STANDING the TEST of TIME

teejay

TEEJAY LANKA PLC | ANNUAL REPORT 2019/20

CONTENTS

STANDING the TEST of TIME

During a time of volatility and change, at Teejay Lanka PLC we have responded promptly to serve the needs of our stakeholders over the past 20 years of our existence. We have evolved and structured ourselves to remain relevant even amid changing circumstances.

Our dynamic team has worked around the clock, holding fast to a primary vision of supporting the nation and recognising opportunity amid adversity in order to stand the test of time.

Today, we are geared with strategies and resources to withstand the challenges and support Sri Lanka in a timely manner.

OUR PHILOSOPHY AND DIRECTION

OUR VISION

To be the preferred fabric solutions provider for branded clothing.

OUR MISSION

To become a USD300 Mn Company in 2023/24 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 of 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.

ABOUT THIS REPORT

Welcome to our 9th Integrated Annual Report in which we hope to share with the shareholders our timely strategies and responsive solutions which made the financial year 2019/20 a success. This year the Group intends to highlight its stability through the theme "Standing the Test of Time". During a time of volatility and change, Teejay has successfully adapted and responded in a timely manner to serve the needs of the nation.

As Teejay celebrates its 20th year in operations, the Company has evolved and structured itself to be relevant even amid changing circumstances, able to withstand the challenges and stand the test of time. The visual uses a circular element to represent a simple clock face and symbolizes the movement of time.

SCOPE & BOUNDARY

This Report covers the operations of Teejay Lanka PLC and its operating subsidiaries in Sri Lanka and India from April 1, 2019 to March 31, 2020. 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 2019 was covered in the 2018/19 Annual Report.

STANDARDS AND PRINCIPLES

The following standards and guidelines were used to prepare the report.

- Financial Information Sri Lanka Financial Accounting & Reporting Standards Company Act No. 07 of 2007.Sri Lanka Accounting & Auditing Standards. Company Act No. 07 of 2007

- 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). Company Act No. 07 of 2007

ABOUT THE CHAPTERS

- Our Leadership Team (Pages 18 to 23)

- Management Discussion and Analysis (Pages 24 to 35)

- Governance Structure (Page 36)

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 our internal audit function. The Company's Audit Committee also monitors adequacy and effectiveness of the financial reporting and internal control systems.

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.

AVAILABLE FORM

TEEJAY LANKA PLC

ANNUAL REPORT 2019/20

PDF

Available Online as PDF
www.teejay.com

FEEDBACK

We understand that 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,

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Avissawella.

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PERFORMANCE HIGHLIGHTS

		Metric	2019/20	2018/19	% Variance
Financial Capital	**Operations**				
	Revenue	Rs. 000's	**33,276,976**	31,746,592	4.8
	Gross profits	Rs. 000's	**4,229,042**	3,686,058	14.7
	Profit from operations	Rs. 000's	**2,728,431**	2,344,649	16.4
	Profit after taxation	Rs. 000's	**2,383,784**	1,858,717	28.2
	Revenue growth	%	**4.8**	28.8	(83.3)
	Operating profit margin	%	**8.2**	7.4	11.0
	Return on equity (ROE)	%	**16.1**	14.5	11.1
	Return on assets (ROA)	%	**9.7**	8.9	9.0
	Return on capital employed (ROCE)	%	**13.1**	11.8	10.6
	Financial Position				
	Non current assets	Rs. 000's	**10,673,443**	9,026,474	18.2
	Current assets	Rs. 000's	**16,289,050**	13,359,457	21.9
	Non current liabilities	Rs. 000's	**2,065,360**	1,591,380	29.8
	Current liabilities	Rs. 000's	**9,248,490**	6,869,296	34.6
	Capital and reserves	Rs. 000's	**15,648,643**	13,925,255	12.4
	Current ratio	No. of Times	**1.8**	1.9	(9.4)
	Quick assets ratio	No. of Times	**1.1**	1.3	(13.0)
	Shareholder Information				
	No. of shares in issue	Number	**701,956,580**	701,956,580	-
	Market value per share (closing)	Rs.	**23.30**	30.40	(23.4)
	Dividend per share	Rs.	**2.40**	1.75	37.1
	Earnings per share	Rs.	**3.40**	2.65	28.1
	Net assets per share	Rs.	**22.3**	19.8	12.4
	P/E ratio	No. of Times	**6.9**	11.5	(40.3)
Manufactured Capital	Property, plant and equipment	Rs. 000's	**8,777,251**	8,408,235	4.4
	Capital expenditure	Rs. 000's	**1,461,606**	812,944	79.8

		Metric	2019/20	2018/19	% Variance
Human Capital	Total employees	No.	**2,614**	2,610	0.2
	Payments to employees	Rs. 000's	**2,360,123**	2,205,955	7.0
	No. of promotions	No.	**36**	35	2.9
	Investment in training	Rs. 000's	**25,575**	43,912	(41.8)
	Total training hours	Hours	**61,915**	41,827	48.0
	Average training hours/employee	Hours	**21.41**	16.03	33.6
Intellectual Capital	New products approved	No.	**78**	92	(15.2)
	Development expenditure	Rs. 000's	**80,937**	58,821	37.6
Social & Relationship Capital	Strategic customers	No.	**8**	8	0.0
Natural Capital	Water consumption	m^3 '000	**2,028**	2,048	(1.0)
	Specific electricity consumption	kWh/kg	**1.8257**	1.778	2.7

CHAIRMAN'S MESSAGE

"SUPPLY CHAIN STRATEGISING TO MAINTAIN THE TOTAL SUPPLY CHAIN WITHIN A COUNTRY AND MITIGATING ITS RELIANCE ON A SINGLE DESTINATION MAY BECOME A REALITY IN THE FUTURE, WITH CONSOLIDATION WITHIN INDUSTRIES ALSO BEING PART OF THE COVID19 IMPACT."

DEAR STAKEHOLDER,

It gives me immense pride to welcome you to the 9th Annual General Meeting of Teejay Lanka PLC and to present to you our Annual Report and Audited Financial Statements for the year ended 31 March 2020. The period under review has been exceptional in both financial and operational terms. Despite having to face the economic fallout of the global pandemic during the last few weeks of the financial year, the Group ended Financial Year 2019/20 with strong numbers, recording the highest-ever Top Line so far of Rs. 33.3 Bn and the highest-ever rupee Profit of Rs. 2.4 Bn.

A strong business model, enduring customer relations, proactive approach to carving out new business and pursuit of operational excellence were the pillars on which the Teejay Group achieved this robust financial performance, despite numerous external challenges that prevailed through the period under consideration.

INDUSTRY PERFORMANCE

As the largest contributor to exports, earnings from textiles and garments increased by 5.2% to USD 5,596 Mn in 2019. The sector is a key employment generator in the country, employing more than 990,000 workers. Further, a significant decline in merchandise exports is likely, particularly to Sri Lanka's key export destinations of Europe and the US in light of the global pandemic. In particular, exports of textiles and garments are likely to experience a decline in the near term. According to the Sri Lankan Apparel Exporters Association (SLAEA), a trend of order cancellations has already hit factories and the revenue loss is expected to be significant during Q2 2020/21.

However, the impact on the knit sector is less for mainly two reasons. The first is that since Teejay is engaged in manufacturing foundation garments, comfort wear and loungewear, these are daily necessities, so the decline in demand is expected to be lesser than the impact in the apparel sector in Sri Lanka.

Secondly, because of COVID-19, companies are apprehensive about relying on a single destination for its supply chain and are moving away from China and looking at the South Asian region. Teejay, with manufacturing facilities both in India and Sri Lanka, is ideally poised to leverage on opportunities arising as a result.

COMPANY PERFORMANCE

Against this challenging backdrop, stabilisation of cotton price benefits coupled with the projects that the Teejay Group embarked upon, on its operational excellence journey - consisting of wastage reduction, capacity optimisation and initiatives to curtail non-strategic costs - have helped achieve the stellar financial results posted during the year under consideration. Teejay has consistently outperformed industry growth. Even amid this pandemic, it has sustained its growth momentum while keeping the morale of its associates high and complying with the highest social and environmental governance standards.

CORPORATE GOVERNANCE AND RISK MEASURES

The Group believes in upholding the highest standards in governance as this is indispensable to creating long term value for its stakeholders. 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 provides comfort to the Board and ensures professionalism, integrity and commitment of its Directors.

The Group ensures that its mechanisms for good governance are constantly reviewed, benchmarked and strengthened to meet evolving requirements. During the year under consideration, the Group introduced a Positive Assurance Framework that promotes frequent self-reporting of adherence to processes by the process owners of each key process area and support processes. Framework effectiveness is managed by the Risk and Control department.

The Group also rolled out its 'Value Drive' programme in 2019/20 through which the Company intends to get the employees to live the values. We are confident that the Teejay team's unstinted commitment to excellence and the articulated Values will strengthen transparency, ethics and good governance within the Group.

CHALLENGES TO PROFITABILITY DURING THE YEAR AND FUTURE STRATEGIES FOR GROWTH

Although the export-oriented garment and textile industry has made a significant contribution to the Sri Lankan economy in terms of generating employment and creating opportunities for local entrepreneurs, escalating labour costs and dependence on GSP+ concessions have reduced the competitiveness of the industry and increased vulnerability of the sector to shocks in global markets. In order to counter this, Teejay set up a Development Team trained by an international R&D expert to develop value-added ranges. A key future strategy is innovation and development of sustainable products, such as, Biodegradable products, Bio-based Materials and Chemical-free performance products.

The Teejay Group has built its competitive edge with value addition and strategic partnerships that have helped to deepen and diversify its product portfolio. As one of the first corporates to respond to the need for Personal Protective Equipment (PPE) for health and frontline workers, Teejay ventured into the manufacture of PPE fabric, a new market segment. This strategic decision was made to ensure that in case COVID-19 lingers for longer than expected or is there is a second wave, Teejay can continue manufacturing masks. On the other hand, if COVID-19 is brought under control soon and economic recovery in export markets is seen, Teejay can revert to business as usual, supported by its strong relationships with buyers. Either way, Teejay will remain operational.

FUTURE OUTLOOK FOR THE ECONOMY, SECTOR AND COMPANY

Looking ahead, the US-China trade tensions could have positive ramifications for garment centres such as Sri Lanka and others within the South Asian region. Supply chain strategising to maintain the total supply chain within a country and mitigating its reliance on a single destination may become a reality in the future, with consolidation within industries also being part of the Covid 19 impact. Teejay remains cognizant of seizing opportunities as they emerge in the new dynamics.

