits of economies of scale. • Meeting higher demand from an expected growth in demand from new markets.	Added two new globally leading brands to customer portfolio in Nike and Uniqlo. Improving efficiency through machine modernization.
Speed of Delivery	Is becoming increasingly more critical in maintaining a competitive advantage in an industry which has fast turnaround times.	Launched a journey of Operational Excellence for a seamless integration of the processes which contributed to achieving best performance for OTD and quality.
New Product Development	Essential for sustaining Revenue and growth in a fast changing industry such as fashion which is constantly innovating and recreating.	Introduced customer centric product collection and product process centric collections. Expansion in synthetic production.
Value Addition to products	• To expand niche markets. • Moving in line with the growth strategy of the country and the industry -towards higher value addition. • Higher margins necessitated by higher costs of utilities and raw material. • Increasing demand for customized solutions.	Skin Care Bug Guard Life Natural Self-stretched fabric
New fabric Technology	Smart Textiles. More environmentally friendly fabric.	Recycle polyester from waste plastic bottles.
Enhancing Energy Efficiency	Energy costs account for a high percentage of costs in the textiles manufacturing industry and at Teejay it accounts for about 8% of costs. The importance is further underscored by the high costs of energy in Sri Lanka which has been a significant challenge to the competitiveness of the country's manufacturing industries for some time.	Achieved a 2% reduction in electricity and 19% in coal consumption; being the third consecutive year of reductions in energy costs.

Key Strategic Imperative	Relevance	Progress in 2018/19
Continuing to strengthen and leverage strong relationships with all our stakeholders.	Strong partnerships with clients who are leading international brands, end customers, our employees and society at large are vital for sustained value creation.	Getting on board on Integrated supply model for PVH.

Operating Environment

Sri Lanka's economy grew at a subdued pace of 3.2% in 2018 compared to a growth of 3.4% in 2017, and well below projections due to inimical domestic as well as global developments. Political instability, weak domestic demand and continued tightening of monetary and fiscal policy underpinned political and economic tensions contributing to lackluster business and investor sentiment during the year.

Globally, monetary policy normalisation, particularly in the United States, resulted in global financial conditions tightening, thus causing capital outflows from emerging market economies and increased pressure on exchange rates of twin deficit economies, in particular. Sri Lanka also experienced these headwinds, particularly from mid-April 2018, which were exacerbated following the political uncertainties and the downgrade of the country's Sovereign rating in the fourth quarter of the year. In this global and local backdrop, 2018 also saw the Central Bank follow a market based exchange rate policy, allowing a sharp depreciation of the rupee as at year end.

Sri Lanka's manufacturing activities, which accounted for 15.5% of GDP, registered a modest growth of 3% in 2018, supported by increased production of sectors such as food products, beverages, wearing apparel, rubber and plastic products, and refined petroleum products and textiles. Apparel and Textile is Sri Lanka's main export and a key contributor to the economy. During the year, textiles, wearing apparel and leather related products sector grew by 3.6% compared to 3.8% growth recorded in 2017, largely supporting the overall growth in manufacturing activities. As per the Industrial Production Index (IIP), the manufacture of wearing apparel, the second largest sub sector in the IIP recorded a growth of 3.9% in 2018 compared with the 4.7% registered in 2017 whilst the manufacture of textiles grew by 3.6%, considerably more than the 2.3% growth achieved in 2017. The growth was partially supported by the reinstatement of the GSP+ scheme in 2017.

In the global landscape, the trade disputes between the United States and China; which has resulted in the United States imposing tariffs (amounting to US Dollars 250 Bn) on Chinese goods and merchandise could lead to a decline in the demand for Chinese imports in the United States, such as apparel and textiles. Hence there is the possibility of some opportunities for the Sri Lankan Apparel and Textile industries to meet the demand in the US on the one hand and benefits of reduced raw material costs resulting from a likely decrease in the demand for Chinese Cotton, on the other hand.

Sri Lankan apparel industry has earned a reputation of being a strategic supply chain partner to reputed global brands including PVH, Calzedonia, L Brands, Decathlon, Nike and Uniqlo amongst others, building a competitive advantage on value addition with emphasis on innovation and design, product quality, on time delivery, an ability to manufacture niche products and as a socially responsible producer. It is hence well placed to expand further. However, the lack of economies of scale, infrastructure constraints to expand further, and high input costs are factors which threaten Sri Lanka's competitiveness and which need to be addressed for the long term sustainability of Profitability of the fabric and apparel industries.

Company Performance

- The Group saw its Revenue increase by 29% to Rs. 31.7 Bn; supported by a growth in volumes across all brands.
- Profits grew by 16.5% to reach Rs. 1.86 Bn.
- Added two more leading global brands, Nike and Uniqlo to our portfolio bringing the total number of strategic customers (who account for 90% of Revenue) to 8.
- Launched a journey of Operational Excellence (OE) which began to contribute significantly to performance during the year.
- The above made it operationally the Group's best year thus far, achieving the best in quality and on time delivery standards.
- The Group reached a new paradigm in its environmental contributions when it launched its first fabric out of recycled material using Pet plastic bottles; and this product is to be introduced to the market in the year ahead.

MANAGEMENT DISCUSSION & ANALYSIS
OVERVIEW

- Was ranked 28th amongst Sri Lanka's Top 30 on Business Today rankings financial year 2017/18.
- Won the Silver award at the CNCI's National Level, Extra Large scale Manufacturing category.
- Won the JASTECA Akimoto award for the practice of 5S, for the second consecutive year.
- 4 departments won the Gold award for Kaizen at the 18th Chapter convention of Quality Circle Forum of India on Quality Control.

Teejay Group performed well during the year to stride towards its targets for 2020 despite an increase in the prices of cotton yarn, furnace oil and utilities. The main raw material cotton accounts for 65% of raw material costs and hence has a considerable impact on the Group's Profitability. Cotton prices in the global market which rose due to a short supply and peaked during the second quarter of the year, began to stabilize towards year end due to a decrease in demand from China.

A full order book enabled the Company to harness the expanded capacities in which the Group made significant investments over the past few years. It is most encouraging that volumes across all brands, led by PVH and LIDL, grew by as much as 12.5%, thus underscoring the strength of our portfolio. PVH continued to head Teejay's customer list for highest in volume and value. It is also noteworthy that our fabric supplied to local apparel manufacturers such as Brandix, MAS, Omega and Hela grew by 3% during the year.

A journey of Operational Excellence (discussed under the Intellectual Capital section of this report) launched during the year contributed to it being operationally the best year for Teejay thus far, in quality and on time delivery and will be a corner stone of our growth and sustainability in the next few years ahead. An integrated human resource strategy was also implemented during the year to strengthen the Group's platform for the growth it anticipates and to empower its cadre to be more globally competitive. It is also noteworthy that Teejay's proactive sustainability focus also reached a new paradigm when it ventured into the manufacture of fabric made of discarded items which would otherwise harm the environment; thus integrating the practices of reusing and recycling into our products. These ventures are discussed at length in the Natural Capital section of this report

Progress & Outlook

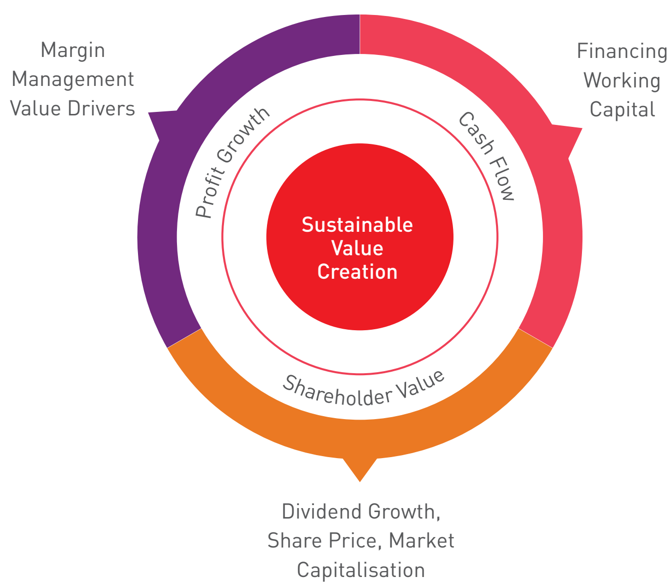
The Group's performance this year affirmed its "Strides" towards its next milestone, of achieving a Revenue of USD 300 Million in 2021/22. The capacity expansions, a journey towards Operational Excellence and a focus on nurturing deep relationships with strategic customers will be cornerstones of Teejay's strategic path which will enable it to harness its strengths of high product quality, innovation, execution excellence and direct relationships with its brands. A Total Cost Ownership strategy in which the medium to long term focus determines our processes and raw material inputs, where higher quality products are chosen to ensure a superior end product and less wastage, will also be a key element of our strategy.

As we've mentioned elsewhere in this report, the importance of speed of delivery keeps growing in the rapidly changing fashion industry where lead times are becoming increasingly shorter. Consumers increasingly seek variety, convenience, sustainability, affordability and speed. Current retail trends are also driven by a combination of new technologies, social media, shifting preferences of consumers and changing demographics. Teejay is also well poised to be proactive on social issues, deliver on consumer demands for transparency and sustainability and to continue to innovate. Your Group's journey of Operational Excellence will augment its platform for growth amidst these changing dynamics in the global market, by facilitating greater efficiencies and faster deliveries whilst its R&D will continue to drive innovation as a competitive edge, as the Group looks to harness the numerous new opportunities it expects in the changing regional landscape.

FINANCIAL CAPITAL

> Recording its fifth consecutive year of Revenue growth, Teejay increased its Revenue by a considerable 29% during the year.

To create sustainable value creation for all stakeholders the group is undertaking the mentioned processes as shown in the below diagram.



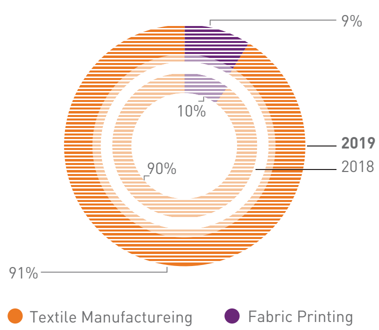
MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL CAPITAL

Revenue

Recording its fifth consecutive year of Revenue growth, Teejay increased its Revenue by a considerable 29% during the year , to Rs. 31.7 Bn.; thus positioning the Group well in line to achieve its long term target of US Dollar 300 Mn. in 2021/22. The growth in Revenue was supported by the utilization of expanded capacities in India and enhanced efficiency in the utilization of capacities in Sri Lanka, in order to meet an increased order book generated by both US and EU markets. The skillful management of the Group's strategic customer portfolio, as well as a range of new products launched, combined with higher levels of efficiency, quality and on time delivery bolstered higher volumes to contribute to this enhanced performance over the previous year.

Revenue

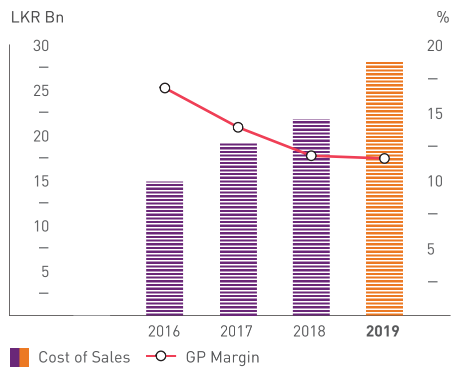


Operating Income

Gross Profit

The Group was able to increase its Gross Profit by 26.6% to Rs. 3.7 Bn., over the previous year, and this was despite an increase in the prices of yarn, dyes, chemicals, & utilities. The Group's resourceful use of its product mix was a key strength in navigating through these price increase to minimise their impact. In addition, higher capacity utilisation especially at the Indian plant, better loading, stringent cost control measures across the group and the gains from the depreciation of both the Indian and Sri Lankan Rupee complimented the improved product mix from both the US and the EU.

Cost of Sales vs GP Margin



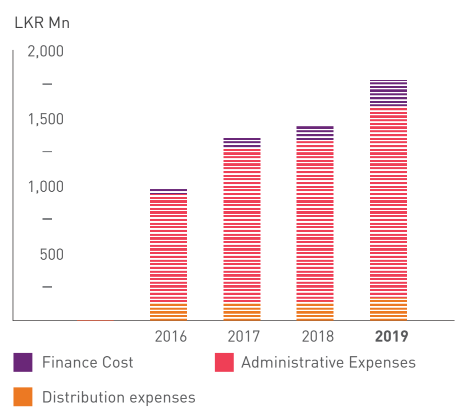
Cotton prices continued to be on the rise, since the second quarter of last financial year, reaching a peak of USD 1 per pound but then beginning a to stabilize throughout the second half of the year. Cotton prices which traded at USD 0.78 per pound has increased to USD 0.98 per pound during the last 18 months, thus directly impacting the Group's Gross Profits. Average price has been steadying since the second half of the financial year and the Group is optimistic that it will remain so in the first half of the coming financial year.

Prices of dyes and chemical increased significantly due to challenges faced by suppliers whilst utility price increases during the year was attributable to the movement of global oil prices.

Operating Profit

Operating Profit for the year increased by 29.5%, from Rs. 1.8Bn to Rs. 2.3Bn. during the year. Increases in Distribution expenses and Administration expenses at 21.6% and 18.3% respectively, were lower than the increase in Turnover. Economies of scale , cost control measures across the entire Group and the impacts of the depreciation of the two currencies had a favorable impact on overheads whilst expansion and performance related expenses are reflected in the increased costs. Stringent cost control measures were implemented to meet the challenges posed by increased raw material and utility prices while greater efficiencies from scale began to materialize during the last quarter of the year. Whilst the Group did not compromise on strategic costs which are considered important to securing future Revenue and higher margins; it pruned non strategic cost. Despite the increase in overheads which is expected (to occur linearly), given the scale of operations, process efficiencies driven by a journey of Operational Excellence, supported cost containment during the year.

Operating Expenses

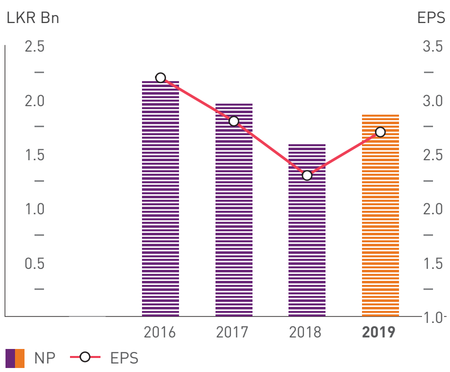


Net Profit

Despite the economic challenges during the year, Teejay Group was able to post a Profit of Rs. 1.8Bn. which was mainly supported by doubling the manufacturing capacity in India. The increased capacity, GSP+ benefits and operational efficiencies have equipped the Group for growth despite macroeconomic challenges such as rising commodity prices.

The Group also had a higher Contribution of Rs. 398 Mn. in taxes, as Revenue to the Government of Sri Lanka, in comparison to Rs. 222 Mn in the previous year as the tax vacation enjoyed by all three entities came to an end. However, the comparative Tax expense in the previous year was lower due to recognition of differed tax assets, owing to the tax losses carried forward by Teejay India and Teejay Prints.

Profitability



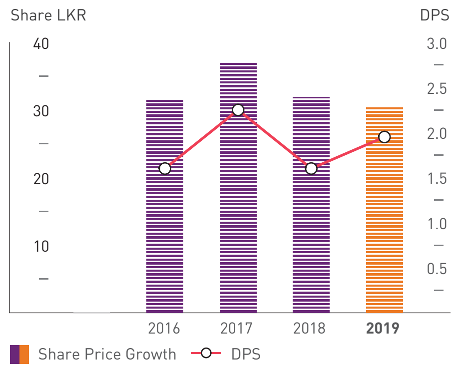
Shareholder Value

The share price closed at Rs. 30.4 at year end, despite market challenges, Teejay continued to maintain its high dividend pay-out ratio with 70% paid out during the year, well above its 33.3% dividend pay-out policy, reflecting the Group's commitment to maximize return to its valued shareholders. The Company has proposed Rs. 1.95 for the year with a dividend yield of 6.4% for the year.

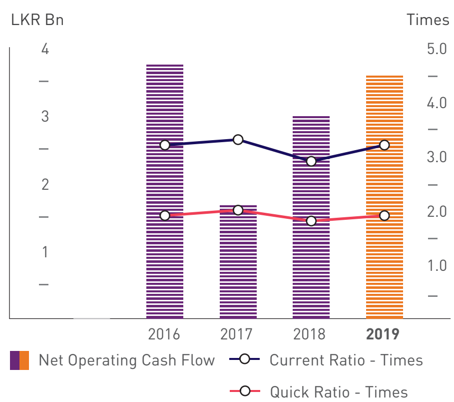
Since Listing	Rs.
Highest Traded Price on 04 Oct 2016	47.8
Lowest Traded Price on 14 Mar 2012	7.0

2018/19 Year	Rs.
Highest Traded Price on 12 February 2019	35.2
Lowest Traded Price on 25 September 2018	27.6

Shareholder Value



Operating Cash Flow, Current & Quick Assets Ratios

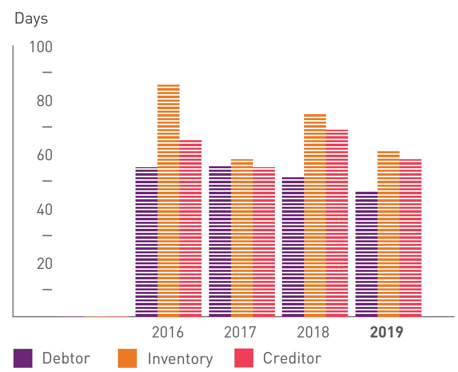


Working Capital Efficiency

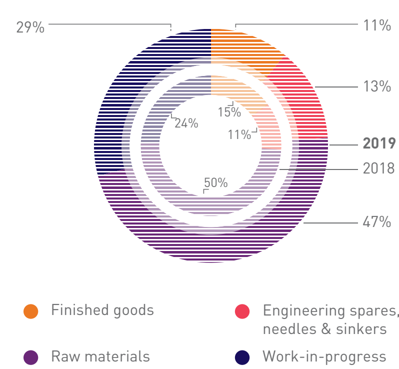
The Group closed the Financial year with a cash balance of Rs. 4.2 Bn. due to the efficient utilisation of working capital during the year. A reduction in debtor days was enabled by stringent control over collections whilst the net working capital cycle was reduced from 45 days to 43 days. Inventory days and creditor days decreased mainly due to measures taken to maintain optimum level of inventories to meet increased capacity. The Group continues to keeps its working capital lean to ensure efficiencies and the optimal utilisation of resources. Despite the capacity expansion in India and Sri Lanka, the Group closed with a strong balance sheet for the financial year. This is a result of the close follow-up and monthly monitoring of the inventory days and debtor days, a practice which has been ingrained in the Group's management approach since its inception.

The non-current liabilities of the Group declined as the expansion at Teejay India was funded by external borrowings, with part of it settled during the financial year.

Working Capital



Inventories



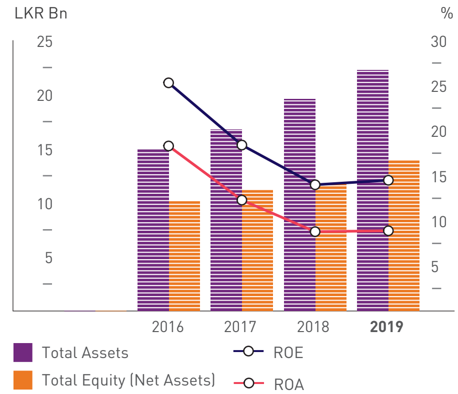
MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL CAPITAL

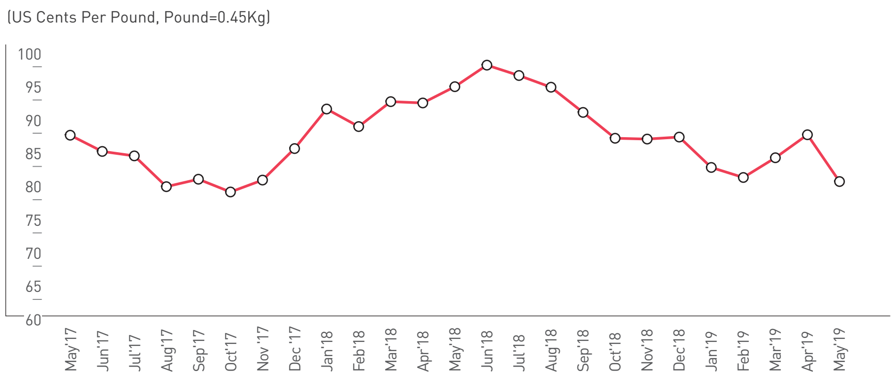
Fixed Capital Efficiency

Return on Assets increased marginally from 8.8% to 8.9% year-on-year, while Return on Equity also saw a marginal increase to 14.5% from 14% in the previous year . The investments in the synthetics segment and the expansion at Teejay India were fully harnessed whilst the two projects were capitalised during the previous year. The two ratios hence indicate a slight increase over the previous year, mirroring the better management of turbulent market conditions experienced during this financial year. As part of its initiatives towards expanding growth and enhancing product and customer offering, the Group invested Rs. 149.8 Mn on finishing machines and a further Rs. 199.2 Mn on knitting machines during the year for Teejay Sri Lanka and expects them to yield the desired benefits in the year ahead.

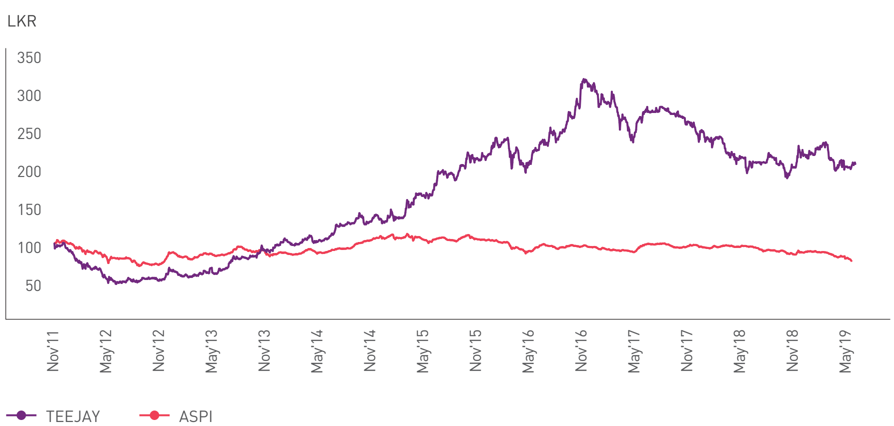
Retun on Assets and Equity



US Cotton Price



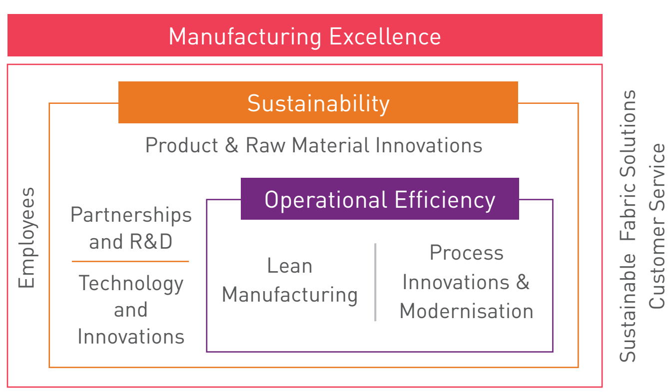
Share Return Since IPO



MANUFACTURED CAPITAL

As a manufacturing enterprise, the manufactured capital we own is a vital element which enables us to create Value.

As a manufacturing enterprise, the manufactured capital we own is a vital element which enables us to create Value. Thus, sustaining and adding value to this Capital and enhancing their productivity through expansion, or replacement or maintenance are priorities at Teejay to ensure a growth trajectory amidst the fast changing requirements of the fabric industry.

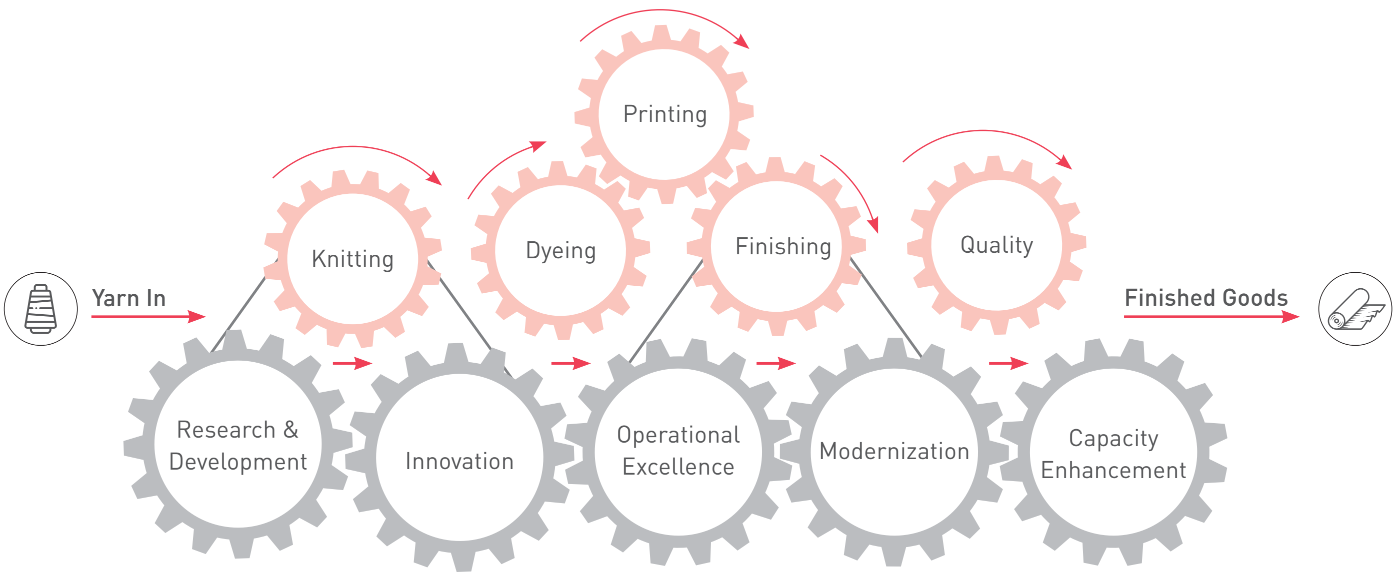


MANAGEMENT DISCUSSION & ANALYSIS

MANUFACTURED CAPITAL

Our Manufacturing Process

The Group's state of the art machinery has been a pillar on which it has built its products and reputation as a world class knit fabric solutions provider, who exceeds the expectations of the world's leading retail apparel brands. In line with our commitment to keep raising the bar on what we produce and how we deliver, as well as to stay ahead in a rapidly changing market environment; the Group continuously engages in upgrading and expanding its machinery, increasing automation and enhancing its manufacturing processes.



Expansion at Teejay India and Teejay Lanka in 2018/19

The year under review saw the Group consolidating the expanded capacity which contributed to the growth in Turnover during the year. Expansions in Sri Lanka included the expansion through the addition of new machines for the Knitting, Dyeing as well as Finishing phases of production, in addition to several other expansion initiatives whilst at Teejay India, we expanded the Knitting capacity which is totaling to Rs. 795 Mn. Coupled with improved efficiencies across the board the higher capacities also contributed to the increase in Profits during the year.

Value of our Manufacturing Capital as at 31 March 2019

Change in Value of our Manufacturing Capital (Rs. '000)	2018/19		2017/18		2016/17	
	Group	Company	Group	Company	Group	Company
Land	256,265	98,517	241,462	91,292	253,865	94,558
Building	2,903,965	1,431,869	2,652,122	1,309,171	2,585,602	1,339,350
Plant, machinery & equipment installation	4,754,116	2,203,755	4,324,667	1,842,126	3,923,394	2,042,103

HUMAN CAPITAL

Our people have been the key factor in us becoming a leader in fabric manufacturing, catering to world's leading brands.

"The value of a business is a function of how well the Financial Capital and the Intellectual Capital are managed by the Human Capital. You'd better get the Human Capital part right."

- **Dave Bookbinder,** *The NEW ROI: Return on Individuals*

Whether it be the high quality of our products; strong innovation capabilities; the speed of delivery or the enduring relationships we have established with leading international fashion brands, our people have been the key factor in us becoming a leader in fabric manufacturing and the only mill with a regional presence in the country, catering to the world's leading brands.

The Group's performance this year underscores how "a motivated, committed and technically competent human capital delivered, for the organisation to make strides towards achieving the objectives that were set out for 2020".

MANAGEMENT DISCUSSION & ANALYSIS

GRI 102-08 202-02

HUMAN CAPITAL

Progress in 2018 the Strategic priorities of HRM

As spelt out in last year's report, a comprehensive career succession plan across all levels of the Company were Human Resource Management's key priorities for 2018-2020.

A Comprehensive succession plan with a clear growth strategy for people

During the year, the Group launched an integrated HR strategy, bringing all three Companies under one robust strategy, with a sharp focus on talent development and succession planning to facilitate the achievement of the Group's long range objectives through a more empowered and stronger team. The strategy includes a comprehensive plan for the development of the individual for career progression through training and development on a wide spectrum of aspects; cross functional transfers; talent identification and employee recognition. Moreover, a clear organization structure and a detailed succession plan gives adequate visibility to available vacancies which are filled from the internal reservoir of talent or externally.

Accordingly, based on the HR strategy all Senior and Middle level positions were filled through a robust internal and external recruitment process. Part of the career progression included grooming the individuals for promotion through a variety of training initiatives which are discussed under the Training and Development update of this section.

Increase in the women cadre at executive and non-executive levels to account for 10% by 2020

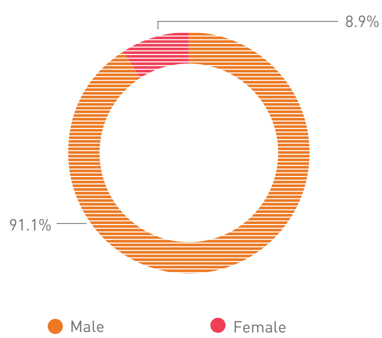
Industrial manufacturing operations have traditionally been perceived as male centric and hence had very low female participation in the cadre. However, technology and greater awareness and changes in thinking have seen more female participation over the past few years. Furthermore, increasing our capacities opened doors for women to join the Executive cadre of the Group in areas of Finance, Engineering, Merchandising, Admin, HR and Logistics.

Our Diverse workforce

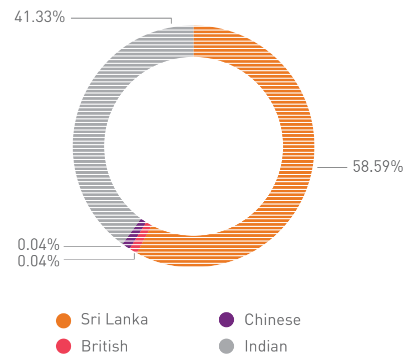
Teejay promotes workplace diversity from the point of recruitment. And diversity encompasses ethnic, religious, gender, physical, cultural diversity of talents as we believe that diversity brings richness in perspective, skills and experience, thus enriching a talent pool and the resources for constant innovation and growth of the Company.

An employee who joins Teejay, benefits from universally accepted HR practices and these include processes that manage the life cycle of an employee effectively from Recruitment to Selection, Induction, Performance Appraisal, Performance Management, and if the need arises, Disciplinary Procedures, Grievance Handling, Resignation, Termination, and Welfare.

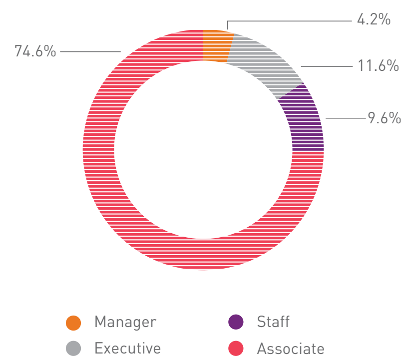
Gender



Nationality



Manning Head Count



Training & Development Programs at Teejay

Training & Development

The talent, passion and commitment of our people will continue to be a cornerstone of our value creation model and Teejay will continue to invest significantly on honing and mining the talent and enhancing the potential of the individual. The Teejay Training Academy is the HR training arm of Teejay which designs and conducts training programmes by our internal training faculty or external resource personnel, for all categories of employees. As a manufacturing enterprise and a Company that is on a continuous journey of operational excellence, ongoing as well as on the job training are key components of our training agenda.

Training at Teejay begins with the new recruit who is made to feel welcome and participates in a well-planned orientation and induction programme conducted by our own internal faculty of trainers. A programme conducted in several phases includes an orientation to the Teejay culture and values, and the processes specific to their respective area of work. Once on the job, whilst progress is evaluated, they are offered learning support based on our belief that "hand holding" is important to ensure that a new entrant is able to meet the standards required and expected for the role he or she is assigned.

The following customized training programs have been designed & implemented inline with our HR strategy to meet the needs of 5 key employee categories:

i. Teejay LEAP (Leadership Excellence Acceleration Program) with CCL (Centre for Creative Leadership) for CFT members

ii. Senior Leader's Program for selected Senior Managers

iii. Management Development Program (MDP) for Managers & Assistant Managers to be groomed to become Managers and Senior Managers and 360 feedback survey for selected individuals with individual coaching for personal development

iv. Next Step Program (NSP) for Senior Executives & Executives to be groomed to become Assistant Managers and Senior Executives

v. Fabric Technocrat (FTC) Program for Non Executive category to be groomed to become Executives

vi. SLITA – Diploma in Textile Technology in collaboration with the Sri Lanka Institute of Textile and Apparel for Non-Executive cadre

The training requirements across the Company are met through a sturdy training analysis which forecasts visibility of cost, availability, and a time schedule.

At Teejay, we are aware that soft skills are the foundation to functioning effectively, to sustaining innovation and in realising one's potential. Thus, soft skill development is an important element of our training agenda. Looking at attitudes, team building exercises are designed with simulation of real life scenarios. This helps to fine tune individuals' team working abilities.

MANAGEMENT DISCUSSION & ANALYSIS

GRI 401-01 404-01 404-02

HUMAN CAPITAL

Total training hours during the year amounted 41,827 whilst our investments into training rose significantly over last year's to more than Rs. 44 Million mainly contributed to by the investments into overseas training offered to the Senior Management during the year under review.

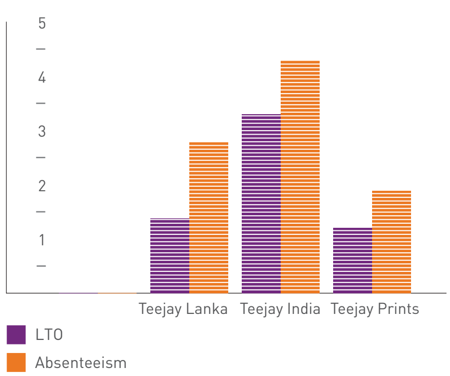
Investment in Training & Development - Group (Rs. '000)		
2018/19	2017/18	2016/17
43,912	10,845	13,709

Training Hours 2018/19 - Group		
Total Training Hours	Average Training Hours Per Employee	Total Investment in Training (Rs. '000)
41,827	16.03	43,912

The year under review saw the launch of a special education loan scheme for executive employees, encouraging them to obtain further academic or professional qualifications whilst working at Teejay.

We have consistently increased our investments in training over the past few years and during the year under review, investments in training increased upto Rs. 44 Mn whilst the Average Training hours increased to 16.

LTO / Absenteeism



Low Attrition Rates & Absenteeism

The fact that many in team Teejay have been part of its journey since inception and that their careers have followed the growth path of the Company are a reflection of the value we place on the relationships with our People. Thus, Teejay enjoys attrition rates that are above the industry average.