Since the Company manufactures weft knit fabric, which is used mainly for men's and women's undergarments, loungeware and yoga pants, the forecasted overall decline which is expected in the apparel industry, will not fully impact the company as it caters fabric for garments which are essentials and are in the comfort wear segment.

Although we envisage a reduction in the existing order pattern with end market store closures in the US and EU during the next six months to a year where most of our strategic customers are based, it is a possibility that there will be potential from the PPE wear and new customers based on the existing capabilities of the company.

Furthermore, demand from the existing strategic customers via supermarket chains and online outlets have seen significant growth in sales amid a COVID-19 environment in the US and EU, while its Asia-based customers continue with the required demand. However, margins for this business will be significantly challenged for which our Operation Excellence Journey will be helpful in creating these orders.

Cotton prices are on a downward trend, which bodes well for the Company. With estimates for mill-use falling and projections for ending stocks rising, there has been a contradiction in price movement and trends in market fundamentals over the past couple of months. This will be a boost to the upcoming year which is challenged on many fronts and will add winds to the sails during the upcoming year.

CHAIRMAN'S MESSAGE

Given the existing product range, the new product lines being developed, the strength of the balance sheet and positive cash balances including the Company's capability to leverage further will help the entity navigate the tough times and continue its journey to reach greater heights. Our aspiration to become a USD 300 Mn company continues to inspire and motivate our journey.

ACKNOWLEDGEMENT

I would like to place on record my gratitude to the Board of Directors, the Management team and our valued associates for their commitment to sustain the growth momentum and spirit of innovation at Teejay. My appreciation goes out to the outgoing CEO, Shrihan Perera, for his valuable contribution through the period under consideration. I am pleased to welcome the current CEO, Pubudu De Silva who, within a short period, along with a team of dynamic associates, helped pull through the challenging COVID-19 crisis with elan. I would like to express my gratitude to all our customers for their continuous support during this period and to investors and other stakeholders who remain our biggest inspiration and strategic partners in our success.

Wing Tak Bill Lam
Chairman

CEO'S MESSAGE

"OVERALL, THE TEEJAY GROUP REMAINS STRONGLY POSITIONED AND POISED TO RESPOND SPEEDILY TO RESURGENCE IN DEMAND AND TO MEET THE USD 300 MN MARK AS PER THE LONG RANGE PLAN ASPIRATION. I AM CONFIDENT THAT AS A RESILIENT NATION WE WILL REBUILD FROM HERE – BIGGER AND BETTER!"

DEAR STAKEHOLDER,

I am pleased to engage with you at such a momentous point in time where the world as we knew it stands changed in so many ways as a result of the COVID-19 pandemic. I am sure you will agree that this crisis will be the defining event for years to come. Notwithstanding the global pandemic and its adverse impact, closer to home, Teejay Lanka PLC succeeded in posting laudable financial results for the year ended 31 March 2020.

FINANCIAL PERFORMANCE

The Teejay Group recorded its highest revenue, Gross Profit and Net Profit in the year under review, achieving Revenue growth of 4.8% to reach Rs. 33.3 Bn in comparison to Rs. 31.7 Bn in the preceding year. Net Profit improved by 28.2% to reach Rs. 2.4 Bn in comparison to Rs. 1.8 Bn achieved in 2018/19. The Teejay Group would have achieved Revenues of Rs. 35 Bn and a Net Profit of Rs. 2.7 Bn in the year under review to surpass all previous results if not for COVID-19. The pace of revenue growth was originally 9.6% and Net Profit was expected to grow by 39% before the outbreak.

One of the contributory factors to this exceptional financial performance was the fact that overall market conditions remained favourable for the business during 2019/20. As one of the model businesses in the industry, Teejay continues to explore and adopt new methodologies to become an even leaner operation. The implementation of its Operational Excellence journey from the preceding year yielded significant benefits with the implementation of the Sales and Operations (S&OP) tools such as waste reduction and streamlining of the supply chain process to enable an end-to-end visibility of inventory. Other ongoing initiatives such as capacity optimisation and curtailment of non-strategic costs further helped the Group achieve its notable performance in 2019/20.

In essence, Teejay retained its calm amidst the storm caused by the pandemic because of its strong balance sheet, inclusive of Rs. 6.2 Bn cash, which helped fuel the Group's new endeavours. A sum of Rs. 1.5 Bn was spent on new capital expenditure projects along with the highest dividend pay-out in the history of the Company of Rs. 1.7 Bn. These were the only outflows from the robust cash reserves during the year under consideration.

EVENTFUL YEAR

We are especially buoyed by our performance this year because 12 July 2020 marks the 20th anniversary of our operations. For the Teejay team, celebrations had already begun in the previous year when it won the 'Best Textile Exporter in Sri Lanka' at the 2019 Presidential Export Awards presented by the Export Development Board (EDB). The timely award was a fitting testimonial to two decades of excellence that has defined our journey thus far.

Further Teejay also featured prominently in BT Options Best 20, moving up three places in the Business Today Top 30 companies'

CEO'S MESSAGE

ranking in 2019, while also being named among the Most Respected Companies in Sri Lanka by LMD 100.

One of the hallmarks of our success is our ability to forge alliances with highly reputed partners in our business who add a competitive edge to our offering. During 2019/20, the Teejay Group forged a strategic collaboration with Luen Fung Textiles (LFT) of China, thereby venturing into the manufacture of lace and significantly expanding its product portfolio. A historical Memorandum of Understanding (MOU) was signed between the LFT and Teejay Group on 18th July 2019, propelling the Company forward on a new journey.

CRISIS MANAGEMENT STRATEGY

Adapting to an era of a 'new normal' brought about by COVID-19, Teejay forayed into a new market segment during the year under review, as it embarked on the production of Personal Protective Equipment (PPE), manufacturing fabric for masks and fine-tuning fabric for water repellent medical gowns. During the lockdown period, the Company supplied fabrics for medical applications with water repellent and antimicrobial properties to cater to the urgent needs of the medical workers in the country.

While the move to manufacture PPE marks our response to the global threat of the pandemic, it is also a strategic sustainability initiative which also ensures our operations retain a fair momentum despite tough industry conditions globally. Now that health experts are predicting that COVID-19 will continue to be a threat till a vaccination is discovered, it will pose an ongoing challenge to the business for the rest of the year and manufacturing PPE is one way of keeping our production lines well-oiled and our staff gainfully employed.

SUSTAINING CUSTOMER RELATIONSHIPS

Trouble in global economies has impacted our business. Leading brands to whom Teejay supplies fabric have had to shut down their retail stores in the US and the EU through the initial period of lockdown, but are now slowly opening up. The drop in consumer demand and shutdown of stores was already impacting our order book. Despite the challenging circumstances, Teejay Group continued strengthening customer relationships with its eight strategic customers - Lbrands, M&S, PVH, Intimissimi, Decathlon, Nike, Uniqlo and Lidl – in a narrow and deep strategy, where it aligns its goals, values and actions with theirs to create sustainable partnerships. PVH remained the top customer for the year while Nike and Uniqlo exceeded expectations and cemented their footing in our order book during the financial year under review.

INNOVATION AND TECHNOLOGY

Teejay is committed to making investments in technology and in the modernisation of plants to create a sustainable business model. During the year under review, emphasis was placed on driving new products to customer by establishing a new sales, development and innovation team while ensuring new engagement with innovation hubs to create innovative products and designs. This innovation focused strategy helps the Group develop a better product mix.

Significant investments have been made in the print plant while increasing capacity in the knitting area. A majority of the products are converting to recycled versions and the Company is also doing bulks with natural finishes. Teejay has also undertaken thermo regulating, super stretch and high power fabric ranges in the performance category.

During the year under review, multiple value-added products with wellness attributes were manufactured while reactive print fabric was also added to the product portfolio.

OUR PEOPLE

Perhaps the aspect of our performance that has given us the greatest joy in 2019/20 has been the compassion, caring and loyalty shown by our people towards each other, to customers and others stakeholders during the crisis, and towards safeguarding the business against the negative impact of COVID-19. The commitment and dedication of Teejay's associates was tested during this difficult time and I am proud to state that they rose to the occasion, going far beyond the call of duty.

The year 2019/20 was focused on employee training and development from the start of the year, with special emphasis on succession planning to identify talent for critical roles and to develop a suitable pipeline of talent. Structured in-house training programmes such as the Sri Lanka Institute of Textile & Apparel (SLITA)'s Fabric Technocrat programme specially designed for Teejay employees; the Next Step programme (NSP) and the Management Development programme (MDP) are now available for employees.

In a proud achievement, Teejay was awarded at the Social Dialog & Workplace Cooperation Awards (SD Excellence Awards) 2019 from among many organisations for promoting social dialogue and strengthening workplace cooperation, being placed third in the Large category. Winners were selected on the basis of their progressive human capital policies. This is reflected in higher levels of employee satisfaction at Teejay, which reported employee turnover of 1% in 2019/20 in contrast to the industry average of 5% in the garment trade.

Our prized values of Integrity, Innovate to lead, Collaboration and Togetherness continue to shape the culture of the Teejay Group. Moreover, Teejay's leadership demonstrates its commitment to the concept and principles of anti-corruption and ensures zero tolerance for corruption across the enterprise.

ENVIRONMENTAL AND SOCIAL STEWARDSHIP

Our CSR footprint is focused on sanitation and hygiene and we were able to make significant contributions in this area among schools in our vicinity. In response to COVID-19 Teejay donated 60,000 meters of fabric worth LKR 27.6 Mn to manufacture two million masks in Sri Lanka in partnership with Sri Lanka Apparel Association in collaboration with State Pharmaceuticals Corporation of Sri Lanka (SPC) to support the medical personal and armed forces.

The Group has spent LKR 1.46 Bn last year as capital expenditure to modernize the plant with state-of-the-art machinery which will lead to increase yields and reduction of our carbon footprint by way of reducing the use of power and water.

Teejay retains close ties with the local community in the vicinity of its factories and undertakes various Corporate Social Responsibilities (CSR) activities that have a positive impact on the surrounding environment and communities. To herald the start of the new year, Teejay embarked on a beach clean-up of Crow Island headed by the Teejay Nature Club with the enthusiastic participation of its employees.

The Company has always promoted a green culture by gifting tree saplings as gifts to all employees to celebrate any special occasion.