Performance Management

When a new recruit becomes a permanent member of the Teejay team, performance is continually measured against the KPI's. Development support through internal faculty or external programs is ongoing, depending on requirements or gaps in competency and changing trends or technology in the industry. Performance Management of the Executive cadre and the non-executive cardre conducted separately but linked to a transparent and effective rewards process and designed to achieve the same objective of driving excellence.

A key element of managing performance to nurture the Teejay Group's journey of excellence is encouraging high performance and contribution through employee recognition and rewards. The Group has monthly and annual rewards schemes as listed below:

- High performers based on their contributions are selected from each department every month and awarded a certificate and recognized with their photograph on the main notice board of the Company.

- The annual Teejay awards, known as the "Achievers Awards" is the most prestigious of the employee appreciation events, and is the culmination of the year's employee appreciation scheme which was introduced in 2014/15. The scheme continues to encourage a performance-based culture where all levels of employees feel appreciated and recognized. The dazzling awards ceremony, conducted at both Teejay Lanka and Teejay India appreciates employees for their achievements. The categories are "Employee of the year" award; 'Department of the year' award and a host of other awards of recognition.

Further, the service and loyalty of employees who have completed 5 years of service and 10 years of service are appreciated with an award of a half a gold sovereign and a gold sovereign each, respectively.

The "AIM" contributors are also recognized and awarded at this ceremony.

- AIM : the "All Ideas Matter" scheme, a mechanism which encourages employees across the Company to contribute towards the growth and development of the Company by submitting suggestions for improvement of any aspect of the business. The best ideas are

Fire & Safety training programs at Teejay Lanka and Teejay India

recognised each quarter and annually, whilst gains and savings achieved through the implementation of an AIM idea is distributed amongst employees. It is most heartening that many of the ideas that contributed to the growth of the Company have originated from employees.

Occupational Health & Safety

As a manufacturing industry which deploys human capital as well as machinery and equipment extensively in its value creation process, the safety of our Human Capital receives highest priority and is integrated into the planning, systems and processes at all our locations. Teejay has, in fact, adopted the highest standards and ensure their implementation through a structured system of processes. To ensure implementation and commitment the Group focuses on creating awareness, establishing process, continuous monitoring and the appreciation of good practices and the censuring of any violation. All of our locations are certified OHSAS 18001:2007 for health and safety by Indexpo Certification.

We have ensured in-built safety mechanisms in all our processes, and these include automated early warning and detection systems utilizing cutting edge technology from best in class service providers.

Teejay aspires to ensure zero accidents. It also considers near misses as accidents. Adherence to stringent standards, good housekeeping and constant awareness campaigns are platform on which we ensure organizational safety. In addition, a safety committee, safety audit & safety committee meetings, play an important role in ensuring and enhancing safety. The Group meets all statutory health and safety requirements as well as customer-based compliance standards of Health and Safety. In addition, during the year under review, employee health checks were conducted, with those that needed special attention referred to appropriate consultation for which the Company provided the necessary financial support.

During the year, third party audits were conducted in fire safety, chemical handling and general health standards with all observations cleared within the target period. Teejay also aims to increase its safety response capacity with a target to ensure that 40% of the workforce is trained in fire safety management.

Employee Welfare

Teejay provides a quality meal, transport and uniforms for all employees at associate level. In addition to the meals and transport meeting the statutory standards, they are also stringently monitored by the Company to ensure hygiene and nutrition levels of the menus and in the case of transport to ensure safe driving. In addition, a staff welfare shop located in the factory premises and run by a third party, enables employees to purchase consumables at attractive prices.

The Group offers remuneration that exceed industry standards. Moreover, The Group also offers additional financial support via its REACH program, to uplift the living standards of deserving employees. This program aided 36 employees during the year.

MANAGEMENT DISCUSSION & ANALYSIS

HUMAN CAPITAL

GRI 102-41 404-02

1 Long Service Awards 2018

2 Family Day at Teejay Lanka

3 Women's Day celebrations at Teejay India

During the year under review, the Group also provided school books to employees' children up to Grade 11, whilst children up to Grade 5 were also provided school bags. Moreover, children of employees who performed well at the Grade 5 Scholarship examination were also recognized with special gifts.

In addition to the above, the Group also provided an annual gift of a travel bag with the Company logo to every employee on 1 January, whilst all associate employees were presented with a welfare gift pack valued at over Rs. 3,000 for the Sinhala Hindu New Year in April .

Most of our Staff and Associate employees are from Sabaragamuwa and Kegalle districts which, since of late, have been frequently affected by inclement weather of heavy rains which cause flooding and landslides. Teejay has thus established a disaster response process to help meet immediate needs during such periods. Subsequently, Teejay also provides financial support for temporary relocation, repair of houses, water source rehabilitation and medical assistance in case of disability.

In addition to this program, Teejay Lanka also maintains a critical illness and death donation fund, to support loved ones of employees during difficult circumstances.

Employee Engagement and Empowerment

Teejay encourages a culture which values professionalism over rank or title and a culture of agility and flexibility, believing that bureaucracy merely stifles innovation and empowerment. An "open-door" culture is in fact further expanded at Teejay to a "no-door" policy which encourages dialogue and participation across all levels and functions of the Company. As mentioned previously, we have been externally endorsed for our HR practices and achievements.

Although our employees are not unionised; the Company ensures that labour rights are adhered to, using the mechanism of a employee council. All three Strategic Business Units (SBU's) have their own council, which consists of both management and employees. Each Council conducts meetings regularly to discuss employee-related matters and concerns. This process is a means of ensuring cordial communication between the management level and their employees at every level of the organisation.

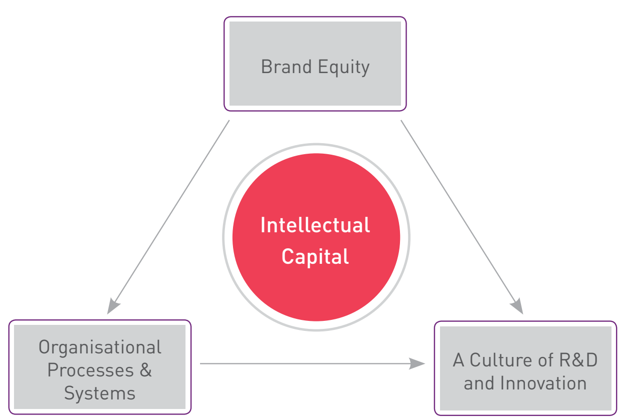
Teejay also promotes employee engagement and camaraderie via many formal as well as informal channels. The formal channels include 'AIM' (which is mentioned above) team building exercises and outward-bound training. The informal channels include, the Company newsletter, CSR activities, staff trips, social events, musical shows, sports activities and religious functions.

INTELLECTUAL CAPITAL

> Innovation has been a key element of our brand equity and a cornerstone of our success.

We believe that the higher the value an organization seeks to create and higher it moves along the value chain in industry, the importance of its intellectual capital becomes increasingly more important.

Being a regional leader in the manufacturing industry Teejay considers three of its key intangibles as significant to its value creation process. The diagram below depicts the three intangibles and the reciprocal impact they have on each other in creating value.



MANAGEMENT DISCUSSION & ANALYSIS

INTELLECTUAL CAPITAL

1 Awarding CNCI - Silver Award 2018

2 Awarding JASTECA Merit Award for 5S Practices for Teejay Lanka and Teejay Prints

3 Enviromental Management System Certification

Brand Equity

Since its inception in 2000, Teejay grew rapidly to gain global recognition as a supplier of premium fabric solutions. The relationships it has nurtured and established over time has gone hand in hand with its brand value and today its customer profile is comprising of 8 globally leading retail brands is a reflection of the brand equity it has built and earned. Scale, service excellence, quality, on time delivery and sustainability are the key attributes of the brand which offer the Group a competitive advantage in the industry and the global market place.

The Group's accreditations, innovation and R&D and its organizational processes and systems all contribute to the Brand reputation it has built, whilst the organizational systems are a sine-qua-non for some of the accreditations we obtain and they in turn require the best in our systems and processes. Similarly, R&D contributes to the value we create whilst the brand promise spurs us to actively encourage and invest in innovation to stay ahead in the constantly changing fashion industry.

Accolades & Accreditations :

The accreditations which reflect our Triple Bottom Line commitment cover the social responsibility of our operations, environmental consciousness and production and process quality:

- ISO 9001 system certification from 12 January 2005 and the upgraded to ISO 9001:2015 new version from 13 May 2018.
- ISO 14001: 2015 certification from 28 April 2016.
- OHSAS 18001:2007 certification from 15 June 2017.
- Facility and Merchandise authorisation by Calzedonia SPA.

Accolades in 2018

- Was ranked 28th amongst Sri Lanka's Top 30 on Business Today rankings Financial Year 2017/18.
- Won the Silver award at the CNCI's National Level, Extra Large scale Manufacturing category.
- Top 10 Achiever Award at the CNCI Business Excellence Awards.
- Won the JASTECA Akimoto award for the practice of 5S, for the second consecutive year.
- 4 departments won the Gold award for Kaizen at the 18th Chapter convention of Quality Circle Forum of India on Quality Control.

A Culture of R&D and Innovations

Innovation has been a key element of our brand equity and a cornerstone of our success in becoming a specialised supplier and in providing customized solutions to strategic customers. We not only meet customer requirements but also focus on understanding our customers and providing our expertise to offer better solutions where applicable. The Group will continue to strengthen its innovation capabilities and actively promote a culture of innovation.

New Products Introduced during the year

For those in the textile industry, an emphasis on sustainability, whether it be the protection of the environment, better cost management or sustained goodwill from customers for eco friendly practices, is vital. Teejay Group has internalized a social and environmentally sustainable mindset, as one of its ethical drivers. Accordingly, a lot of the Group's R&D and product innovation initiatives are aligned with the sustainable objectives and values.

Fashion Fabrics
- Iridescent Fabric
- Stretchable Denim/ Washed looked Fabrics
- Random line design Fabric
- Body hugging Fabric
- Colour burn out Fabrics

Eco Friendly/ Sustainable
- Recycle polyester from waste plastic bottles
- Organic cotton
- Recycled spandex, Nylon
- Dope dyeing
- Natural finishes

Raw Material Innovations
- Self-stretch Fabric
- Silk feel & appearance

Special Finishes
- Skin care
- Bug guard
- Cool & fresh
- Antimicrobial & Anti-odor
- Improved softness

Special Structures
- 360^0 stretch interlock
- Lenticular Rib
- Zonal Modulus Fabric

Textured Fabrics
- Pile Fabric
- Meshes with jacquard appearance
- Crepe Fabric

Our Systems & Processes

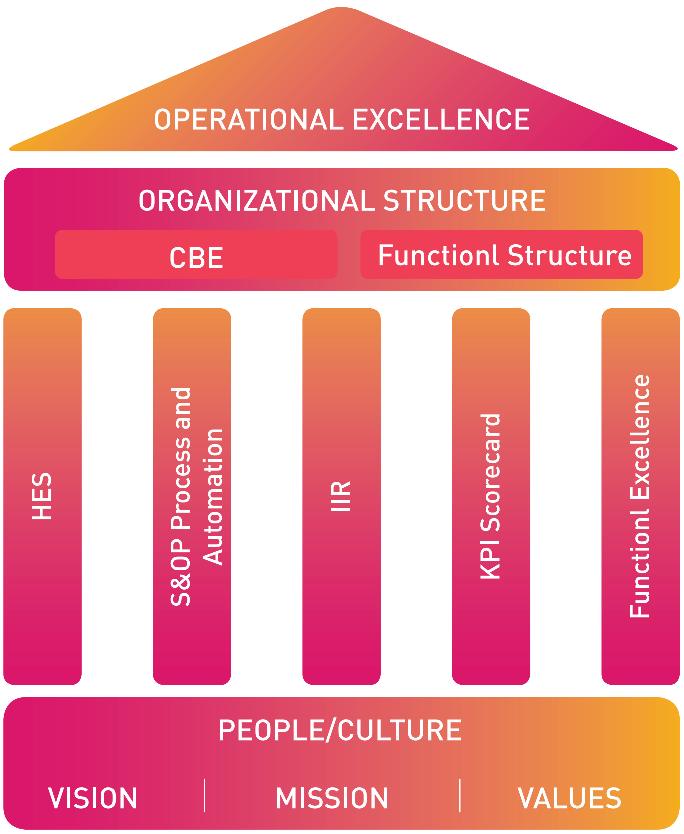
The year under review was one of the best operational years thus far and we attribute the achievements to the Group's passionate commitment from its inception to the clarity and efficiency of its processes. This commitment has earned Teejay the recognition as one of the best in on time delivering (OTD) and quality. We are also committed to the constant enhancement of our systems and processes. The year saw the Group achieve the best in on time deliveries (OTD) and product quality. The position of industry leadership that the Group has achieved and the relationships it has built with world's leading apparel brands have been supported by the rigor of the Group's processes and systems; whether it be in execution excellence or customer service or in achieving social and environmental sustainability.

Enhancing our systems and processes with the launch of an OE journey

In a fluid business environment such as the fashion industry, we are aware of the heightened need to keep sharpening our capabilities and being nimble enough to adapt and evolve, so that we continue to make strides in creating value for all our stakeholders. The Group is hence constantly engaged in fine tuning its organisational and manufacturing processes and systems towards excellence - in what and how it does.

Accordingly, we launched a journey of Organisational Excellence (OE) during the year, which, as evident from the performance this year has already begun to yield dividends. The journey focuses on enhancing 5 key pillars of our value creation process. These focus areas are Health & Environment Safety (HES), Sales & Operations Planning (S&OP), Incident Investigating Reporting (IIR), Key Preformance Indicators Score Card (KPI) and Functional Excellence

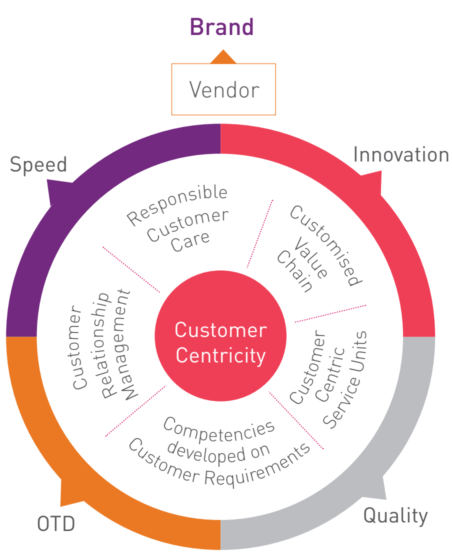
MANAGEMENT DISCUSSION & ANALYSIS
INTELLECTUAL CAPITAL



Operational Excellence Model

which encompasses a plethora of specific areas ranging from customer strategy to strategic sourcing, supplier rationalisation, inventory policy and customer complaint management to automation. The initiatives include the seamless integration of all supply chain planning and monitoring functions through automation which would improve speed of decision making and speed of delivery to customers; health and environmental safety aspects; enhancing customer centricity; strengthening the culture; bringing all planning and processing under one umbrella and managing an end to end value chain process. Strengthening an unified team who work cohesively according to a single plan and towards a common goal, is also a key part of our multi pronged efforts in a journey to excellence which has been launched with the aim of ensuring that Teejay excels in 6 key facets; namely, Safety, Planning, Execution Excellence, Innovation, Customer Delight and Employee Satisfaction.

> The year was significant as the Group was able to add two more of the world's leading apparel brands to its portfolio of customers.



Our Social Capital primarily comprises our Customers, Suppliers and the Neighboring Communities.

Customers

The year was significant as the Group was able to add two more of the world's leading apparel brands to its portfolio of customers, namely Nike (the world's most valuable apparel brand) and Uniqlo (the largest casual wear brand in Asia); bringing the total number of globally renowned brands in our portfolio to 8. The Teejay portfolio comprising 3 key customers contributing 90% to Turnover in 2016, grew to 6 in 2017, and has now diversified further to 8 who contribute 90% to Turnover.

MANAGEMENT DISCUSSION & ANALYSIS

SOCIAL & RELATIONSHIP CAPITAL

University of Moratuwa Gradution Fashion Show 2018. Teejay's collection as the main sponsor of the event and and student's collections

> "The ability to offer customized solutionshas been a key strength in Teejay's growth story and we will look to harness this strength as we grow and expand."

Customer Centricity

The Group will look to nurture deeper relationships with its customer base; opting for quality over number of customers, and thus, harness economies of scale as well as greater flexibility to offer customized solutions and reach new markets. We will also look to engage directly with brands and widen our reach through globally renowned retail brands. The ability to offer customized solutions has been a key strength in Teejay's growth story and we will look to harness this strength as we grow and expand.

As depicted at the begining of the section scale, speed, innovation, Quality and Ontime Delivery (OTD) are attributes in which we strive to excel whilst our customer centricity is based on six key pillars; Responsibility, Customer Care, Customised Value Chain, Customer Centric Service Units, Competencies developed on Customer Requirements and Customer Relationship Management.

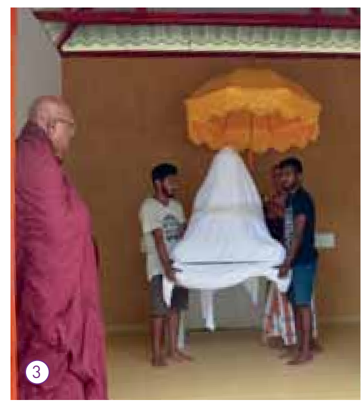
Customer Service – Customer Care Division at Teejay

At Teejay's Customer Care Division, a dedicated team assigned for Customer Care is trained to respond promptly to any customer concern as well as provide any technical know how. Our Customer service representatives are also stationed fulltime in some of the customer locations. In addition, our merchandisers also interact with customers and respond to any service requirements to ensure a continuous service to meet customer needs.

Suppliers

The Group's main raw material being cotton, suppliers of cotton account for 65% of the value of Teejay's inputs. We will also strengthen and rationalise our supplier portfolio to maintain deeper relationships and benefit from greater flexibility and economies of scale. The key supplier categories are Yarn, Dyes Chemicals Auxilaries (DCA), General, Consumables & Stationaries, Engineering and Coal

Cotton prices continued to rise during the first half of the year due to a short supply and peaked during the second quarter of the year, thus dampening the Group's Profitability. However, they began to stabilize towards year end due to a decrease in demand from China. We expect the changes in the Chinese market (following the increase in tariffs on imports by the Unites States) to prompt a deceleration in apparel production in China; who at present is the world's leading apparel manufacturer. Thus, the expected decline in demand for cotton in China, who is also one of the two leading suppliers of cotton yarn in the global market; could help inhibit prices of our key raw material.



1. School Books Distribution to Underprevileged School Children
2. Donations to Jayawiru Home
3. Shrine Room to Weralupitiya

Win-Win initiatives for Sustaining and growing the industry

Teejay continued with its initiatives to forge partnerships with some of Sri Lanka's leading academic institutions and other industry related government institutions as a win-win for the future of the textile industry and its stakeholders, and thereby for the nation. The technological advancements and R&D in the textile industry can be enhanced. Hence, is the need for academia to support its advancement through R&D and other expertise in the industry make strides towards the immense potential that it has. Having identified this need, Teejay has, over the past few years, initiated several knowledge sharing exchange programmes and national forums targeting academia and students. The ongoing initiatives include the following:

- MOU with the University of Moratuwa since 2014. Teejay also sponsored the graduation fashion show held by the University's Textile and Fashion Department
- An MOU with the Sri Lanka Institute of Textile and Apparel (SLITA)
- An MOU with University of Peradeniya for Smart Textiles since 2014

MANAGEMENT DISCUSSION & ANALYSIS

SOCIAL & RELATIONSHIP CAPITAL

GRI 203-01 413-01

Community

As much as 90% of our workforce are from neighbouring communities, a fact which facilitates our integration with these communities, not merely through the win-win of employment generation but through social sustainability and CSR initiatives to uplift their lives. We have also extended this socially integrated model to our Indian manufacturing plant.

During the year under review, Teejay reviewed its agenda for CSR, with the objective of making its efforts more meaningful and impactful to those it sought to uplift. And the first step towards this end was a need assessment of the neighbouring communities which revealed sanitation and hygiene at schools to be an vital need. The Group thus decided to make Hygiene and Sanitation a priority of its CSR agenda for the year ahead and also decided to expand the geographic sphere it will seek to impact by developing the necessary infrastructure, from 10 kms to 25 kms. The year under review saw the Group initiate the first sanitation project in collaboration with Sirasa Gammadda, at the Puwakpitiya Tamil Primary School.

Our Core CSR Footprint

In addition, the Group also continued with a multitude of social upliftment programmes and responded at times of need. These initiatives include the following:

- Renovated and painted the OPD at the Avissawella Base Hospital.
- Distributed school bags, books and shoes to underprivileged school children.
- Sponsored five air tickets for students of the Seethawaka National School to participate in an athletic meet in India.
- Renovated the Children's park at the Adarsha Kanishta Vidyalaya at Ampe.
- Completed the construction of a shrine room at Weralupitiya.

NATURAL CAPITAL

Teejay's proactive sustainability efforts have reached a new paradigm with the development and manufacture of fabrics out of discarded materials.

"The time is past when humankind thought it could selfishly draw on exhaustible resources. We know now the world is not a commodity."

- **François Hollande,** *Former President of the French Republic*

As a leading manufacturing industry, Teejay's green efforts continue to be two pronged, to reduce its carbon footprint on the one hand, and proactively espouse and spearhead environmental causes and preservation on the other hand.

Minimizing our Carbon Footprint in 2018/19*

Water	Electricity	Coal	Specific Effluent discharge
13% ↓	2% ↓	19% ↓	1% ↓

* Company only (Figures are based on specific consumption)

MANAGEMENT DISCUSSION & ANALYSIS

NATURAL CAPITAL

GRI 303-03 306-03 306-04

1 3 Urban Garden Initiative at Rajasinghe Central College, Hanwella

2 Tree Planting Program at Teejay

Water Usage

During the year, our continuous process improvements yielded a 13% reduction in water consumption. Teejay Lanka PLC reused 123,120m^3 of the process water via cooling water recovery. The Company heats the water and obtains high temperature steam for finishing machines like dryers and for dye machines. Hence, all steam lines have a separate condensate (hot water – 50 Celsius) line to bring back and collect the hot condensate in a tank to reuse for steam manufacturing.

Amongst the other measures taken were the installation of three spray wash units and for slitters. These new units have enabled the finishing plant to collect the water which is sprayed by its spray units to bio polish fabric, and pump back for reuse for the same purpose. Thus, the sprayed water is no longer drained into the effluent treatment plant and is reused instead. In addition, sub meters were installed on water lines to obtain analyses of consumption and thereby, better control and management of water consumption.

Waste Management

Teejay Lanka either reused, recovered or recycled more than 50% of its waste this year by adopting a variety of methods and processes. 100% of all non hazardous waste, with the exception of Municipality waste, is recycled. Some of the waste and how they were disposed of during the year are listed below.

- Hazardous waste
  - Tube lights were recycled by Asia Recyclers, the only CEA authorized fluorescent bulb recyclers of Sri Lanka
  - Chemical barrels and cans are cut and crushed at our premises by Polykar PVC as per the CEA recommendations for recycling.
  - Glass wool is disposed of at a sanitary landfill site in Dompe.
  - Coal ash is used to manufacture paving bricks onsite whilst any remainder is sent for fertilizer.
- Purchased a sludge dryer to reduce the moisture levels in sludge waste by 80%, which would enable us to obtain a total solution by incinerating the dried sludge in our coal boiler. Testing of this is currently in progress.
- Additionally Teejay also built a secondary container system for the chemical warehouses to use in case of an emergency spill.

Hazardous Wastage*	2018/19
Sludge (MT)	2,461
Others (Waste Oil & Greece Electronic Waste) (MT)	8

Non Hazardous Wastage*	2018/19
Cardboard (MT)	830
Polythene (MT)	71
Production relaed waste (MT)	931,744
Others (MT)	41,650

* Company only

Non-hazardous waste – Specific production related waste such as excess yarn, downgraded fabric; most single use items/materials like wooden pallets, polythene, plastic and miscellaneous metal waste are collected at their respective points of origin and suitably stored in closed containers prior to removal by third party agents for reuse or to recycle. In most instances, circumstances permitting, we hand-pick those waste disposal agents that are registered with the CEA. All organic waste including food and plant debris are used to power the biogas unit which in turn provides gas that is utilized in kitchens.

Initiatives

Objective	Project planned
Waste Management	Sludge dryer installation and dried sludge incineration in coal boiler.
	Introducing flexi bags and ISO tanks for chemical storage and handling to reduce the usage of chemical barrels as well as packaging costs.
	Utilize waste to keep the environment clean and create a source of income for the communities in the vicinities and Zero solid waste to landfill by 2020.
Control of GHG emissions	Establishing the Teejay Herbal park at Teejay compound and growing more plants around the border of the ground.
	Replacing energy efficient dye machines.
	Continuation of "To Earth with Love" forestation programme together with schools to mark World Environment Day.
	Our vision is to reduce GHG emission by 10% from the current levels by 2020.
Other	Further research on effluent and replacing chemicals to achieve Zero Discharge of Hazardous Chemicals (ZDHC).
	Water recycling, reusing and reducing projects.
	Thermal energy and Electricity saving projects , eg: LED, Solar Panel Project, sky light installation.

Zero Discharge of Hazardous chemicals (ZDHC)

Zero Discharge of Hazardous Chemicals

The use of hazardous chemicals not only harms the environment but human skin as well. The Group's R&D initiatives hence also focus on substituting with more natural solutions and natural cooling agents, bio degradable softening agents based on seed oil and antimicrobial property based on renewable plant extract and other products.

Raw Materials

Teejay's proactive sustainability efforts have also reached a new paradigm with the development and manufacture of fabrics out of discarded materials; thus contributing to reduce the landfill and threats to the environment through value addition to these discards. Amongst them is fabric made of discarded plastic bottles which will be marketed in the year ahead. This would be a valuable contribution to reducing the globally escalating environmental hazard posed by discarded plastics.

Teejay also ventured into the trial manufacture of a few fabrics derived from recycled cotton which is sourced from pulp made out of cotton scraps remaining from fabric cutting operations and cotton production processes.

A Win-win venture of value creation with the manufacture of greener products:

The Group's R&D initiatives also include its processes which it strives continuously improve towards Operational Excellence. Pollution of water in the fabric manufacturing industry is high in the stage of fabric dyeing and finishing.

MANAGEMENT DISCUSSION & ANALYSIS

GRI 301-02 302-05

NATURAL CAPITAL

Teejay has thus developed a category of undyed cotton fabric which has a range of natural shades. Another alternative to alleviate the impacts of dyeing and finishing has been the adoption of the method of "Dope dying" of material such as viscose, modal and polyester fibres which require only 20% of pigments, 50% of water and 50% of energy of the regular dyeing process, thus reducing our carbon footprint significantly.

Teejay wins "Best Green Report of the Nation"

It is significant that the Group was the winner of the "Best Green Report of the Nation" for its Green Report of 2016/17. In line with our Triple Bottom Line focus, in 2013, Teejay began adopting the "National Green Reporting System of Sri Lanka", to measure and disclose its sustainability performance, to both internal and external stakeholders to provide objectivity and greater accuracy. The Group's report in 2016/17 was made under Tier 3 which reported on 10 indicators covering the economic, environmental and social indicators. The selection of winners is preceded by an on site audit by a third party- The National Cleaner Production centre. Teejay Lanka will look to report under the expanded Tier 4 in the year ahead as it continuously looks not only to enhance its sustainability footprint but enhance the transparency and disclosure standards in reporting of its sustainability performance.

Raw Material Innovations

- Fabric without using elastane
- special fabric using spinnovate yarn
- Random Line Design - This is a process innovation done in order to get random unique line designs without using special costly yarns.

Use of Cotton waste

- Recycle cotton - Fabric made out of cotton waste which are left over from cutting operations and cotton yarn production processes.

Reducing chemical Usage

- Dope dye yarn -Less chemicals and energy are needed as the process is short and less wastewater is generated. Improved color fastness.

Using Recycled Materials

- Recycled polyester- Fabric produced using recycled PET bottles. Sustainable initiative.
- Sorbtek - Produce using recycle PET

Eco friendly Products

- Fabric without Dyeing - Dyeing is a killer in the aspect of environmental pollution. Here we have developed a fabric that doesn't go through dyeing, yet giving a range of natural shades which is a highly sustainable cotton product.
- Eco fresh - Innovative greige mélange yarn, that has an extraordinary environmental-friendly performance
- Ecovero - Raw material made from wood which is natural and renewable. Minimum environmental impact.

ENERGY MANAGEMENT

Teejay uses a tool called "Power Studio" to monitor electricity consumption of each machine and also monitor the water consumption daily in respective production areas and in general consumer points. Teejay also complies with internationally recognized systems like Oeko-Tex standard 100 certification and Responsible care®.

As of now, we have replaced about 950 Fluorescent bulbs with LED bulbs and low bay lights to minimize the energy consumption. It is noteworthy to mention that each Fluorescent bulb units power consumption is 72 watts, which was brought down to 48 watts by replacements mentioned above. Solar energy and bio gas are alternatives to fossil fuels at Teejay where the solar panels are installed at Teejay residency's kitchen while methane is also used as a fuel which is generated from biogas unit via food waste.

Year	Kwh Electricity	Kwh/m Specific Elec
2016/17	23,483,208	0.6441
2017/18	24,125,501	0.5908
2018/19	24,798,036	0.5797

Non - renewable Energy Sources*	2018/19	2017/18
Furnace Oil (L)	4,000,817	3,967,557
Diesel (L)	128,046	74,274
Coal (MT)	12,943	15,310
LPG (Kg)	23,512	23,400
Electricity (Kwh)	24,798,036	24,125,501

* Company only

Emmissions

Emmissions*	2018/19
CO2 (tCO2-e) – Scope -1	35,990.25
Waste water (m3)	1,081,788

* Company only

Greening Initiatives

Aligning ourselves with the UN Sustainability Development Goals (SDG's), the Group has harnessed the spirit and initiatve of team Teejay to make a contribuion to these SDG's by having a dedicated sustainability team. The team aims to ignite a collective and individual conscience and responsibility for green practices and carry out green projects. The efficacy of the team will be supported by a list of specific plans and monthly progress review meetings. Knowledge sharing and persistence in practice are key to building and sustaining a green culture. During the year, the team organised a "Green Talk", by well known environmentalist Mr. Ravi De Silva, which was very well received by employees.

Teejay also held its first beach clean up, on the Dehiwela - Mt Lavinia stretch with the participation of 80 enthusiastic employees cleaning up a 2 km stretch of beach.

An unique initiative by the Company, during the year was the start of an urban garden in Hanwella close to the factory premises. Teejay selected a land of about 50 perches in extent at the Hanwella Rajasinghe College and planted 18 types of fruit plants totalling 36, and about 30 vegetables plants. The team from Teejay was joined by students and parents of the school in the cultivation work, whilst Teejay also sponsored the fertilizer and equipment to maintain the garden. It is most heartening that our efforts have now begun to bear fruit, literally in this case; and the kitchen of the school's sports units is able to harvest the vegetables for some of the meals it cooks.

Minimizing wastage and saving natural resources such as electricity & water is a major goal of our Company where department is given a task with KPI to ensure their contribution on this task.

Another vital tool that was used in our pledge of sustainability was the use of Higg self-assessment 3.0- and third-party verification to deliver a holistic overview that empowers businesses to make meaningful improvements that collectively protect the well-being of factory workers, local communities, and the environment.

MANAGEMENT DISCUSSION & ANALYSIS

NATURAL CAPITAL

Teejay also sought out the benefits of using the CDP disclosure on water security 2019, which uses transparency and accountability at its core, to drive corporations, financial markets, and governments to decouple growth from depletion of fresh water resources and allocate capital towards a water secure economy to achieve sustainable development goals.

teejay

ENVIRONMENTAL POLICY

Teejay Lanka PLC is Sri Lanka's leading Fabric Solution Provider, with a distinguished track record

We believe that "Conserving and Protecting the Eco-System" is our responsibility towards future generations

We shall ensure that we,

- Maintain Effectiveness, Efficiency and Sustainability in our EMS Processes
- Review our 'Environmental Policy' objectives and targets annually, and communicate the same to employees and make the policies available to customers and other stakeholders
- Adhere to the regulatory and other requirements applicable to Teejay Lanka PLC
- Commit to continual improvement and minimize the depletion of natural resources, which help preserve the Eco System and prevent Environmental Pollution at all stages of life cycle

In doing so, we strictly comply with the main objectives of

Environmental Management System
ISO 14001:2015

Teejay Environmental Policy

GOVERNANCE

CORPORATE GOVERNANCE

GRI 102-18

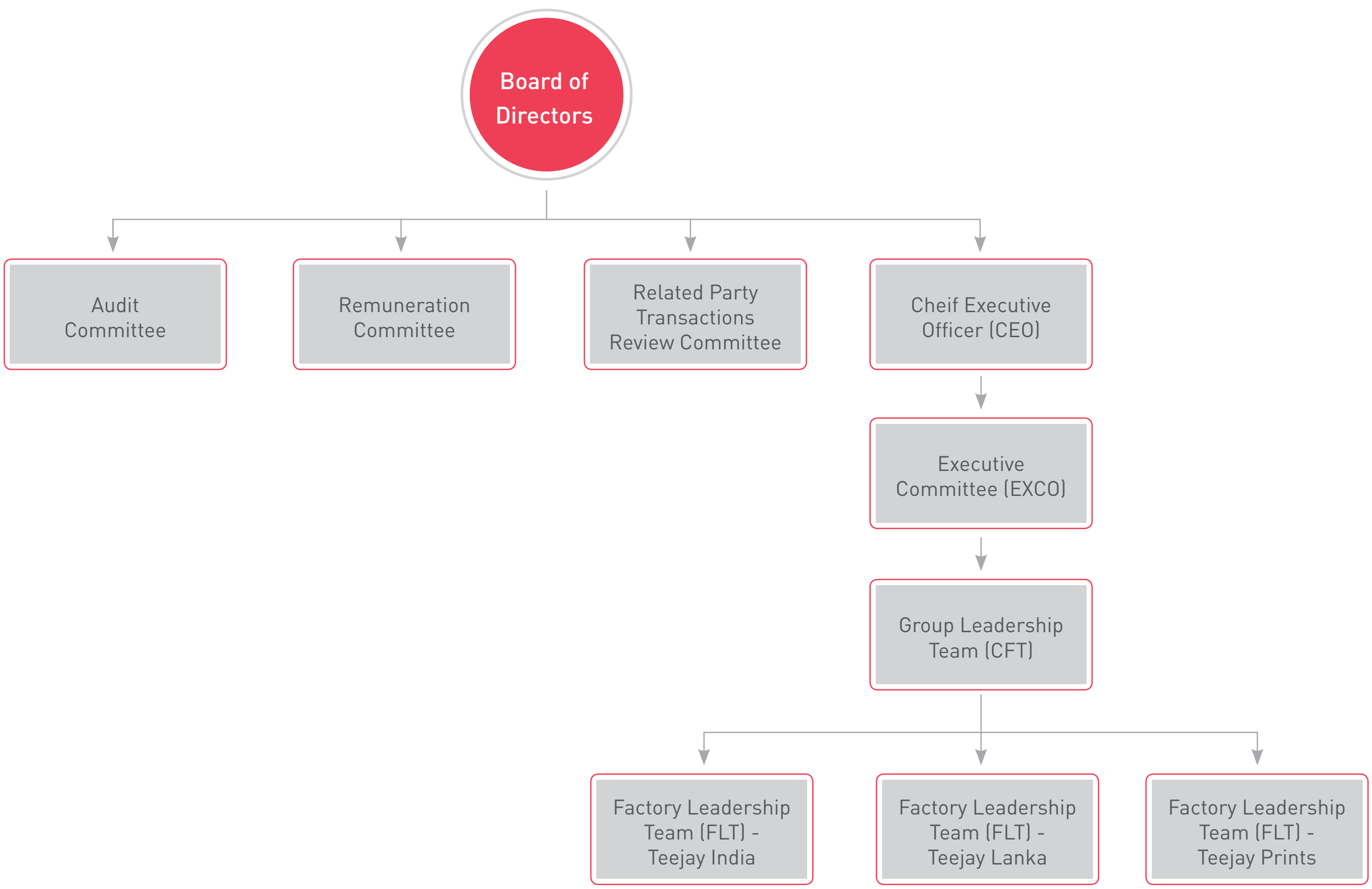
Teejay Lanka PLC is a Public Limited Company listed in the Colombo Stock Exchange (CSE) and registered under the Companies Act No. 07 of 2007.