CHALLENGES AHEAD

The impact of COVID-19 is expected to be felt long after 2020/21. Sri Lanka's apparel industry is projected to lose a significant proportion of its annual revenue between March to June 2020 due to the lockdown and curfew. Cognizant of all the challenges, Teejay is targeting a Net Profit reduction of 20% in the Top Line and Bottom Line. The Group remains optimistic about the future while aiming to 'shock-proof' the business by preparing a contingency plan. Its new business development efforts and switchover to manufacturing PPE related products reflect its ability to evolve fast.

Although the industry as a whole will be affected, the impact on Teejay will be moderate, since it will continue to manufacture masks as long as COVID-19 persists. In addition, it has developed a post-COVID fabric collection which focuses on Defensive fabrics such as Antiviral/Antimicrobial Defences, Textiles with Carbon Compounds and a sustainable fabric collection.

Further opportunities are expected to arise for the print plant in the future. Moreover, on account of the US-China trade war, companies are looking at countries such as Sri Lanka, India, Bangladesh, Africa and Dominican Republic as alternate manufacturing centers. Even though the US economy is still experiencing a slowdown, the EU is on the recovery mode, which bodes well for Teejay as many of its customers are EU-based. The growth of new business from Uniqlo was a special development during the year under review since Teejay made it a strategic customer only last year, and bodes well for Teejay's future. The Uniqlo business has been performing very well and the partnership Teejay has with Uniqlo is continuing to strengthen.

Overall, the Teejay Group remains strongly positioned and poised to respond speedily to resurgence in demand and to meet the USD 300 Mn mark as per the long range plan (LRP) aspiration. I am confident that as a resilient nation we will rebuild from here – bigger and better!

APPRECIATION

The Chairman and Board of Directors, the senior management and the staff have been pillars of our success this year, making us one of the few companies in the industry to achieve many historic firsts in our financial performance this year. The outgoing CEO, Shrihan Perera, was instrumental in building an agile and adaptable team that swung into action under many challenging situations with ease to deliver a resounding financial and operational performance. Apart from his dynamic people management prowess, Shrihan has also put in place a strong compliance culture all of which together has made my task a much easier one.

The confidence placed in us by our existing customers, business partners and suppliers gives us the motivation and strength to pursue our journey of operational excellence. I would like to commend the dedication of the entire Teejay team and thank them for the support they have extended during COVID-19 and during lockdown. Their sacrifices and willingness to reach beyond expectations is the reason we were able to complete last year so successfully!

Pubudu De Silva
Group Chief Executive Officer

BOARD OF DIRECTORS

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 45 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 Honorary Fellow of the Chinese University of Hong Kong.

MOHAMED ASHROFF OMAR
Non-Executive Director

Group Chief Executive Officer of Brandix Lanka 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 listed company Teejay Lanka PLC.

He is presently a Non-Executive Director of Bank of Ceylon. He is also a Committee Member of Ceylon Chamber of Commerce.

He also served on the Board of Sri Lanka Accounting and Auditing Standards Monitoring Board.

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, 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 CIMA Sri Lanka during 2016.

He holds a MBA in International Finance and a BSc in Computer Science. He is a Fellow Member of 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).

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 of Sampath Bank PLC, and Independent Non-Executive Director of Access Engineering PLC. Resus Energy PLC, Sampath Bank PLC, Teejay Lanka PLC and United Motors Lanka PLC. He is a former Vice- Chancellor of the University of Moratuwa, former Member of the University Grants Commission and National Research Council, 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, Fellow member of The Institute of Chartered Accountants, Sri Lanka and has obtained a Higher National Diploma in Business Studies United Kingdom. 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) Ltd. 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 Insurance Lanka Limited, Bogo Power Limited, Melsta Tower (Pvt) Limited, Melsta Healthcare Services and Melsta Hospital Management Services, 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 and a Founder of Pacific Textiles Holdings Limited . Mr. Wan is responsible for leading the management team, overseeing the overall production and operation, providing corporate direction and formulating business strategies of Pacific Textiles Holdings Limited. Mr. Wan has over 49 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

PUBUDU DE SILVA
Group Chief Executive Officer

Mr. De Silva has over 30 Years' experience in the Apparel and Textile Industry of which 19 years is directly in manufacturing experience in the textile industry.

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.

Mr. De Silva was recently appointed as the Chairman of Fabric and Apparel Accessory Manufacturing Association (FAAMA), The apex body for Fabrics and Textile Industry in Sri Lanka.

SANJAYA BASNAYAKE
Chief Operating Officer - Production & Engineering

Mr. Basnayake has total work experience of over 26 years in the industry of which he has spent over 17 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
Chief Financial Officer

Mr. Nishtar holds over 14 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 Finance, Information Technology and Commercial Functions. As an Executive Committee Member his responsibilities include Annual Strategic Planning, Long Range Planning, Investor Relations and Administration of the Group.

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.

PAMODA KARIYAWASAM
Senior General Manager - Sales & Marketing and Supply Chain

Mr. Kariyawasam has over 15 years work experience in the fields of Finance, Supply Chain, Planning and Marketing of which 12 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 Sales, Marketing and Supply Chain functions of Teejay Group. This includes Supply Chain Management, Strategic Sourcing Supplier Relations and maintaining Customer Relations with the key strategic customers of the Group. He is also involved in crucial strategic leadership activities such as Long-Range Planning and Setting up the overall marketing blueprint for the Group.

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. He is further trained in Lean Six Sigma Black Belt by the Caterpillar Inc. U.S.A and Leadership Development Program (LDP®) at the Center for Creative Leadership (CCL) in Singapore.

LEADERSHIP TEAM

PUBUDU DE SILVA
Group Chief Executive Officer

SANJAYA BASNAYAKE
Chief Operating Officer - Production & Engineering

SALMAN NISHTAR
Chief Financial Officer

PAMODA KARIYAWASAM
Senior General Manager - Sales & Marketing and Supply Chain

ZHU HUA JEFF
Senior General Manager - Dyeing and Finishing

CHANAKA NANAYAKKARA
Senior General Manager - Business Development, Innovation, Branding, Communication & CSR

JANAKA NANAYAKKARA
General Manager – Human Resources

SAMADHI WEERAKOON
General Manager – European Brands, Business Development, Innovation, Branding, Corporate Communication & CSR

HEMANTHA MANNAPPERUMA
General Manager – Group Internal Audit

UPUL NALLAPERUMA
General Manager – Teejay India Operation

SAMPATH KUMARAGE
General Manager - Teejay Lanka Operations

RODNEY DE RAFAYAL
CBU Head - Strategic Value Brands & Uniqlo

FACTORY LEADERSHIP TEAMS - TEEJAY LANKA

PRASANNA BANDARA
Centre of Business Excellence:
Customer Service Business Partner

SAMPATH KUMARAGE
FLT Head

HARSHANA FONSEKA
Finance Business Partner

CHAMARA KOTUWELLE
Supply Chain Business Partnerr

MANJULA RANKOTHGEDARA
Marketing Business Partner

PRINCELY WEERAKOON
Operations: Knitting

PRABATH SURAWEERA
Development Business Partner

SAJEEWA CHANDRASIRI
Operations: Finishing

EDGA MELAN
Engineering Business Partner

NILUKA BANDARA
HR Business Partner

FACTORY LEADERSHIP TEAMS - TEEJAY PRINTS

SOMASIRI MANAGE
FLT Head

PADHMANATHA BANDARANAYAKE
Operations

THARINDU DISSANAYAKE
HR Business Partner

MANJULA THUSHARA
Finance Business Partner

KOLITHA THILAKARATHNE
Operations

LALITH ATAPATTU
Centre of Business Excellence – Customer Service Business Partner

No Image Available

PRASANNA MADURAPPERUMA
Marketing Business Partner

FACTORY LEADERSHIP TEAMS - TEEJAY INDIA

UPUL NALLAPERUMA
FLT Head

PRABASH HEWAGE
Operations

RODNEY DE RAFAYAL
Marketing Business Partner

PRADEEP SAGI
Supply Chain and Capacity Fulfillment Business Partner

RAGHU RAJU
HR Business Partner

ANANDA DISSANAYAKE
Centre of Business Excellence – Customer Service Business Partner

SIRAJ AHMED
Finance Business Partner

MANAGEMENT DISCUSSION & ANALYSIS

OUR VALUES

- Integrity
- Innovate to Lead
- Collaboration
- Togetherness

ABOUT US

Teejay is one of the region's largest textile manufacturers with manufacturing operations in Sri Lanka and India, supplying fabric to some of the best international brands across the world. It is the only multinational textile mill in Sri Lanka and also operates a modern printing plant. The Group offers a wide range of products and services related to weft knit manufacturing which include lace dyeing, yarn dyeing and synthetic fabric production.

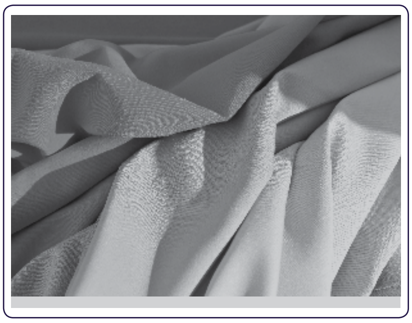
Teejay's fabrics are sourced by leading global brands across intimates to sleep wear, lingerie and active wear. Its reputation for quality and customer service combined with the ability to meet evolving customer needs in the fast-evolving fashion industry, through its innovation and research capabilities, has enabled it to build and grow a customer portfolio comprising world's leading retail brands from Europe, USA to Asia.

OUR GLOBAL FOOTPRINT

Teejay reaches markets across the USA, Europe and Asia

WE OFFER A WIDE RANGE OF PRODUCT


Cotton


Synthetics


Lace


Prints

ECONOMIC BACKDROP IN SRI LANKA 2019/20

Global Industry Conditions

The global textile market was valued at approximately USD 858 Bn in 2018 and is expected to generate around USD 1,207 Bn by 2025, at a CAGR of around 5% between 2019 and 2025. Rising per capita income, favourable demographics and a shift in preference to branded products were projected to drive the demand for the market. The adoption of luxury lifestyle among consumers has influenced the purchasing power for luxury wear among Millennials. The increasing fashion trends coupled with the evolving retail landscape across brands has been the key factor for the booming apparel market.

Key market trends in 2019 indicate a boom in online apparel sales as consumers make wardrobe purchases from their computers and hand-held devices. Some large firms with off-shore apparel production to control costs are also operating short run and replenishment facilities in the region in order to respond to fast-changing trends in the retail industry and to produce high-end apparel. To remain competitive in the global market, leading apparel manufacturers are adopting new technologies and automation throughout the supply chain. Digital technology adoption is increasing in the sector, which includes the development of an omni channel or multichannel approach to sales. (Source: The Global Apparel Market - Growth, Trends and Forecasts (2020-2025) Report).

FINANCIAL REVIEW

Introduction

Teejay Lanka PLC ended 2019/20 on an encouraging note by recording its highest Revenue, highest Gross Profit and highest Net Profit for the financial year – and that too despite its projected fourth quarter profit growth being eroded by production shutdowns at all plants in conformity with the lockdowns in Sri Lanka and India necessitated by the COVID-19 pandemic.

Commencing 2019 on a strong footing and overcoming the challenges, the Company was able to gain momentum to deliver a successful year. The COVID-19 outbreak and resultant lockdown in Sri Lanka and key markets slightly affected the company's Top Line in the last 10 days of the year.

Group performance

Teejay recorded Profit before Tax of Rs. 2.8 Bn at Group level for the 12 months ending 31 March 2020, reflecting impressive growth of 24.6% over the preceding year, a remarkable achievement considering that pre-tax Profit for the final Quarter was down 24% over the corresponding quarter of 2019/20, to Rs. 542.1 Mn. The Group posted a Net Profit of Rs. 2.4 Bn for the full year, an improvement of 28.2%, after paying income tax of Rs. 428.2 Mn, which was up 7.5% over that of the previous year. Meanwhile, Group Revenue increased consistently by 4.8% to Rs. 33.3 Bn in the year under review.

Key contributing factors in the Group profitability during 2019/20 consisted of stable yarn prices and the depreciation of the rupee, although prices of dyes and chemicals continued to increase, stemming from world market prices. Strong cash reserves of Rs. 6.2 Bn helped position the Group on a sound footing during the year.

In the early days of the pandemic, the Group was able to put into motion a number of efforts speedily even though it was also impacted. During mid-March, Teejay had to close all three plants in Sri Lanka and India which impacted the production and sales of the Company. Close attention was given to accounts receivable, payables and inventory level to match the cash flow as well as to assess any risk areas. Teejay partnered with customers on extending credit terms by additional 45-60 days, while also negotiating with suppliers on the same level to manage cash flows. All capital expenditures were frozen and overheads were strictly controlled during this time. Through the crisis, associates have demonstrated unimaginable cooperation and rallied around to support the Company to minimise cost. Teejay's rapid response to COVID-19 reflects its agility and customer centricity as it quickly adapted to evolving customer demands.

Revenue

Sustaining revenue growth into the sixth year, Teejay Lanka PLC recorded a 4.8% increase in Revenue in the year under review to achieve Rs. 33.3 Bn in comparison to Rs. 31.7 Bn achieved in the preceding year. If the financial year had concluded without the pandemic, Teejay would have reached a Revenue of Rs. 35 Bn. Some of the significant reasons for sustained revenue growth were a robust order book with an improved product mix consisting of a range of new products launched, which significantly helped Teejay expand. Further, sales to Uniqlo and Nike made up a significant portion of revenue compared to last year and cemented their position amongst the strategic eight customers of Teejay Lanka.

Operating Income

Gross profit

The Gross Profit for the year increased to Rs. 4.2 Bn, reflecting a growth of 14.7% over the previous year. The Teejay Group was on track to achieve a Gross Profit of LKR 4.6 Bn if not for the outbreak of the pandemic in the last Quarter of the financial year under

MANAGEMENT DISCUSSION & ANALYSIS

review. Stable cotton price proved beneficial and helped the Company achieve gross profit numbers during the year under review. The Group's dyes, chemicals and auxiliaries (DCA) rose due to short supply in China. The Operational Excellence journey that Teejay embarked on in the previous year and the innovative projects initiated by the Company also contributed to the increase in Gross Profit.

Operating Profit

Meanwhile, the Operating Profit for the year increased by 16.4%, from Rs. 2.3 Bn to Rs. 2.7 Bn. during the year. Increases in Distribution expenses and Administration expenses stood at 15.9% and 0.9% respectively. The escalation in distribution cost was mainly due to canvassing customers which required foreign travel. The Company also derived benefits from a favourable exchange rate as both LKR and INR depreciated against USD, which delivered exchange gains. Moreover, stringent cost control measures were implemented to meet the challenges posed during the period across all aspects of the value chain.

Net Profit

Notwithstanding the challenges faced due to the pandemic, Teejay delivered a Net Profit improvement by 28.2% to achieve Rs. 2.4 Bn in comparison to Rs. 1.8 Bn achieved in the previous year, which would have risen further to Rs. 2.7 Bn if not for COVID-19. The projects embarked upon in the Operational Excellence journey such as wastage reduction, capacity optimisation, and initiatives to curtail non-strategic costs paid off throughout the period under review. The Group also had a higher contribution of Rs. 29.8 Mn in taxes as revenue to the Government of Sri Lanka compared to Rs. 398.3 Mn in the previous year.

Shareholder Value

Teejay share price closed at Rs. 23.3 as at 31 March 2020. Following its impressive financial performance in 2019/20, dividend yield of 10.3%, making it the highest dividend declared so far with a total pay-out of Rs. 1.7 Bn. The high dividend pay-out ratio was 70.7%, is well above its 33.3% dividend pay-out policy, reflecting the Group's commitment to maximise return to its valued shareholders.

Working Capital Efficiency

The Group closed the year with a strong Balance Sheet inclusive of Rs. 6.2 Bn cash reserves with a net debt free balance sheet which will help fuel new endeavours and tide over the crisis. Responding to customer requests, credit extensions were granted until their businesses open doors once again. Creditor and Debtor days increased as a result. Inventory Days also increased due to order pushbacks and cancellations in the last few weeks of the year under review.

Fixed Capital Efficiency

Return on Assets (ROA) increased from 8.9% to 9.7% year-on-year, while Return on Equity (ROE)also saw a increase to 16.1% from 14.5% in the previous year. New capital expenditures accounted for around Rs. 1.5 Bn from reserves. Specific investments were made in niche areas in knitting, finishing and dying via modernisation of plants.

Business Operations Review

The benefits accrued from the Group's Operational Excellence journey fuelled higher profitability during the year under review in which sales and operational plans were implemented jointly with other initiatives such as cost reduction and productivity improvements. Teejay continued its focus on modernisation of its plants by investing in state-of-the-art machinery, which delivered higher yields and reduced the impact on the environment by consuming less water and power, upholding its commitment to create sustainable value for all stakeholders. The year under consideration was marked by efficient capacity utilisation, an improved product mix and effective curbing of non-strategic costs.

New Business in 2019/20

Teejay's 'narrow and deep' customer engagement strategy of focusing on strategic new customers by collaborating closely with them on R&D, innovation and new ideas yielded results in the year under review. This cooperation with Nike and Uniqlo generated a considerable volume of orders during the year under review, increasing their presence in Teejay's portfolio of customers.

Teejay counts eight leading brands as key customers, with PVH, LBrands, Calzedonia , Decathlon, M&S & Lidl as the six leading brands in terms of sales. The two emerging brands - Uniqlo and Nike - generated USD 8 Mn worth of sales during 2019/20. PVH is now licensed to sell Nike products at PVH stores and as PVH's key supplier, Teejay was able to win licenced Nike business. Garnering the PVH licenced Nike business was a strategic win for the Teejay team and one of the key highlights and achievements for the year. We expect this new business will provide a steady stream of revenue for the Company.

In its mission to diversify into new product segments, Teejay has signed a Memorandum of Understanding (MoU) with a leading Chinese company, Luen Fung textiles (LFT), to manufacture lace, thereby enhancing its product portfolio and potentially expanding customer base. As a first step, Teejay has commenced dyeing, finishing, and scalloping of raw lace material supplied by LFT at its manufacturing facilities in India. Founded in 2006 and based in China-Hong Kong, LFT is a reputed company in the business of research and development, manufacturing, selling, marketing, distributing, supplying raw materials and other related items used in the manufacture of lace and related products. LFT manufactures for popular international brands such as Target, JC Penny, Maidenform, Fruit of the Loom, Vanity Fair, Pacific Brands, Hanes, Kmart, Walmart, Lidl, and Bonds.

Customers

The first half of the year witnessed manufacturing being shifted out of China and being directed to other manufacturing locations due to worries over escalating tensions between US and China. Sri Lanka and Teejay benefitted as a result, although the upsurge in business stabilised in the second half of the year. Unfortunately, the L brands suffered a decline in global sales which impacted Teejay as well, as sales overall dipped slightly in the second half of the year under review, more specifically in the fourth quarter of the financial year. The Company's performance in the first three quarters matched the previous year's numbers except for the last quarter.

Teejay is incubating customers for the future. Its portfolio of potential customers are all leading brands in America, EU and Asia. The Company is gearing up to model its cost structure to suit value brands like supermarket chains as that is the future since even during COVID-19 they remained open. Further, US-China trade tensions will serve to direct more business towards the South Asian region - and with facilities in India and Sri Lanka, Teejay is in a win-win position. Finally, Teejay has identified four key locations in Sri Lanka to cater to the increased demand which it expects in the future. The high number of coronavirus infections in India will need to be mitigated so that they pose no risk for the Company's production process.

Teejay has ambitious plans to penetrate into new markets and is looking at potential partnerships with high profile brands in North America, EU and Asia. Forging strategically important customer relationships has been one of the pillars on which the Company has grown.

Supply Chain

Teejay's journey of Operational Excellence has brought numerous benefits along the value chain. A significant drop in cotton prices and subsequently yarn prices proved advantageous for the Company and lent a competitive edge while boosting the Bottom Line. The sourcing and delivery of chemicals and dyes was a challenge due to outbreak of COVID-19 in China, with prices for these raw materials rising during the fourth quarter. One key strategy being implemented by Teejay is supplier rationalisation, which is to evaluate suppliers against various criteria relating to quality of products given, price and reliability and compliance evaluation. The Company is also partnering suppliers by identifying new trends in the market and to empower our own staff with technical skill with the support of the suppliers. Yet another initiative by Teejay is the Green Channel, whereby it forges a partnership with suppliers so that quality approval done by them on the product is in line with its own quality checks to avoid duplication. A continuous update on mill capabilities is maintained for optimum capacity utilisation.

In terms of logistics, the entire world's logistics and supply chains were impacted in April. Teejay optimised its manufacturing facilities in India as the country went into lockdown only 10 days after Sri Lanka. As a result, Teejay was able to continue production in India for certain customers such as Calzedonia, to meet promised delivery schedules.