Corporate Governance refers to the framework through which a Company maintains relationships with all its stakeholders. 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 the community, customers, suppliers, employees and other related institutions such as the Department of Customs, the BOI, and other government entities.

Corporate governance is a core element of the corporate philosophy of Teejay. For us, good governance is essential for the sustainable growth of our business and strive to ensure that the Company adheres to the highest ethical standards in corporate conduct.

Governance Structure

The Board of Directors of Teejay Lanka PLC comprises of seven (07) Non Executive Directors of which two (02) are Independent Non Executive Directors. The Board has the overall responsibility and accountability for the management of the Company. The Board of Directors, led by the Chairman, is responsible for good governance at Teejay and, its system of Internal Controls and for the review and the design and effectiveness of the same. There is a perpetual process for identifying, evaluating and managing significant risks by way of elimination or mitigation of same. This process is described in full in the Enterprise Risk Management section of this report.



Teejay operates within the statutes and has adopted and complies to a collection of best Governance practices which are;

Regulatory Framework	Voluntary Standards, Codes & Frameworks	Internal Documents & Policies
• Companies Act No. 07 of 2007 • The Shop and Office Employees Act No. 15 of 1954 • Factories Ordinance No. 45 of 1942 • BOI Regulations • Continued Listing Requirements of the Colombo Stock Exchange • Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 • Inland Revenue Act No. 24 of 2017 • Customs Ordinance	• Code of Best Practice on Corporate Governance issued by CA Sri Lanka 2017 • Integrated Reporting Framework issued by IIRC • Global Reporting Initiative Standards • Quality Standard certifications obtained by companies • Requirements of Environmental & Social Certifications	• Articles of Association • Board Charter • Human Rights Policy • Whistle Blower Policy • Health & Safety Policy • Grievance Handling Policy • Anti-Sexual Harassment Policy • Declaration of Conflict Interest

Board Committees

The Board has appointed 3 committees, namely an Audit Committee, a Related Party Transactions Review Committee and a Remuneration Committee as required by the listing rules and to assist the Board. Their composition and roles are summarized below.

Board Committee & Composition	Role	Further Information
Audit Committee		
Comprises two (2) Independent Non Executive Directors and one (1) Non Executive Directors • Mr. Amitha Lal Gooneratne (Independent Non Executive Director) - Chairman • Prof. Malik Kumar Ranasinghe (Independent Non Executive Director) • Mr. Wing Tak Bill Lam (Non Executive Director)	Oversight financial reporting process in ensuring: • The Integrity of financial statements in accordance with Sri Lanka Accounting Standards • Adequacy and the effectiveness of the internal control environment and the risk management system and performance of the internal audit function of the organization. • Monitoring of compliance with the standards, laws and regulations • The External Auditor's Independence and performance	Report of the Audit committee is given on page 92.

CORPORATE GOVERNANCE

Board Committee & Composition	Role	Further Information
Related Party Transaction Review Committee		
Comprises two (2) Independent Non Executive Directors and one (1) Non Executive Director. • Mr. Amitha Lal Gooneratne (Independent Non Executive Director) - Chairman • Prof. Malik Kumar Ranasinghe (Independent Non Executive Director) • Mr. Hasitha Premaratne (Non Executive Director)	Committee reviewed the related party transactions and their compliances and communicated the same to the Board.	Report of the Related Party Transactions Review Committee is given on page 96.
Remuneration Committee		
Comprises two (2) Independent Non Executive Directors and one (1) Non Executive Director. • Prof. Malik Kumar Ranasinghe (Independent Non Executive Director) - Chairman • Mr. Amitha Lal Gooneratne (Independent Non Executive Director) • Mr. Mohamed Ashroff Omar (Non Executive Director)	Committee focuses on and is responsible for ensuring that the Human Resource Management processes and remuneration policies are competitive to attract, develop and retain employees with professional, managerial and operational expertise who can assume leadership roles in the organization to achieve the objectives of the Company.	Report of the Remuneration Committee is given on page 94.

Meetings of the Board of Directors (BOD) are held quarterly whilst Committee meetings are also held on same day on most occasions. Attendance of Directors at Board and Sub- Committee meetings are summarized below.

Director	Board Meeting	Audit Committee	Remuneration Committee	Related Party Transaction Review Committee
Mr. Amitha Lal Gooneratne	4/4	4/4	2/2	4/4
Prof. Malik Kumar Ranasinghe	4/4	4/4	2/2	4/4
Mr. Wing Tak Bill Lam	4/4	4/4	-	-
Mr. Mohamed Ashroff Omar	3/4	-	2/2	-
Mr. Hasitha Premaratne	4/4	-	-	4/4
Mr. Kit Vai Tou	4/4	-	-	-
Mr. Wai Loi Wan	0/4	-	-	-

This report is structured on the principles of Corporate Governance set out in the Code of Best Practice on Corporate Governance issued by CA Sri Lanka in December 2017 and the listing rules of the Colombo Stock Exchange.

Section 1: The Company

Requirement reference to CASL & SEC code	Compliance Status	Details of Teejay Lanka PLC's Compliance
A: DIRECTORS		
A.1 - THE BOARD		
Every public company should be headed by an effective Board, which should meet regularly, direct, lead and control the Company. The Board consists of two (2) Independent Non-Executive Directors and Five (5) Non-Executive Directors.		
A.1.1 Regular meetings, structure and process of submitting information.	☑	The Board meets on a Quarterly basis and attendance of the meetings is given on page 66. Information to be reported to the Board includes; • Financial and operational results including progress on agreed Key Performance Indicators and information on External operating Environment. • Forecast Performance for the financial year. • Impact of risk factors on financial and operating results and actions to mitigate such risks • Compliance with laws and regulations and any non-compliances • Information on Human Resources capital Expenditure • Share trading of the Company and related party transactions by Key Management Personnel • Any other matters the board should be aware of • The Board papers and the related documents are circulated one week prior to the Board meeting
A.1.2 Role & Responsibilities of the Board. The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.	☑	Board provides leadership to the Company, monitors risk management and ensures that oversight is maintained over high risk areas. The Board has put in place a Corporate Leadership Team with the required skills, experience and knowledge necessary to implement the business strategy of the Company.

☑ - Complied

N/A - Not Applicable

CORPORATE GOVERNANCE

Requirement reference to CASL & SEC code	Compliance Status	Details of Teejay Lanka PLC's Compliance
A.1.3. Compliance with the laws of the country and agree to obtain independent professional advice.	☑	The Board collectively, and Directors individually, must act in accordance with the laws as applicable to the Company. The Board of Directors ensures that procedures and processes are in place to ensure that the Company complies with all applicable laws and regulations. Directors have the power to obtain independent professional advice as deemed necessary, in furtherance of their duties, at the Company's expense. This will be coordinated through the Board Secretary as and when it is requested.
A.1.4. Access to the advice and services of the Company Secretary and Availability of Insurance Cover for Board, Directors and Key Management Personnel.	☑	The services and advice of the Company Secretary are available to all the Directors. The Company Secretary acts as the Board Secretary as well. The Company Secretary ensures that Board procedures and all applicable rules and regulation are complied with. Teejay Lanka PLC has obtained a insurance cover for the Board, Directors and Key Management Personnel.
A.1.5. Independent judgement of the Directors.	☑	Directors bring independent judgement to bearing on decision taken by the Board on matters relating to strategy, performance, resource allocation, risk management and business conduct. Composition of the Board ensures that there is a sufficient balance of power and contribution by all Directors. All of the Board members are professionals who contribute with independent points of view and judgement.
A.1.6 Dedication of adequate time and effort to matters of the Board and the Company.	☑	All Directors of the Company dedicate adequate time and effort to fulfill their duties as Directors of the Company in order to ensure that the duties and responsibilities owed to the Company are satisfactorily discharged. Dates of regular Board meetings and Board Sub – Committee meetings are scheduled well in advance and relevant papers are circulated a week prior to the meeting giving sufficient time for review.
A.1.7 Calls for Resolutions.	☑	One third of the Directors can call for a resolution to be presented to the Board if deemed necessary.

Requirement reference to CASL & SEC code	Compliance Status	Details of Teejay Lanka PLC's Compliance
A.1.8 Training for new and existing Directors.	☑	The Board reviews the training and development needs of the Directors regularly and the Company is provided guidelines on General aspects of directorships and industry specific matters. As independent professionals, many of the Directors also conform to Continuing Professional Development requirements of their respective professional organizations.
A.2 - CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO)		
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.		
Division of responsibilities of the Chairman and CEO.	☑	The Board provides leadership and direction. The positions and functions of the Chairman and the CEO have been separated. The CEO is responsible for the day to day operations of the business.
A.3 - CHAIRMAN'S ROLE		
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.		
A.3.1 Role of the Chairman.	☑	Chairman facilitates the effective discharge of Board functions and ensure the following: • Development of an appropriate agenda for Board meetings • Sufficient Information in Board papers and timely availability of the same. • The views of Directors on issues under consideration are ascertained. • Effective participation of all directors.
A.4 - FINANCIAL ACUMEN		
The Board should ensure the availability within it of those with sufficient Financial acumen and knowledge to offer guidance on matters of finance.		
Financial Acumen and Knowledge.	☑	The Board comprises two Chartered Accountants. One of them serves as chairman of the Audit Committee. • Mr. Amitha Lal Gooneratne, Independent Non-Executive Director (IND/NED): FCA (SL), FCA (England & Wales). • Mr. Hasitha Premaratne, Non-Executive Director (NED): ACCA, FCMA(UK), CGMA.

CORPORATE GOVERNANCE

Requirement reference to CASL & SEC code	Compliance Status	Details of Teejay Lanka PLC's Compliance
A.5 - BOARD BALANCE		
The Code requires that 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. The Board consists of two [2] Independent Non-Executive Directors and Five [5] Non-Executive Directors.		
A.5.1 Presence of Non – Executive Directors.	☑	Seven Directors are Non- Executive Directors.
A.5.2 Independent Non Executive Directors.	Under review as it is a new requirement	Two (02) out of Seven (07) Non Executive Directors are independent. The Board is reviewing this amended requirement.
A.5.3 Independence of Directors.	☑	Independent Directors are independent of management and free of business dealings that may be perceived to materiality interfere with the exercise of their unfettered and independent judgement. Please refer below section of A. 5.5. The Board considers Non-Executive Directors' independence on an annual basis.
A.5.4 Annual Declaration of Directors.	☑	The Board determines the independence of Directors on an annual basis based on Annual Declaration submitted in a prescribed format.
A.5.5 Annual Determination of Independence.	☑	The Board has determined the independence of Directors with the basis for determination given in Code of Best Practices as a fair representation and will continue to evaluate their independence on this basis annually. Independent Non Executive Directors are, • Prof. Malik Kumar Ranasinghe • Mr. Amitha Lal Gooneratne Please refer page 19 and 20 for the profiles of the Directors.
A.5.6 Alternate Directors.	N/A	N/A
A.5.7 & A.5.8 Senior Independent Director & Confidential Discussions with Senior Independent Director.	N/A	This is not applicable as the Chairman and CEO is not the same person.
A.5.9 Chairman's meeting with Non Executive Directors.	☑	All Board Directors are Non Executive Directors.
A.5.10 Record in the Board minutes of Concerns not unanimously resolved.	☑	There has not been any unresolved matters in Board minutes.

Requirement reference to CASL & SEC code	Compliance Status	Details of Teejay Lanka PLC's Compliance
A.6 - SUPPLY OF INFORMATION		
The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.		
A.6.1 Management Obligation to provide appropriate and timely Information to the Board.	☑	The Board is provided with timely information seven days prior to each Board meeting as per items included in the agenda for the meeting. The senior team attending the board meeting will provide any other information requested at the meeting spontaneously.
A.6.2 Adequate time for effective Board Meetings.	☑	The minutes, agenda and papers are circulated in advance to facilitate its effective conduct.
A.7 - APPOINTMENTS TO THE BOARD		
There should be a formal and transparent procedure for the appointment of new Directors to the Board.		
A.7.1 Nomination Committee.	☑	Remunerations and Nominations committee is in operation.
A.7.2 Assessment of Board Composition by the Nomination Committee.	☑	Nominations committee keeps track of the composition of the board.
A.7.3 Disclosure of New Appointments.	☑	Disclosures are made when new appointments are made.
A.8 - RE-ELECTION		
All Directors should be required to submit themselves for re-election at regular intervals and at least once every three years.		
A.8.1 & A.8.2 Re – election of Directors.	☑	This is done as per Articles of Association. The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek re-election by the shareholders at that meeting.
A.8.3 Prior Communication of resignation of a Director.	☑	In the event of Director resigning prior to the completion of his appointed term, written communication should be provided to the Board of his reasons for resignation.
A.9 - APPRAISAL OF BOARD PERFORMANCE		
Board should periodically appraise their own performance to ensure that Board responsibilities are satisfactorily discharged.		
A.9.1 & A.9.2 Annual performance evaluation of the Board and its committees.	☑	The Board undertakes an annual self evaluation of its own performance and of its committees.
A.9.3 Evaluation at re-election.	☑	The Board reviews the participation, contribution and engagement of each Director at the re-election.
A.9.4 Disclosure on performance evaluation criteria.	☑	The Board conducts an annual self – assessment of its performance against predetermined targets set at the beginning of the year. Criteria relating to evaluation of Board Committees are the performance against their duties referred in the respective Committee reports. Refer page 94 and page 95.

CORPORATE GOVERNANCE

Requirement reference to CASL & SEC code	Compliance Status	Details of Teejay Lanka PLC's Compliance
A.10 - DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS		
Shareholders should be kept advised of relevant details in respect of Directors.		
A.10.1 Details in respect of Directors.	☑	Name, qualification, brief profile and nature of expertise are given in the pages 19 and 20 of this Annual Report. Directors' shareholding information is given on page174 of this Report. The number of Board meetings attended by the Directors is available on the page 66 of this Report.
A.11 - APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO):		
The Board should be required, at least annually, to assess the performance of the CEO.		
A.11.1 & A.11.2 Evaluate the performance of the CEO.	☑	The short, medium and long-term objectives including financial and non-financial targets that should be met by the CEO are set and evaluated at the commencement of each fiscal year. The performances are evaluated in each quarter to ascertain whether the targets are achieved or achievement is reasonable in the circumstances.
B: DIRECTORS' REMUNERATION		
B.1 REMUNERATION PROCEDURE		
Company should have a well-established, formal, and Transparent procedure in place for developing an effective remuneration policy for Directors.		
B.1.1 Establishment of a Remuneration Committee.	☑	The Committee is required to decide on the remuneration and set guidelines for the Key members of the Leadership Team. Please refer page 94 for the Remuneration Committee.
B.1.2 Composition of Remuneration Committee.	☑	The Remuneration Committee consists of two (02) Independent Non Executive Directors and one (01) Non Executive Directors and the Chairman of this Committee is appointed by the Board.
B.1.3 Chairman and the members of the Remuneration Committee.	☑	The Remuneration Committee consists of three (03) Directors. • Prof. Malik Kumar Ranasinghe (Chairman) - Independent Non-Executive Director (IND/NED) • Mr. Amitha Lal Gooneratne - Independent Non-Executive Director (IND/NED) • Mr. Mohamed Ashroff Omar - Non-Executive Director (NED)

Requirement reference to CASL & SEC code	Compliance Status	Details of Teejay Lanka PLC's Compliance
B.1.4 Determination of Remuneration of the Non Executive Directors.	☑	The Board, as a whole, determines the remuneration of the Non Executive Directors including the members of the remuneration committee which the Board believes is in line with current market conditions.
B.1.5 Consultation of the Chairman and access to professional advice.	☑	Committee has the authority consult the Chairman or CEO about its proposals relating to the remuneration and access to professional advice from within and outside the Company.
B.2 - THE LEVEL AND MAKE UP OF REMUNERATION		
Levels of remuneration of Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Directors' remuneration should be structured to link rewards to corporate and individual performance		
B.2.1, B.2.2, B.2.3, B.2.4 & B.2.5 Levels of Remuneration.	☑	The Remuneration Committee structures the remuneration package to attract, retain and motivate.
B.2.6 Executive share options.	☑	An ESOS scheme is in operation to motivate and retain the key management personnel.
B.2.7 Designing schemes of related remuneration.	☑	The Remuneration committee follows the provisions set out in schedule E of the code as required.
B.2.8 & B.2.9 Early termination of Executive Directors.	N/A	Termination is governed by their contracts of service/ employment.
B.2.10 Levels of Remuneration of Non Executive Directors.	☑	Remuneration for Non- Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices.
B.3 - DISCLOSURE OF REMUNERATION		
The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.		
B.3.1 Disclosure of Remuneration.	☑	The Remuneration Committee Report in this annual report contains a statement on the Remuneration Policy. The total of Directors' Remuneration is reported in Note 8 to the Financial Statements
C: RELATIONS WITH SHAREHOLDERS		
C.1 - CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM)		
Boards should use the AGM to communicate with shareholders and should encourage their participation.		
C.1.1 Notice of AGM.	☑	The notice and the agenda of the Annual General Meeting together with the Annual Report with all other relevant documents are sent to the shareholders 15 working days prior to the meeting. Shareholders are engaged well at the AGM by the Board where questions and suggestions are welcome.

CORPORATE GOVERNANCE

Requirement reference to CASL & SEC code	Compliance Status	Details of Teejay Lanka PLC's Compliance
C.1.2 Separate resolution for substantially separate issues and adoption of Annual Report and Accounts.	☑	A separate resolution is proposed at an Annual General Meeting on each substantially separate item. Adoption of the Annual Report of the Board of Directors on the affairs of the Company, Statement of Compliance and the Financial Statements with the Independent Auditor's Report is considered as a separate resolution. A form of Proxy is provided with the Annual Report to all shareholders to direct their Proxy to vote.
C.1.3 Votes and use of proxy.	☑	The Company ensures that all proxy votes are properly recorded and counted.
C.1.4 Availability of all sub committee chairman at the Annual General Meeting (AGM).	☑	The Board arranges the Chairman of the Audit Committee and Remuneration committee to be available to answer queries at the AGM when necessary.
C.1.5 Procedure of Voting at General meeting.	Complied as per Articles of Association.	A summary of the procedure governing voting at General Meeting is circulated to shareholders with every Notice of the General Meeting.
C.2 - COMMUNICATION WITH SHAREHOLDERS		
The code requires the Board should implement effective communication with shareholders.		
C.2.1 & C.2.2. Channel to reach all shareholders of the Company.	☑	The main mode of communication between the Company and the shareholders is the AGM. Further, Annual Reports, Quarterly Financial Statements, and Interim Reports, announcements are made through the Colombo Stock Exchange, other press releases and Annual / Extraordinary General Meetings. Shareholders may bring up concerns they have, with the Chairman, the Managing Director or the Secretaries, as appropriate. The soft version of the Annual Report is posted on the Company website as soon as they have been released to the Stock Exchange. The website posts news and latest updates of the Company.
C.2.3 Implementation of the policy and methodology for communication with Shareholders.	☑	In terms of the CSE Listing Rules, Annual Reports are issued in CD form. Please refer C.2.4 and C.2.5 for the further details.
C.2.4 Disclosure of contact person.	☑	Details of contact persons are disclosed in the back inner cover of the Annual Report and Quarterly Financial Statements.

Requirement reference to CASL & SEC code	Compliance Status	Details of Teejay Lanka PLC's Compliance
C.2.5 Process to make Directors aware of Major issues and concerns of shareholders.	☑	Company Secretary maintains a record of all correspondence received. All the major issues and concerns relating to shareholders are brought to the attention of the Board.
C.2.6 Person to be contacted with regard to shareholders' matters.	☑	The Company Secretary holds the responsibility to be contacted in relation to shareholder's matters.
C.2.7 Response to the shareholders matters.	☑	The process for responding to shareholder matters have been formulated by the Board and disclosed. The Chairman and the Directors answer all the queries raised by the shareholders at the AGM.
C.3 - MAJOR AND MATERIAL TRANSACTIONS		
Directors should disclose to shareholders all proposed material 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.		
C.3.1 Disclosure of Major Transactions to shareholders.	☑	During the year, there were no major transactions as defined by Section 185 of the Companies Act No 07 of 2007 which materially affect the net asset base of Company or the Group's consolidated net asset base.
C.3.2 Shareholders approval by Special resolution.	☑	During the year, there were no major transactions which require approval by way of a special resolution.
D: ACCOUNTABILITY AND AUDIT & AUDIT COMMITTEE		
D.1 – FINANCIAL AND BUSINESS REPORTING		
D.1.1 & D.1.2 Board's responsibility for present a balanced and understandable assessment of the Company's financial position, performance and prospects.	☑	Company has presented balanced and understandable financial statements which gives a true and fair view quarterly and annually. In the preparation of Financial Statements, Company has complied with the requirements of the Companies Act No 07 of 2007 and requirement of Sri Lanka Accounting Standards and Securities and Exchange Commission. Price sensitive public reports and reports for statutory requirements are also presented in a balanced and understandable manner.
D.1.3 CEO's & CFO's approval on financial Statements prior to Board approval.	☑	Chief Financial Officer, Chief Executive Officer and two other Directors have signed the Financial Statements on behalf of the Board. The statement of Directors Responsibility and the Auditors Report for the reporting responsibility of auditors are given in pages 102 and 105 respectively.
D.1.4 The Director's Report.	☑	The Annual Report of the Board of Directors on the affairs of the Company is given on pages 97 to 101.

CORPORATE GOVERNANCE

Requirement reference to CASL & SEC code	Compliance Status	Details of Teejay Lanka PLC's Compliance
D.1.5 Statement of Directors Responsibility, statement on internal controls and Auditors' Report.	☑	The Statement of Director's Responsibilities for the financial statements and Director's statement on internal controls are given in page 102. The Auditors' Report is available on page 105.
D.1.6 Management Discussion and Analysis.	☑	Please refer Management Discussion and Analysis on pages 32 to 62.
D.1.7. Summon an EGM to notify serious loss of capital.	N/A	In the event the Net Assets of the Company fall below 50% of the value of the Company's Stated Capital, the Directors will forthwith summon an Extraordinary General Meeting to notify shareholders' the remedial action being taken. However, such an event has not taken place since the adoption of the New Companies Act No 07 of 2007. Reason for such an EGM has not risen yet.
D.1.8 Disclosure of Related Party Transaction.	☑	All related party transactions, as defined in Sri Lanka Accounting Standard (LKAS) 24 on "Related Party Transactions" are disclosed in Note 36 in Financial Statements.
D.2 – RISK MANAGEMENT AND INTERNAL CONTROL		
The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.		
D.2.1 Monitoring sound system of Internal Control.	☑	The Board facilitates the Enterprise Risk Management process and reviews controls through various processes. The Board shares collective responsibility for controls within the organization's control environment. Board oversight is achieved through the Internal Audit function.
D.2.2 Assessment of principle risks facing the Company.	☑	A robust assessment on risks involved in the Company has been carried out and the status reviewed at Audit Committee meeting. Mitigating actions have been identified and progress continuously reviewed. Refer pages 87 to 89 for Risk Management.
D.2.3 Internal Audit Function.	☑	Internal Audit Department plays a significant role in assessing the effectiveness and successful implementation of existing controls and strengthening these and establishing new controls where it is necessary.
D.2.4 Review of the process and effectiveness of Risk Management and Internal Controls.	☑	The Audit Committee reviews internal control issues and Risk Management measures and evaluates the adequacy and effectiveness of the risk management and internal control systems including financial reporting.
D.2.5 Director's responsibility of maintaining of a sound internal control system.	☑	Please refer Statement of Directors' Responsibilities on page 102.

Requirement reference to CASL & SEC code	Compliance Status	Details of Teejay Lanka PLC's Compliance
D.3 – AUDIT COMMITTEE		
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.		
D.3.1 Composition of the Audit Committee.	☑	The Audit Committee consists of two [2] Independent Non-Executive Directors and one [1] Non-Executive Director. Chairman of the Audit Committee is an Independent non-executive director who is a member of The Institute of Chartered Accountants of Sri Lanka and the Institute of Chartered Accountants of England & Wales. Chief Executive Officer, other Board members and Chief Financial Officer attend Audit Committee meetings by invitation.
D.3.2 Terms of reference of the Audit Committee & Duties of Audit Committee.	☑	Activities and operation of the Audit Committee is governed by the Internal Audit Charter of the Company which is approved by the Board. Committee reviews the adequacy of systems in place for compliance with relevant legal, regulatory and ethical requirements and Company policies. The Audit Committee makes recommendations to the Board pertaining to appointment, re –appointment of External Auditors after assessing the independence and performance and approves the remuneration and terms of engagement of the External Auditors. Please refer Audit Committee Report on page 92.
D.3.3 Disclosures of the members of Audit Committee.	☑	The names of the members of the Audit committee are given under section D.3.1 and please refer "Audit Committee Report' in page 92 of this report.
D.4 – RELATED PARTY TRANSACTION REVIEW COMMITTEE		
The Board should establish a procedure to ensure that the Company will not engage in " Related Party Transactions" in a manner that more favourable than with third parties in the normal course of business.		
D.4.1 Related Party Transactions.	☑	Company is adhering to LKAS 24, and transactions entered into with related parties during the year is disclosed in note 36 to the Financial Statements.

CORPORATE GOVERNANCE

Requirement reference to CASL & SEC code	Compliance Status	Details of Teejay Lanka PLC's Compliance
D.4.2 Composition of Related Party Transactions Committee.	☑	Related Party Transactions Review Committee consists of two (2) Independent Non Executive Directors and One (1) Non Executive Director. • Mr. Amitha Lal Gooneratne - Chairman (Independent Non Executive Director) • Prof. Malik Kumar Ranasinghe (Independent Non Executive Director) • Mr. Hasitha Premaratne (Non Executive Director)
D.4.3 Terms of Reference.	☑	Related Party Transactions Review Committee has written terms of reference dealing with its authority and duties. Related Party Transactions Review Committee report describing the duties , task and attendance of the committee appear on page 96.
D.5 - CODE OF BUSINESS CONDUCTED AND ETHICS		
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.		
D.5.1 Code of Business conduct and Ethics.	☑	The Directors and members of the Senior Management team are bound by a Code of Business Conduct & Ethics. The Company has introduced a declaration of conflict of interest. The employees, at executives and above have signed, having read the document.
D.5.2 Material and price sensitive information.	☑	Material and price sensitive information is promptly identified and reported to the shareholders via Colombo Stock Exchange.
D.5.3 Shares purchased by directors and key management personnel.	☑	The Company has a policy and a Process for monitoring, and disclosure of shares purchased by any Director and key management personnel. Details of Directors share holdings are given in page 174 of the annual report of Board of Directors on the affairs of the Company.
D.5.4 Affirmation of Code in the Annual Report by the Chairman.	☑	Please refer "The Chairman's Statement on pages 12 to 14.
D.6 - CORPORATE GOVERNANCE DISCLOSURES		
Directors of the Company disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka.		
D.6.1 Disclosure of Corporate Governance.	☑	The extent to which the Company adheres to established principles and practices of good Corporate Governance is disclosed from pages 64 to 84 of this report.

Section 2

Requirement reference to CASL & SEC code	Compliance Status	Details of Teejay Lanka PLC's Compliance
E: INSTITUTIONAL INVESTORS		
E.1 - SHAREHOLDER VOTING		
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.		
E.1.1 Dialogue with shareholders.	☑	All the investors are notified of the Annual General Meeting and all their views, comments and suggestions are encouraged. All items coming for voting at meetings are notified well with due notice for institutional shareholders to encourage the use of their votes.
E.2 EVALUATION OF GOVERNANCE DISCLOSURES		
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.		
E.2 – Due weightage by Institutional Investors.	☑	Key institutional investors are actively involved in appointing members to the Board.
F: OTHER INVESTORS		
F.1 - INVESTING/ DIVESTING DECISION		
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.		
F.1. Adequate analysis.	☑	All individual shareholders are provided with adequate information on the performance of the Company thereby encouraging them to analyze their investments adequately.
F.2 - SHAREHOLDER VOTING		
Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.		
F.2 Encouraging voting by Individual shareholders.	☑	All individual shareholders are sent AGM notices well in advance, encouraging them to exercise their voting rights.
G: INTERNET OF THINGS AND CYBERSECURITY		
The Company has identified the cyber security related risks to its ICT infrastructure and addressed them through deployment of required restrictions and access technologies to its networks. Main ICT Infrastructure is not accessible freely. The Company has also implemented a Disaster Recovery Plan with required redundancy. Independent periodic reviews of the risks and the management of ICT policy are conducted through Professional Services Firms.		
G.1 Process to identify connectivity and consequent Cybersecurity Risks.	☑	The Company has identified and addressed the risks through deployment of required restrictions and access technologies to its networks.
G.2 Appoint a CISO (Chief Information Security Officer) and allocate budget to implement Cybersecurity risk management policy.	☑	Head of Group ICT is responsible to manage policy which is already implemented.

CORPORATE GOVERNANCE

Requirement reference to CASL & SEC code	Compliance Status	Details of Teejay Lanka PLC's Compliance
G.3 Discussions on Cyberrisk Management in Board Meetings.	☑	Disaster Recovery plan is implemented.
G.4 Independent periodic review and assurance on effectiveness of Cybersecurity Risk Management.	☑	Independent periodic reviews are conducted through Professional Services Firms.
G.5 Disclosure in Annual Report.	☑	Please refer Risk Management section on pages 85 to 89 in this annual report.
H. ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)		
H.1.1 ESG Reporting.	☑	Annual report contains sufficient and relevant information of ESG to assess how risks and Opportunities are recognized, managed, measured and reported in pages 35 to 36. The impact of ESG issues are disclosed in Risk Management report in pages 87 to 89.
H.1.2 The Environment.	☑	The Company adopts an integrated approach which takes in to consideration the direct and indirect economic, social, health and environmental implications of their decisions and activities, including pollution prevention, sustainable resource use, protection of environment and restoration of natural resources.
H.1.3 Social Factors.	☑	The Company adopts an integrated approach to building strong relationship with community and strives towards sustainable development. Refer Social and Relationship Capital on pages 53 to 56 in this Annual Report.
H.1.4 Governance.	☑	The Company established a governance structure to support its ability to create value and mange risks on all pertinent aspects of ESG.
H.1.5 Board's role on ESG Factors.	☑	The Company has followed the Integrated Reporting Framework and the Global Reporting Initiative Guidelines in presenting this Annual Report.

Section 3

This section covers Levels of compliance with the CSE's Listing Rules - Section 7.10 Rules on Corporate Governance for Listed Companies issued by the Colombo Stock Exchange.

CSE Rule Reference	Corporate Governance Principles	Teejays' Extent of Adoption	Compliance Status	Applicable section in the Annual Report
7.10.1 (a)	Non Executive Directors: At least one third of the total number of Directors should be Non-Executive Directors (NED).	The Board consists of two (2) Independent Non-Executive Directors and Five (5) Non-Executive Directors. All directors are Non-Executive Directors.	☑	Corporate Governance A.5.1
7.10.2 (a)	Independent Directors: Two or one third of Non-Executive Directors, whichever is higher, should be Independent.	Two of the seven Non-Executive Directors are independent.	☑	Corporate Governance A.5.2
7.10.2.(b)	Independent Directors: Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format.	All Non-Executive Directors have declared their independence in writing.	☑	Corporate Governance A.5.4
7.10.3.(a)	Disclosures Relating to Directors: Names of Independent Directors should be disclosed in the Annual report.	The Board assessed the independence declared by the Directors and disclosed the same.	☑	Corporate Governance A.5.5
7.10.3.(b)	Disclosures Relating To Directors: The basis for the Board to determine a Director is Independent, if criteria specified for Independence is not met.	The Board has determined that all Independent Non – Executive Directors satisfy the criteria for " Independence" set out in Listing Rules.	☑	Corporate Governance A.5.5
7.10.3.(c)	Disclosures Relating To Directors: A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise.	A brief resume of each director is included in the Annual Report.	☑	Board of Directors Profile
7.10.3.(d)	Disclosures Relating To Directors: The appointments of new Directors should be disclosed to the Colombo Stock Exchange and to the public.	No new Director appointments made during the year.	N/A	N/A

CORPORATE GOVERNANCE

CSE Rule Reference	Corporate Governance Principles	Teejays' Extent of Adoption	Compliance Status	Applicable section in the Annual Report
7.10.5 (a)	Composition of Remuneration Committee. Shall comprise Non-Executive Directors, a majority of whom will be independent.	The Remuneration Committee comprises of two Independent Non-Executive Directors one of whom functions as the Chairman of the Remuneration Committee and one Non-Executive Director.	☑	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 and Remuneration Committee Report
7.10.5 (b)	Functions of Remuneration Committee. The Remuneration Committee shall recommend the remuneration of Chief Executive Officer and Executive Directors.	Remuneration Committee determines the compensation of Chief Executive and the Members of the Group Leadership Team.	☑	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 and Remuneration Committee Report on pages 94 to 95.
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee The Annual Report should set out; • Names of Directors comprising the Remuneration Committee. • Statement of Remuneration Policy • Aggregated remuneration paid to Executive & Non-Executive Directors.	Names of Remuneration Committee members and Remuneration paid to Directors are disclosed.	☑	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5, B.2.1, B.2.2, B.2.3, B.2.4,Remuneration Committee Report and Note 8 to the Financial Statement on page 137.
7.10.6 (a)	Composition Of Audit Committee Shall comprise Non-Executive Directors a majority of whom will be independent.	The Audit Committee comprises of three members, two of whom are Independent Non-Executive Directors and one Non-Executive Director. One of the Independent Non-Executive Directors' functions as the Chairman of Audit Committee.	☑	Corporate Governance D.3.1,D.3.2 and Audit Committee Report on page 92.
7.10.6(b)	Audit Committee Functions.	Audit Committee facilitates and monitors Enterprise Risk Management process, the formulations of a Risk Based Audit Plan and the implementation of the same.	☑	Corporate Governance D.3.3 and Audit Committee Report on page 92.

CSE Rule Reference	Corporate Governance Principles	Teejays' Extent of Adoption	Compliance Status	Applicable section in the Annual Report
7.10.6(c)	Disclosure in the Annual Report relating to below; • Names of Directors comprising the Audit Committee. • The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination. • The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions.	Name of Audit Committee members and the basis of determination of the independence of the auditor are disclosed.	☑	Corporate Governance D.3.4.