Due to the shutdown of stores some deliveries to customers were suspended. Despite this, Teejay continued to support and partner these brands even though it was holding inventories for them and extending credit to help them tide over the crisis. Teejay displayed agility by adopting the read and react model which necessitates shorter lead times and faster response to emerging ground realities.

R&D and Innovation

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

To strengthen customer development and new business, teams for short and long-term business have been appointed to incubate new customers and look for new brands, laying the groundwork. Innovations and product developments continued apace in 2019/20.

Another innovation is the flexi undergarment which has a 'one size fits all' property, thereby fitting all age groups and reducing waste and complexity in the garment.

A key factor driving the growth of the market is the increasing demand for natural fibres. Natural fibres

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obtained from plants and animals include cotton, silk, linen, wool, hemp, jute, and cashmere. Therefore, the increasing consumption of such natural fibres will drive the global textile market during the forecast period.

Teejay is constantly exploring new horizons in sustainable product development, including recycled, bio degradable and bio based raw materials. It has also been in the forefront of devising water and energy efficient products made with special fibres such as Linen, Cupro, Kapok etc. Teejay is on a continuous improvement journey with regard to saving water in dyeing by improving liquor ratios, dyeing times, and in through re-engineering via process, material or machinery.

NatuRaw is one of the very sustainable concepts which Teejay has innovated to offer a range of undyed products yet with a very natural earthy colour range for an authentic look.

Enhancing Efficiency

Teejay continues its pursuit of productivity improvement, cost efficacy, wastage control, recycle and reuse and sustainability in all aspects of manufacturing and engineering functions. Productivity is a key area to control costs and the team has a clear map of how to enhance its performance, with emphasis on reducing wastage in the manufacturing process. A separate team has been designated to control wastage of fabric and monitor transport footprint and other areas in holistic manner. Being a 20-year-old company, it is but natural that some machinery is aging and is being replaced with new technology to achieve improved productivity, less power consumption and enhanced efficiency.

Teejay's COVID-19 Response

Entering 2020, Teejay had much to celebrate as the new decade coincided with its 20th anniversary of successful operations . Making it even more special, the company recorded the highest revenue, the highest profit and the highest dividend pay out to shareholders in its history during FY2019/20. This impressive performance was all the more commendable against the backdrop of a global pandemic since January 2020 and the resultant disruption in global supply chains due to the economic fallout.

According to statistics released by the US Census Bureau, the value of clothing and clothing accessories sales went down by 50.5% in March 2020 in contrast to the previous year. A survey of 700 companies conducted by the International Textile Manufacturers Federation (ITMF) between 28th March and 6th April 2020 shows that companies in all regions of the world suffered significant numbers of cancellations and/or postponements of orders. Globally, current orders dropped by 31% on average.

Teejay too was faced with an unprecedented situation. Its buyers were either cancelling orders or asking for extended credit periods. Given the company's enduring partnerships with its key customers, Teejay assured them it would hold inventories for until such time the situation eased. Many of its customers faced shutdown of stores amid low customer demand.

Responding with agility, Teejay established a COVID-19 response protocol to prevent the spreading of the infection and to ensure business continuity. By mid-March 2020, Sri Lanka went into lockdown and Teejay's two manufacturing facilities in Sri Lanka closed down on 17th March except for a small team to manage the safety/fire, skeleton canteen staff and a team from HR to coordinate functions.

Mid April, the Teejay Sri Lanka plant opened with a small team of personnel for developing samples with the necessary health approvals. With time, the HR team was able to establish the necessary standards to operate the factory at up to 90% of the capacity of both the day and night shifts by 22nd May, with several restrictions brought in due to physical distancing requirements. The COVID-19 Protocol and the commitment of the HR Team in coordination with Operations and other supporting departments ensured smooth production.

Presently, Teejay can operate at 100% capacity since it has a level of automation which makes social distancing possible. The company is following all the health and safety protocols in relation to COVID-19 as mandated by the health authorities, including disinfection tunnels, thermal heat scanners etc. Simultaneously, it has a contingency plan , with a facility for quarantining.

Armed with all the precautions, Teejay is looking ahead with confidence because of its proactive approach. As the manufacture of fabric is a mechanized process and Teejay's facilities extend across nearly 1.1 million square feet, the Group's three production facilities are capable of manufacturing with their full workforce amidst the COVID-19 environment. Teejay has identified 2 new locations in Sri Lanka to cater to the increased demand which it expects in the near future as economies recover and to mitigate the risk in COVID-19 infection in India due to which its manufacturing plants in that country may not be able to operate to full capacity.

The company is also gearing up to complete the orders on hand while exploring new avenues for growth and diversification. While the apparel industry is forecasting a 35% drop year on year, Teejay is expecting a lesser impact of approximately 10% to 15% due to its agile response to the crisis. To overcome challenges, Teejay resorted to cost control measures including salary cuts.

Post-Covid Defense Product Portfolio

Adopting an optimistic attitude, Teejay then accelerated its new product development efforts to be able to not only contribute towards combating the pandemic by leveraging on its manufacturing and R&D strengths, but also creating a new line of business to sustain its operations. The product innovation focuses on Biodegradability as consumers become more aware about making sustainable choices which has inspired Teejay to design Bio-based materials which include all natural fibers with a minimum of 20% renewable carbon content from organic matter in order to be called bio-based.

The company has also innovated in the area of going chemical-free for a more natural concept which marks a shift from synthetics and chemicals.

The company commenced manufacturing fabric for Personal Protective Equipment (PPE) for health workers globally. With the team's ability to innovate and create products, the Group's new venture into the PPE market spurred it to embark on a Post-Covid Defensive strategy to manufacture defensive textiles, which is essentially chemically treated fabric with antiviral and antibacterial properties, samples of which have been distributed to customers. One type of innovation uses bamboo and seashells in the fabric for a natural, bio-degradable and organic product. Its inspiration for Anti Viral and Antimicrobial Defense fabric was born out of the understanding that concerns about personal health, hygiene and protection will top the consumer priority list as a result of the Covid-19 pandemic. Textiles that reassure and shield wearers from disease and pollution will be popular. As a result, Teejay is pioneering naturally healthy

Fabric with antibacterial plant or protein-based sources; textiles with Carbon Compounds; and Self-Cleaning fabric which could positively impact the environment by conserving water and energy, saving on the impacts and costs of laundry and dry-cleaning, and also offering anti-odour benefits.

Its strategic Post-Covid Defensive Strategy is optimizing its production facilities while COVID-19 persists, enabling the company to bridge the crisis before reverting to manufacturing for leading global brands.

Teejay has now also received approval from the Board of Investment (BOI) to produce and distribute face masks. Meanwhile, the company continues its Product Development efforts in partnership with academics and Government Institutions, driving innovation and developing new products to cope with the fallout of the pandemic.

Teejay has demonstrated its strategic outlook and agile business model by mitigating the impact of the pandemic to the greatest extent possible whilst simultaneously developing new business channels to sustain operations until such time that the industry picks up pace again.

AWARDS AND ACCOLADES

- Won the Best Textile Exporter in Sri Lanka at the Presidential Export Awards presented by the Export Development Board (EDB) in 2019
- Won the bronze award at the Social Dialog Excellence Awards (Large Scale)
- Won the CNCI awards - category on manufacturing - apparel textile and Leather products
- Won a merit award for NBEA large category
- Won the Certificate of Compliance at the 55th Annual Report Awards Competition
- Moved up three places in the Business Today Top 30 companies ranking that year and was named among the 100 Most Respected Companies in Sri Lanka by LMD

Future Outlook

Although the impact of the global pandemic is expected to persist through 2020/21, Teejay continues to be inspired by its USD 300 Mn target by 2023/24, although the figure might see some downward revision in light of the global recession. Despite the drop in sales from customers, Teejay will accelerate its manufacture of PPE and face masks to remain operational. The Group is also relooking at investment plans and focus areas to see how to redefine new strategies. Necessary capacity expansion and modernisation plans are in the pipeline, in addition to bringing in new machinery for prints. Capacity in Teejay India had to be curtailed due to pandemic but the management is looking at new opportunities and have outsourced to partners to maximise profitability. A further shift in business away from China to Sri Lanka will also be a welcome move. Teejay's production

MANAGEMENT DISCUSSION & ANALYSIS

process is highly mechanised which makes it possible to sustain manufacturing amid strict COVID-19 restrictions such as social distancing.

Overall, FY2020/21 promises to be an interesting year as the Group, armed with adequate risk and controls, and having implemented a positive assurance framework, is well poised in all respects and at an advanced stage in its journey of operational excellence to bounce back quicker once the green shots of global recovery are seen.

SUSTAINABILITY REPORT

HR Review

Teejay Lanka PLC's success has been driven by a team of skilled and committed associates, many of whom have grown into leadership roles. Considering the numerous challenges faced by the Group during the year, the exceptional commitment of the team is what sets Teejay apart from the rest of the industry. More importantly, amid the pandemic, the entire team came together as one family to protect and care for others in the team.

Recruitment & Selection

A process was established to seek out high quality talent to fill the vacancies created by departures and new positions created to meet the evolving business structure based on the Long-Range Plan (LRP). Induction and onboarding were also carried out to meet the new requirement of "rapid deployment" of competent talent.

Training & Development

Enhancing the capacity of the existing teams and developing the new entrants to fit into their roles is the main function of T&D. Further reinforcing all teams to face new challenges by developing new skills and knowledge is also a part of the core role of this function. For this through the year the following was carried out:

- SLITA Diploma: Conducted internally by the Sri Lanka Institute of Textile & Apparel to develop technical knowledge of associates, staff and executive grade members who wish to develop their technical knowledge of fabric.
- Fabric Technocrat: Conducted by the internal faculty and selected external sources to develop staff grade personnel to take up executive level responsibilities.
- Next Step Programme (NSP): A specially designed program conducted by external sources to develop executives and senior executives to take up higher responsibility.
- Management Development Programme (MDP): A specially designed programme conducted by external sources to develop assistant managers and managers to take up higher responsibility.
- Indian Institute of Management – Ahmedabad, Senior Leadership Development Programme: Selected manager level and above candidates were sent for this special programme to reinforce the second-tier leadership teams.

Further programmes to enhance motivation leadership and technical knowledge were conducted internally by external sources and team members were provided the opportunity of exposure and knowledge enhancement through participation in local and overseas programme. Teams from Sri Lanka were provided the opportunity to visit Teejay India on familiarisation Programme while teams from Teejay India also visited Sri Lanka for exposure.