Section 4

CSE Rule Reference	Corporate Governance Principles	Teejays' Extent of Adoption	Compliance Status	Applicable section in the Annual Report
This section covers Levels of compliance with the CSE's Listing Rules - Section 9 Rules on Related Party Transactions for Listed Companies issued by the Colombo Stock Exchange.				
9.2.1 & 9.2.3	Related Party Transactions Review Committee (RPTRC).	Related Party Transactions Review Committee is consistent with the Code of Best Practice on Related Party Transactions issued by the SEC.	☑	Please refer Related Party Transactions Review Report on page 96.
9.2.2	Composition of Related party Transactions Review Committee.	The Related party Transactions Review Committee comprises of three members, two of whom are Independent Non-Executive Directors and one Non-Executive Director. One of the Independent Non-Executive Directors' functions as the Chairman of Related Party Transactions Review Committee.	☑	Please refer Related Party Transactions Review Report on page 96.
9.2.4	Related Party Transactions Review Committee Meetings.	The Related Party Transactions Review Committee met four (04) times during the year.	☑	Please refer Related Party Transactions Review Report on page 96.

CORPORATE GOVERNANCE

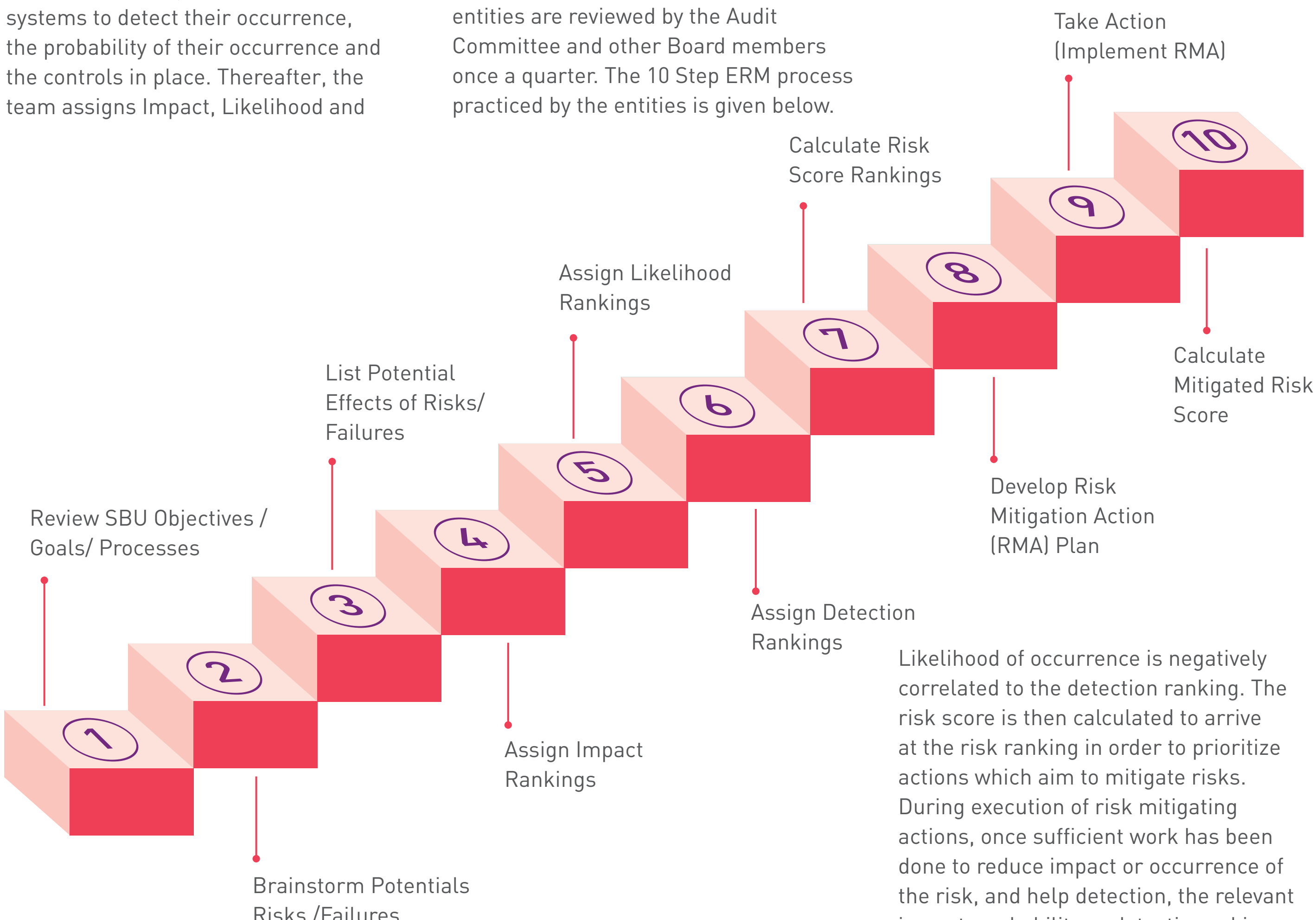
CSE Rule Reference	Corporate Governance Principles	Teejays' Extent of Adoption	Compliance Status	Applicable section in the Annual Report
9.3.1	Immediate Disclosures.	The Company has not been involved in any non recurrent related party transactions which requires immediate announcements to the CSE.	☑	Please refer note 36 to the Financial Statements.
9.3.2 (a) & (b)	Related Party Transactions Review Committee-Disclosure In The Annual Report On Below: a) Non-recurrent Related Party Transactions- If aggregate value exceeds 10% of the equity or 5% Total assets whichever is lower.	The Company has not been involved in any non recurrent related party transactions.	N/A	Please refer Related Party Transactions Review Report on page 96.
	b) Recurrent Related Party Transactions – If aggregate value exceeds 10% Gross Revenue/ Income as per the latest audited accounts.	The Company has disclosed recurrent related party transactions which exceed 10% of Gross Revenue.	☑	Please refer Related Party Transactions Review Report on page 96.
9.3.2 (c)	Report by the Related Party Transactions Review Committee.	The report of the Related Party Transactions Review Committee is given.	☑	Please refer Related Party Transactions Review Report on page 96
9.3.2 (d)	A declaration by the Board of Directors.	Annual Report of the Directors is included.	☑	Please refer the Annual Report of the Board of Directors on pages 97 to 101.

RISK MANAGEMENT

Enterprise Risk Management(ERM) is the process of understanding and managing risks that an entity faces in the course of working towards achieving its objectives. Teejay Group uses as input to the ERM process, the objectives set for the year as part of the development of the Company plan for the year. The process followed starts with the identification of potential risks or environmental conditions that may hinder the achievement of the objectives which are evaluated and the significance of the risks brainstormed. During this process, the team takes into account the potential monetary impact of risks, the ability of the team and the systems to detect their occurrence, the probability of their occurrence and the controls in place. Thereafter, the team assigns Impact, Likelihood and Detection rankings of each of the risks to ascertain the significance of the risk. Based on the calculated risk score, the risks identified as requiring mitigation are addressed through suitable action plans to reduce their likelihood of occurrence or impact; or to improve detection of these risks. The Enterprise Risk Management Process model followed by Teejay Group is explained below.

The Company currently follows an Enterprise Risk Management (ERM) process which is a ten step ERM process followed by one of its parent companies Brandix. The risk models for all three entities are reviewed by the Audit Committee and other Board members once a quarter. The 10 Step ERM process practiced by the entities is given below.

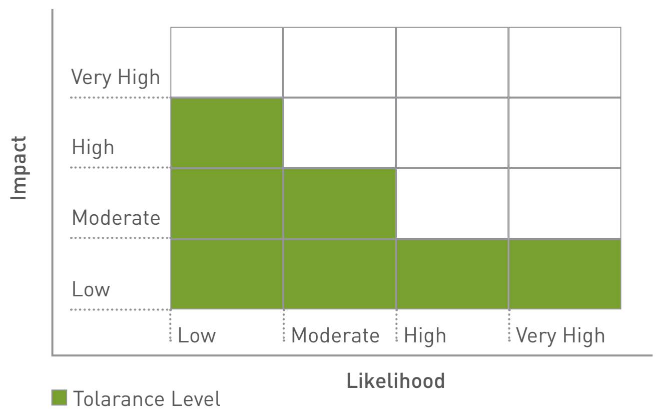
During the ERM process, the management attempts to understand the risk profile of each risk through an assessment of the detectability of occurrence, likelihood of exposure and the impact of each risk in the context of the prevailing environment. Risks that would hinder the achievement of corporate objectives are identified and brainstormed to arrive at a possible impact ranking, likelihood of their occurrence (ranking) and the probability of detection.

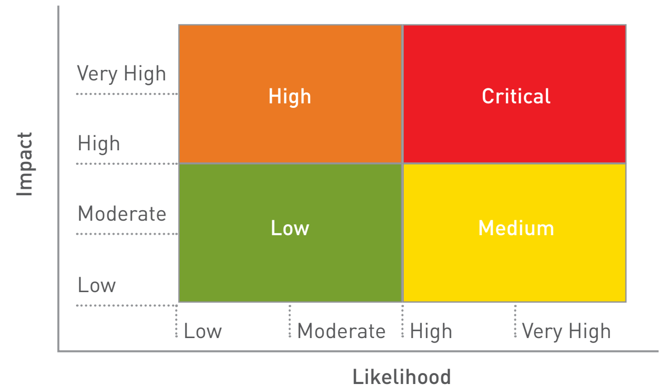


Enterprise Risk Management Model

Likelihood of occurrence is negatively correlated to the detection ranking. The risk score is then calculated to arrive at the risk ranking in order to prioritize actions which aim to mitigate risks. During execution of risk mitigating actions, once sufficient work has been done to reduce impact or occurrence of the risk, and help detection, the relevant impact, probability or detection raking is reduced to reflect a reduction in risk score.

RISK MANAGEMENT





Event identification plays a critical role in Risk management. The events and their probability of occurrence can vary from period to period. In order to keep track of these events, a review of the major risks as well as brainstorming to identify new risks is also carried out quarterly. The risk model is updated with such significant risks if identified. Risk assessments of all major projects undertaken are also carried out in the same manner including subsequent identification of risk mitigation actions and implementation of same.

In addition to the above process, the Company has developed a Business Continuity Plan as part of the process of Corporate Governance.

As part of the Company's action to establish a suitable control environment to conduct business activities securely, the team conducts audits of key processes periodically, using internal and external resources. All weaknesses identified during such audits are followed up till the agreed remedial actions are implemented by the process owners. Any new processes to be implemented are also designed with due consideration for the underlying control environment which ensures that adequate controls are built into these processes.

Following the implementation of the ERM process, risks falling into risk categories listed below were identified with their risk scores.

Risk Item	Potential Impact	Risk Mitigation	Risk Assessment
Corporate Risk Under Corporate Risks, the Management has identified the following risks as significant for consideration and mitigation.			
Corporate Performance Risk	Risk of 'the Company failing to achieve corporate objectives whilst maintaining corporate reputation'.	The Group's Code of Conduct helps to achieve ethical and transparent business conduct. This is further strengthened by the Governance Structure of the Group. The performance is tightly managed with frequent reviews against the business plan.	Assessed level of risk: Low
Stakeholder Reputation Risk	Risk of 'the Company failing to deliver stakeholder expectations'.	Customer satisfaction is crucial to ensuring sustainable business growth. Operational Excellence that ensures Quality and reliability of supplies. Narrow and deep customer strategy. Focus on Innovation. Ensure compliances with requirements and specifications.	Assessed level of risk: Low
Competition/ Industry Risk	Risk of 'Threats to margins, loss of market share due to severe price competition', oversupply in the market. Risk of losing orders to regional plants due to supply chain considerations.	Proactive management of key variables that infuences key performance parameters. Industry shift from China due to US tariffs, compliances and Labour cost impacted to decline in demand for cotton in China. It helps curtail prices of key Raw Material. Teejay Group continue strong partnership with vendors and continue to work with Global Brands.	Assessed level of risk: Medium
Regulatory/ Compliance Risk	Risk of generating negative goodwill, penalties or other action due to non-compliance. Risk of failure to meet regulatory requirements.	Close monitoring of Compliance, Compliance reporting.	Assessed level of risk: Low
Investment Risk	Risk of not making adequate capacity related investments to expand capability and plant capacity, risk of externalities affecting the realization of benefits of capital investment made in plant and machinery.	Caution exercised in ensuring the Demand is sustainable with Capacity Expansion related investment decisions. Regular investment in modernizing and upgrading machinery.	Assessed level of risk: Low

RISK MANAGEMENT

GRI 102-11 307-01

Risk Item	Potential Impact	Risk Mitigation	Risk Assessment
Operational Risk Under Operational Risks, the management has identified the following risks as being significant for consideration.			
Capacity Risk-Raw Material	Risk of escalating raw material costs that eats into the margins of products.	Total Cost of Operation model within the group strengthening supplier portfolio and its ensure competitive pricing.	Assessed level of risk: Medium
Energy Cost Escalation Risk	Risk of increasing energy costs, risk of utility generation plant cost escalation.	Process Improvements. Investing in energy efficient Machinery and Equipment. Investing in effluent treatment and solid waste management. Refer pages 57 to 62 of the Natural Capital report for further information.	Assessed level of risk: Low
Socio Economic Risk	Risks associated with operating in the current socio-economic environment.	High levels of engagement with community. Investing in CSR activities. Refer pages 53 to 56 of the Social and Relationship Capital report for further information.	Assessed level of risk: Low
Political Risk	Risks associated with operating in the current political environment.	The extension of the GSP+ for until end of 2020 enhances the competitiveness of Sri Lankan exports in EU region. Group continue relationship with customers in EU region.	Assessed level of risk: Medium
Environmental Risk	Risks associated with environmental emissions, use of resources and the related risks due to regulations, perceived threats, etc.	Persistent monitoring of environmental performance and related parameters. Environment Management System and Environmental policies were up to date.	Assessed level of risk: Medium
IT Systems Failure Risk	Risk of IT systems not being available to support the operation.	Access control and Disaster Recovery sites in operation to ensure high system availability.	Assessed level of risk: Low
Fire Risk	Risk of losing part or full manufacturing infrastructure due to fires.	High alertness and preventive measures and procedures in areas where the equipment are working at high temperature. Fire Alarm System and fire hydrants in operation and extinguishing infrastructure in all 3 plants. Ensure regular maintenance on Fire extinguishing equipment infrastructure according to schedule. Regular Fire crew training and fire and evacuation drills involving all employees in Teejay Group.	Assessed level of risk: Medium

Risk Item	Potential Impact	Risk Mitigation	Risk Assessment
HR Risk & Industrial Relations Risk	Risk of employees not supporting the operations plan.	Operation of JCC (Joint Consultative Committee) which is a requirement as per BOI regulations for formal communication and maintenance of highly effective engagement with employee. Based on cordial relationships the Company has maintained with the associates, the Company did not have and does not foresee any issues related to industrial relations. Teejay has placed a strong emphasis on performance appraisals,rewarding and recognizing key talent through performance recognition and reward schemes, succession planning, leadership and career development programmes, ensuring that high quality employees are developed and retained.	Assessed level of risk: Low
Fraud Risk	Risk of fraud resulting in losses.	Operating within a BOI zone, physical access is highly restricted. Close monitoring of logistics operation reduces the opportunity for inventory related fraud. A control environment that is frequently reviewed.	Assessed level of risk: Low
Business Risk	Risk of not being able to operate above BE capacity and generate planned profits.	Sales and Operations Planning (S&OP) process that creates visibility of demand for products. Operational Excellence (OE) journey that ensures the Company stay competitive.	Assessed level of risk: Low
Reputation Risk	Risk of generating negative perception due to operational issues.	Strict Compliance with statutory, regulatory and external certification requirements. Quality Control Processes. Supplier Screening Processes. Customer Care Service division to monitor customer complaints.	Assessed level of risk: Medium
Market Risk	Risks associated with the demand for the end product.	An operational strategy that delivers Quality of products and ensures reliability of deliveries. Narrow and deep customer strategy secure the key buyers. Narrow and deep customer strategy secure the key buyers.	Assessed level of risk: Medium
Inventory Risk	Risk of carrying FG inventory that is not saleable, RM or WIP inventory that is not useable or obsolete.	Close monitoring of excess FG inventory, and liability management process. Strengthening the planning system within the Group that ensures MTO. Tight inventory provisioning policies and close focus on provisions.	Assessed level of risk: Low

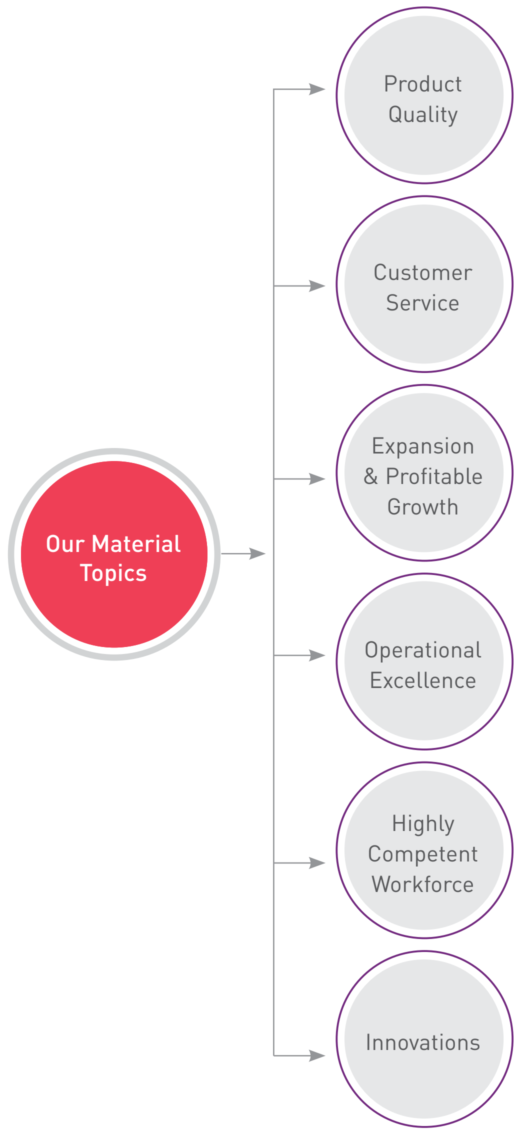
RISK MANAGEMENT

GRI 102-46 102-47 103-01

Materiality

Materiality is a principle that help define and determine the business, social and environmental topics that matter most to a business and its stakeholders. Materiality analysis is a key process which analyse the interest of the stakeholders with environment and social impacts of the business of the Teejay Group and its stakeholders. Material topics for the year 2018/19 are illustrated below.

These are prioritized in accordance to their impacts to stakeholders and the businesses operations of the Group. Reporting guidelines such as GRI were used to provide full disclosure on material topics within three broad categories namely economic, social and environmental.



SUSTAINABILITY AT TEEJAY

- Majority of the Teejay Non-Executive workforce is from neighboring communities.
- Teejay provides quality meals for employees and provides Dry Food pack (once annually) to uplift the living standards of employees.
- Conducted Blood donation campaigns, eye clinics and Medical health checkups for employees. Targeting zero accidents is Teejay's main objective in Health & Safety. Teejay has conducted several CSR projects in Base Hospital in Avissawella to develop health care facilities.
- Distributed school necessities to children of employees and scholarships for the children of our employees who performed at high levels at grade 05. Learning and development covering total talent component of teejay inclusive of all executive levels and non-executive levels.
- Teejay is trying to give equal opportunity to women. Currently we have 9% women representation in our workforce.
- Teejay has completed a sanitary project at Puwakpitiya Tamil Primary school.
- Teejay has placed strategic emphasis on Energy savings projects.
- The focus is to sustain employees who have been with Teejay since the inception of the business. Having employees who have been with the Company for over two decades is testament to the Company's fair and best work practices as well as our contribution to economic development.
- State of the art manufacturing facility in both plants. One of Teejay's core Values is "Innovate to lead".
- Our plants are located at Avissawella, Sri Lanka & Vizag, India. Teejay provides various job opportunities and assists to empower the community by sourcing locally wherever possible.
- Urban Garden - Teejay sponsored fertilizer and equipment to maintain the garden. 'Thirasara Mehewara' of Teejay.
- Recycling waste water. Disposing Hazardous and Non-Hazardous waste in regulated and proper manner.
- In the year of 2018/19 Teejay has reduced carbon footprint. Organized a "Green Talk" by well known environmentalist Mr. Ravi De Silva for employees.
- Held beach cleanup on Dehiwala – Mt Lavinia beach up to a 2 km stretch of beach.
- Urban Garden in Hanwella - Planted 18 types of fruit plants totaling 36, and about 30 vegetables plants. "To Earth with Love" – Reforestration projects at Teejay.
- Strong Governance policies including a stringent system policy, measures to prevent anti- corruption and the highest standards of Integrity and transparency in Teejay.
- An MOU with Wild Life & Nature Protection Society for 5 years.

AUDIT COMMITTEE REPORT

Composition of The Audit Committee

The Audit Committee comprises of three members, two of whom are Independent Non-Executive Directors and one Non-Executive Director. One of the Independent Non-Executive Directors' functions as the Chairman of Audit Committee.

- Mr. Amitha Lal Gooneratne - FCA (SL), FCA (England & Wales) (Chairman): (IND/NED)
- Prof. Malik Kumar Ranasinghe - PhD (UBC- Vancouver): (IND/NED)
- Mr. Wing Tak Bill Lam - MBA (Macau), BBA (Hong Kong): (NED)

IND/NED – Independent Non Executive Director

NED – Non Executive Director

(Refer to pages 19 to 20 for a brief profile of each Directors)

Secretary

Corporate Services (Private) Limited

Invitees

Chief Internal Auditor, Chief Financial Officer, Cross Functional Team Members & Board Directors

Charter of the Audit Committee

Activities and operation of the Audit Committee is governed by the Internal Audit Charter of the Company which is approved by the Board. The IA Charter defines the purpose, objectives, responsibility and protocols, composition and frequency of meetings. It also spells out the independence of the Internal Audit Function and the audit process. The key responsibility of the Audit Committee according to the charter is the establishment and monitoring of the risk tolerance of the organization.

Meetings

The Audit Committee met four times during the year. The attendance of committee members was as given in the table 'Attendance at Audit Committee Meetings' below.

Director	1 June 2018	16 August 2018	8 November 2018	14 February 2019
Mr. Amitha Lal Gooneratne	√	√	√	√
Prof. Malik Kumar Ranasinghe	√	√	√	√
Mr. Wing Tak Bill Lam	√	√	√	√

The Objective and Role of Audit Committee

The role of the committee, which has specific terms of reference, is described in the Corporate Governance Report on pages 76 and 77.

Role of the Audit Committee

The role of the Audit Committee is to perform the board oversight function in relation to the Financial Reporting process and its integrity.

Tasks of the Audit Committee

Risk Management and Internal Controls

Audit Committee facilitates and monitors Enterprise Risk Management process, the formulation of a Risk Based Audit Plan and the implementation of the same. The committee reviewed the key risks identified in Risks Models of all three entities developed at the beginning of the year together with the remedial actions. Thereafter it continued to review the changes to the risk profile presented each quarter and the implementation of the remedial actions at the Audit Committee meeting. The Audit Committee also provided guidance on risk mitigation actions especially related mitigation of fire risks.

The Audit Committee also ensures the adequacy and the effectiveness of the internal control environment and the risk management system, monitoring of compliance with the standards, laws and regulations and performance of the internal audit function of the organization.

Internal Audits & External Audits

The Audit Committee reviewed the internal audit findings and the implementation of agreed remedial measures to improve the control environment. In fulfilling its duties, the Audit Committee evaluates the independence and the performance of Internal and External Auditors. The Audit Committee maintains free and open communication with the Chief Internal Auditor, and the senior management of the Company. Audit committee meeting papers, including agenda, minutes and related reports and documents are circulated to the committee members in advance. Audit Committee reviewed the Compliance Status of the organization through formal written confirmations received from the senior management of the Company on a quarterly basis on compliance with applicable laws, regulations and standards.

Audit Committee meets the External Auditors each year to review the Management Letter and External Audit Report on the Audited Financial Statements for the year. This year, the meeting took place on 11 July 2019. An independent firm of Accountants was engaged to conduct a special inventory review with full coverage of all inventory categories. The Audit Committee reviewed the results of this stock count which was conducted at the end of financial year which the Company undertakes every year.

Financial Reporting

The Audit Committee reviewed the financial reporting system adopted by the group in the preparation of its quarterly and annual financial statements to ensure that an accurate and effective financial reporting process is in place in consistency of the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards. The Committee has reviewed and discussed the quarterly and annual financial statements of the Company with management and the external auditors prior to publication.

Appointment of External Auditors

The Audit committee has recommended to The Board of Directors that Messers PricewaterhouseCoopers continued as External Auditors for the financial year ending March 31,2020.

Sri Lanka Accounting Standards

Committee reviewed compliance with adoption of new and revised Sri Lanka Accounting Standards (SLFRS/LKAS) applicable to group which have materially converged with the International Financial Reporting Standards (IFRS) and made recommendation to the Board of Directors.

Conclusion

The Audit Committee is satisfied that the internal controls and Enterprise Risk Management process in place to assess and manage risks are adequate. It is of the view that the internal controls and procedures in place provide a reasonable assurance that the assets of the Company are safeguarded, and the Financial Statements of the Company are compiled using reliable information. The Audit Committee has observed that based on the compliance reporting, the Company has complied with standards, laws and regulations during the period 2018-19 under review.

Mr. Amitha Lal Gooneratne
FCA (SL), FCA (England & Wales)
Chairman of the Audit Committee

REMUNERATION COMMITTEE REPORT

Composition of the committee

The Remuneration Committee comprises of two Independent Non-Executive Directors one of whom function as the chairman of the Remuneration Committee and one Non-Executive Director.

The Members of the Remuneration Committee consist of as below;

- Prof. Malik Kumar Ranasinghe (Chairman) - (IND/NED)
- Mr. Amitha Lal Gooneratne - (IND/NED)
- Mr. Mohamed Ashroff Omar - (NED)

IND/NED – Independent Non Executive Director

NED – Non Executive Director

(Refer to pages 19 to 20 for a brief profile of each Directors)

Objective of Remuneration Committee

The objective of the Remuneration Committee is to ensure that the Company follows appropriate Human Resource Management processes and remuneration policies to attract, develop and retain employees with professional, managerial and operational expertise who can assume leadership roles in the organization to achieve the objectives of the Company.

Scope of Remuneration Committee

Determine and agree with the Board a framework for remuneration of the Key members of the Leadership Team including targets and formulas for any performance related pay schemes, determine total remuneration package for leadership team, Performance appraisal, Development and Succession planning of Key members of the Leadership team.

Meetings

Committee met twice during the financial year under review. The attendance of committee members was as given in the table 'Attendance at Remuneration Committee Meetings' below.

Director	16 August 2018	6 September 2018
Prof. Malik Kumar Ranasinghe	√	√
Mr. Amitha Lal Gooneratne	√	√
Mr. Mohamed Ashroff Omar	√	√

Remuneration Policy

The remuneration policy is designed to attract, motivate and retain highly qualified and experienced workforce to achieve the objectives of the Company and reward performance accordingly in the backdrop of industry norms.

Performance Appraisal, Remuneration and Benefits for Employees

Performance against set goals are evaluated in an annual performance appraisal process. Rewards and recognition are based on performance achieved by each employee. The workflow based Performance Appraisal system implemented last year is in operation and are being used by all executives.

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 performance based bonus. The employees enjoy other benefits such as meals, medical Insurance, company excursion, common transport, etc. Key management grade employees also benefit from an ESOS scheme where the Company offers shares to managers to promote share ownership as a form of motivation.

Tasks of Remuneration committee

- Determine the compensation of Chief Executive and the Members of the Group Leadership Team.
- Evaluate the performance of Chief Executive and the Members of the Group Leadership Team against predetermined targets and goals.
- Formulate guidelines, policies and parameters for the compensation structures for all Executive staff of the Company and Review those on time to time to ensure same is in par with the market/industry rates.
- Assess and recommend to the Board of Directors of the promotions of the Key Management Personnel and address succession planning.
- Decide the bonus payable and annual increments to be paid to Executive staff based on the ratings of the Performance Management System.

Remuneration of Board of Directors

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

Conclusion

The Remuneration Committee is satisfied that the Company follows appropriate Human Resource management processes and remuneration policies designed to attract, grow and retain employees with professional, managerial and operational expertise who can assume leadership roles in the organization to achieve strategic and operational objectives. The Remuneration Committee is of the view that the current performance appraisal, career development, rewards and recognition processes provide a reasonable assurance that the Company's human capital is valued and appreciated.

Prof. Malik Kumar Ranasinghe
Chairman
Remuneration Committee

RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

Introduction
The Related Party Transactions Review Committee was formed by the Board as a Board Committee.

Composition of the Committee
The Committee comprised of two Independent Non- Executive Directors and a Non-Executive Director during the period. The composition of the Committee fulfilled the requirements of the Listing Rule No. 9.2.2 of the Colombo Stock Exchange, throughout the financial year. The composition of the Related Party Transactions Review Committee is given below.

Members of the Related Party Transactions Review Committee (2018-19)
- Mr. Amitha Lal Gooneratne - (Chairman) (IND/NED)
- Prof. Malik Kumar Ranasinghe - (IND/NED)
- Mr. Hasitha Premaratne - (NED)

IND/NED – Independent Non Executive Director

NED – Non Executive Director

(Refer to pages 19 to 20 for a brief profile of each Directors)

Terms of Reference
The Related Party Transactions Review Committee has terms of reference, dealing with its authority and duties. The terms of reference covers aspects relating to matters prescribed in the Listing Rules of the Colombo Stock Exchange. Terms of reference of the Committee include the following:

- Review in advance all proposed Related Party Transactions of the Company except those explicitly exempted by the Code;
- Determine whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or shareholders of the Company
- Ensure that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee in its ongoing dealings with the relevant related party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the related party to determine whether they are in compliance with the Committee's guidelines and that the Related Party Transaction remains appropriate.

Policies and Procedures
The members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related party Transaction policy, the declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company retrieves data on related party transactions from the database of the Company.

Meetings
The Committee met on four occasions during the financial year 2018/19 and the members 'attendance record is set out in the Conformance Report given below.

Related Party Transactions Review Committee Member	1 June 2018	16 August 2018	8 November 2018	14 February 2019
Mr. Amitha Lal Gooneratne	√	√	√	√
Prof. Malik Kumar Ranasinghe	√	√	√	√
Mr. Hasitha Premaratne	√	√	√	√

Related Party Transactions during the year
The activities and observations of the Committee are communicated to the Board. During the year, there were no non-recurrent or recurrent Related Party Transactions that exceeded the respective thresholds mentioned in the Listing Rules. Details of other Related Party Transactions entered in to by the Company during the year is disclosed in Note 36 to the Financial Statements.

Declaration
The Board of Directors confirm that the Company has complied with the requirements of the Listing Rules of the Colombo Stock Exchange on Related Party Transactions.

Committee Evaluation
The annual evaluation of the Committee was conducted by the Board during the year and the review concluded that the Committee continues to operate effectively.

Mr. Amitha Lal Gooneratne
FCA (SL), FCA (England & Wales)
Chairman of the Related Party Transactions Review Committee

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Annual report of the Board of Directors for the year ended 31 March 2019

1 The Board of Directors of Teejay Lanka PLC ("the Company") has pleasure in presenting to the members their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2019.

Formation

2 Teejay Lanka PLC is a public limited liability company incorporated as a limited liability company in Sri Lanka on 12 July 2000, and subsequently listed on the main board of the Colombo Stock Exchange of Sri Lanka on 9 August 2011.

The Company owns 100% of issued stated capital of Teejay Lanka Prints (Private) Limited and Ocean Mauritius Limited. Teejay India (Private) Limited is a fully owned subsidiary of Ocean Mauritius Limited and considered to be a sub subsidiary of the Company. The Company is the ultimate parent of the Group.

The Board of Directors approved these financial statements on 22 July 2019.

Nature of the business of the Company

3 The nature of the business of the Company and its subsidiaries is given in Note 1 to the financial statements on page 114.

Financial statements

4 The financial statements which include statement of financial positions as at 31 March 2019, the income statements, the statements of comprehensive income, the statements of changes in equity, the cash flow statements and notes to the financial statements of the Group and the Company for the year ended 31 March 2019 are set out on pages 108 to 169. All amounts are stated in Sri Lanka Rupees, unless otherwise stated.

Independent Auditor's report

5 The Independent Auditor's Report on the financial statements is given on pages 105 to 107.

Accounting policies

6 The accounting policies adopted by the Group and the Company have been consistently applied from previous year, except for adoption of SLFRS 15, Revenue from Contracts with Customers and SLFRS 09, Financial Instruments. The significant accounting policies including any new accounting standards adopted in the preparation of financial statements are given on pages 114 to 128.

Review of business

7 The state of affairs of the Group and the Company as at 31 March 2019 and the financial performance for the year ended 31 March 2019 are set out in the statement of financial position and income statement on page 110 and page 108 respectively.

Property, plant and equipment

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

Market value of properties

9 The Directors are of the opinion that the carrying amount of properties stated in Note 14 to the consolidated financial statements reflect their fair values.

Subsidiaries

10 The Company's interest in subsidiaries as at 31 March 2019 is as follows:

Name of the subsidiary	Shareholdings
Teejay Lanka Prints (Private) Limited	100%
Ocean Mauritius Limited (OML)	100%
Teejay India (Private) Limited (holding through OML)	100%

Dividends

11 The Company paid a final dividend of LKR 631,760,922 (USD 4,000,507) representing LKR 0.90 per share approved by the shareholders at the Annual General Meeting held on 16 August 2018 in respect of the year ended 31 March 2018. Further, the Company declared and paid an interim dividend of LKR 596,663,093 (USD 3,363,015) representing LKR 0.85 per share for the year ended 31 March 2019.

The Board of Directors wishes to propose the payment of LKR 1.10 per share as final dividend to the shareholders of the Company for the year ended 31 March 2019 subject to obtaining the approval of the shareholders at the forthcoming Annual General Meeting.

Reserves

12 Total reserves and their composition are set out in the statement of changes in equity on pages 111 and 112 of the consolidated financial statements.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

Stated capital

13 The stated capital of the Company as at 31 March 2019 amounted to LKR 4,056,683,466 (USD 37,571,594) consisting of 701,956,580 ordinary shares.

Shareholding

14 As at 31 March 2019, there were 8,062 registered shareholders and the twenty largest shareholders of the Company with the corresponding shareholding percentages held are set out as follows:

Directors

15 The Board of Directors of the Company consists of seven Directors as at end of the financial year with wide financial and commercial knowledge and experience. The following were the Directors of the Company as at 31 March 2019:

	Number of shares	% of holding
Brandix Lanka Limited - Number 1 Account	232,198,344	33.08%
Pacific Textured Jersey Holdings Limited	195,926,217	27.91%
HSBC Intl Nom Limited - BBH - Fidelity Funds	34,187,877	4.87%
HSBC Intl Nom Limited-BBH-Matthews Emerging Asia Fund	29,116,858	4.15%
Citibank Newyork S/A Norges Bank Account 2	21,003,973	2.99%
Bnymsanv Re-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	19,000,000	2.71%
HSBC Intl Nom Limited-JPCMB NA-Fidelity Asian Values PLC	14,601,214	2.08%
Melstacorp PLC	12,622,428	1.80%
Mr. L.K.M.Fernando	5,119,300	0.73%
HSBC Intl Nom Limited-State Street Luxembourg C/O SSBT - Alliance bernstein Next 50 Emerging Markets (Master) Fund Sicav-Sif S.C.Sp.	5,104,720	0.73%
Deutsche Bank AG-National Equity Fund	4,900,000	0.70%
Union Assurance PLC/Account No. 05 (Unit-Linked Life Insurance Fund-Equity Fund)	4,743,342	0.68%
East India Holding (Private) Limited	3,955,425	0.56%
J.B. Cocoshell (Private) Limited	3,945,361	0.56%
Sri Lanka Insurance Corporation Limited-Life Fund	3,455,238	0.49%
JPMBL Sa-Kapitalforeningen Institutionel Investor, Asiatiske Smid Cap Aktier	2,789,251	0.40%
Union Assurance PLC/No-01A/C	2,782,495	0.40%
Periceyl (Private) Limited A/C No. 03	2,694,100	0.38%
Deutsche Bank AG As Trustee For Namal Acuity Value Fund	2,455,000	0.35%
Nuwara Eliya Property Developers (Private) Limited	2,285,200	0.33%

As at 31 March 2019 the public shareholding was 38.80% (272,350,615 shares).

Mr Wing Tak Bill Lam
Chairman and Non-Executive Director

Mr Mohamed Ashroff Omar
Non-Executive Director

Mr Wai Loi Wan
Non-Executive Director

Mr Hasitha Premaratne
Non-Executive Director

Mr Amitha Lal Gooneratne
Independent Non-Executive Director

Prof. Malik Kumar Ranasinghe
Independent Non-Executive Director

Mr Kit Vai Tou
Non-Executive Director

Mr Sriyan Joseph de Silva Wijeyeratne resigned from the Board with effect from 3 July 2018. The Board wishes to place on record the Company's sincere appreciation of the services rendered by Mr Sriyan Joseph de Silva Wijeyeratne during his tenure in office.

All Directors except for Mr Sriyan Joseph de Silva Wijeyeratne, who has resigned from the Board with effect from 3 July 2018, held office for the whole of the year ended 31 March 2019.

Director's interest in transactions

16 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 36 to the financial statements.

Director's remuneration and other benefits

17 The remuneration and other benefits of the Directors are given in Note 8 to the financial statements on page 137.

Director's interest in shares

18 As at 31 March 2019, Mr Hasitha Premaratne held 40,000 shares of the Company.

Directors' responsibility for financial reporting

19 The Directors are responsible for the preparation of financial statements of the Company and Group 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. 24 of 2017 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The statement of directors' responsibility for financial reporting is given in page 102.

Interest register

20 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.

Risk management

21 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 activities of the Company and its subsidiaries in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records. The key financial risks management disclosures are given in Note 3 to the financial statements on pages 128 to 131.

Corporate governance

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

Statutory payments

23 All statutory payments due to the Governments of Sri Lanka, India & Mauritius and on behalf of employees have been made or accrued for as at date of the statement of financial position.

Employee share option scheme

24 Consequent to the approval in principle granted by the letter issued on 19 October 2015 by the Colombo Stock Exchange ("CSE") and the shareholders of the Company granting approval on 26 November 2015, the Company established an Employee Share Option Scheme (ESOS) for executive directors and/ or executives in management positions in the Company as may be decided by the Board or a Board

ANNUAL REPORT OF THE BOARD OF DIRECTORS

committee appointed by the Board. The ESOS was established on the recommendation of the Board having taken into consideration the benefits that will accrue to the Company by employees involved in the management of the Company participating in the equity of the Company and thereby in the profits of the Company. The maximum number of shares that can be issued to eligible employees under the ESOS is 27,090,851 shares representing 4.1% of the issued shares of the Company as at 1 April 2015.

Due to 16,039,411 shares out of the maximum number of 27,090,851 shares authorised to be granted as share options under the ESOS still being available for the grant of further share options as shown below and due to the Board being of the view that the grant of options under the ESOS will motivate the management team to deliver sustainable profits for the upcoming years for the Company, the Board wishes to extend the last grant date and the duration of the ESOS, subject to applicable law and approvals:.

Maximum number of shares that were authorised to be granted as share options	27,090,851
Number of shares which were granted as share options during the period 14 November 2015 (earliest grant date) to 1 May 2018 (latest grant date)	22,465,583
Number of shares which were exercised by eligible employees and transferred to them under the share options granted	6,607,523
Number of shares available for further grants of share options if duration of ESOS is extended	16,039,411

In light of the above, subject to the Company obtaining shareholder approval, the Board is proposing that the Company should grant further share options under the ESOS after 1 May 2018, from time to time, subject to all options whether vested or unvested expiring and all shares underlying options exercised by eligible employees being transferred to such employees, within ten (10) years from 26 November 2015 (being the date on which the shareholders approved the establishment of the ESOS), that is, by 25 November 2025 as required in terms of rule 5.6.2 of the Listing Rules of the Colombo Stock Exchange.

Further to the extension of the duration of the ESOS as explained above, the Board is considering (subject to obtaining shareholder approval), granting share options under the ESOS, with effect from dates commencing from the new financial year, that is, 1 April 2019 to 19 August 2019.

The Company proposes to table both revisions referred to above, for the approval of the shareholders of the Company, by special resolution, at the extraordinary general meeting of the Company scheduled to be held on 19 August 2019 immediately after the annual general meeting of the Company held on that day. The notice of meeting and other documents pertaining to the business to be conducted at such extraordinary general meeting is enclosed at the end of this annual report.

The Board hereby declares and confirms that the Company has not directly or indirectly provided funds for any employee under the ESOS.

Share options granted to eligible employees under Grant 4 of the ESOS on 1 May 2016, which were required to be exercised during the period 1 May 2019 to 27 May 2019, were not exercised by the eligible employees.

Environmental protection

25 After making adequate enquiries from management, the Directors are satisfied that the Company and its subsidiaries operate 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 and its subsidiaries operates.

Donations

26 The Company has made donations amounting to LKR 692,013 during the year ended 31 March 2019 for charitable purposes (2018 - LKR 1,073,316).

Going concern

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

Events after the end of reporting period

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

Independent Auditors

29 The Audit Committee of the Company has recommended the re-appointment of Messrs PricewaterhouseCoopers, Chartered Accountants, as the auditors of the Company and a resolution relating to their re-appointment and authorising the Directors to fix their remuneration and to audit the financial statements for the accounting year ending 31 March 2020 will be proposed at the Annual General Meeting.

The remuneration payable by the Company to the independent auditors for statutory audit and non audit services are given in Note 8 to the financial statements.

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 and subsidiaries that would impair their independence.

By Order of the Board

Mohamed Ashroff Omar
Director

Hasitha Premaratne
Director

Corporate Services (Private) Limited
Secretaries

STATEMENT OF THE DIRECTORS RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Directors in relation to the financial statements of the Group and the Company, is set out in the following statement. The responsibility of the independent Auditors, in relation to the financial statements, prepared in accordance with the provisions of the Companies Act, No. 07 of 2007 [" the Act"], is set out in the Independent Auditor's Report on pages 105 to 107.

The financial statements comprise the:

- statements of income and other comprehensive income, which present a true and fair view of the results of the Group and the Company for the year ended 31 March 2019; and
- statement of financial position, which present a true and fair view of the state of affairs of the Group and the Company as at 31 March 2019,

  which comply with the requirements of the Act.

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

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

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

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

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

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

The Directors have ensured that the independent statutory auditors have been provided with every opportunity to take whatever steps and undertake whatever inspections that may be considered to be appropriate to enable them to give an independent audit opinion.

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

Compliance report

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

By Order of the Board

Director
Corporate Services (Private) Limited
Secretaries

FINANCIAL STATEMENTS

FINANCIAL CALENDAR

Dividend Calendar

	2018/19	2019/20
Final dividends for the previous year paid/payable	August 28, 2018	In August, 2019
First interim dividend for the year paid/payable	February 25, 2019	In March, 2020

Annual General Meeting (AGM) Calendar

	2018/19	2019/20
Annual Report and Accounts for the year signed/to be signed	In July, 2019	In July, 2020
Annual General Meeting to be held	(8th AGM) August 19, 2019	(9th AGM) In August, 2020

Interim Financial Statements Calendar – Submission to the Colombo Stock Exchange (CSE)

	2018/19 Submitted on	2019/20 To be submitted on or before
For the three months ended/ending June 30, (Unaudited)	July 25, 2018	In July, 2019
For the six months ended/ending September 30, (unaudited)	October 31, 2018	In October, 2019
For the nine months ended/ending December 31, (Unaudited)	February 07, 2019	In January, 2020
For the twelve months ended/ending March 31, (Unaudited)	May 16, 2019	In May, 2020

Interim Financial Statements Calendar – Publication in the Newspapers

	2018/19 Published on/to be published on or before	2019/20 To be submitted on or before
For the three months ended/ending June 30, (Unaudited)	July 26, 2018	In July, 2019
For the six months ended/ending September 30, (unaudited)	November 01, 2018	In October, 2019
For the nine months ended/ending December 31, (Unaudited)	February 08, 2019	In January, 2020
For the twelve months ended/ending March 31, (Unaudited)	May 17, 2019	In May, 2020

INDEPENDENT AUDITOR'S REPORT

pwc

TO THE SHAREHOLDERS OF TEEJAY LANKA PLC
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Teejay Lanka PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2019, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

The financial statements of the Company and the consolidated financial statements of the Group, which comprise:

- the statement of financial position as at 31 March 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Group:

Key audit matter	How our audit addressed the Key audit matter
Valuation for inventories The Company and Group had net inventories of LKR 2,778,250,984 and LKR 4,494,419,752 respectively as at 31 March 2019, which comprised raw materials, work in progress, finished goods, engineering spares and consumables as disclosed in Note 19 to the financial statements. The total inventories represented approximately 17% and 20% of the Company's and Group's total assets respectively.	We evaluated the significant assumptions and methodologies applied by management to identify and provide for slow moving and obsolete inventory categories. We compared the residence period and provisioning percentages used by management in the current year to those applied in prior years and checked the reasonableness of provisioning basis using our understanding of industry practices. Further, we reviewed the year to year movement in provision for each category of inventory considering subsequent write offs, reversals on re-use and disposals. We also compared the cost of inventories as at 31 March 2019 to their net realisable value subsequent to year end.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the Key audit matter
The Group estimates the provision for slow moving and obsolete inventory based on the inventory residence period. The Group also write down the value of inventories based on the Net Realisable Value (NRV) of items of inventory for specific job orders. Further, the provision for all slow and non-moving inventories of engineering spares and consumables are based on the inventory days and specific identification of inventories through verification by management. We focused on this area as inventories represent a significant balance to total assets and estimation for provisioning involve a high level of management judgement which could in turn result in measurement uncertainty.	We performed a recalculation of the inventory provision made to a individual inventory categories based on the system generated inventory ageing report, for which system reliance was placed. Further, we checked for damaged and obsolete inventory, if any, that were physically identifiable during stock count observation. Based on the procedures performed above, we found management's judgement and estimates in providing for slow moving and obsolete inventory to be appropriate and adequate.

Other information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate / consolidated financial statements, management is responsible for assessing the Company's / Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company / Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's / Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate / consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company / Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

As required by section 163 (2) of the Companies Act, No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number - 1795
Colombo Sri Lanka

22 July 2019

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9700, 771 9838, F: +94 (11) 230 3197, www.pwc.com/lk

INCOME STATEMENT

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
Year ended 31 March	**Note**	**2019**	**2018**	**2019**	**2018**
Revenue	6	31,746,592	24,647,488	18,038,820	15,911,022
Cost of sales		(28,060,534)	(21,736,289)	(16,140,244)	(14,201,758)
Gross profit		3,686,058	2,911,199	1,898,576	1,709,264
Other income - net	7	246,073	237,537	652,736	608,862
Distribution expenses		(168,321)	(138,423)	(109,988)	(106,280)
Administrative expenses		(1,419,161)	(1,199,471)	(758,939)	(635,534)
Operating profit	8	2,344,649	1,810,842	1,682,385	1,576,312
Finance income	10	101,899	106,297	96,381	110,342
Finance costs	10	(189,486)	(99,423)	(32,812)	(12,870)
Net finance income	10	(87,587)	6,874	63,569	97,472
Profit before tax		2,257,062	1,817,716	1,745,954	1,673,784
Income tax expense	11	(398,345)	(221,602)	(229,776)	(144,969)
Profit for the year		1,858,717	1,596,114	1,516,178	1,528,815
Attributable to:					
Equity holders of the parent		1,858,717	1,596,114		
Earnings per share					
Basic earnings per share (LKR)	12 (a)	2.65	2.28	2.16	2.18
Diluted earnings per share (LKR)	12 (b)	2.65	2.25	2.16	2.16

The notes on pages 114 to 169 form an integral part of these financial statements

Independent auditor’s report is set out on pages 105 to 107

STATEMENT OF COMPREHENSIVE INCOME

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
Year ended 31 March	Note	2019	2018	2019	2018
Profit for the year		1,858,717	1,596,114	1,516,178	1,528,815
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of retirement benefit obligations	26	(7,016)	24,795	11,708	31,427
Deferred tax attributable to remeasurement of retirement benefit obligations	27	4,869	(4,997)	(1,639)	(4,400)
		(2,147)	19,798	10,069	27,027
Items that may be subsequently reclassified to profit or loss					
Cash flow hedges		(9,673)	9,673	(9,673)	9,673
Currency translation differences		1,594,105	131,673	1,405,557	116,890
		1,584,432	141,346	1,395,884	126,563
Other comprehensive income for the year		1,582,285	161,144	1,405,953	153,590
Total comprehensive income for the year		3,441,002	1,757,258	2,922,131	1,682,405
Attributable to:					
Equity holders of the parent		3,441,002	1,757,258		

The notes on pages 114 to 169 form an integral part of these financial statements

Independent auditor's report is set out on pages 105 to 107

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
As at 31 March	Note	2019	2018	2019	2018
ASSETS					
Non-current assets					
Property, plant and equipment	14	8,408,235	7,534,180	4,219,003	3,549,403
Capital work-in-progress	15	119,098	444,541	63,327	349,528
Intangible assets	16	94,321	54,458	35,979	33,029
Goodwill	16	57,912	51,112	Nil	Nil
Investments in subsidiaries	17	Nil	Nil	3,020,911	2,666,214
Lease rentals paid in advance	20 (d)	235,887	227,820	93,587	86,941
Deferred tax assets	27	111,021	125,070	Nil	Nil
		9,026,474	8,437,181	7,432,807	6,685,115
Current assets					
Inventories	19	4,494,420	4,091,207	2,778,251	2,817,004
Trade and other receivables	20	4,012,653	3,494,456	2,721,113	2,149,360
Current Tax receivable		8,766	Nil	Nil	Nil
Other financial assets	21	553,370	789,378	361,701	620,214
Derivative financial instruments	22	Nil	9,817	Nil	9,817
Cash and cash equivalents	23	4,290,248	2,742,897	3,098,321	2,126,727
		13,359,457	11,127,755	8,959,386	7,723,122
Total assets		22,385,931	19,564,936	16,392,193	14,408,237
Equity and liabilities					
Capital and reserves					
Stated capital	30	4,056,683	4,056,683	4,056,683	4,056,683
Hedging reserve	31	Nil	9,673	Nil	9,673
Exchange equalisation reserve	32	4,171,784	2,577,679	3,889,170	2,483,613
Share option scheme	34	96,760	85,505	96,760	85,505
Retained earnings	33	5,600,028	4,971,882	4,068,220	3,770,397
		13,925,255	11,701,422	12,110,833	10,405,871
Non-current liabilities					
Borrowings	25	801,182	1,106,784	Nil	Nil
Deferred tax liabilities	27	538,266	318,004	335,543	276,106
Retirement benefit obligations	26	251,932	207,666	181,065	171,132
		1,591,380	1,632,454	516,608	447,238
Current liabilities					
Trade and other payables	24	4,702,611	4,486,958	2,869,519	2,780,269
Current tax liabilities		Nil	14,647	Nil	Nil
Borrowings	25	2,166,685	1,729,455	895,233	774,859
		6,869,296	6,231,060	3,764,752	3,555,128
Total liabilities		8,460,676	7,863,514	4,281,360	4,002,366
Total equity and liabilities		22,385,931	19,564,936	16,392,193	14,408,237

It is certified that financial statements comply with the requirements of the Companies Act No, 07 of 2007.

Salman Nishtar
Chief Financial Officer

Shrihan Perera
Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Signed on behalf of board by,

Mohamed Ashroff Omar
Director

Hasitha Premaratne
Director

22 July 2019

The notes on pages 114 to 169 form an integral part of these financial statements
Independent auditor's report is set out on pages 105 to 107

STATEMENT OF CHANGES IN EQUITY - GROUP

(all amounts in Sri Lanka Rupees Thousands)

	Note	Stated capital	Exchange equalisation reserve	Heding reserve	Share option scheme	Retained earnings	Total
Balance at 1 April 2017		3,942,686	2,446,006	Nil	63,746	4,724,786	11,177,224
Profit for the year		Nil	Nil	Nil	Nil	1,596,114	1,596,114
Other comprehensive income for the year		Nil	131,673	9,673	Nil	19,798	161,144
Total comprehensive income for the year		Nil	131,673	9,673	Nil	1,615,912	1,757,258
Issue of ordinary shares related to share option scheme	30	113,997	Nil	Nil	Nil	Nil	113,997
Transactions with owners:							
Final dividend paid - 2016/17	13	Nil	Nil	Nil	Nil	(877,446)	(877,446)
Interim dividend paid - 2017/18	13	Nil	Nil	Nil	Nil	(491,370)	(491,370)
		Nil	Nil	Nil	Nil	(1,368,816)	(1,368,816)
Share option scheme	34 (a)	Nil	Nil	Nil	21,759	Nil	21,759
Balance at 31 March 2018		4,056,683	2,577,679	9,673	85,505	4,971,882	11,701,422
Balance at 1 April 2018		4,056,683	2,577,679	9,673	85,505	4,971,882	11,701,422
Profit for the year		Nil	Nil	Nil	Nil	1,858,717	1,858,717
Other comprehensive income / (loss) for the year		Nil	1,594,105	(9,673)	Nil	(2,147)	1,582,285
Total comprehensive income / (loss) for the year		Nil	1,594,105	(9,673)	Nil	1,856,570	3,441,002
Transactions with owners:							
Final dividend paid - 2017/18	13	Nil	Nil	Nil	Nil	(631,761)	(631,761)
Interim dividend paid - 2018/19	13	Nil	Nil	Nil	Nil	(596,663)	(596,663)
		Nil	Nil	Nil	Nil	(1,228,424)	(1,228,424)
Share option scheme	34 (a)	Nil	Nil	Nil	11,255	Nil	11,255
Balance at 31 March 2019		4,056,683	4,171,784	Nil	96,760	5,600,028	13,925,255

The notes on pages 114 to 169 form an integral part of these financial statements

Independent auditor's report is set out on pages 105 to 107

STATEMENT OF CHANGES IN EQUITY - COMPANY

(all amounts in Sri Lanka Rupees Thousands)

	Note	Stated capital	Exchange equalisation reserve	Heding reserve	Share option scheme	Retained earnings	Total
Balance at 1 April 2017		3,942,686	2,366,723	Nil	63,746	3,583,371	9,956,526
Profit for the year		Nil	Nil	Nil	Nil	1,528,815	1,528,815
Other comprehensive income for the year		Nil	116,890	9,673	Nil	27,027	153,590
Total comprehensive income for the year		Nil	116,890	9,673	Nil	1,555,842	1,682,405
Issue of ordinary shares related to share option scheme	30	113,997	Nil	Nil	Nil	Nil	113,997
Transactions with owners:							
Final dividend paid - 2016/17	13	Nil	Nil	Nil	Nil	(877,446)	(877,446)
Interim dividend paid - 2017/18	13	Nil	Nil	Nil	Nil	(491,370)	(491,370)
		Nil	Nil	Nil	Nil	(1,368,816)	(1,368,816)
Share option scheme	34 (a)	Nil	Nil	Nil	21,759	Nil	21,759
Balance at 31 March 2018		4,056,683	2,483,613	9,673	85,505	3,770,397	10,405,871
Balance at 1 April 2018		4,056,683	2,483,613	9,673	85,505	3,770,397	10,405,871
Profit for the year		Nil	Nil	Nil	Nil	1,516,178	1,516,178
Other comprehensive income / (loss) for the year		Nil	1,405,557	(9,673)	Nil	10,069	1,405,953
Total comprehensive income / (loss) for the year		Nil	1,405,557	(9,673)	Nil	1,526,247	2,922,131
Transactions with owners:							
Final dividend paid - 2017/18	13	Nil	Nil	Nil	Nil	(631,761)	(631,761)
Interim dividend paid - 2018/19	13	Nil	Nil	Nil	Nil	(596,663)	(596,663)
		Nil	Nil	Nil	Nil	(1,228,424)	(1,228,424)
Share option scheme	34 (a)	Nil	Nil	Nil	11,255	Nil	11,255
Balance at 31 March 2019		4,056,683	3,889,170	Nil	96,760	4,068,220	12,110,833

The notes on pages 114 to 169 form an integral part of these financial statements

Independent auditor's report is set out on pages 105 to 107

STATEMENT OF CASH FLOWS

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
Year ended 31 March	**Note**	**2019**	**2018**	**2019**	**2018**
Cash flows from operating activities					
Cash generated from operations	35	3,774,401	3,111,271	2,341,579	2,382,010
Finance income received	10	101,899	65,133	74,034	38,400
Finance cost paid	10	(159,980)	(99,423)	(32,812)	(12,870)
Retirement benefit obligations paid	26	(35,092)	(35,887)	(14,938)	(10,174)
Tax paid		(96,220)	(30,711)	Nil	Nil
Net cash generated from operating activities		3,585,008	3,010,383	2,367,863	2,397,366
Cash flows from investing activities					
Additions or expenses incurred on capital work-in-progress	15	(812,944)	(1,673,005)	(444,482)	(599,688)
Net decrease in investment in financial assets		236,008	450,292	258,513	372,575
Proceeds from sale of property, plant and equipment		268	Nil	Nil	Nil
Proceeds from repurchase of shares by a subsidiary	17 (c)	Nil	Nil	Nil	302,940
Net cash (used in) / generated from investing activities		(576,668)	(1,222,713)	(185,969)	75,827
Cash flows from financing activities					
Dividend paid	13	(1,228,424)	(1,368,816)	(1,228,424)	(1,368,816)
Settlement of borrowings		(332,060)	(43,380)	Nil	Nil
Proceeds received from bank borrowings		81,360	757,350	Nil	Nil
Proceeds received from issue of ordinary shares	30	Nil	113,997	Nil	113,997
Net cash used in financing activities		(1,479,124)	(540,849)	(1,228,424)	(1,254,819)
Net increase in cash and cash equivalents		1,529,216	1,246,821	953,470	1,218,374
Cash and cash equivalents at beginning of year		2,736,638	1,489,817	2,120,468	902,094
Cash and cash equivalents at end of year	23	4,265,854	2,736,638	3,073,938	2,120,468

The notes on pages 114 to 169 form an integral part of these financial statements

Independent auditor's report is set out on pages 105 to 107

NOTES TO THE FINANCIAL STATEMENTS

GRI 102-45

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

1 GENERAL INFORMATION

Teejay Lanka PLC is a public limited company incorporated in Sri Lanka on 12 June 2000, listed on the Main Board of the Colombo Stock Exchange of Sri Lanka on 9 August 2011. The registered office of the Company is located at Block D8-D14, Seethawaka Export Processing Zone, Avissawella. The Company carries on the business of manufacturing and selling of weft knit fabrics.

The Company changed its name to Teejay Lanka PLC with effect from 15 September 2016.

These financial statements have been approved for issue by the Board of Directors on 22 July 2019.

The Company owns 100% of issued stated capital of Teejay Lanka Prints (Private) Limited and Ocean Mauritius Limited. Teejay India (Private) Limited is a fully owned subsidiary of Ocean Mauritius Limited. The Company is the ultimate parent of the Group. The details of subsidiaries are given under Note 17 to these financial statements respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with the Sri Lanka Accounting Standards (LKASs / SLFRSs) adopted by the Institute of Chartered Accountants of Sri Lanka. The principal accounting policies applied in the preparation of these consolidated 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 of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements have been prepared under the historical cost convention except for financial assets and financial liabilities which are measured at fair value. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's and the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Company's and the Group's financial statements are disclosed in Note 4 to the financial statements.

The financial statements are prepared and presented in United States Dollars (US$), in accordance with and comply 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 (LKAS) 21; The Effects of Changes in Foreign Exchange Rates. The procedures followed are as follows:

(a) Assets and liabilities for each statement of financial position presented (including comparatives) are translated at the closing rate at the date of that statement of financial position.

(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 in other comprehensive income.

The preparation and the presentation of these Financial Statements are in compliance with the Companies Act No. 07 of 2007.

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Company and the Group have applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2018:

(i) SLFRS 9; Financial Instruments and associated amendments to various other standards

SLFRS 9 replaces the multiple classification and measurement models in LKAS 39; Financial Instruments: Recognition and Measurement, with a single model that has initially only two classification categories: amortised cost and fair value.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if:

a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and

b) the contractual cash flows under the instrument solely represent payments of principal and interest.

All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value.

All fair value movements on financial assets are taken through the statement of profit or loss, except for equity investments that are not held for trading, which may be recorded in the statement of profit or loss or in reserves (without subsequent recycling to profit or loss).

For financial liabilities that are measured under the fair value option entities will need to recognise the part of the fair value change that is due to changes in the their own credit risk in other comprehensive income rather than profit or loss.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation.

Further changes introduced to the classification and measurement rules and also introduced a new impairment model to SLFRS 9. The changes introduce:

i. a third measurement category (FVOCI) for certain financial assets that are debt instruments.

ii. a new expected credit loss (ECL) model which involves a three-stage approach whereby financial assets move through the three stages as their credit quality changes. The stage dictates how an entity measures impairment losses and applies the effective interest rate method. A simplified approach is permitted for financial assets that do not have a significant financing component (eg; trade receivables). On initial recognition, entities will record a day-1 loss equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired.

The standard was effective for adoption for the annual periods beginning on or after 1 January 2018.

Amendments to SLFRS 9 Financial Instruments - Prepayment Features with Negative Compensation

This amendment confirm that when a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss should be recognised immediately in profit or loss. The gain or loss is calculated as the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate. This means that the difference cannot be spread over the remaining life of the instrument which may be a change in practice from LKAS 39.

(ii) IFRIC 22, 'Foreign Currency Transactions and Advance Consideration'

The interpretation clarifies how to determine the date of transaction for the exchange rate to be used on initial recognition of a related asset, expense or income where an entity pays or receives consideration in advance for foreign currency-denominated contracts.

For a single payment or receipt, the date of the transaction should be the date on which the entity initially recognises the non-monetary asset or liability arising from the advance consideration (the prepayment or deferred income/contract liability).

If there are multiple payments or receipts for one item, a date of transaction should be determined as above for each payment or receipt.

Entities can choose to apply the interpretation:

i. retrospectively for each period presented.

ii. prospectively to items in scope that are initially recognised on or after the beginning of the reporting period in which the interpretation is first applied, or

iii. prospectively from the beginning of a prior reporting period presented as comparative information.

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

(iii) SLFRS 15; Revenue from Contracts with Customers and Associated Amendments to Various Other Standards

SLFRS 15 replaced LKAS 18 which covered contracts for goods and services and LKAS 11 which covered construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

A new five-step process must be applied before revenue can be recognised:

i. identify contracts with customers

ii. identify the separate performance obligation

iii. determine the transaction price of the contract

iv. allocate the transaction price to each of the separate performance obligations, and

v. recognise the revenue as each performance obligation is satisfied.

Key changes to current practice are:

(i) Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.

(ii) Revenue may be recognised earlier than under current standards if the consideration varies for any reasons (such as for incentives, rebates, performance fees, royalties, success of an outcome etc) – minimum amounts must be recognised if they are not at significant risk of reversal.

(iii) The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.

(iv) There are new specific rules on licenses, warranties, non-refundable upfront fees and, consignment arrangements, to name a few.

(v) There are also increased disclosures.

These accounting changes may have flow-on effects on the entity's business practices regarding systems, processes and controls, compensation and bonus plans, contracts, tax planning and investor communications.

Entities will have a choice of full retrospective application, or prospective application with additional disclosures.

Amendments to SLFRS 15, 'Revenue from Contracts with Customers'

These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licenses of intellectual property and the principal versus agent assessment (gross versus net revenue presentation permitted).

This standard and the amendment was effective for adoption for the annual periods beginning on or after 1 January 2018.

(b) New Accounting Standards, amendments and interpretations issued but not yet adopted

The following standards and interpretations had been issued but not mandatory for annual reporting periods ended 31 March 2019.

SLFRS 16; Leases

SLFRS 16 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on statement of financial position. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The income statement will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as cash payments for the principal portion of the lease liability are classified within financing activities. Only the part of the payments that reflects interest can continue to be presented as operating cash flows.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under SLFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The standard is effective for annual periods beginning on or after 1 January 2019 with earlier application permitted if SLFRS 15, 'Revenue from Contracts with Customers', is also applied.

Forthcoming impact of the adoption of the Standard

The Group has set up a project team which has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in SLFRS 16. The standard will affect primarily the accounting for the Group's operating leases.

Mandatory date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The Group has assessed the impact arising from the adoption of SLFRS 16 under the simplified approach. Assets and liabilities arising from the leases are initially measured on a present value basis. Lease liabilities include the net present value of,

(i) fixed payments (including in-substance fixed payments), less any lease incentives receivable

(ii) variable lease payment that are based on an index or a rate

The lease payments are discounted using the Company's incremental borrowing rate. Right-of-use assets are measured at cost comprising of the following.

(i) the amount of the initial measurement of lease liability

(ii) any lease payments made at or before the commencement date less any lease incentives received

(iii) any initial direct costs

2.3 Consolidation

The Consolidated Financial Statements comprise the financial statements of the Company and its subsidiaries (together referred to as the "Group").

2.3.1 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owner of the acquiree and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Acquisition related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent is accounted for within equity.

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred assets. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3.1.1 Changes in ownership interests in subsidiaries without change of control

Transaction with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3.1.2 Disposal of subsidiaries

When the Group ceases to have control any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the financial asset. In addition, any amount previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2.3.2 Financial period

All companies in the Group have a common financial year, which ends on 31 March.

2.4 Segment reporting

Operating segments are reported in a manner consistent with internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

The financial statements are prepared and presented in United States Dollars (USD), the currency of the primary economic environment in which the entity and its subsidiaries operate. The Directors of the Company and its subsidiaries are of the opinion that the use of USD as the functional currency provides information about the Company and its subsidiaries that is useful and reflects the economic substance of the underlying events and circumstances relevant to the Company and its subsidiaries as:

i) It is the currency mainly influences sales prices for goods and services which are denominated and settled in USD.

ii) It is the currency mainly influences material costs of providing goods and services, the currency in which such costs are denominated and settled in USD.

Hence the Directors of the Company have decided to use United States Dollars as the functional currency from the date of incorporation.

Financial statements of the Company and the Group are translated to Sri Lanka Rupees for local statutory requirements.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses are presented in the income statement within 'net finance income'.

2.6 Property, plant and equipment

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

(a) Cost

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

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

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

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

(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 lives of property, plant and equipment are as follows:

Buildings on leasehold land	23 to 50 years
Plant, machinery & equipment installation	3 to 10 years
Fixtures, fittings & factory equipment	4 to 8 years
Office equipment	5 years
Computer & communication equipment	3 to 4 years
Motor vehicles	4 years

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

(c) Borrowing costs

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

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

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

(d) 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.

2.7 Intangible assets

(a) Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If the total of the consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of subsidiary acquired, in the case of bargain purchases, the difference is recognised directly in the income statement.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Cash Generating Unit [CGU], or group of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within equity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful life.

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

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

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

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

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

2.8 Investments

In the Company's separate financial statements, investments in subsidiaries are stated at cost less accumulated impairment losses. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

2.9 Impairment of non-financial assets

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

2.10 Accounting for leases by the lessee

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

2.11 Financial assets

(a) Classification

From 1 April 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at Amortised cost. interest income from these financial Assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

'- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains / (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment of financial assets

From 1 April 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(e) Accounting policies applied until 31 March 2018

Classification

The Group classified its financial assets in the following categories: fair value through profit or loss, held to maturity instruments, loans and receivables, and available for sale. The classification depended

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

on the purpose for which the financial assets were acquired. Management determined the classification of its financial assets at initial recognition and re-evaluated this designation at every reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss were financial assets held for trading. A financial asset was classified in this category if it was acquired principally for the purpose of selling in the short term. Derivatives also categorised as held for trading unless they were designated as hedges. Assets in this category were classified as current assets if it is expected to be settled within 12 months; otherwise, they were classified as non-current.

(ii) Held to maturity investments

These investments were non-derivative financial assets with fixed or determinable payments and fixed maturity period which the entity had the positive intention and ability to hold to maturity other than those assets which the entity upon initial recognition designated as fair value through profit or loss, available for sale or loans and receivables.

(iii) Loans and receivables

Loans and receivables were non-derivative financial assets with fixed or determinable payments that were not quoted in an active market. They were included in current assets as trade and other receivables except for those assets which had maturity period greater than 12 months after the statement of financial position date.

(iv) Available-for-sale financial assets

Available-for-sale financial assets were non-derivatives that were either designated in this category or not classified in any of the other categories. They were included in non-current assets unless management intended to dispose them within 12 months from the statement of financial position date.

Recognition of financial assets

Regular purchases and sales of financial assets were recognised on the trade-date – the date on which the Group committed to purchase or sell the asset. Investments were initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss were initially recognised at fair value, and transaction costs were expensed in the income statement. Financial assets were derecognised when the rights to receive cash flows from the investments had expired or had been transferred and the Group had transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss were subsequently carried at fair value. Held to maturity investments, loans and receivables were subsequently carried at amortised cost using the effective interest method.

Investments in equity instruments that did not have a quoted market price in an active market and whose fair value could not be reliably measured and derivatives that were linked to and must be settled by delivery of such unquoted equity instrument, were measured at cost.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category were presented in the income statement, in the period in which they arose. Dividend income from financial assets at fair value through profit or loss was recognised in the income statement as part of other income when the Group's right to receive payment was established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity were included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method was recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments were recognised in the income statement as part of other income when the Group's right to receive payments was established.

Financial assets and liabilities were offset and the net amount reported in the statement of financial position date when there was a legally enforceable right to offset the recognised amounts and there was an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Impairment of financial assets

Assets carried at amortised cost (Loans and receivables)

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

Evidence of impairment may include indications that the debtors or a group of debtors was experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there was a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group first assessed whether objective evidence of impairment existed.

For loans and receivables category, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset was reduced and the amount of the loss was recognised in the income statement. If a loan had a variable interest rate, the discount rate for measuring any impairment loss was the current effective interest rate determined under the contract. As a practical expedient, the Group also measured impairment on the basis of an instrument's fair value using an observable market price.

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

2.11.2 Financial liabilities

2.11.2.1 Classification and initial recognition

Financial liabilities are initially recognised at fair value, net of transaction costs.

The Group classifies its financial liabilities as other financial liabilities, based on the purpose for which the financial liabilities were issued. Other financial liabilities mainly include trade and other payables and borrowings.

2.11.2.2 Subsequent measurement

Financial liabilities are subsequently carried at amortised cost using effective interest method.

2.11.2.3 Derecognition

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

2.11.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legal enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2.12 Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as hedges of a foreign currency risk associated with a highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

on going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 32. Movements on the hedging reserve in other comprehensive income are shown in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

2.12.1 Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'Other gains / (losses).

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'Other gains / (losses).

2.13 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.

2.14 Trade and other receivables

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

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

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

2.15 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 statement of financial position, bank overdrafts are included in borrowings in current liabilities.