Performance Management

The annual performance appraisal for the Executive cadre is based on '9 Box', which is used in succession planning as a method of evaluating an organization's current talent and identifying potential leaders. The appraisal was conducted for the managerial cadre with promotions and recruitments based on this strategic plan. Accordingly, appraisals were completed so as to place employees in the '9 Box' grid and identify the skills gaps to conduct training and development to elevate employees to higher standards.

Compensation & Welfare

At Teejay, we have instilled a culture of caring for our own and our aim is to improve the standard of living of all associates whether it is by helping them financially to improve their living conditions or by helping their families in case of sick or disabled children by covering cost for medical procedures. The annual REACH programme was held to enhance the quality of life of needy staff and associate personnel. This initiative serves to bring the team closer and for associates to reach out to one another with empathy and compassion.

Additionally, support for personnel affected by sickness and natural disasters is also provided. The distribution of schoolbooks and bags for children from Grade 1 to 13 was carried out during the year under review.

Rest and recreations is essential for a healthy and happy team. The Annual Excursion in 2019/20 was held at Citrus Waskaduwa - with all three shifts taken on three separate occasions. This trip motivates associates and enhances the team spirit and togetherness. These events encourage our employees from different functions to interact together and forge strong bonds.

In keeping with nurturing our teams, a female counsellor was recruited by Teejay for the first time to resolve personal as well as any work related issues affecting the largely male workforce on an emotional level. The initiative has been very successful, with a record number reaching out to the counsellor and matters previously unnoticed being addressed effectively. The occupational health and safety and mental well-being of our associates is critical for the company and every effort is made to provide a fine work-life balance. The company encourages all of its associates not only in the workspace but also helps them thrive in their personal lives by promoting emotional health and well-being as well.

Employee Relationship Management

Employee relationship was addressed through "reaching out from the office to the floor and beyond" by establishing "HR Business Partners" for each department, where nominated HR team members join department meetings daily. Issues brought up during these meetings are resolved immediately with the intervention of the respective function owner. Employee council meetings are held monthly and matters brought up during these meetings resolved, ensuring employee welfare and industrial peace. The annual employee survey gives an insight into the standard of the relationship between the management and the workforce, with the areas receiving low rating converted to KPIs to be achieved during the upcoming period and suitably addressed. Concerns related to executive cadre are addressed through the Great Place to Work Survey (GPTW), where the same process as the Employee Survey is followed.

Teejay encourages a culture which values professionalism, innovation and empowerment. We empower and engage our employees through formal as well as informal channels. The formal channels include Employee of the Month, Value Champion, Department of the Month, Employee of the Year, Department of the Year, All Ideas Matter (AIM) award, long service awards, leadership development programmes and outbound trainings.

The informal channels include the Company newsletter, CSR activities, social events, sports activities and religious functions. During the year under review, 205 employees were eligible for the long service award and 65 of them are awarded with half sovereign and remaining 140 awarded with full sovereign. Through the AIM award, we were able to promote an innovative culture within the workplace by encouraging our employees to think out of the box.

Environment, Health & Safety

The principle we follow is that 'we need to help the environment to grow to be a better place than when we entered it'. Our industry depends heavily on the environment for sustenance, which requires us to be aware and responsible for its positive development. Emission monitoring and testing, maintaining sound and light levels and certification as per the stipulated standards ensure the responsibility is upheld.

Our employees' health is treated as paramount, thus the need for a dependable monitoring and support process consisting of annual employee health checks, a robust medical unit with visiting doctors and stringent health monitoring ensures that employee health is well supported.

Safety is managed through a robust monitoring and reporting system. Fire being one of our main threats, the detection and protection systems are continually upgraded with stringent maintenance. Drills and training are carried out to meet the necessary standards and the practical necessity. The Safety Committee is constituted under the leadership of the CEO and the management team. The Safety Audit is conducted to cover departments based on a calendar routine and the matters are discussed and resolved during the monthly safety meeting. PPE is provided for all employees as needed.

Social Sustainability

At Teejay, two of the fundamental pillars we base our aspirations on are partnerships and sustainability: not just mutually beneficial partnerships with our customers, but fostering partnerships amongst the very communities from which we draw our diversity, our talent and our success. As a responsible company and as a leader, we shoulder the mantle in safeguarding that synergy - ensuring communities not just thrive but continue to do so in an environment conducive to sustained and inclusive economic growth. Therefore, the Teejay Group has implemented a CSR footprint where the focus is given to Hygiene & Sanitation, with a key emphasis on serving schools and public institutions such as religious institutions, hospitals and police stations within the vicinity. Teejay Lanka remains closely connected with surrounding communities and conducts a host of Corporate Social Responsibility initiatives to have a positive impact on the most vulnerable sections of society.

MANAGEMENT DISCUSSION & ANALYSIS

"IN RESPONSE TO COVID-19 TEEJAY DONATED 60,000 METERS OF FABRIC WORTH LKR 27.6 MN TO MANUFACTURE TWO MILLION MASKS IN SRI LANKA IN PARTNERSHIP WITH SRI LANKA APPAREL ASSOCIATION IN COLLABORATION WITH STATE PHARMACEUTICALS CORPORATION OF SRI LANKA (SPC) TO SUPPORT THE MEDICAL PERSONAL AND ARMED FORCES."

Given below in Table is the CSR activities conducted in 2019/20:

School/Unit	Project
Aruggamman School Fence Construction	CSR - Vicinity Development
Avissawella Base Hospital	CSR - Vicinity Development
Avissawella Nagarika Tharuna Prajava	CSR - Vicinity Development
Defunt - Ven Somaloka - Jayabodhi Temple – Avissawella	CSR - Vicinity Development
Jayabodhi Temple	CSR - Vicinity Development
Kadugoda School - Kosgama (Librabry Books)	CSR - Vicinity Development
Kanampella Kanishta Vidyalaya	CSR - Hygiene & Sanitation
Ke/Dehi/Apalapitiya Primary school	CSR - Hygiene & Sanitation
Lanka Matha Riyaduru Suba Sadaka Sangamaya	CSR - Vicinity Development
Manakada Kanishta Vidyalaya	CSR - Hygiene & Sanitation
National STD/AIDS Control Programme	CSR - Hygiene & Sanitation
President's College - Avissawella	CSR - Hygiene & Sanitation
R/ Anura Maha Vidylaya	CSR - Hygiene & Sanitation
Samagi Yauwana Samajaya	CSR - Vicinity Development
Samta Garment	CSR - Vicinity Development
Seethawaka Sonduru Mithuru Padanama	CSR - Vicinity Development
Sri Sugatharama Purana Raja maha Viharaya	CSR - Hygiene & Sanitation
Sri Wijaya Elders Society	CSR - Vicinity Development
St Mary's School - Under privileged children	CSR - Vicinity Development
Thalduwa Nena Pubudu Pataka Samajaya	CSR - Vicinity Development
Vidyadarma Daham Pasala	CSR - Vicinity Development
Welfare Society- Medical Officer of Health office	CSR - Vicinity Development
Yasasa Suba Sadaka Sangamaya	CSR - Vicinity Development

In response to COVID-19 Teejay donated 60,000 meters of fabric worth LKR 27.6 Mn to manufacture two million masks in Sri Lanka in partnership with Sri Lanka Apparel Association in collaboration with State Pharmaceuticals Corporation of Sri Lanka (SPC) to support the medical personal and armed forces.

Over the past few years, Teejay has initiated several knowledge sharing exchange programmes and national forums targeting academia and students. The ongoing initiatives include the following:

- Memorandum Of Understanding (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 Memorandum Of Understanding (MOU) with the Sri Lanka Institute of Textile and Apparel (SLITA)
- An Memorandum Of Understanding (MOU) with University of Peradeniya for Smart Textiles since 2014

SUSTAINABILITY IN "SHAKTHI - GHANA – DRAVA – VAYU"

(Energy – Solid – Liquid – Air)

Environmental Sustainability

As a company that has consistently pioneered many industry firsts, the Teejay Group is also spearheading sustainable manufacturing in India and Sri Lanka through an overarching philosophy – 'SHAKTHI - GHANA – DRAVA – VAYU' – which encompasses all aspects of the impact of its operations. In Sanskrit, "Shakthi" refers to Power and Energy; "Ghana" refers to Solids; "Drava" refers to liquid; "Vayu" refers to air. These are the exact basic forms of matter, existing in physical nature, translating into Sustainable Solid Waste Management, Water Stewardship, Sustaining low emission standards, and Energy Conservation in line with the 3R concept of Reduce, Reuse & Recycle. All these components of our sustainability strategy reflect Teejay Group's vision for the planet and for future generations. This strategy is also aligned to the UN Sustainable Development Goals (SDGs). As a Group, we balance all these dimensions by ensuring sustainable practices along the entire value chain that benefits all our stakeholders. This Sustainability Report for FY2019/20 traces the valuable enhancements made in greening our footprint.

Initiatives Taken for 19/20 and Achievement	
Objective	**Achievement**
Solid Waste Management **(Ghana)**	
Non- Scheduled Solid Waste - Please refer graph	Non- Scheduled Solid Waste were disposed through registered and recommended agents by Central Environmental Authority (CEA).
Scheduled Waste	Sludge drier was purchased, and installation is in progress.
	Feasibility studies are in progress for the dried sludge incineration project. Potential collaboration with an apparel company is underway to implement a centralized inclination plant in Seethawaka Export Processing Zone (SEPZ), Documentations are been submitted to initiate the Environmental Impact Assessment (EIA) process by CEA.

MANAGEMENT DISCUSSION & ANALYSIS

Initiatives Taken for 19/20 and Achievement	
Objective	**Achievement**
Water Stewardship **(Drava)**	
	Under modernization project, high liquor ratio dye machines were replaced with low liquor ratio machines with higher efficiency and low consumption of energy.
	A project was initiated to optimize the chemical consumption of water and effluent treatment processes.
	Real-time parameter measuring system for final discharge of treated-waste water was also installed.
Air Emission **(Vayu)**	
	To further reduce the GHG emission an initiative was taken to test organic enzyme base fuel additives. This will reduce the consumption of Heavy Fuel Oil (HFO) by improving the burning efficiency
	Additional flow meters and level measurement on-line system have been installed. This will support the company to reduce 1% to 2% consumption by 2020
	To further reduce the carbon footprint Teejay undertook project to plant Mee and Naa trees at the factory premises. The Company also gifts each associate a tree sapling as a gift on 1st January 2020 to promote a green culture
Energy Consumption **(Shakthi)**	
	Air-Compressor system network was improved as a result of the modernization project. 1% of the electricity energy is anticipated to reduced.
	All outdoor and street lights are converting to operate through solar power.
	Feasibility studies were initiated for Roof-Renting option for Solar Power generation.