2.16 Stated capital

The ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.17 Trade and other payables

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

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

2.18 Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

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

2.19 Borrowing costs

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

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

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

2.20 Provisions

Provisions are recognised when the Group 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.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.21 Employee benefits

(a) Defined benefit plan - Gratuity

A defined benefit plan is a pension plan that is not a defined contribution plan. A defined benefit plan defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The defined benefit plan of the Company and its subsidiary, Teejay Lanka Prints (Private) Limited, comprise the gratuity provided under the Act, No. 12 of 1983. The defined benefit plan of overseas subsidiary, Teejay India (Private) Limited, comprises the gratuity provided under the Act, No. 39 of 1972.

The liability recognised in the statement of financial position in respect of defined pension plans is the present value of the defined benefit obligation at the date of statement of financial position. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using government bonds.

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

Past-service costs are recognised immediately in statement of comprehensive income.

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 26 to the financial statements.

(b) Defined contribution plans

For defined contribution plans, such as the Employees' Provident Fund and Employees' Trust Fund, the Company and its local subsidiary contributes 12% and 3% respectively, of the employees' basic or consolidated wage or salary. For defined contribution plan, the Provident Fund, the overseas subsidiary, Teejay India (Private) Limited, contributes 13.16%, of the employees' basic or consolidated wage or salary. The Group has no further payment obligations once the contributions

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

have been paid. The Group and the employees are members of these defined contribution plans.

(c) Short term employee benefits

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

2.22 Current and deferred income tax

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

(a) Current taxes

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date in the countries where the Company and its subsidiaries operate generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situation in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to tax authorities.

(b) Deferred income taxes

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

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

Deferred income tax liabilities are provided on taxable temporary differences arising from investment in subsidiaries, except for deferred income tax liability where the timing of the reversal of temporary difference is controlled by the Group and its probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiary only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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 differed income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 Revenue recognition

Goods and services deliverable under contracts with customers are identified as separate performance obligations ('obligations') to the extent that the customer can benefit from the goods or services on their own or together with other resources that are readily available to the customer and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified.

The Group determines the transaction price to which it expects to be entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone basis. Where the Group does not sell equivalent goods or services in similar circumstances on a standalone basis it is necessary to estimate the standalone price. When estimating the standalone price, the Group maximises the use of external input; observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach.

Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remains probable. The revenue is recognised as follows:

(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 which is the date of customer signing the proof of delivery. 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 using the effective interest method.

(c) Royalty income

Royalty income is recognized on accrual basis.

(d) Other income

Other income is recognised on an accrual basis.

2.24 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 except for the acquisition or construction of qualifying assets as noted in 2.6(c) are expensed as incurred as part of net financing costs.

2.25 Exceptional items

Exceptional items are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of income or expense that have been shown separately due to the significance of their nature or amount.

2.26 Dividend distribution

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

2.27 Share based payments

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

- including any market performance conditions (for example, an entity's share price); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

At the end each reporting period, the Company revises its estimates of the number of options that are expected to vest based on the non market vesting conditions and service conditions. The Company recognises the impact of the revision to original estimates, if any, in the statement of comprehensive income, with a corresponding adjustment to equity.

In addition, in some circumstances employees may provide services in advance of the grant date and therefore the grant date fair value is estimated for the purposes of recognising the expense during the period between service commencement period and grant date.

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group is exposed to a variety of financial risks. These include foreign exchange risks, credit risks, interest rate risks and liquidity risks. Based on the economic outlook and the Group's exposure to these risks, the Board approves various risk management strategies from time to time. The Group's overall risk management programme focuses on the unpredictability of financial markets and seek to minimise potential adverse effects on the Group's financial performance.

(a) Derivatives

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedging criteria, they are classified as 'held for trading' for accounting purposes below. The group has the following derivative financial instruments:

Group and Company

	2019	2018
Forward foreign exchange contracts – cash flow hedges	Nil	9,817

(i) Classification of derivatives

Derivatives are classified as held for trading and accounted for at fair value through profit or loss unless they are designated as hedges. They are presented as current assets or liabilities if they are expected to be settled within 12 months after the end of the reporting period.

The group's accounting policy for its cash flow hedges is set out in Note 2.12.1. For hedged forecast transactions that result in the recognition of a non-financial asset, the group has elected to include related hedging gains and losses in the initial measurement of the cost of the asset.

(ii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives are set out in Note 22.

Risk	Exposure arising from	Measurement	Management
Market risk - foreign exchange	Future commercial transactions not denominated in United States Dollars (USD)	Cash flow forecasting Sensitivity analysis	Monitoring market on an ongoing basis and booking of forward contracts when required
Market risk - interest rate	Borrowings and investments	Sensitivity analysis	Not applicable
Market risk - Security prices	The Company or its subsidiaries have no investments in equity securities	Not applicable	Not applicable
Credit risk	Cash and cash equivalents, short term deposits and trade and other receivables	Age analysis Credit ratings	Diversification of short term bank deposits, credit limits and credit monitoring
Liquidity risk	Trade and other liabilities and borrowings	Rolling cash flow forecast	Availability of committed credit facilities and adequate cash and cash equivalents with the Company and its subsidiaries

(b) Market risk

(i) Foreign exchange risk

The Group is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of the United States Dollar (USD) against the Sri Lankan Rupee (LKR) and Indian Rupee (INR). The Company's and its subsidiaries functional currency is USD in which most of the transactions are denominated. Foreign exchange risks arises from local expenses including salaries and wages and, assets and liabilities denominated in Sri Lanka Rupees (LKR) and Indian Rupees (INR).

Sensitivity analysis

At 31 March 2019, if LKR had strengthened by 1% against USD in the financial year, profit before tax would have been decreased by LKR 36,680,842. The analysis assumes that all other variables, in particular interest rates, remain constant.

At 31 March 2019, if INR had strengthened by 1% against USD in the financial year, profit before tax would have been decreased by LKR 13,702,622. The analysis assumes that all other variables, in particular interest rates, remain constant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group exposure to the risk of changes in market interest rates relates to primarily to the Company's and its subsidiaries term deposits and bank borrowings. The Group manages its interest rate risk by daily monitoring and managing cash flows, keeping borrowings to a minimum, negotiating favorable rates on borrowings and deposits.

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk.

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. The Group exposure to the risk of changes in market interest rates relates to primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by monitoring and managing cash flows, keeping borrowings to a minimum, negotiating favorable rates on borrowings and deposits.

(iii) Price risk

Price risk represents the risk that the fair value of future cash flows of a financial statement will fluctuate because of a change in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Group is not exposed to equity price risk since there are no investments in equity securities. The Group is also not directly exposed to commodity price risk.

(iv) Cash flow and fair value interest rate risk

As the Group has no long term interest bearing assets or liabilities, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

(c) Credit risk

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

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts as described in Notes 20, 21,22 and 23.

The credit risk of customers are assessed taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal limits approved by management. The compliance with credit limits are monitored regularly by management. There are no significant risk concentration of credit risk through exposure to individual customers.

(d) Liquidity risk

The Group monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

3.1 FINANCIAL RISK FACTORS (CONTD.)

(d) Liquidity risk (Contd)

Group

As at 31 March 2019	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 5 years	Total
Liabilities				
Bank overdrafts (Note 25)	24,394	Nil	Nil	24,394
Amounts due to related companies (Note 24)	1,277,675	31,861	Nil	1,309,536
Trade and other payables (excluding statutory liabilities) (Note 24)	3,259,764	57,476	Nil	3,317,240
Borrowings (Note 25)	104,502	2,037,789	801,182	2,943,473
Total liabilities	4,666,335	2,127,126	801,182	7,594,643

As at 31 March 2018	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 5 years	Total
Liabilities				
Bank overdrafts (Note 25)	6,259	Nil	Nil	6,259
Amounts due to related companies (Note 24)	1,057,283	51,628	Nil	1,108,911
Trade and other payables (excluding statutory liabilities) (Note 24)	3,300,731	8,681	Nil	3,309,412
Bank Borrowings (Note 25)	1,507,988	215,208	1,106,784	2,829,980
Total liabilities	5,872,261	275,517	1,106,784	7,254,562

Company

As at 31 March 2019	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 5 years	Total
Liabilities				
Bank overdrafts (Note 25)	24,383	Nil	Nil	24,383
Amounts due to related companies (Note 24)	1,169,638	75	Nil	1,169,713
Trade and other payables (excluding statutory liabilities) (Note 24)	1,639,912	10,082	Nil	1,649,994
Borrowings (Note 25)	870,850	Nil	Nil	870,850
Total liabilities	3,704,783	10,157	Nil	3,714,940

As at 31 March 2018	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 5 years	Total
Liabilities				
Bank overdrafts (Note 25)	6,259	Nil	Nil	6,259
Amounts due to related companies (Note 24)	1,050,829	6,975	Nil	1,057,804
Trade and other payables (excluding statutory liabilities) (Note 24)	1,668,964	8,681	Nil	1,677,645
Bank Borrowings (Note 25)	768,600	Nil	Nil	768,600
Total liabilities	3,494,652	15,656	Nil	3,510,308

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group'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.

The capital structure of the Group represents equity attributable to owners of the Group, comprising stated capital and reserves.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (current and non-current) less cash and cash equivalents. Total capital is calculated as 'equity', as shown in the statement of financial position, plus net debt.

The gearing ratios at 31 March were as follows:

	Group	
As at 31 March	2019	2018
Total borrowings (Note 25)	2,967,867	2,836,239
Less: Cash and cash equivalents and short term deposits	(4,843,618)	(3,532,275)
Net debt	N/A	N/A
Total equity	13,925,255	11,701,422
Total capital	13,925,255	11,701,422
Gearing ratio	N/A	N/A

The Group did not have net debt (borrowings net of cash and cash equivalents) as at the statement of financial position date. Accordingly the Capital structure of the Group states that the Group is not depending on external borrowings.

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

4.1 Critical accounting estimates and assumptions

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

(a) Impairment assessment of goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy stated in Note 2.7 to the financial statements and whenever events or change in circumstances indicate that this is necessary within the financial year. The recoverable amounts of cash-generating units have been determined based on Value In Use (VIU) calculations. These calculations require the use of estimates and are disclosed in Note 16 to the financial statements.

(b) Defined benefit plan - Gratuity

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

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions. Additional information is disclosed in Note 26.

(c) Estimated useful lives of property, plant and equipment (PPE)

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

(d) Impairment of property plant and equipment

The Company reviews property, plant and equipment for impairment in accordance with the Accounting Policy in Note 2.9. 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 reasonable possible change in the estimated future cash flows of exporting Montessori products which the recoverable amounts of the Company is based would not cause the Company's carrying amount to exceed its recoverable amount.

4.2 Critical judgements in applying the entity's accounting policies

No judgements have been made in applying the entity's accounting policies.

5 SEGMENT INFORMATION

(a) Description of segments and principal activities

Management examines the Group's performance both from a product and geographic perspective and has identified two reportable segments of its business:

1: Textile manufacturing - Sri Lanka and India:

The business of manufacturing and selling of weft knit fabrics to export and to indirect export are included in the textile manufacturing.

2: Fabric printing - Sri Lanka:

Rotary screen printing of knitted and woven fabrics to export and to indirect export are included in the fabric printing.

Management uses a measure of adjusted earnings before interest, tax, depreciation, and amortisation (EBITDA) to assess the performance of the operating segments. Information about segment revenue is disclosed in Note 6.

(b) Adjusted EBITDA

Adjusted EBITDA excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings arising from an isolated or non-recurring event. It also excludes the effects of equity settled share based payments. Interest income and finance costs are not allocated to segments as this type of activity is driven by the central treasury function which manages the cash position of the Group.

	Group	
	2019	2018
Textile manufacturing		
- Sri Lanka	2,273,615	1,924,810
- India	1,028,625	450,914
	3,302,240	2,375,724
Fabric printing		
- Sri Lanka	273,121	443,508
- India	53,406	101,982
	326,527	545,490
Total adjusted EBITDA	3,628,767	2,921,214

Adjusted EBITDA reconciles to operating profit before income tax as follows:

	Group	
	2019	2018
Total adjusted EBITDA	3,628,767	2,921,214
Depreciation	(1,240,971)	(1,064,514)
Amortisation of intangible assets	(26,636)	(30,789)
Amortisation of lease rentals paid in advance	(16,511)	(15,069)
Net finance (cost) / income	(87,587)	6,874
Profit before income tax from continuing operations	2,257,062	1,817,716

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

(c) Segment assets

Segment assets are measured in the same way as in the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

The Group's deferred tax assets are not considered to be segment assets.

As at 31 March	Group	
	2019	2018
	Segment assets	Segment assets
Textile manufacturing		
- Sri Lanka	16,392,192	14,408,236
- India	13,173,784	11,529,988
Fabric printing - Sri Lanka	1,722,473	1,276,031
Total segment assets	31,288,449	27,214,255
Inter segment eliminations	(9,013,539)	(7,774,389)
Unallocated:		
Deferred tax assets	111,021	125,070
Total assets as per the statement of financial position	22,385,931	19,564,936

(d) Segment liabilities

Segment liabilities are measured in the same way as in the financial statements. These liabilities are allocated based on the operations of the segment.

The Group's deferred tax liabilities are not considered to be segment liabilities.

As at 31 March	Group	
	2019	2018
	Segment liabilities	Segment liabilities
Textile manufacturing		
- Sri Lanka	3,945,818	3,726,258
- India	6,036,939	4,186,823
Fabric printing - Sri Lanka	255,597	214,805
Total segment liabilities	10,238,354	8,127,886
Inter segment eliminations	(2,315,944)	(582,376)
Unallocated:		
Deferred tax liabilities	538,266	318,004
Total liabilities as per the statement of financial position	8,460,676	7,863,514

6 REVENUE

The Group and the Company derives following types of revenue:

Year ended 31 March	Group 2019	Group 2018	Company 2019	Company 2018
Textile sector	28,957,521	22,270,880	18,038,820	15,911,022
Printing sector	2,789,071	2,376,608	Nil	Nil
Total revenue from continuing operations	31,746,592	24,647,488	18,038,820	15,911,022

(a) Segment revenue

Sales between segments are eliminated on consolidation. The revenue from external parties is measured in the same way as in the income statement.

Year ended 31 March 2019	Total segment revenue	Inter segment revenue	Revenue from external customers
Revenue			
Textile manufacturing			
- Sri Lanka	18,038,820	(849,582)	17,189,238
- India	12,602,260	(818,962)	11,783,298
Fabric printing			
- Sri Lanka	2,272,260	(493,447)	1,778,813
- India	1,010,258	(15,015)	995,243
Total segment revenue	33,923,598	(2,177,006)	31,746,592

Year ended 31 March 2018	Total segment revenue	Inter segment revenue	Revenue from external customers
Revenue			
Textile manufacturing			
- Sri Lanka	15,911,022	(1,195,944)	14,715,078
- India	8,571,718	(1,015,916)	7,555,802
Fabric printing			
- Sri Lanka	2,240,341	(516,616)	1,723,725
- India	652,883	Nil	652,883
Total segment revenue	27,375,964	(2,728,476)	24,647,488

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

(b) Recognising revenue from major business activities

Textile sector

Timing of recognition:

The Group manufactures and sells of weft knit fabrics to foreign markets as well as to the local exporters. Sales are recognized at the point of fulfilling the performance obligations.

Measurement of revenue:

The fabrics are sold to the customers with a right to return faulty products. Revenue from sales is based on the transaction price specified in the sales contracts allocated to the performance obligations as per the contract. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

Printing sector

Timing of recognition:

The Group prints rotary screen of knitted and woven fabrics to foreign markets as well as to the local exporters. Sales are recognised at the point of fulfilling the performance obligations.

Measurement of revenue:

The printed fabrics are sold to the customers with a right to return faulty products. Revenue from sales is based on the transaction price specified in the sales contracts allocated to the performance obligations as per the contract. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

7 OTHER INCOME - NET

Year ended 31 March	Group		Company	
	2019	2018	2019	2018
Scrap sales	192,259	159,223	47,124	50,161
Screen cost recovery	56,651	45,475	Nil	Nil
Royalty income [See Note (a) below]	Nil	Nil	598,867	368,984
Net loss on disposal of property, plant and equipment	(2,837)	(1,419)	(458)	(1,419)
Dividend income [Note 36 (vi)]	Nil	Nil	Nil	12,032
Gain on repurchase of shares by subsidiary company [Note 17 (c)]	Nil	Nil	Nil	175,258
Other income	Nil	34,258	Nil	Nil
Steam coal cost recovery [Note 36 (v)]	Nil	Nil	7,203	3,846
	246,073	237,537	652,736	608,862

(a) Royalty income of LKR 598,867,221 (2018 - LKR 368,984,101) in Company solely consists of royalty received from Teejay India (Private) Limited for the year ended 31 March 2019 [Note 36 (iv)].

8 RESULTS FROM OPERATING ACTIVITIES

The following items have been charged / (credited) in arriving at operating profit.

	Group		Company	
Year ended 31 March	2019	2018	2019	2018
Directors' emoluments	35,375	41,991	35,375	41,991
Auditors' remuneration - audit	10,571	8,577	1,717	1,444
- non audit	1,323	1,163	1,059	917
	11,894	9,740	2,776	2,361
Depreciation (Note 14)	1,240,971	1,064,514	558,256	515,125
(Reversal of provision) / provision for slow and non moving inventories (Note 19)	(80,209)	93,150	(96,881)	81,119
Provision / (reversal of provision) for impairment of trade receivables [Note 20 (a)]	3,412	(5,317)	3,051	(5,521)
Amortisation of intangible assets (Note 16)	26,636	30,789	16,112	20,235
Amortisation of lease rentals paid in advance [Note 20 (d)]	16,511	15,069	4,690	4,279
Repair and maintenance expenditure	331,083	242,997	206,875	170,508
Employee benefit expense (Note 9)	2,497,363	1,883,920	1,575,734	1,420,109

9 EMPLOYEE BENEFIT EXPENSE

	Group		Company	
Year ended 31 March	2019	2018	2019	2018
Salaries, wages and other fringe benefits	2,205,955	1,636,491	1,393,235	1,243,846
Defined contribution plans	209,151	165,261	133,229	112,999
Retirement benefit obligations (Note 26)	71,002	60,409	38,015	41,505
Share options granted to directors and employees [Note 34 (b)]	11,255	21,759	11,255	21,759
	2,497,363	1,883,920	1,575,734	1,420,109
Average number of persons employed by the Group and the Company during the year - full time	2,610	2,338	1,281	1,172

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

10 NET FINANCE INCOME

	Group		Company	
	2019	2018	2019	2018
Finance income:				
Net foreign transaction and translation gains	Nil	41,164	22,347	71,942
Interest income on short term deposits	101,899	65,133	74,034	38,400
Total finance income	101,899	106,297	96,381	110,342
Finance costs:				
Net foreign transaction and translation loss	(29,506)	Nil	Nil	Nil
Interest expense				
- bank overdrafts	(446)	(897)	(419)	(872)
- short term bank borrowings	(60,334)	(21,576)	(32,393)	(11,998)
- related company borrowings [Note 36 (ix)]	(30,300)	(27,643)	Nil	Nil
- long term bank borrowings	(68,900)	(49,307)	Nil	Nil
Total finance cost	(189,486)	(99,423)	(32,812)	(12,870)
Net finance income	(87,587)	6,874	63,569	97,472

11 INCOME TAX EXPENSE

	Group		Company	
	2019	2018	2019	2018
Current income tax:				
Current income tax on profits for the year	321,433	181,729	224,031	125,474
Minimum alternative tax credit entitlement	(96,220)	(30,711)	Nil	Nil
Over provision for income tax in respect of prior years	(30,630)	(1,079)	(14,260)	(1,086)
Withholding tax on intercompany dividend	Nil	1,337	Nil	Nil
Total current tax:	194,583	151,276	209,771	124,388
Deferred tax:				
Origination of temporary differences (Note 27)	203,762	70,326	20,005	20,581
Income tax expense	398,345	221,602	229,776	144,969
Deferred tax (released)/charged to other comprehensive income (Note 27)	(4,869)	4,997	1,639	4,400
Income tax charged to statement of comprehensive income	393,476	226,599	231,415	149,369

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

	Group		Company	
	2019	2018	2019	2018
Profit before tax	2,257,062	1,817,716	1,745,954	1,673,784
Tax calculated at effective tax rate of Group 17.6%,				
Company 14% (2018 - 12%)	396,519	236,001	244,434	200,854
Income not subject to tax	(140,469)	(40,502)	Nil	(48,336)
Expenses not deductible for tax purposes	(361)	1,794	11,838	1,638
Over provision for income tax in respect of prior years	(30,630)	(1,079)	(14,260)	(1,086)
Net tax effect of unrecognised tax losses for prior years	144,637	34,085	Nil	Nil
Recognition of previously unrecognised tax losses	Nil	(13,754)	Nil	Nil
Adjustments due to the change of estimated deferred				
tax base in previous years	28,649	3,720	(12,236)	(8,101)
Withholding tax on intercompany dividend	Nil	1,337	Nil	Nil
Tax charge	398,345	221,602	229,776	144,969

Group tax expense is based on the taxable profit of individual companies within the Group. At present the tax laws of Sri Lanka do not provide for group taxation.

All the companies within the Group are liable for income tax as per the provisions of tax laws enacted in respective countries tax jurisdictions.

Up to financial year 2017/2018, Teejay Lanka PLC was liable to tax at a concessionary tax rate of 12% with effective from 12 September 2016 under the special approval granted by the Department of Inland Revenue to BOI companies who are engaging in the deemed exports. For the financial year 2018/2019, the Company is liable to income tax at a concessionary tax rate of 14% under the new Inland Revenue Act No. 24 of 2017.

Up to financial year 2017/2018, Teejay Lanka Prints (Private) Limited was liable to tax at a concessionary tax rate of 12% under the special approval granted by the Department of Inland Revenue to BOI companies who are engaging in the deemed exports. For the financial year 2018/2019, the Company is liable to income tax at a concessionary tax rate of 14% under the new Inland Revenue Act No. 24 of 2017.

Teejay India (Private) Limited is a unit established in Special Economic Zone in Andhra Pradesh, India and eligible for deduction of hundred percent of profits and gains derived for a period of five consecutive assessment years beginning with the assessment year in which the Company commenced its operations and fifty percent of profits and gains derived for the next five consecutive assessment years. In view of available deduction and brought forward tax losses, no provision is required for current tax liabilities for the year ended 31 March 2019.

Further information about deferred tax is provided in Note 27.

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

12 EARNINGS PER SHARE

(a) Basic

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:

	Group		Company	
	2019	2018	2019	2018
Profit attributable to equity holders of the Company	1,858,717	1,596,114	1,516,178	1,528,815
Weighted average number of ordinary shares [Note 30 (b)]	701,957	701,394	701,957	701,394
Basic earnings per share - LKR	2.65	2.28	2.16	2.18

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. A weighted average number of 215,339 shares were added to the weighted average number of ordinary shares which were used in calculation of basic earnings per share in arriving at the weighted average number of ordinary shares for calculating diluted earnings per share.

	Group		Company	
	2019	2018	2019	2018
Profit attributable to equity holders of the Company	1,858,717	1,596,114	1,516,178	1,528,815
Weighted average number of ordinary shares for diluted earnings per share	702,172	708,083	702,172	708,083
Diluted earnings per share - LKR	2.65	2.25	2.16	2.16

13 DIVIDEND PER SHARE

	Group and Company			
	2019		2018	
	Per share LKR	LKR	Per share LKR	LKR
Declared and paid during the year				
Final Dividend [See note (a) below]	0.90	631,761	1.25	877,446
Interim Dividend [See note (b) below]	0.85	596,663	0.70	491,370
Total Dividend	1.75	1,228,424	1.95	1,368,816

(a) The Company has paid a final dividend of LKR 631,760,922 representing LKR 0.90 approved by the shareholders at the Annual General Meeting held on 16 August 2018 in respect of the year ended 31 March 2018.

(b) The Company declared and paid an interim dividend of LKR 596,663,093 representing LKR 0.85 per share for the year ended 31 March 2019.

(c) The Board of Directors wishes to propose the payment of LKR 1.10 per share as final dividend to the shareholders of the Company for the year ended 31 March 2019 subject to obtaining the approval of the shareholders at the forthcoming Annual General Meeting.

14 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings on leasehold land	Plant, machinery & equipment installation	Fixtures, fittings & factory equipment	Office equipment	Computer & communication equipment	Motor vehicles	Total
At 1 April 2017							
Cost	3,396,367	10,523,753	1,019,932	180,450	407,844	33,158	15,561,504
Accumulated depreciation	(810,765)	(6,600,359)	(687,230)	(160,433)	(323,072)	(18,760)	(8,600,619)
Net book amount	2,585,602	3,923,394	332,702	20,017	84,772	14,398	6,960,885
Year ended 31 March 2018							
Opening net book value	2,585,602	3,923,394	332,702	20,017	84,772	14,398	6,960,885
Transfers from capital work-in-progress (Note 15)	159,001	1,166,805	138,531	9,066	79,370	Nil	1,552,773
Disposals - cost	Nil	(23,083)	Nil	Nil	(7,723)	Nil	(30,806)
- accumulated depreciation	Nil	22,622	Nil	Nil	6,766	Nil	29,388
Adjustments - cost	Nil	124	(338)	238	125	(154)	(5)
Effect of change in foreign exchange rates	29,972	49,877	4,809	224	1,515	62	86,459
Depreciation charge (Note 8)	(122,453)	(815,072)	(69,354)	(9,551)	(41,431)	(6,653)	(1,064,514)
Closing net book amount	2,652,122	4,324,667	406,350	19,994	123,394	7,653	7,534,180
At 31 March 2018							
Cost	3,596,387	11,804,375	1,171,787	191,946	485,324	33,379	17,283,198
Accumulated depreciation	(944,265)	(7,479,708)	(765,437)	(171,952)	(361,930)	(25,726)	(9,749,018)
Net book amount	2,652,122	4,324,667	406,350	19,994	123,394	7,653	7,534,180
Year ended 31 March 2019							
Opening net book value	2,652,122	4,324,667	406,350	19,994	123,394	7,653	7,534,180
Transfers from capital work-in-progress (Note 15)	53,835	795,311	133,883	5,739	133,089	Nil	1,121,857
Disposals - cost	Nil	(106,180)	(5,711)	(259)	(37,516)	(21,479)	(171,145)
- accumulated depreciation	Nil	102,946	6,082	(14)	37,547	21,479	168,040
Adjustments - cost	Nil	Nil	Nil	Nil	(1,917)	Nil	(1,917)
- accumulated depreciation	Nil	Nil	Nil	Nil	1,881	Nil	1,881
Effect of change in foreign exchange rates	348,104	568,511	56,521	2,511	19,802	861	996,310
Depreciation charge (Note 8)	(150,096)	(931,139)	(84,026)	(8,498)	(64,006)	(3,206)	(1,240,971)
Closing net book amount	2,903,965	4,754,116	513,099	19,473	212,274	5,308	8,408,235
At 31 March 2019							
Cost	4,131,304	14,097,677	1,462,130	223,230	648,135	15,287	20,577,763
Accumulated depreciation	(1,227,339)	(9,343,561)	(949,031)	(203,757)	(435,861)	(9,979)	(12,169,528)
Net book amount	2,903,965	4,754,116	513,099	19,473	212,274	5,308	8,408,235

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

14 PROPERTY, PLANT AND EQUIPMENT

Company	Buildings on leasehold land	Plant, machinery & equipment installation	Fixtures, fittings & factory equipment	Office equipment	Computer & communication equipment	Motor vehicles	Total
At 1 April 2017							
Cost	1,689,548	6,154,430	853,799	27,863	281,536	19,663	9,026,839
Accumulated depreciation	(350,198)	(4,112,327)	(570,339)	(22,802)	(243,869)	(16,498)	(5,316,033)
Net book amount	1,339,350	2,042,103	283,460	5,061	37,667	3,165	3,710,806
Year ended 31 March 2018							
Opening net book value	1,339,350	2,042,103	283,460	5,061	37,667	3,165	3,710,806
Transfers from capital work-in-progress (Note 15)	Nil	175,320	99,812	623	40,130	Nil	315,885
Disposals - cost	Nil	(4,021)	Nil	Nil	(7,723)	Nil	(11,744)
- accumulated depreciation	Nil	3,560	Nil	Nil	6,766	Nil	10,326
Effect of change in foreign exchange rates	14,580	19,976	3,970	38	702	(11)	39,255
Depreciation charge (Note 8)	(44,759)	(394,812)	(49,761)	(2,009)	(20,630)	(3,154)	(515,125)
Closing net book amount	1,309,171	1,842,126	337,481	3,713	56,912	Nil	3,549,403
At 31 March 2018							
Cost	1,708,779	6,398,325	964,812	28,813	317,628	19,887	9,438,244
Accumulated depreciation	(399,608)	(4,556,199)	(627,331)	(25,100)	(260,716)	(19,887)	(5,888,841)
Net book amount	1,309,171	1,842,126	337,481	3,713	56,912	Nil	3,549,403
Year ended 31 March 2019							
Opening net book value	1,309,171	1,842,126	337,481	3,713	56,912	Nil	3,549,403
Transfers from capital work-in-progress (Note 15)	Nil	516,116	119,607	3,947	107,226	Nil	746,896
Disposals - cost	Nil	(84,070)	(5,711)	(259)	(37,516)	(21,479)	(149,035)
- accumulated depreciation	Nil	83,624	5,711	247	37,516	21,479	148,577
Effect of change in foreign exchange rates	171,759	250,514	47,407	589	11,149	Nil	481,418
Depreciation charge (Note 8)	(49,061)	(404,555)	(68,386)	(1,977)	(34,277)	Nil	(558,256)
Closing net book amount	1,431,869	2,203,755	436,109	6,260	141,010	Nil	4,219,003
At 31 March 2019							
Cost	1,936,105	7,702,749	1,212,644	36,514	433,011	Nil	11,321,023
Accumulated depreciation	(504,236)	(5,498,994)	(776,535)	(30,254)	(292,001)	Nil	(7,102,020)
Net book amount	1,431,869	2,203,755	436,109	6,260	141,010	Nil	4,219,003

(a) Property, plant and equipment of the Group and the Company include fully depreciated assets still in use, the cost of which as at 31 March 2019 amounted to LKR 7,142,263,820 and LKR 5,312,090,948 respectively (2018 Group - LKR 5,277,978,967 and Company - LKR 4,032,601,630).

(b) The Company has constructed nine buildings on four plots of lands leased from the Board of Investment of Sri Lanka at Seethawaka Export Processing Zone. The remaining lease periods as of 31 March 2019 are 32,16,19 and 19 years respectively (Note 29). The subsidiary company, Teejay Lanka Prints (Private) Limited, has constructed two buildings on two plots of lands leased from the Board of Investment of Sri Lanka at Seethawaka Export Prossing Zone. The remaining lease periods as of 31 March 2019 are 28 and 32 years respectively. The subsidiary company, Teejay India (Private) Limited, has constructed a building on a land sub leased at Brandix India Apparel City park. The remaining lease period as of 31 March 2019 is 11 years.

(c) Depreciation expense of Group of LKR 1,160,228,432 (2018 - LKR 946,093,798) and LKR 80,742,381 (2018 - LKR 118,420,458) has been charged to cost of goods sold and administrative expenses respectively. Depreciation expense of the Company of 536,848,375 (2018 - LKR 494,969,728) and LKR 21,407,742 (2018 - LKR 20,155,053) has been charged to cost of goods sold and administrative expenses respectively.

15 CAPITAL WORK-IN-PROGRESS

	Group		Company	
	2019	2018	2019	2018
Balance at beginning of the year	444,541	337,800	349,528	79,724
Expenses incurred	812,944	1,673,005	444,482	599,688
Transferred to property, plant and equipment (Note 14) and [See Note (a) below]	(1,121,857)	(1,552,773)	(746,896)	(315,885)
Transferred to intangible assets (Note16)	(57,694)	(18,843)	(14,737)	(18,843)
Effect of change in foreign exchange rates	41,164	5,352	30,950	4,844
Balance at end of the year [See Note (b) below]	119,098	444,541	63,327	349,528

(a) Transferred to property, plant and equipment of Group mainly include the Knitting capacity expansion of LKR 356,341,892 and modernisation of existing machineries amounting to LKR 356,188,971. Transferred to property, plant and equipment of Company includes Knitting capacity expansion of LKR 214,313,224 and modernisation of existing machineries amounting to LKR 340,612,425.

(b) Capital work-in-progress of Group as at 31 March 2019 mainly comprises of construction expenses related to Sales and Operational Planning tool implementation cost amounting to LKR 23,761,316, fabric inspection system amounting to LKR 7,890,946 and Sludge dryer system amounting to LKR 7,837,650.

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

16 INTANGIBLE ASSETS

Group	Goodwill	Computer software	Total
At 1 April 2017			
Cost	50,537	467,583	518,120
Accumulated amortisation	Nil	(401,750)	(401,750)
Net book amount	50,537	65,833	116,370
Year ended 31 March 2018			
Opening net book amount	50,537	65,833	116,370
Transferred from capital work-in-progress (Note 15)	Nil	18,843	18,843
Effect of change in foreign exchange rates	575	571	1,146
Amortisation charge (Note 8)	Nil	(30,789)	(30,789)
Closing net book amount	51,112	54,458	105,570
At 31 March 2018			
Cost	51,112	492,028	543,140
Accumulated amortisation	Nil	(437,570)	(437,570)
Net book amount	51,112	54,458	105,570
Year ended 31 March 2019			
Opening net book amount	51,112	54,458	105,570
Transferred from capital work-in-progress (Note 15)	Nil	57,694	57,694
Transferred from property plant and equipment			
- Cost	Nil	1,917	1,917
- Accumulated depreciation	Nil	(1,881)	(1,881)
Effect of change in foreign exchange rates	6,800	8,769	15,569
Amortisation charge (Note 8)	Nil	(26,636)	(26,636)
Closing net book amount	57,912	94,321	152,233
At 31 March 2019			
Cost	57,912	620,018	677,930
Accumulated amortisation	Nil	(525,697)	(525,697)
Net book amount	57,912	94,321	152,233

16 INTANGIBLE ASSETS (CONTD)

Company	Computer software	Total
At 1 April 2017		
Cost	378,362	378,362
Accumulated amortisation	(344,308)	(344,308)
Net book amount	34,054	34,054
Year ended 31 March 2018		
Opening net book amount	34,054	34,054
Transferred from capital work-in-progress (Note 15)	18,843	18,843
Effect of change in foreign exchange rates	367	367
Amortisation charge (Note 8)	(20,235)	(20,235)
Closing net book amount	33,029	33,029
At 31 March 2018		
Cost	401,791	401,791
Accumulated amortisation	(368,762)	(368,762)
Net book amount	33,029	33,029
Year ended 31 March 2019		
Opening net book amount	33,029	33,029
Transferred from capital work-in-progress (Note 15)	14,737	14,737
Effect of change in foreign exchange rates	4,325	4,325
Amortisation charge (Note 8)	(16,112)	(16,112)
Closing net book amount	35,979	35,979
At 31 March 2019		
Cost	470,701	470,701
Accumulated amortisation	(434,722)	(434,722)
Net book amount	35,979	35,979

(a) Amortisation charge amounting to LKR 26,636,027 (2018 Group - LKR 30,789,458) and LKR 16,112,049 (2018 Company - LKR 20,235,180) relating to the computer software of Group and the Company respectively are included in cost of sales.

(b) Impairment tests for goodwill

Management reviews the business performance based on geography and type of business. Goodwill is monitored by management at the level of the operating segments identified in Note 5.

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

Summary of the goodwill allocation is presented below.

	Group	
As at 31 March	2019	2018
Teejay Lanka Prints (Private) Limited	16,528	14,587
Ocean Mauritius Limited	41,384	36,525
	57,912	51,112

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five- year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

For each of the CGUs with significant amount of goodwill the key assumptions, long term growth rate and discount rate used in the value-in-use calculations are as follows.

These assumptions have been used for the analysis of each CGU within the operating segment.

Sales volume is the average annual growth rate over the five-year forecast period. It is based on current industry trends and includes long term inflation forecasts for each company in which each business segment operates.

Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on current sales margin levels and sales mix, with adjustments made to reflect the expected future price rises in key raw materials.

Other operating costs are the fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these cost based on the current structure of the business, adjusting for inflationary increases and these do not reflect any future restructuring or cost saving measures. The amounts disclosed above are the average operating cost for the five year forecast period.

Annual capital expenditure is the expected cash costs of each segment for five-year forecast period.

17 INVESTMENTS IN SUBSIDIARIES

	Company	
	2019	2018
Unquoted investments		
At the beginning of the year	2,666,214	2,764,328
Repurchase of shares by subsidiary [See Note (c) below]	Nil	(127,682)
Effect of change in foreign exchange rates	354,697	29,568
At the end of the year	3,020,911	2,666,214

(a) Details of the companies incorporated in Sri Lanka, in which the Company had control are set out below:

Name of company	Nature of business activities	Group holding	Company holding
Teejay Lanka Prints (Private) Limited	Rotary screen printing of knitted and woven fabrics	100%	100%

(b) Details of the companies incorporated outside Sri Lanka, in which the Group / Company had control directly / indirectly are set out below:

Name of company	Nature of business activities	Group holding	Company holding
Ocean Mauritius Limited (OML)	Investment holding	100%	100%
Teejay India (Private) Limited	Manufacturing of knitted fabrics	100%	Nil

(c) Teejay Lanka Prints (Private) Limited repurchased 6,168,446 ordinary shares issued at a value of LKR 127,682,091 from Teejay Lanka PLC on 20 March 2018 for a consideration of LKR 302,940,000 resulting in a gain of LKR 175,257,909 recognised during the year ended 31 March 2018 (Note 7).

18 FINANCIAL INSTRUMENTS BY CATEGORY

(a) Financial assets - Amortised cost

	Group		Company	
	2019	2018	2019	2018
Trade receivables (Note 20)	1,916,192	1,826,802	1,251,787	1,244,986
Other receivables (excluding advances)	282,051	178,622	10,492	1,552
Amounts due from related companies (Note 20)	1,259,483	926,030	1,335,930	690,089
Other financial assets (Note 21)	553,370	789,378	361,701	620,214
Cash and cash equivalents (Note 23)	4,290,248	2,742,897	3,098,321	2,126,727
	8,301,344	6,463,729	6,058,231	4,683,568

(b) Financial assets - Fair value through other comprehensive income

	Group		Company	
	2019	2018	2019	2018
Derivative financial instruments (Note 22)	Nil	9,817	Nil	9,817
	Nil	9,817	Nil	9,817

(c) Financial liabilities - Other financial liabilities at amortised cost

	Group		Company	
	2019	2018	2019	2018
Trade payables (Note 24)	2,569,451	2,735,111	1,110,209	1,238,204
Accrued expenses (Note 24)	605,486	427,711	444,799	323,451
Other payables (Note 24)	142,303	146,590	94,986	115,990
Amount due to related companies (Note 24)	1,309,536	1,108,911	1,169,713	1,057,804
Borrowings from related companies (Note 25)	627,012	553,392	Nil	Nil
Short-term bank borrowings (Note 25)	1,515,279	1,169,804	870,850	768,600
Long-term bank borrowings (Note 25)	801,182	1,106,784	Nil	Nil
Bank overdrafts (Note 25)	24,394	6,259	24,383	6,259
	7,594,643	7,254,562	3,714,940	3,510,308

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

(d) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired and past due but not impaired can be assessed by historical information about counterparty default rates of trade and related party receivables or external credit rating with reference to financial institutions:

Trade receivables and amount due from related parties:

	Group		Company	
	2019	2018	2019	2018
Export customers / overseas	1,026,370	839,095	361,965	257,734
Local customers	889,822	987,707	889,822	987,252
Related parties	1,216,548	891,822	429,082	271,675
	3,132,740	2,718,624	1,680,869	1,516,661

Counterparties without external credit rating:

	Group		Company	
	2019	2018	2019	2018
Group 1	3,132,740	2,718,624	1,680,869	1,516,661
Group 2	Nil	Nil	Nil	Nil
Group 3	Nil	Nil	Nil	Nil
Total unimpaired trade and related party receivables	3,132,740	2,718,624	1,680,869	1,516,661

Group 1 – customers/related parties (less than 6 months).

Group 2 – customers/related parties (more than 6 months) with no defaults in the past.

Group 3 – customers/related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Cash and cash equivalents:

	Group		Company	
	2019	2018	2019	2018
AAA	857,663	495,504	73,502	193,289
AA+	388,146	291,417	92,714	114,350
AA	34,810	12,962	34,810	12,962
A-	Nil	313,464	Nil	177,394
AA-	2,586,357	1,628,232	2,474,473	1,628,232
BBB+	421,956	Nil	421,956	Nil
Cash in hand	1,316	1,318	866	500
	4,290,248	2,742,897	3,098,321	2,126,727

Other financial assets

	Group		Company	
	2019	2018	2019	2018
AA+	553,370	789,378	361,701	620,214
	553,370	789,378	361,701	620,214

19 INVENTORIES

	Group		Company	
	2019	2018	2019	2018
Raw materials	1,730,837	1,641,866	1,139,999	1,112,418
Work-in-progress	1,289,290	986,579	700,198	632,854
Finished goods	519,976	615,730	383,156	485,582
Engineering spares, needles and sinkers	257,726	261,343	125,788	155,647
Effluent chemicals, fuel and consumables	313,647	179,561	109,656	34,816
Goods in transit	382,944	406,128	319,454	395,687
	4,494,420	4,091,207	2,778,251	2,817,004

Inventories are stated after a provision for impairment of inventories and the total movement on the provision is as follows:

	Group		Company	
	2019	2018	2019	2018
Balance at the beginning of the year	433,055	334,711	332,929	247,785
Effect of change in foreign exchange rates	53,679	5,194	39,541	4,025
(Reversal of provision) / provision for slow and non moving inventories (Note 8)	(80,209)	93,150	(96,881)	81,119
Balance at the end of the year	406,525	433,055	275,589	332,929

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019	2018	2019	2018
Current				
Trade receivables - external customers	1,920,502	1,828,078	1,255,509	1,245,866
Less - provision for impairment [See Note (a) below]	(4,310)	(1,276)	(3,722)	(880)
	1,916,192	1,826,802	1,251,787	1,244,986
Trade receivable due from related companies [See Note 36 (vii) a]	1,217,878	892,364	430,074	272,131
Less - provision for impairment [See Note (a) below] and [See Note 36 (vii) a]	(1,330)	(542)	(992)	(456)
	1,216,548	891,822	429,082	271,675
Other receivables from related companies [See Note 36 (vii) b]	42,935	34,208	906,848	418,414
	1,259,483	926,030	1,335,930	690,089
Prepayments	209,195	177,267	147,401	132,545
Other receivables [See Note (e) below]	451,287	406,398	53,623	44,628
Statutory receivables [See Note (g) below]	412,383	385,779	25,959	124,053
	4,248,540	3,722,276	2,814,700	2,236,301
Less				
Non current portion of lease rentals paid in advance [See note (d) below]	(235,887)	(227,820)	(93,587)	(86,941)
Current portion	4,012,653	3,494,456	2,721,113	2,149,360

(a) Impairment of trade receivables

The Group / Company apply the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2019 or 1 April 2018 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and accordingly adjusts the historical loss rates based on expected changes.

On that basis, the loss allowance as at 31 March 2019 and 1 April 2018 (on adoption of SLFRS 9) was determined as follows for trade receivables:

	Group		Company	
	2019	2018	2019	2018
Loss allowance	5,640	1,818	4,714	1,336

The closing loss allowances for trade receivables as at 31 March 2019 reconcile to the opening loss allowances as follows:

	Group		Company	
	2019	2018	2019	2018
31 March – calculated under LKAS 39	1,818	7,133	1,336	6,861
Amounts restated through opening retained earnings	Nil	Nil	Nil	Nil
Opening loss allowance as at 1 April 2018 – calculated under SLFRS 9	1,818	7,133	1,336	6,861
Effect of change in foreign exchange rates	410	2	327	(4)
Increase / (decrease) in loss allowance recognised in profit or loss during the year	3,412	(5,317)	3,051	(5,521)
At 31 March	5,640	1,818	4,714	1,336

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group / Company and a failure to make contractual payments for a period of greater than 60 days from the due date.

Previous accounting policy for impairment of trade receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment. The Company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue)

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

(b) The carrying amounts of trade and other receivables (current and non-current) are denominated in following currencies:

	Group		Company	
	2019	2018	2019	2018
US Dollars	3,465,179	2,995,369	2,733,091	2,046,253
LKR	94,340	201,002	71,557	182,523
Euro	10,050	7,525	10,052	7,525
INR	678,971	518,380	Nil	Nil
	4,248,540	3,722,276	2,814,700	2,236,301

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

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

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

	Group		Company	
	2019	2018	2019	2018
At beginning of the year	241,462	253,865	91,292	94,558
Effect of change in foreign exchange rates	31,314	2,666	11,915	1,013
Amortisation (Note 8)	(16,511)	(15,069)	(4,690)	(4,279)
At end of the year	256,265	241,462	98,517	91,292

Prepaid operating leases can be analysed as follows:

	Group		Company	
	2019	2018	2019	2018
Current (Not later than one year)	20,378	13,642	4,930	4,351
Non-current (Later than one year)	235,887	227,820	93,587	86,941
	256,265	241,462	98,517	91,292

(e) Other receivables of the Group mainly consist of advances to suppliers amounting to LKR 65,932,924 (2018 - LKR 76,966,835), electricity and water deposits amounting to LKR 75,544,237 (2018 - LKR 60,842,991), MEIS rebate receivable amounting to LKR 34,834,000 (2018 - LKR Nil), scrap sales receivable amounting to LKR 15,522,553 (2018 - LKR Nil), festival advances amounting to LKR 15,582,467 (2018 - LKR 1,617,288) and accrued interest income amounting to LKR 6,114,412 (2018 - 3,541,863). Other receivables of the Company mainly consist of advances to suppliers amounting to LKR 27,522,692 (2018 - LKR 41,384,652) and festival advances amounting to LKR 15,582,467 (2018 - LKR 1,617,288).

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

(g) Statutory receivables of the Group mainly consist of advance tax recoverable of LKR 385,190,192 (2018 - LKR 254,655,165), ESC receivables amounting to LKR 19,262,157 (2018 - LKR 106,863,531), WHT receivable of LKR 2,728,721 (2018 - LKR 3,483,449), and VAT receivables amounting to LKR 5,202,284 (2018 - LKR 5,128,868) Statutory receivables of the Company mainly consist of ESC recoverable amounting to LKR 19,262,157, (2018 - LKR 106,863,531) VAT recoverable amounting to LKR 4,874,147 (2018 - LKR 4,762,399) and WHT recoverable amounting to LKR 1,822,689 (2018 - LKR 3,483,449).

21 OTHER FINANCIAL ASSETS - AT AMORTISED COST

	Group		Company	
	2019	2018	2019	2018
Short term deposits	553,370	789,378	361,701	620,214

The weighted average effective interest rate of the Group on short term deposits (USD) was 3.50% - 4.15% (year ended 31 March 2018 - 3.50% - 4.15%) and short term deposits (INR) was 5.5% - 6.6% (year ended 31 March 2018 - 4.50% - 6.69%) and the weighted average effective interest rate of the Company on short term deposits (USD) was 3.50% - 4.15% (year ended 31 March 2018 - 3.50% - 4.15%).

22 DERIVATIVE FINANCIAL INSTRUMENTS

Group	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	Nil	Nil	9,817	Nil

Company	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Forward foreign exchange contracts	Nil	Nil	9,817	Nil

Forward foreign exchange contracts classified as a current asset or liability if the remaining maturity is not more than 12 months.

The notional principal amount of the outstanding forward foreign exchange contracts as at 31 March 2019 were LKR Nil (2018 - LKR 1,637,118,000).

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
Cash at bank and in hand	4,290,248	2,742,897	3,098,321	2,126,727

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

	Group		Company	
	2019	2018	2019	2018
Cash and bank balances	4,290,248	2,742,897	3,098,321	2,126,727
Bank overdrafts (Note 25)	(24,394)	(6,259)	(24,383)	(6,259)
	4,265,854	2,736,638	3,073,938	2,120,468

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
Trade payables	2,569,451	2,735,111	1,110,209	1,238,204
Amounts due to related companies [Note 36 (viii)]	1,309,536	1,108,911	1,169,713	1,057,804
Accrued expenses [See Note (a) below]	605,486	427,711	444,799	323,451
Other payables	142,303	146,590	94,986	115,990
Statutory payables [See Note (b) below]	75,835	68,635	49,812	44,820
	4,702,611	4,486,958	2,869,519	2,780,269

(a) Accrued expenses of the Group mainly consists of accrued employee bonus of LKR 216,324,365 (2018 - LKR 154,307,979), electricity expenses of LKR 29,747,191 (2018 - LKR 32,814,608), accrued salaries of LKR 9,021,483 (2018 - LKR 8,708,084), air freight expenses of LKR 65,322,459 (2018 - LKR 30,162,938) and bulk discount of LKR 44,605,111 (2018 - LKR 46,807,586). Accrued expenses of the Company mainly consists of accrued employee bonus of LKR 105,396,537 (2018 - LKR 76,911,189), electricity expenses of LKR 26,740,320 (2018 - LKR 29,361,596), air freight expenses of LKR 65,322,459 (2018 - LKR 26,491,951) and bulk discount of LKR 44,605,111 (2018 - LKR 46,807,586).

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

(b) Statutory payables of the Group mainly consist of ESC payable of LKR 25,323,970 (2018 - LKR 21,351,093), EPF payable of LKR 26,826,012 (2018 - LKR 17,349,147), NBT payable of LKR 932,855 (2018 - LKR 1,466,796) and PAYE tax payable of LKR 3,568,395 (2018 - LKR 5,317,943). Statutory payables of the Company mainly consist of ESC payable of LKR 25,323,970 (2018 - LKR 21,351,093), EPF payable of LKR 15,491,899 (2018 - LKR 8,016,805) and PAYE tax payable of LKR 3,480,439 (2018 - LKR 4,041,453).

25 BORROWINGS

	Group		Company	
	2019	2018	2019	2018
Current				
Bank overdrafts	24,394	6,259	24,383	6,259
Short-term bank borrowings	1,515,279	1,169,804	870,850	768,600
Borrowing from related companies [Note 36 (ix)]	627,012	553,392	Nil	Nil
	2,166,685	1,729,455	895,233	774,859
Non-current				
Long-term bank borrowings	801,182	1,106,784	Nil	Nil
	801,182	1,106,784	Nil	Nil
Total borrowings	2,967,867	2,836,239	895,233	774,859

The maturity of non-current borrowings is as follows:

	Group		Company	
	2019	2018	2019	2018
Between 1 to 2 years	418,008	368,928	Nil	Nil
Between 2 to 5 years	383,174	737,856	Nil	Nil
	801,182	1,106,784	Nil	Nil

The interest rate exposure of the borrowings of the Group are as follows:

	Group		Company	
	2019	2018	2019	2018
Total borrowings:				
- at fixed rates	627,012	553,392	Nil	Nil
- at floating rate	2,340,855	2,282,847	895,233	774,859
	2,967,867	2,836,239	895,233	774,859
Weighted average effective interest rates:				
- Borrowings from related companies (USD)	5%	5%	N/A	N/A
- Bank borrowings	LIBOR + 1.35% -2.25%	LIBOR + 1.35% - 2.25%	LIBOR + 1.35%	LIBOR + 1.35%
- Bank overdrafts	LIBOR + 1.25%	LIBOR + 1.25%	LIBOR + 1.25%	LIBOR + 1.25%

The carrying amounts and fair value of the non-current borrowings of the Group is as follows:

	Group			
	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
	801,182	801,182	1,106,784	1,106,784

(c) The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on borrowing rate of 5%.

(d) 'The bank overdrafts of the Group / Company as at 31 March 2019 and 2018 represent book overdrawn situations. Borrowings from related companies are unsecured.

(e) Bank borrowings of Teejay Lanka PLC and Teejay Lanka Prints (Private) Limited are on a clean basis. Packing credit facility from banks granted to Teejay India (Private) Limited is secured by;

i) First charge on current assets of the Company; and
ii) Second charge on fixed assets of the Company.

26 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY

	Group		Company	
	2019	2018	2019	2018
Statement of financial position obligations for:				
Gratuity benefits	251,932	207,666	181,065	171,132
Statement of comprehensive income charge:				
Gratuity benefits	71,002	60,409	38,015	41,505
Other comprehensive income:				
Remeasurement gains	7,016	(24,795)	(11,708)	(31,427)

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

	Group		Company	
	2019	2018	2019	2018
At the beginning of the year	207,666	208,120	171,132	171,228
Transfers in - net	1,800	Nil	1,800	Nil
Current service cost	50,267	36,664	19,875	20,958
Interest cost	20,735	23,745	18,140	20,547
Remeasurement gains	7,016	(24,795)	(11,708)	(31,427)
Benefits paid	(35,091)	(35,887)	(14,938)	(10,174)
Exchange translation gains	(461)	(181)	(3,236)	Nil
At the end of the year	251,932	207,666	181,065	171,132

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

(b) The amounts recognised in the income statement income are as follows:

	Group		Company	
	2019	2018	2019	2018
Current service cost	50,267	36,664	19,875	20,958
Interest cost	20,735	23,745	18,140	20,547
Total included in employee benefit expense (Note 9)	71,002	60,409	38,015	41,505

As stated in paragraph 2.21 (a) under summary of significant accounting policies, an actuarial valuation of the Company defined benefit obligations was carried out by an independent actuary, Messers Piyal S Goonetilleke and Associates, using the Projected Unit Credit method to calculate the liability for gratuity as at 31 March 2019. Teejay Lanka Prints (Private) Limited, a subsidiary of the Company, actuarially valued its defined benefit obligations using the Projected Unit Credit Method. An actuarial valuation of the Teejay India (Private) Limited defined benefit obligations was carried out by an independent actuary, I Sambasiva Rao (Consulting Actuary), using the Projected Unit Credit method to calculate the liability for gratuity as at 31 March 2019. The provision for gratuity is not externally funded.

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

		Group		Company	
		2019	2018	2019	2018
Discount rate		7.50% - 11.7%	7.50% - 10.6%	11.70%	10.6%
Future salary increases	- non executive staff	7.50% p.a	7.50% p.a	7.50% p.a	7.50% p.a
	- executive staff	7.50% p.a	7.50% p.a	7.50% p.a	7.50% p.a
Staff turnover factor	- non executive staff	Age-related	Age-related	Age-related	Age-related
	- executive staff	Age-related	Age-related	Age-related	Age-related

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.

(d) The sensitivity of the gratuity to changes in the weighted principal assumptions is:

Group	Impact on retirement benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease by 3.63% - 9.2%	Increase by 3.95% -10.6%
Future salary increase	1%	Increase 4.36% - by 10.67%	Decrease by 4.13% - 9.39%
Staff turnover factor	1%	Decrease by 0.02% - 0.35%	Increase by 0.03% - 0.4%

Company	Impact on retirement benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease by 9.20%	Increase by 10.60%
Future salary increase	1%	Increase by 10.67%	Decrease by 9.39%
Staff turnover factor	1%	Decrease by 0.35%	Increase by 0.40%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the retirement benefit obligations to significant actuarial assumptions the same method (present value of the retirement benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied.

(e) Maturity profile of the retirement benefit obligations:

The weighted average duration of the defined benefit obligation of Group and Company is 23.5 years and 18.8 years respectively. The expected maturity analysis of undiscounted retirement obligation:

	Group		Company	
	2019	2018	2019	2018
Less than 1 year	26,357	18,017	12,799	14,189
Between 1 – 2 years	57,332	30,812	43,366	26,246
Between 2 – 5 years	175,351	144,741	139,338	121,907
Over 5 years	354,158	418,605	295,710	308,638
Total	613,198	612,175	491,213	470,980

27 DEFERRED INCOME TAX LIABILITIES

Deferred income taxes are calculated on all temporary differences under the liability method and are measured using a tax rate of 14% applicable on profit on the expiry of the tax exemption period in 2016. The movement on the deferred income tax account is as follows:

	Group		Company	
	2019	2018	2019	2018
At the beginning of the year	192,934	115,181	276,106	247,932
Charged / (credited) to statement of comprehensive income (Note 11)	203,762	70,326	20,005	20,581
Tax (Released) / charged relating to components of other comprehensive income (Note 11)	(4,869)	4,997	1,639	4,400
Effect of change in foreign exchange rates	35,418	2,430	37,793	3,193
At end of the year	427,245	192,934	335,543	276,106

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

A summary of deferred tax (assets) / liabilities of the Group and Company are as follows:

	Group		Company	
	2019	2018	2019	2018
Deferred tax assets	(111,021)	(125,070)	(76,760)	(79,142)
Deferred tax liabilities	538,266	318,004	412,303	355,248
Deferred tax liabilities (net)	427,245	192,934	335,543	276,106

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:

	Group		Company	
	2019	2018	2019	2018
Deferred tax assets:				
- Deferred tax assets to be recovered after more than 12 months	(111,021)	(204,212)	(76,760)	(79,142)
Deferred tax liabilities:				
- Deferred tax liabilities to be recovered after more than 12 months	371,510	251,736	278,821	240,237
- Deferred tax liabilities to be recovered within 12 months	166,756	145,410	133,482	115,011
	538,266	397,146	412,303	355,248
Deferred tax liabilities (net)	427,245	192,934	335,543	276,106

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:

Group

Deferred tax liabilities	Accelerated tax depreciation	Total
At 1 April 2017	357,469	357,469
Charged to income statement	35,087	35,087
Effect of change in foreign exchange rates	4,590	4,590
At 31 March 2018	397,146	397,146
Charged to income statement	84,160	84,160
Effect of change in foreign exchange rates	56,960	56,960
At 31 March 2019	538,266	538,266

Group

Deferred tax assets	Retirement benefit obligations	Provision for impairment of inventory	Provision for impairment trade receivables	Tax losses	Provision for bonus	Total
At 1 April 2017	(27,366)	(38,244)	(999)	(159,344)	(16,336)	(242,289)
Credited / (charged) to income statement	(3,780)	(16,823)	739	50,912	4,190	35,238
Charged directly to other comprehensive income	4,997	Nil	Nil	Nil	Nil	4,997
Effect of change in foreign exchange rates	(293)	(685)	Nil	(1,058)	(122)	(2,158)
At 31 March 2018	(26,442)	(55,752)	(260)	(109,490)	(12,268)	(204,212)
(Charged) / credited to income statement	6,329	15,837	(440)	101,601	(3,725)	119,602
Credited directly to other comprehensive income	(4,869)	Nil	Nil	Nil	Nil	(4,869)
Effect of change in foreign exchange rates	(3,447)	(6,641)	(56)	(9,585)	(1,813)	(21,542)
At 31 March 2019	(28,429)	(46,556)	(756)	(17,474)	(17,806)	(111,021)

Company

Deferred tax liabilities	Accelerated tax depreciation	Total
At 1 April 2017	319,832	319,832
Charged to income statement	31,310	31,310
Effect of change in foreign exchange rates	4,106	4,106
At 31 March 2018	355,248	355,248
Charged to income statement	9,336	9,336
Effect of change in foreign exchange rates	47,719	47,719
At 31 March 2019	412,303	412,303

Company

Deferred tax assets	Retirement benefit obligations	Provision for impairment of inventory	Provision for impairment trade receivables	Provision for bonus	Total
At 1 April 2017	(23,972)	(33,130)	(960)	(13,838)	(71,900)
(Credited) / charged to income statement	(4,118)	(11,016)	767	3,638	(10,729)
Charged directly to other comprehensive income	4,400	Nil	Nil	Nil	4,400
Effect of change in foreign exchange rates	(268)	(541)	Nil	(104)	(913)
At 31 March 2018	(23,958)	(44,687)	(193)	(10,304)	(79,142)
Charged / (credited) to income statement	79	13,852	(421)	(2,841)	10,669
Charged directly to other comprehensive income	1,639	Nil	Nil	Nil	1,639
Effect of change in foreign exchange rates	(3,103)	(5,266)	(46)	(1,511)	(9,926)
At 31 March 2019	(25,343)	(36,101)	(660)	(14,656)	(76,760)

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

28 CONTINGENCIES

There were no material contingent liabilities against the Company outstanding as at the statement of financial position date.

Teejay India (Private) Limited, a fully owned subsidiary of Teejay Lanka PLC, which is incorporated in India, has been issued with tax assessments by the Department of Income Tax in India amounting to LKR 72,113,347, LKR 783,177,699, LKR 324,510,757 and LKR 489,380,079 for the years of assessment 2009/10, 2010/11, 2011/12 and 2013/14 respectively disputing that the comparable and methods applied by the subsidiary to determine arm's length principles were not in line with the Transfer Pricing Regulations enacted in India. These tax assessments represent the additional total income proposed by the Tax Authority to the total income of the Company and not the tax impact of these assessments. The tax impact is estimated to be LKR 583,267,985. The Company has appealed against these assessments in the Disputed Resolution Panel/Income Tax Appellate Tribunal (ITAT) and hearing of appeals are fixed in the month of June 2019 except for the assessment year 2009/10 and assessment year 2012/13.

Assessment year 2009/10 hearing was held before the ITAT and the Appeal Court redirected the case to transfer pricing officer in favour of the Company. The officer has passed an order inline with ITAT's direction, however considering the foreign exchange gain/loss as non-operating in nature. The Company has appealed against this assessment with the Commissioner of Income tax (Appeal). For assessment year 2012/13 order was closed in favour of Company with no adjustments. No provision has been recognised in the financial statements as at 31 March 2019 pending the outcome of the appeals made.

Other than above, there were no material contingent liabilities against the Group outstanding as at the statement of financial position date.

29 COMMITMENTS

Operating lease commitments

The Company obtained a land consisting of 18.18 acres on a 50 year lease for which the Company has a commitment to pay an annual fee of LKR 670,555 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 LKR 1,450 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 LKR 670,555 per acre, on 12.130 acres.

Teejay Lanka Prints (Private) Limited, a subsidiary company, obtained a land consisting of 2.9 acres on a 50 year lease for which it has a commitment to pay an annual fee of LKR 174,170 per acre, to the Board of Investment as lease rent. Further, Teejay Lanka Prints (Private) Limited obtained another block of land on a 30 year lease during the financial year ended 31 December 2003 in order to facilitate the expansion of production capacity for which it has an annual commitment to pay a fee of LKR 478,968 per acre, on 1.50 acres.

Teejay India (Private) Limited, a subsidiary company, obtained a land consisting of 30 acres on a 23 year sub-lease for which it has a commitment to pay an annual fee of LKR 461,538 per acre, to Brandix India Apparel City Private Limited, a related company, as lease rent.

The future aggregate minimum lease payments under cancellable operating leases are as follows:

	Group		Company	
	2019	2018	2019	2018
No later than one year	47,833	27,434	20,325	13,583
Later than one year and no later than five years	215,550	109,735	81,298	54,333
Later than five years	780,945	518,409	443,116	362,607
	1,044,328	655,578	544,739	430,523

Capital commitments

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

	Group		Company	
	2019	2018	2019	2018
Property, plant and equipment	15,112	132,949	Nil	Nil

30 STATED CAPITAL

	No. of Shares	Amount (LKR)
At 1 April 2017	698,592,840	3,942,686
Issue of shares related to Employee Share Option Scheme [Note 34 (d)]	3,363,740	113,997
At 31 March 2018	701,956,580	4,056,683
At 31 March 2019	701,956,580	4,056,683

(a) All issued shares are fully paid.

(b) For the purpose of calculation of Basic and diluted earnings per share, the weighted average number of shares have been considered based on the date of issue of shares.

(c) Information relating to the share based payments, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note 34.

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

31 HEDGING RESERVE

	Group	Company
At 1 April 2017	Nil	Nil
Fair value gain	9,673	9,673
At 31 March 2018	9,673	9,673
Fair value loss	(9,673)	(9,673)
At 31 March 2019	Nil	Nil

32 EXCHANGE EQUALISATION RESERVE

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

33 RETAINED EARNINGS

	Group	Company
At 1 April 2017	4,724,786	3,583,371
Profit for the year	1,596,114	1,528,815
Remeasurement of retirement benefit obligations	24,795	31,427
Deferred tax attributable to remeasurement of retirement benefit obligations	(4,997)	(4,400)
Dividends (Note 13)	(1,368,816)	(1,368,816)
At 31 March 2018	4,971,882	3,770,397
At 1 April 2018	4,971,882	3,770,397
Profit for the year	1,858,717	1,516,178
Remeasurement of retirement benefit obligations	(7,016)	11,708
Deferred tax attributable to remeasurement of retirement benefit obligations	4,869	(1,639)
Dividends (Note 13)	(1,228,424)	(1,228,424)
At 31 March 2019	5,600,028	4,068,220

34 SHARE-BASED PAYMENTS

The Employee Share Option Scheme ('ESOS') is designed to provide long-term incentives for executive directors and executive management personnel to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on Company's total return to shareholders, including share price growth, dividends and capital returns, ranking within a peer group of companies that are listed on the Colombo Stock Exchange over a three year period. Once vested, the options remain exercisable for a period of two months.

The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Colombo Stock Exchange, taking into consideration all share transactions of such shares during the thirty Market days immediately preceding the date on which share options are granted to eligible employees under the ESOS.

When exercisable, each option is convertible into one ordinary share.

Set out bellow are summaries of options granted under the plan:

	2019		2018	
	Average exercise price as per share option	No of options (thousands)	Average exercise price as per share option	No of options (thousands)
At the beginning of the year	33.82	11,233	33.67	15,197
Granted	32.53	4,625	Nil	Nil
Exercised [see Note (c) below]	Nil	Nil	33.89	(3,364)
Expired [see Note (c) below]	33.89	(6,608)	33.89	(600)
At the end of year	33.85	9,250	33.82	11,233
Vested and exercisable at 31 March	33.89	6,608	33.89	3,965

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

	Vesting period	Expiry date	Exercise price LKR	Share options 31 March 2019	Share options 31 March 2018
27 November 2015	28 months	27 May 2018	33.89	Nil	6,607,524
01 May 2016	36 months	27 May 2019	33.21	4,625,268	4,625,268
02 April 2018	25 months	27 May 2020	32.53	4,625,268	Nil
				9,250,536	11,232,792
Weighted average remaining contractual life of options outstanding at end of period				0.66 years	0.57 years

(a) Fair value of options granted

The fair value of the options amounting to LKR 11,255,484 (USD 75,662) [2018 - LKR 21,759,249 (USD 143,653)] was recognised as an employee benefits expenses and credited to a reserve.

The fair value at grant date is independently determined using the Black Scholes Model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

(b) Expenses arising from share-based payment transactions

	Group		Company	
	2019	2018	2019	2018
Options issued under employee share option plan (Note 9)	11,255	21,759	11,255	21,759

(c) 6,607,524 outstanding options relevant to the Employee Share Option Scheme which was announced during were expired as the options were not exercised by the employees

(d) Out of 3,964,514 outstanding options relevant to the Employee Share Option Scheme which was announced during 2015/16 were exercised during 2017/18 resulting in 3,363,740 shares being issued at a weighted average price of LKR 33.89 amounting to LKR 113,997,149 (USD 790,549).