Type of Waste	Quantity per Month (Kg)
Cardboard	69,131
Metal	7,430
Plastic	5,940
Wood pallets	1,581
Excess yarn	3,610
Food waste	3,470

WATER STEWARDSHIP

Sri Lanka

Committed to responsible use of water, Teejay maximizes the reuse of water and is focused on increasing the percentage of water recycled at its facilities to 40% from under 10% presently.

Moreover, the company's effluent discharge complies with local environmental standards and requirements. Teejay is striving to achieve a global target of 0% discharge by 2031.

With regard to wastewater treatment, we have invested in clarifier upgrade for USD150,000 with new technology to benefit from higher efficiency better productivity and prolong life-span.

A feasibility study is currently underway on a water recycling process for the domestic water supply being used for washrooms and canteens. On completion of the project, it will enable capacity to recycle 400 cubic metres per day.

Teejay is proud to state that it has also installed a Real-time monitoring system for treated water discharge which will help monitor various parameters such as Ph rate of treated water, temperature in real time and TSS (Total Suspended Solids) rate. This technology underscores Teejay's sustainability commitment to zero pollution and to ensure zero negative impact on the environment.

Teejay continues its focus on modernisation of its plants by investing in state-of-the-art machinery. The replacement of the old machinery with low liquor ratio machines will enable Teejay to reduce the water consumed for the dying process while giving higher yield. Through these investments Teejay not only reduces the impact on the environment it also upholding its commitment to creating sustainable value for all its stakeholders

India

Brandix India Apparel City (BIAC) is equipped with a central water treatment and effluent treatment facility which is certified for ISO 14001:2015. This facility has a 400 million litre rainwater harvesting pond, which is used by Teejay India for its production and day-to-day operations.

Through initiatives established by our operational excellence journey, Teejay India was able to reduce the water consumption by 20% for manufacturing processes during last 5 years. This is one of the most significant reductions the company was able to achieve on the environmental front.

SOLID WASTE MANAGEMENT

Sri Lanka

The company generates filter pressed sludge daily in its average production and to deal with this better, the company has invested in a steam operated paddle drier or sludge drier in 2019/20 costing USD 350,000 – the first of its kind in the country - which has reduced sludge by 70%, showing a marked improvement.

The company has launched plans for conducting sludge incineration and has submitted a proposal to the Board of Investment of Sri Lanka (BOI). The environmental assessment process by CEA is currently ongoing and once approved will make Teejay the first textile company to have an Integrated Solid Waste Management facility. The land for this project has already been reserved by BOI. Teejay expects to spearhead the textile sector to initiate incineration of solid waste, supported by several large companies who have already come onboard. This will be yet another step in greening the company's carbon footprint. All solid waste will be accommodated at the incineration facility.

Teejay has also installed efficient aerators for the equalisation tank and has reactivated its DAF of Dissolved Air Flotation system as a contingency and backup plan in case of failure of the main clarifier system.

ENERGY CONSERVATION

Sri Lanka

Teejay sustains its commitment to reducing energy use and is monitoring its usage by metering all stations in a three-year program which will result in real-time monitoring of all utilities. By end of the third year, all utilities could be monitored even by a smartphone. The company has already installed many energy and flow meters for electricity steam, heavy-furnace oil water and effluent measuring along with compressed-air pressures in network.

Exploring renewable energy options, Teejay plans to foray into generating solar energy. As of now, it uses a special roofing sheet with textured coating to reduce temperature by one degree, naturally.

Finally, Teejay scored 72.5% on the Higg FEM (Facility Environmental Module) Index. Higg FEM (Facility Environmental Module) Index was developed by the Sustainable Apparel Coalition; it is a tool that enables brands, retailers and facilities of all sizes — at every stage in their sustainability journey — to accurately measure and score a company or product's sustainability performance.

India

Clean by Design (CBD) is a green supply chain efficiency program which calls upon multinational apparel retailers and fashion brands to improve upon environmental impacts in their facilities. The program, which improves industrial process efficiency, provides a comprehensive system that reduces energy, water and chemical use in textile mills in the apparel and footwear industry, which is one of the most resource-intensive production segment. Teejay India is part of this program together with PVH and has 11 energy-saving projects running in the plant presently.

Similar to Teejay Lanka, Teejay India has also embarked on a solar power project. Through this project, Teejay India has planned to set up 1.8 MW solar energy using the factory roof as well as 4 MW floating panels in the rainwater harvesting pond.

Teejay India also generates steam using a multi-fuel boiler while using paddy husk as an energy source instead of coal or furnace oil. Paddy husk, cashew shell & briquettes are readily available in Visakhapatnam. This is one of the key sustainability initiatives in India.

As a highly sustainability focused company, Teejay also finds ways and means to engage its associated in the journey to green its footprint. The Nature Club which is formed by its associates undertakes regular beach clean-ups and tree planting campaigns.

The Teejay Group has also entered into a Memorandum of Understanding (MOU) with the Wildlife and Nature Protection Society of Sri Lanka (WNPS) which enables Teejay to support and partner WNPS activities which contribute towards preserving wildlife and nature.

Going ahead, the company plans to embark on finding sustainable solutions for all aspects of its operations and to respond to wider challenges in the environment and society.

CORPORATE GOVERNANCE

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.

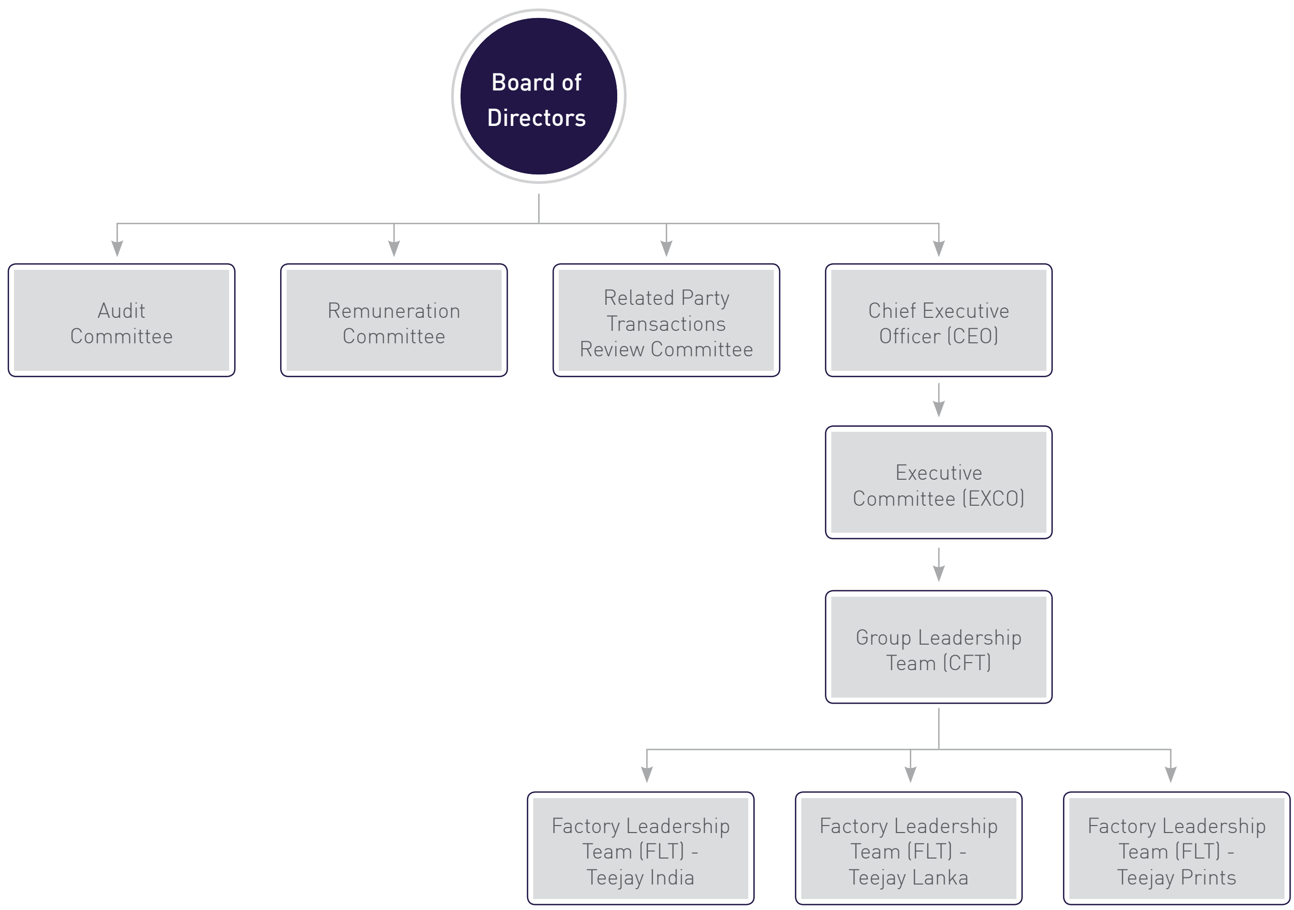
Corporate Governance refers to the framework through which a Company maintains relationships with all its stakeholders. The key stakeholders include the shareholders, directors, and management of a Company, as defined by the corporate charter, bylaws, formal policy and rule of law. Also included are 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 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 Group and, its system of Internal Controls and for the continuous review of 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 complied with 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 • Code of Conduct including a Whistle Blower Process • Health & Safety Policy • Grievance Handling Policy • Anti-Harassment Policy • Environmental Policy • Anti-corruption 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 Director. • 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 pages 54 to 55.

CORPORATE GOVERNANCE

Board Committee & Composition	Role	Further Information
Related Party Transactions 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 57.
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 pages 55 to 56.

MEETINGS & ATTENDANCE

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

Director	Board Meeting	Audit Committee	Related Party Transaction Review Committee	Remuneration Committee
Mr. Amitha Lal Gooneratne	4/4	5/5	4/4	3/3
Prof. Malik Kumar Ranasinghe	4/4	5/5	4/4	3/3
Mr. Wing Tak Bill Lam	4/4	4/5	-	-
Mr. Mohamed Ashroff Omar	4/4	-	-	3/3
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.