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

35 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2019	2018	2019	2018
Profit before tax	2,257,062	1,817,716	1,745,954	1,673,784
Adjustments for:				
Depreciation (Note 14)	1,240,971	1,064,514	558,256	515,125
Amortisation of intangible assets (Note 16)	26,636	30,789	16,112	20,235
Amortisation of lease rentals paid in advance [Note 20 (d)]	16,511	15,069	4,690	4,279
(Reversal of provision) / provision for non or slow moving of inventories (Note 19)	(80,209)	93,150	(96,881)	81,119
Provision / (Reversal) for impairment of trade receivables [Note 20 (a)]	3,412	(5,317)	3,051	(5,521)
Interest income (Note 10)	(101,899)	(65,133)	(74,034)	(38,400)
Interest expense (Note 10)	159,980	99,423	32,812	12,870
Loss on disposal of property, plant and equipment (Note 7)	2,837	1,419	458	1,419
Effect of change in foreign exchange rates	485,901	7,696	361,809	30,354
Gain on repurchase of shares by subsidiary company (Note 7)	Nil	Nil	Nil	(175,258)
Share based payment (Note 9)	11,255	21,759	11,255	21,759
Retirement benefit obligations (Note 26)	71,002	60,409	38,015	41,505
Changes in working capital:				
- inventories	214,672	(1,256,776)	491,065	(822,640)
- trade and other receivables	(170,284)	(48,777)	(483,480)	(18,902)
- trade and other payables	(363,446)	1,275,330	(267,503)	1,040,282
Cash generated from operations	3,774,401	3,111,271	2,341,579	2,382,010

36 DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY AND RELATED PARTY TRANSACTIONS

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

	Wing Tak Bill Lam	Mohamed Ashroff Omar	Wai Loi Wan	Hasitha Premaratne	Kit Vai Tou	Amitha Lal Gooneratne	Malik Kumar Ranasinghe
Pacific Textiles Limited	-	-	X	-	X	-	-
Pacific Overseas Textiles Macao Commercial Offshore Limited	-	-	X	-	X	-	-
Brandix Lanka Limited	-	X	-	-	-	-	-
Brandix Apparel Limited	-	X	-	X	-	-	-
Teejay Lanka Prints (Private) Limited	-	X	-	X	-	X	X
Teejay India (Private) Limited	-	X	-	X	-	-	-
Ocean Mauritius Limited	-	X	-	X	-	-	-
Fortude (Private) Limited	-	X	-	-	-	-	-
Brandix Apparel Solution Limited	-	X	-	X	-	-	-
Brandix India Apparel City Private Limited	-	X	-	X	-	-	-
Adhishtan Investments India (Private) Limited	-	X	-	X	-	-	-
Brandix Textiles Limited	-	X	-	-	-	-	-
BrandM Apparel Haiti Ltd	-	X	-	X	-	-	-
Quantum Clothing India (Private) Limited	-	X	-	X	-	-	-
Brandix India Apparel (Private) Limited	-	X	-	-	-	-	-
Brandix International (Private) Limited	-	X	-	-	-	-	-

The following transactions were carried out with related parties under normal commercial terms:

(i) Sale of goods and services:

Name of the Related Party	Relationship	Aggregate value of Related Party Transactions entered into during the financial year (LKR'000)				Aggregate value of Related Party Transactions as a % of Net Revenue			
		Group		Company		Group		Company	
		2019	2018	2019	2018	2019	2018	2019	2018
Brandix Apparel Limited	Affiliate	13,340,146	10,232,411	3,401,219	3,182,005	42.0%	41.5%	18.9%	20.0%
Teejay Lanka Prints (Private) Limited	Subsidiary	Nil	Nil	566,835	1,055,848	0.0%	0.0%	3.1%	6.6%
Teejay India (Private) Limited	Sub-Subsidiary	Nil	Nil	162,352	140,095	0.0%	0.0%	0.9%	0.9%
Brandix Textiles Limited	Affiliate	Nil	15,771	Nil	15,771	0.0%	0.1%	0.0%	0.1%
		13,340,146	10,248,182	4,130,406	4,393,719	42.0%	41.6%	22.9%	27.6%

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

(ii) Purchase of goods and services:

Name of the Related Party	Relationship	Aggregate value of Related Party Transactions entered into during the financial year (LKR'000)				Aggregate value of Related Party Transactions as a % of Net Revenue			
		Group		Company		Group		Company	
		2019	2018	2019	2018	2019	2018	2019	2018
Pacific Textiles Limited	Shareholder	504,415	612,792	379,810	554,960	1.6%	2.5%	2.1%	3.5%
Pacific Overseas Textiles Macao Commercial Offshore Limited	Affiliate	3,477,496	2,785,655	3,488,989	2,785,655	10.9%	11.3%	19.3%	17.5%
Teejay Lanka Prints (Private) Limited	Subsidiary	Nil	Nil	607,769	531,799	0.0%	0.0%	3.4%	3.3%
Teejay India (Private) Limited	Sub-Subsidiary	Nil	Nil	375,040	1,020,041	0.0%	0.0%	2.1%	6.4%
		3,981,911	3,398,447	4,851,608	4,892,455	12.5%	13.8%	26.9%	30.7%

(iii) Purchase of administrative and other services:

Name of the Related Party	Relationship	Aggregate value of Related Party Transactions entered into during the financial year (LKR'000)				Aggregate value of Related Party Transactions as a % of Net Revenue			
		Group		Company		Group		Company	
		2019	2018	2019	2018	2019	2018	2019	2018
Pacific Textiles Limited	Shareholder	49,588	11,348	49,588	11,348	0.2%	0.0%	0.3%	0.1%
Brandix Lanka Limited	Shareholder	91,839	79,829	48,852	24,788	0.3%	0.3%	0.3%	0.2%
Brandix Textiles Limited	Affiliate	Nil	Nil	Nil	3,932	0.0%	0.0%	0.0%	0.0%
Fortude (Private) Limited	Affiliate	10,818	5,968	Nil	Nil	0.0%	0.0%	0.0%	0.0%
Brandix Apparel Limited	Affiliate	32,445	4,861	11,427	Nil	0.1%	0.0%	0.1%	0.0%
Brandix Apparel Solutions Limited	Affiliate	71	8	71	Nil	0.0%	0.0%	0.0%	0.0%
Brandix Apparel India Private Limited	Affiliate	Nil	1,706	Nil	Nil	0.0%	0.0%	0.0%	0.0%
Brandix India Apparel City Private Limited	Affiliate	323,049	199,691	Nil	Nil	1.0%	0.8%	0.0%	0.0%
Adhishtan Investments India (Private) Limited	Affiliate	16,176	13,823	Nil	Nil	0.1%	0.1%	0.0%	0.0%
		523,986	317,234	109,938	40,068	1.7%	1.2%	0.7%	0.3%

(iv) Royalty income received (Note 7)

Name of the Related Party	Relationship	Aggregate value of Related Party Transactions entered into during the financial year (LKR'000)				Aggregate value of Related Party Transactions as a % of Net Revenue			
		Group		Company		Group		Company	
		2019	2018	2019	2018	2019	2018	2019	2018
Teejay India (Private) Limited	Sub-Subsidiary	Nil	Nil	598,867	368,984	0.0%	0.0%	3.3%	2.3%
		Nil	Nil	598,867	368,984	0.0%	0.0%	3.3%	2.3%

(v) Steam coal sales

Name of the Related Party	Relationship	Aggregate value of Related Party Transactions entered into during the financial year (LKR'000)				Aggregate value of Related Party Transactions as a % of Net Revenue			
		Group		Company		Group		Company	
		2019	2018	2019	2018	2019	2018	2019	2018
Teejay Lanka Prints (Private) Limited	Subsidiary	Nil	Nil	7,203	3,859	0.0%	0.0%	0.0%	0.0%
		Nil	Nil	7,203	3,859	0.0%	0.0%	0.0%	0.0%

(vi) Dividend received (Note 7)

Name of the Related Party	Relationship	Aggregate value of Related Party Transactions entered into during the financial year (LKR'000)				Aggregate value of Related Party Transactions as a % of Net Revenue			
		Group		Company		Group		Company	
		2019	2018	2019	2018	2019	2018	2019	2018
Teejay Lanka Prints (Private) Limited	Subsidiary	Nil	Nil	Nil	12,032	0.0%	0.0%	0.0%	0.1%
		Nil	Nil	Nil	12,032	0.0%	0.0%	0.0%	0.1%

Outstanding balances arising from sale / purchase of goods / services:

(vii) Receivables from related parties:

(a) Trade Receivables

Name of the Related Party	Relationship	Amount Due from Related Companies (LKR'000)			
		Group		Company	
		2019	2018	2019	2018
Brandix Apparel Limited	Affiliate	1,197,853	892,364	292,891	223,179
BrandM Apparel Haiti LTD	Affiliate	16,448	Nil	16,448	Nil
Teejay Lanka Prints (Private) Limited	Subsidiary	Nil	Nil	25,387	48,952
Teejay India (Private) Limited	Sub-Subsidiary	Nil	Nil	95,348	Nil
Quantum Clothing India (Private) Limited	Affiliate	3,577	Nil	Nil	Nil
		1,217,878	892,364	430,074	272,131
Less - Provision for impairment of amounts due from related companies		(1,330)	(542)	(992)	(456)
		1,216,548	891,822	429,082	271,675

(b) Other receivables

Name of the Related Party	Relationship	Amount Due from Related Companies (LKR'000)			
		Group		Company	
		2019	2018	2019	2018
Brandix Textiles Limited	Affiliate	Nil	438	Nil	438
Brandix Apparel Limited	Affiliate	9,230	1,347	9,230	1,347
Brandix Apparel Solutions Limited	Affiliate	Nil	1,276	Nil	Nil
Adhishtan Investments India (Private) Limited	Affiliate	4,068	3,331	Nil	Nil
Brandix India Apparel City Private Limited	Affiliate	29,637	27,816	Nil	Nil
Teejay India (Private) Limited	Sub-Subsidiary	Nil	Nil	897,618	416,629
		42,935	34,208	906,848	418,414

NOTES TO THE FINANCIAL STATEMENTS

(In the notes all amounts are shown in Sri Lankan Rupees Thousands unless otherwise stated)

(Viii) Payables to related parties:

Name of the Related Party	Relationship	Amount Due to Related Companies (LKR'000)			
		Group		Company	
		2019	2018	2019	2018
Pacific Textiles Limited	Shareholder	68,345	70,557	25,685	60,309
Pacific Overseas Textiles Macao Commercial Offshore Limited	Affiliate	1,135,063	957,988	1,135,063	957,988
Teejay India (Private) Limited	Sub-Subsidiary	Nil	Nil	Nil	36,813
Brandix Lanka Limited	Shareholder	13,371	13,714	8,890	2,694
Brandix Apparel Limited	Affiliate	10	541	Nil	Nil
Brandix International Limited	Affiliate	63,572	39,781	Nil	Nil
Brandix Textiles Limited	Affiliate	Nil	Nil	Nil	Nil
Fortude (Private) Limited	Affiliate	710	Nil	Nil	Nil
Adhishtan Investments India (Private) Limited	Affiliate	133	16	Nil	Nil
Brandix Apparel Solutions Limited	Affiliate	75	8	75	Nil
Brandix India Apparel City Private Limited	Affiliate	27,869	24,461	Nil	Nil
Brandix Apparel India Limited	Affiliate	388	1,845	Nil	Nil
		1,309,536	1,108,911	1,169,713	1,057,804

(ix) Borrowings from related companies:

Name of the Related Party	Relationship	Amount Due to Related Companies (LKR'000)			
		Group		Company	
		2019	2018	2019	2018
Brandix International Limited	Affiliate	627,012	553,392	Nil	Nil
		627,012	553,392	Nil	Nil

Finance costs for the borrowings form Brandix International Limited amounted to LKR 30,300,475 (2018-LKR 27,643,275)(Note 10).

All the Related Party outstanding balances disclosed in Note 36 (viii) & (ix) for the financial statements derived under the normal cause of the business and the same terms and conditions of the normal cause of the business were applied for those outstanding balances.

(x) Key Management compensation:

Key management includes the Board of Directors (executive and non-executive) and all members of Company's senior management. The compensation paid or payable to key management for employee services is shown below:

	Group		Company	
	2019	2018	2019	2018
Salaries and other benefits	180,875	198,746	180,875	198,746
Post-employment benefits	5,822	6,797	5,822	6,797
Share based payments	5,025	10,718	5,025	10,718
	191,722	216,261	191,722	216,261

37 CHANGES IN ACCOUNTING POLICIES

SLFRS 9 - Financial Instruments

(a) Classification and measurement

On 1 April 2018 (the date of initial application of SLFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate SLFRS 9 categories.

(b) Reclassifications of financial instruments on adoption of SLFRS 9

On the date of initial application, 1 April 2018, the financial instruments of the Group were as follows, with any reclassifications noted:

Current financial assets - Group

	Measurement category		Carrying amount		
	Original (LKAS 39)	New (SLFRS 9)	Original	New	Difference
Trade and other receivables (excluding advances)	Amortised cost	Amortised cost	2,931,454	2,931,454	Nil
Other financial assets (Note 21)	Amortised cost	Amortised cost	789,378	789,378	Nil
Derivative financial instruments (Note 22)	Amortised cost	Amortised cost	9,817	9,817	Nil
Cash and cash equivalents (Note 23)	Amortised cost	Amortised cost	2,742,897	2,742,897	Nil

Current financial assets - Company

	Measurement category		Carrying amount		
	Original (LKAS 39)	New (SLFRS 9)	Original	New	Difference
Trade and other receivables (excluding advances)	Amortised cost	Amortised cost	1.936,627	1.936,627	Nil
Other financial assets (Note 21)	Amortised cost	Amortised cost	620,214	620,214	Nil
Derivative financial instruments (Note 22)	Amortised cost	Amortised cost	9,817	9,817	Nil
Cash and cash equivalents (Note 23)	Amortised cost	Amortised cost	2,126,727	2,126,727	Nil

The application of the new expected credit loss model and the reclassifications of the financial instruments on adoption of SLFRS 9 did not result in any changes to their initial measurements.

IFRS 15 Revenue from Contracts with Customers

The Group has adopted SLFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in SLFRS 15, the Company has adopted the new rules retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application. The Group and Company does not identify any material impact to the financial statement at the date of initial application.

38 EVENTS AFTER THE END OF REPORTING PERIOD

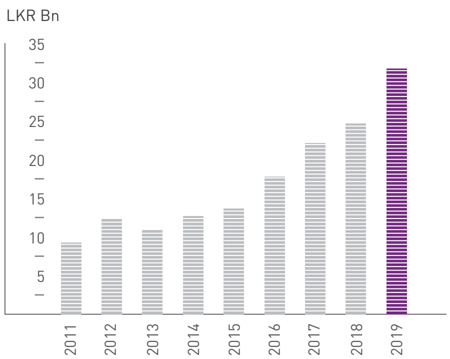
No events have occurred since the statement of financial position date which would require adjustments to, or disclosure in, these financial statements.

NINE YEARS FINANCIAL SUMMARY - GROUP

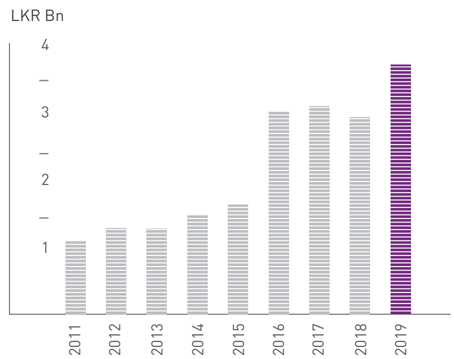
All Amounts in Sri Lanka Rupees Thousands	2019	2018	2017	2016	2015	2014	2013	2012	2011
INCOME STATEMENT									
Revenue	31,746,592	24,647,488	22,137,641	17,820,179	13,678,462	12,724,715	10,951,455	12,363,531	9,284,583
Profit before taxation	2,257,062	1,817,716	2,011,370	2,228,947	1,361,544	1,193,087	1,014,333	661,972	705,851
Current taxation	(398,345)	(221,602)	(52,195)	(58,280)	(29,385)	(40,315)	1,710	(33,041)	(21,119)
Profit after taxation	1,858,717	1,596,114	1,959,175	2,170,667	1,332,159	1,152,772	1,016,043	628,931	684,732
STATEMENT OF FINANCIAL POSITION									
ASSETS									
Non-current assets									
Property, plant and equipment	8,408,235	7,534,180	6,960,885	5,954,224	2,408,567	2,178,992	2,288,643	2,592,635	2,473,360
Deferred tax assets	111,021	125,070	132,751	91,800	Nil	Nil	Nil	Nil	Nil
Other non-current assets	507,218	777,931	694,476	664,337	1,007,222	928,854	202,236	159,839	209,359
	9,026,474	8,437,181	7,788,112	6,710,361	3,415,789	3,107,846	2,490,879	2,752,474	2,682,719
Total current assets	13,359,457	11,127,755	8,981,687	8,266,947	5,329,871	5,327,337	5,374,857	4,819,507	4,666,646
Total assets	22,385,931	19,564,936	16,769,799	14,977,308	8,745,660	8,435,183	7,865,736	7,571,981	7,349,365
EQUITY									
Capital and reserves									
Stated capital	4,056,683	4,056,683	3,942,686	3,853,024	2,849,899	2,797,229	2,797,229	2,797,229	1,597,229
Hedging reserve	Nil	9,673	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Exchange equalisation reserve	4,171,784	2,577,679	2,446,006	2,090,184	1,240,168	1,092,244	908,971	991,335	194,220
Share option scheme	96,760	85,505	63,746	42,283	19,473	19,473	Nil	Nil	Nil
Retained earnings	5,600,028	4,971,882	4,724,786	4,150,852	2,925,111	2,461,922	2,044,071	1,695,425	1,171,495
Total equity	13,925,255	11,701,422	11,177,224	10,136,343	7,034,651	6,370,868	5,750,271	5,483,989	2,962,944
LIABILITIES									
Non-current liabilities									
Borrowings	801,182	1,106,784	567,429	141,680	Nil	Nil	Nil	Nil	2,301
Deferred tax liabilities	538,266	318,004	247,932	240,227	114,316	95,927	67,678	72,772	43,071
Retirement benefit obligations	251,932	207,666	208,120	190,931	131,969	98,389	55,154	54,071	60,460
	1,591,380	1,632,454	1,023,481	572,838	246,285	194,316	122,832	126,843	105,832
Total current liabilities	6,869,296	6,231,060	4,569,094	4,268,127	1,464,724	1,869,999	1,992,633	1,961,149	4,280,589
Total liabilities	8,460,676	7,863,514	5,592,575	4,840,965	1,711,009	2,064,315	2,115,465	2,087,992	4,386,421
Total equity and liabilities	22,385,931	19,564,936	16,769,799	14,977,308	8,745,660	8,435,183	7,865,736	7,571,981	7,349,365

Ratios and Statistics		2019	2018	2017	2016	2015	2014	2013	2012	2011
Revenue growth	%	28.8	11.3	24.2	30.3	7.5	16.2	(11.4)	33.2	11.2
Gross profit margin	%	11.6	11.8	13.9	16.8	11.9	11.5	11.6	10.3	11.7
Net profit margin	%	5.9	6.5	8.8	12.2	9.7	9.1	9.3	5.1	7.4
Gearing ratio	%	21.3	24.2	18.7	8.9	0.3	0.8	6.3	12.0	3.2
Earnings per share	Rs:	2.7	2.2	2.8	3.2	2.0	1.8	1.6	1.0	1.2
Dividend per share	Rs:	2.0	1.6	2.3	1.6	1.3	1.1	1.0	0.1	Nil
Net Assets Per Share at year end	Rs:	19.8	16.7	16.0	14.6	10.6	9.7	8.8	8.4	4.5
Return on equity (ROE)	%	14.5	14.0	18.4	25.3	19.9	19.0	18.1	14.9	25.5
Return on assets (ROA)	%	8.9	8.8	12.3	18.3	15.5	14.1	13.2	8.4	9.3

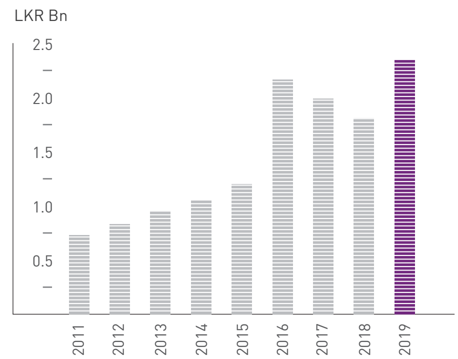
REVENUE



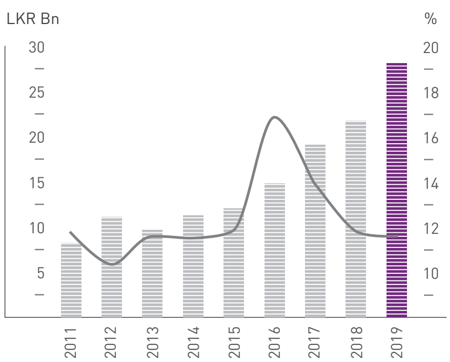
GROSS PROFIT



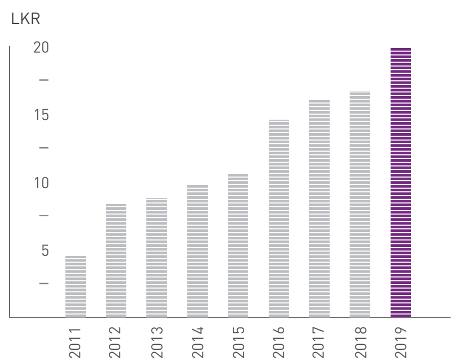
OPERATING PROFIT



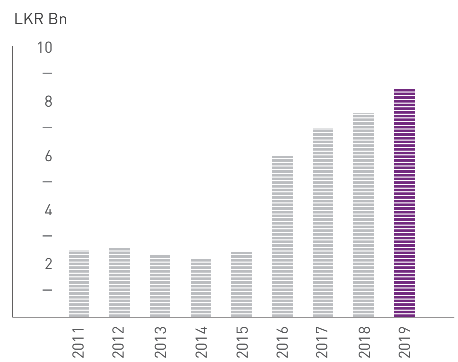
COST OF SALES VS GP MARGIN



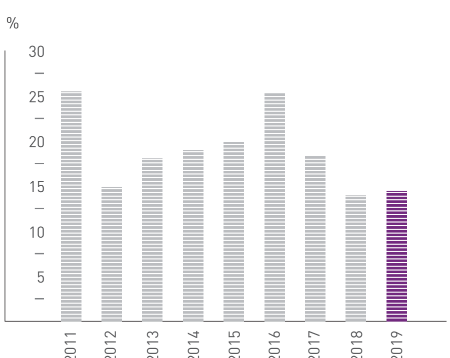
NET ASSET PER SHARE



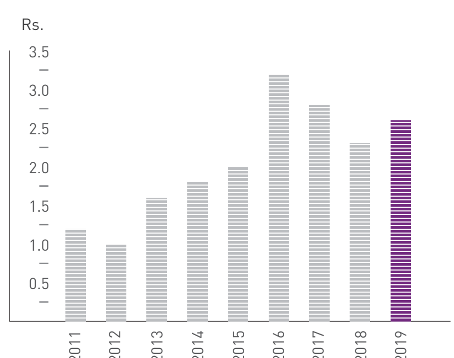
FIXED ASSETS



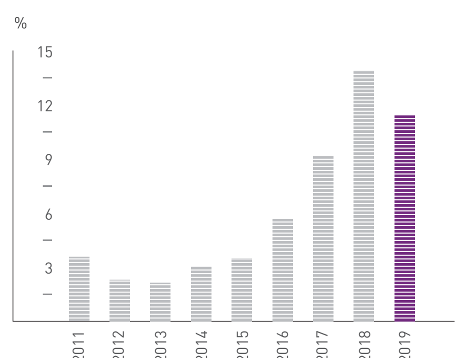
RETURN ON EQUITY



EARNINGS PER SHARE



DEBT-EQUITY RATIO



SHAREHOLDING INFORMATION

1 SHAREHOLDERS

	Residents			Non- Residents			Total		
Number of Shares held	No of Shareholders	No. of Shares	%	No of Shareholders	No.of Shares	%	No of Shareholders	No.of Shares	%
1-1,000	4,914	2,086,042	0.30	11	5,637	0.00	4,925	2,091,679	0.30
1,001-5,000	1,721	4,663,398	0.66	8	28,950	0.00	1,729	4,692,348	0.67
5,001-10,000	542	4,265,326	0.61	13	106,581	0.02	555	4,371,907	0.62
10,001-50,000	544	12,778,649	1.82	9	231,434	0.03	553	13,010,083	1.85
50,001-100,000	117	8,982,481	1.28	2	156,235	0.02	119	9,138,716	1.30
100,001-500,000	123	26,830,962	3.82	0	-	0.00	123	26,830,962	3.82
500,001-1,000,000	20	13,904,183	1.98	0	-	0.00	20	13,904,183	1.98
Over 1,000,000	37	431,990,485	61.54	1	195,926,217	27.91	38	627,916,702	89.45
Total	8,018	505,501,526	72.01	44	196,455,054	27.99	8,062	701,956,580	100.00

	31 March 2019			31 March 2018		
Categories of Shareholders	Share holders	No.of shares	%	Share holders	No.of shares	%
Individuals	7,855	74,649,941	10.63	8,037	75,891,708	10.81
Institutions	207	627,306,639	89.37	320	626,064,872	89.19
Total	8,062	701,956,580	100.00	8,357	701,956,580	100.00

2 SHARE TRADING INFORMATION

	2018/19		2017/18	
Highest	35.20	12-Feb-2019	42.50	17-May-2017
Lowest	27.60	25-Sep-2018	30.60	28-Mar-2018
Closing	30.40		31.90	
No.of Transactions	7,706		12,426	
No.of Shares traded	71,161,691		81,953,479	
Value of shares traded (LKR)	2,236,955,096		3,148,567,814	

3 TOP 20 SHAREHOLDER LIST AS AT 31 MARCH

		2019		2018	
	Name	No of Share	%	No of Share	%
1	Brandix Lanka Limited - Number 1 Account	232,198,344	33.08	232,198,344	33.08
2	Pacific Textured Jersey Holdings Limited	195,926,217	27.91	195,926,217	27.91
3	HSBC Intl Nom Limited - BBH - Fidelity Funds	34,187,877	4.87	26,627,473	3.79
4	HSBC Intl Nom Limited-BBH-Matthews Emerging Asia Fund	29,116,858	4.15	18,872,680	2.69
5	Citibank Newyork S/A Norges Bank Account 2	21,003,973	2.99	21,003,973	2.99
6	Bnymsanv Re-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	19,000,000	2.71	8,000,000	1.14
7	HSBC Intl Nom Limited-JPCMB NA-Fidelity Asian Values PLC	14,601,214	2.08	11,182,630	1.59
8	Melstacorp PLC	12,622,428	1.80	12,622,428	1.80
9	Mr. L.K.M.Fernando	5,119,300	0.73	5,119,300	0.73
10	HSBC Intl Nom Limited-State Street Luxembourg C/O SSBT - Alliance bernstein Next 50 Emerging Markets (Master) Fund Sicav-Sif S.C.Sp.	5,104,720	0.73	5,104,720	0.73
11	Deutsche Bank AG-National Equity Fund	4,900,000	0.70	4,000,000	0.57
12	Union Assurance PLC/Account No. 05 (Unit-Linked Life Insurance Fund-Equity Fund)	4,743,342	0.68	5,723,542	0.82
13	East India Holding (Private) Limited	3,955,425	0.56	3,955,425	0.56
14	J.B. Cocoshell (Private) Limited	3,945,361	0.56	3,085,361	0.44
15	Sri Lanka Insurance Corporation Limited-Life Fund	3,455,238	0.49	-	-
16	Jpmbl Sa-Kapitalforeningen Institutionel Investor,Asiatiske Smid Cap Aktier	2,789,251	0.40	-	-
17	Union Assurance PLC/No-01A/C	2,782,495	0.40	2,782,495	0.40
18	Periceyl (Private) Limited A/C No. 03	2,694,100	0.38	2,694,100	0.38
19	Deutsche Bank AG As Trustee For Namal Acuity Value Fund	2,455,000	0.35	2,250,000	0.32
20	Nuwara Eliya Property Developers (Private) Limited	2,285,200	0.33	2,285,200	0.33

SHAREHOLDING INFORMATION

4 DIRECTOR'S SHAREHOLDING

	31 March 2019		31 March 2018	
Director's Shareholding	No of Shares	%	No of Shares	%
Wing Tak Bill Lam	-		-	
Kit Vai Tou	-		-	
Mohamed Ashroff Omar	-		-	
Wai Loi Wan	-		-	
Kulatilleke Arthanayake Malik Kumar Ranasinghe	-		-	
Amitha Lal Gooneratne	-		-	
Hasitha Premaratne	40,000	0.01	40,000	0.01
	40,000	0.01	40,000	0.01

5 PUBLIC SHAREHOLDING

Public Shareholding	31-Mar-2019	31 March 2018
No.of Shares	272,350,615	271,118,670
	38.80%	38.62%

6 FLOAT ADJUSTED MARKET CAPITALIZATION

The public holding of the Company as at 31 March 2019 was 38.80% comprising 8,050 shareholders and a float adjusted market capitalization of LKR 8,279,718,252. In terms of Rule 7.13.1(a) of the Listing Rules of the CSE, the Company qualifies under option 5 of the minimum public holding requirement.

GRI INDEX

GRI 102-55

GRI Disclosure	Disclosure Title	Topic Reference/Comments	Page Reference
GENERAL STANDARD DISCLOSURES			
Organizational Profile			
102-01	Name of the Organization	About this Report	Page 4
102-02	Primary brands, products, and services	Our Buisiness	Page 10 & 11
102-03	Location of Organizations Head Quarters	Our Buisiness	Page 10
102-04	Location of Organizations Operations	Our Buisiness	Page 10
102-05	Nature of ownership and legal form	Our Buisiness	Page 10
102-06	Markets served	Our Buisiness	Page 10
102-07	Scale of the reporting organization	Our Buisiness	Page 10
102-08	Information on employees and other workers	Human Capital	Page 44
102-09	Organization's Supply Chain	Social and Relationship Capital	Page 55
102-10	Significant changes to the organization and its supply chain	Chairman's Message / CEO's Review/ Social and Relationship Capital – Suppliers(No significant Changes to the Organization)	Page 4, 13,15 & 55
102-11	Precautionary Principle or approach	Risk Management	Page 88
102-12	External initiatives	About this Report	Page 4
102-13	Membership associations and affiliations	Social and Relationship Capital	Page 55
Strategy			
102-14	Statement from the most senior decision maker of the organization.	CEO's Review	Page 15
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	Our Philoshophy and Direction	Page 6
Governance			
102-18	Governance structure	Corporate Governance	Page 64
Stakeholder Engagement			
102-40	List of stakeholder groups	Stakeholder Engagement	Page 33
102-41	Collective bargaining agreements	Human Capital	Page 48
102-42	Identifying and selecting stakeholders	Stakeholder Engagement	Page 33
102-43	Organization's approach to stakeholder engagement	Stakeholder Engagement	Page 33
102-44	Key topics and concerns raised	Stakeholder Engagement, Our Value Creation Process	Page 32 & 33
Reporting practice			
102-45	Entities included in the consolidated financial statements	About this report/ Financial statements	Page 4 &114
102-46	Defining report content and topic Boundaries	About this report/ Materiality	Page 4 & 90
102-47	List of material topics	Materiality	Page 90
102-48	Restatements of information	About this report	Page 4
102-49	Changes in reporting	About this report	Page 4
102-50	Reporting period	About this report	Page 4
102-51	Date of most recent report	About this report	Page 4
102-52	Reporting cycle	About this report	Page 4
102-53	Contact point for questions regarding the report	About this report	Page 4
102-54	Claims of reporting in accordance with the GRI Standards	About this report	Page 4
102-55	GRI content index	GRI content index	Page 175
Management Approach			
103-01	Explanation of the material topic and its Boundary	Risk Management	Page 90
103-02	The management approach and its components		
SPECIFIC STANDARD DISCLOSURE			
Category: ECONOMIC			
Topic: Economic Performance			
201-01	Direct economic value, generated, distributed and retained	Performance Highlights,Financial Capital	Page 9 & 37
201-02	Financial implications and other risks and opportunities due to climate change	Management Discussion and Analysis & Financial Capital	Page 35 & 37
201-03	Defined benefit plan obligations and other retirement plans	Financial Statements	Page 137

GRI INDEX

GRI Disclosure	Disclosure Title	Topic Reference/Comments	Page Reference
Topic: Market Presence			
202-02	Proportion of senior management hired from the local community	Human Capital	Page 44
Topic: Indirect Economic Impacts			
203-01	Development and impact of infrastructure investments and services supported	Social and Relationship Capital – Community	Page 56
ENVIRONMENTAL			
Material			
301-02	Recycled input materials used	Natural Capital	Page 60
Energy			
302-01	Energy consumption within the organization	Performance Highlights & Natural Capital	Page 9 & 61
302-04	Reduction of energy consumption	Performance Highlights & Natural Capital	Page 9 & 57
302-05	Reductions in energy requirements of products and services	Performance Highlights & Natural Capital	Page 9 & 60
Water			
303-01	Water withdrawal by source	Performance Highlights	Page 9
303-02	Water sources significantly affected by withdrawal of water	Natural Capital - No Significant Impact	
303-03	Water recycled and reused	Natural Capital	Page 58 & 61
Biodiversity			
304-01	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Natural Capital	Page 61
Emissions			
305-05	Reduction of greenhouse gas (GHG) emissions	Natural Capital	Page 59
Effluents and Waste			
306-02	Waste by type and disposal method	Natural Capital	Page 59
306-03	Significant spills	Natural Capital	Page 58
306-04	Transport of hazardous waste	Natural Capital	Page 58
Compliance			
307-01	Non-compliance with environmental laws and regulations	Risk Management	Page 88
SOCIAL			
Employment			
401-01	New employee hires and employee turnover	Human Capital	Page 46
401-02	"Benefits provided to full-time employees that are not provided to temporary or part-time employees"	Human Capital	Page 47
Occupational Health and Safety			
403-01	"Workers representation in formal joint management–worker health and safety committees"	Human Capital	Page 47
Training and Education			
404-01	Average hours of training per year per employee	Human Capital	Page 46
404-02	"Programs for upgrading employee skills and transition assistance programs"	Human Capital	Page 46 & 48
Security Practices			
410-01	Security personnel trained in human rights policies or procedures	Human Capital	Page 47
Local Communities			
413-01	Operations with local community engagement, impact assessments, and development programs	Social and Relationship Capital – Community Development	Page 56

GLOSSARY OF FINANCIAL TERMS

A

Accounting Policies

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

C

Capital Employed

Total assets less interest free liabilities.

Capital Reserves

Profits of a Company that, for various reasons, are not regarded as distributable to Shareholders as dividends. These include gains on revaluation of capital assets.

Cash and Cash Equivalent

Short-term highly liquid assets those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Contingencies

A condition or situation existing at the reporting date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

Current Ratio

Current assets divided by current liabilities.

D

Debt to Equity Ratio

Interest bearing borrowings divided by equity.

Deferred Taxation

Sum set aside for tax in the accounts of an entity that will become liable in a period other than that under review.

Dividend Cover

Profit attributable to Equity holders divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

Dividend Payout Ratio

Dividends Per Share divided by Earnings Per Share.

E

Earnings Per Share

Profits attributable to ordinary Shareholders divided by the number of ordinary shares in issue and ranking for dividend.

G

Gross Dividend

Portion of profits, inclusive of tax withheld, distributed to Shareholders.

I

Interest Cover

Earnings before interest, tax, divided by finance expenses.

N

Net Assets Per Share

Shareholders' funds divided by the number of ordinary shares issued.

O

Operating Profit Margin

Operating profit divided by turnover

P

Price Earnings Ratio

Market price of a share divided by Earnings per share.

R

Related Parties

Parties who could control or significantly influence the financial and operating policies of the business.

Return on Assets

Net profit for the year divided by assets.

Return on Equity

Net profit for the year divided by Equity.

Revenue Reserves

Reserves considered as being available for distributions and investments.

S

Shareholders' Funds

Total of issued and fully paid up capital and reserves.

V

Value Additions

The quantum of wealth generated by the activities of the group and its application.

W

Working Capital

Capital required to finance the day-today operations (current assets minus current liabilities).

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Teejay Lanka PLC will be held at 2.00 p.m. on 19 August 2019 at the auditorium, The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 07, for the following purposes:

AGENDA

1. To receive and consider the Annual Report of the Board and the Financial Statements of the Company for the financial year ended 31 March 2019 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. To declare a final dividend of LKR 1.10 per share for the financial year ended 31 March 2019 as recommended by the Board.

4. To authorize Directors to determine contributions to charities.

By order of the Board

CORPORATE SERVICES (PRIVATE) LIMITED

Secretaries

TEEJAY LANKA PLC

At Colombo, on this 24th day of July 2019.

Note:

(1) Any member entitled to attend and vote/speak 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 Export Processing Zone, Avissawella not less than 48 hours before the time appointed for the holding of the meeting.

FORM OF PROXY

*I/We.. of

....

Being a shareholder/shareholders of Teejay Lanka PLC do hereby appoint

1.	Mr. Wing Tak Bill Lam	or failing him,
2.	Mr. Mohamed Ashroff Omar	or failing him,
3.	Mr. Hasitha Premaratne	or failing him,
4.	Mr. Kit Vai Tou	or failing him,
5.	Mr. Wai Loi Wan	or failing him,
6.	Mr. Amitha Lal Gooneratne	or failing him,
7.	Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe	or failing him,

.... of

....

as *my/our Proxy to attend and vote/speak at the Annual General Meeting of the Company to be held at the auditorium, The Institute of Chartered Accountants of Sri Lanka, 30A Malalasekera Mawatha, Colombo 07 on 19 August 2019 at 2.00 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 31 March 2019 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.	To declare a final dividend of LKR 1.10 per share for the financial year ended 31 March 2019 as recommended by the Board.		
4.	To authorize the Directors to determine contributions to charities.		

Signed this .... day of 2019

....

Signature/s

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

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name, address and sign in the space provided. Please fill in the date of signature.
2. Please return the completed Form of Proxy to the Company after crossing out one or the other of the alternative words indicated by the asterisks on the body of the Form and by indicating with an 'X' in the space provided against each resolution, the manner in which you wish your vote to be cast.
3. A Member entitled to attend and vote/speak 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 must be completed under its Common Seal, or signed by its attorney or by an officer on behalf of the corporation. The Company may, but shall not be bound to require evidence of the authority of any such attorney or officer.
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 Export Processing Zone, Avissawella not less than forty eight (48) hours before the appointed time for the 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
Teejay Lanka PLC

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

Company Registration No.
PV 7617 PB/PQ

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

Registered Office
Block D8 – D14, Seethawaka
Export Processing Zone,
Avissawella

Directors
Mr. Wing Tak Bill Lam – Chairman
Mr. Mohamed Ashroff Omar
Mr. Hasitha Premaratne
Mr. Amitha Lal Gooneratne
Prof. Malik Kumar Ranasinghe
Mr. Wai Loi Wan
Mr. Kit Vai Tou

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

Auditors
PricewaterhouseCoopers,
Chartered Accountants

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 Limited
Standard Chartered Bank
People's Bank
Deutsche Bank AG
DFCC Bank PLC

Investor Relations
Shrihan Perera
Salman Nishtar
Teejay Lanka PLC

Designed & produced by
emagewise
Digital Plates & Printing by Printage (Pvt) Ltd

Teejay Lanka PLC
Block D8-D14,
Seethawaka Export Processing Zone
Avissawella, Sri Lanka
www.teejay.com