Reference to ICASL & CSE Listing Rules	Corporate Governance Principle	Compliance Status	Details of Teejay Lanka PLC's Compliance
A. Directors			
A.1 The Board			
A.1.1	Board Meetings	✓	The Board meets on a Quarterly basis and attendance of the meetings is given on page 38. The Board papers and the related documents are circulated one week prior to the Board meeting.
A.1.2	Board Responsibilities	✓	Board provides leadership to the Company, monitors risk management and ensures that oversight is maintained over high risk areas.
A.1.3	Compliance with the laws and access to 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, through the Board secretary.
A.1.4	Company/Board Secretary & Availability of Insurance cover for Board, Directors & 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. Teejay Lanka PLC has obtained an 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.
A.1.6	Dedication of adequate time and effort	✓	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.
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.
A.1.8	Training for new and existing Directors	✓	The Board reviews on the training and development needs of the Directors and Company are provided according to the guidelines on General aspects of directorships and industry specific matters.

CORPORATE GOVERNANCE

Reference to ICASL & CSE Listing Rules	Corporate Governance Principle	Compliance Status	Details of Teejay Lanka PLC's Compliance
A.2 Chairman and Chief Executive Officer (CEO)			
A.2	Segregation of roles of the Chairman and CEO	✓	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			
A.3.1	Chairman's Role	✓	Chairman facilitates the effective discharge of Board functions.
A.4 Financial Acumen			
A.4	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
A.5 Board Balance			
A.5.1	Presence of Non-Executive Directors	✓	All Seven Directors are Non- Executive Directors.
A.5.2	Independent Non-Executive Directors	working towards compliance	Two (02) out of Seven (07) Non-Executive Directors are independent.
A.5.3/ A.5.5 CSE Rule 7.10.1 (a),7.10.2 (a),7.10.3(a), 7.10.3(b) & 7.10.3.(c)	Independence of Non-Executive Directors	✓	Independent Non-Executive Directors are, Prof. Malik Kumar Ranasinghe Mr. Amitha Lal Gooneratne The Board considers Non-Executive Director's independence on an annual basis. Please refer pages 12 to 15 for the profiles of the Directors.
A.5.4 CSE Rule: 7.10.2.(b)	Annual Declaration of Directors	✓	Annual declarations citing their independence are obtained and submitted in a prescribed format.
A.5.6	Alternate Directors	N/A	Not Applicable.
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 of directors are Non-Executive directors.
A.5.10	Recording of concerns in Board Minutes	✓	There has not been any unresolved matters in board minutes.

Reference to ICASL & CSE Listing Rules	Corporate Governance Principle	Compliance Status	Details of Teejay Lanka PLC's Compliance
A.6 Supply of Information			
A.6.1	Management Obligation to provide appropriate and timely Information to the Board	✓	Board papers & Committee papers are provided on seven days prior to the Board Meetings.
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			
A.7.1	Nomination Committee	✓	Remunerations and Nomination Committee is in operation.
A.7.2	Assessment of Board Composition by the Nomination Committee	✓	Nomination Committee keeps track of the composition of the Board.
A.7.3 CSE Rule 7.10.3.(d)	Disclosure of New Appointments	✓	Disclosures are made when new appointments are made.
A.8 Re-Election			
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	Resignation	✓	In the event of resignation, a letter of resignation is provided by the Director.
A.9 Appraisal of Board Performance			
A.9.1 & A.9.2	Appraisal of 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.
A.10 Disclosure of Information in Respect of Directors			
A.10.1	Profiles of the Board of Directors and Other related Information	✓	Name, qualification, brief profile and nature of expertise are given in the pages 12 to 15 of this Annual Report. Directors' shareholding information is given on page 136 of this Report. The number of Board meetings attend by the Directors is available in the page 38 of this Report.
A.11 Appraisal of Chief Executive Officer (CEO)			
A.11.1 & A.11.2	Evaluation of the performance of the CEO	✓	The performances were evaluated in each quarter and ascertain whether the targets were achieved or achievement is reasonable in the circumstances.

CORPORATE GOVERNANCE

Reference to ICASL & CSE Listing Rules	Corporate Governance Principle	Compliance Status	Details of Teejay Lanka PLC's Compliance
B: Directors' Remuneration			
B.1 Remuneration procedure			
B.1.1	Establishment of a Remuneration Committee	✓	A Remuneration Committee is established.
B.1.2 & B.1.3 CSE Rule: 7.10.5 (a)	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.
B.1.4 CSE Rule:7.10.5 (b)	Determination of Remuneration of the Non-Executive Directors	✓	Remuneration of the Non-Executive Directors is decided by the Board.
B.1.5	Consultation of the Chairman and access to professional advice	✓	Committee has the authority to consult the chairman/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			
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	✓	Please refer the Report of Remuneration Committee on pages 55 to 56.
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:			
B.3.1 CSE Rule:7.10.5 (c)	Disclosure of Remuneration	✓	Refer the Report of Remuneration Committee on pages 55 to 56. 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)			
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	✓	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.
C.1.2	Separate resolution for substantially separate issues	✓	A separate resolution is proposed at an Annual General Meeting on each substantially separate item.
C.1.3	Votes and use of proxy	✓	The Company ensures that all proxy votes are properly recorded and counted.

Reference to ICASL & CSE Listing Rules	Corporate Governance Principle	Compliance Status	Details of Teejay Lanka PLC's Compliance
C.1.4	Availability of all sub-committee chairmen 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	✓	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			
C.2.1 to C.2.7	Communication with Shareholders	✓	The AGM & EGM (If any) are used as the mode of communication with the shareholders. Quarterly, Annual financial information and other announcements are shared through the CSE. The Chairman and the Directors answer all the queries raised by the shareholders at the AGM. Details of contact persons are disclosed in the Annual Report. Company Secretary maintains a record of all correspondence received and holds the responsibility to be contacted in relation to shareholder's matters. All the major issues and concerns relating to shareholders are brought to the attention of the Board.
C.3 Major And Material Transactions:			
C.3.1 & C.3.2	Disclosure of Major Transactions	✓	During the year there were no major transactions as defined by Section 185 of the Companies Act No 07 of 2007.
D: Accountability and Audit & Audit Committee			
D.1 Financial and Business Reporting:			
D.1.1 & D.1.2	Board's responsibility for 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. The 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 Executive Officer (CEO) Chief Financial Officer (CFO)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 62 and 65 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 58 to 61.

CORPORATE GOVERNANCE

Reference to ICASL & CSE Listing Rules	Corporate Governance Principle	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 is given in page 62. The Auditors' Report is available on page 65.
D.1.6	Management Discussion and Analysis	✓	Please refer Management Discussion and Analysis on pages 24 to 35.
D.1.7	Summon an EGM to notify serious loss of capital	N/A	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			
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 company has been carried out and the status reviewed at Audit Committee meeting. Mitigating actions have been identified and progress continuously reviewed. Refer pages 48 to 52 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 62.
D.3 Audit Committee			
D.3.1 CSE Rule:7.10.6 (a)	Composition of the Audit Committee	✓	The Audit Committee consists of two (2) Independent Non-Executive Directors and one (1) Non-Executive Director.
D.3.2 CSE Rule:7.10.6(b)	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. Please refer Audit Committee Report on page 53 for the duties.
D.3.3 CSE Rule:7.10.6(c)	Disclosures of the members of Audit Committee	✓	The Audit Committee report with required disclosures are given on pages 53 to 54.

Reference to ICASL & CSE Listing Rules	Corporate Governance Principle	Compliance Status	Details of Teejay Lanka PLC's Compliance
D.4 Related Party Transaction Review Committee			
D.4.1 CSE Rule:9.2.1 & 9.2.3, 9.3.1, 9.3.2 (a) & (b)	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.
D.4.2 CSE Rule: 9.2.2	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 (Independent Non-Executive Director) - Chairman Prof. Malik Kumar Ranasinghe (Independent Non-Executive Director) Mr. Hasitha Premaratne (Non-Executive Director)
D.4.3 CSE Rule : 9.2.4 9.3.2 (c), (d)	Terms of Reference	✓	Please refer Related Party Transactions Review Committee Report on page 57.
D.5 Code of Business Conduct and Ethics			
D.5.1	Code of Business Conduct and Ethics	✓	The Directors and members of the Senior Management team are bound with 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.
D.5.4	Affirmation of Code in the Annual Report by the Chairman	✓	Please refer "The Chairman's Statement on pages 6 to 8.
D.6 Corporate Governance Disclosures:			
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 36 to 47 of this report.

CORPORATE GOVERNANCE

Reference to ICASL & CSE Listing Rules	Corporate Governance Principle	Compliance Status	Details of Teejay Lanka PLC's Compliance
SECTION 2			
E: Institutional Investors			
E.1 Shareholder Voting			
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.
E.2 Evaluation of Governance Disclosures			
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:			
F.1	Adequate analysis	✓	Provide sufficient information to investors through the annual report, quarterly Financial Statements and announcements to the CSE to assist investors with their investment and divestment decisions.
F.2 Shareholder Voting			
F.2	Encouraging shareholder participation	✓	All individual shareholders are sent AGM notices well in advance, encouraging them to exercise their voting rights.
G: Internet of Things and Cyber security			
G.1	Internal & External IT devices connected to the Business Model	✓	Connection of internal and external IT devises to the organization network has been allowed with necessary access controls and firewalls to safeguard the integrity of information.
G.2	CISO (Chief Information Security Officer) and Cyber security risk management policy.	✓	Head of Group ICT is responsible to manage policy which is already implemented.
G.3	Discussions on Cyber risk management	✓	Disaster Recovery plan is implemented.
G.4	Independent periodic review and assurance	✓	Independent periodic reviews are conducted through professional firms.
G.5	Disclosure on Cyber security risk management	✓	Please refer Risk Management section on pages 48 to 52 in this annual report.
H. Environment, Society and Governance (ESG)			
H.1.1	ESG Reporting	✓	Company has included the environmental, social and governance factors in its business model. The impact of ESG issues are disclosed in Risk management report in pages 49 to 52.

Reference to ICASL & CSE Listing Rules	Corporate Governance Principle	Compliance Status	Details of Teejay Lanka PLC's Compliance
H.1.2	The Environment	✓	The Company adopts an integrated approach which takes into 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 striving towards sustainable development.
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 added Environment and Anti-corruption policies to enhance its governance framework. It also commenced a Positive Assurance Framework based on reporting of adherence to processes.

✓ - Complied

N/A - Not Applicable

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 corporate 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 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 derived through the process for all three entities are reviewed by the Audit Committee and other Board members quarterly. The 10 Step ERM process practiced by the entities is given below.

During the ERM process, the management attempts to identify risks affecting the entity, 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.

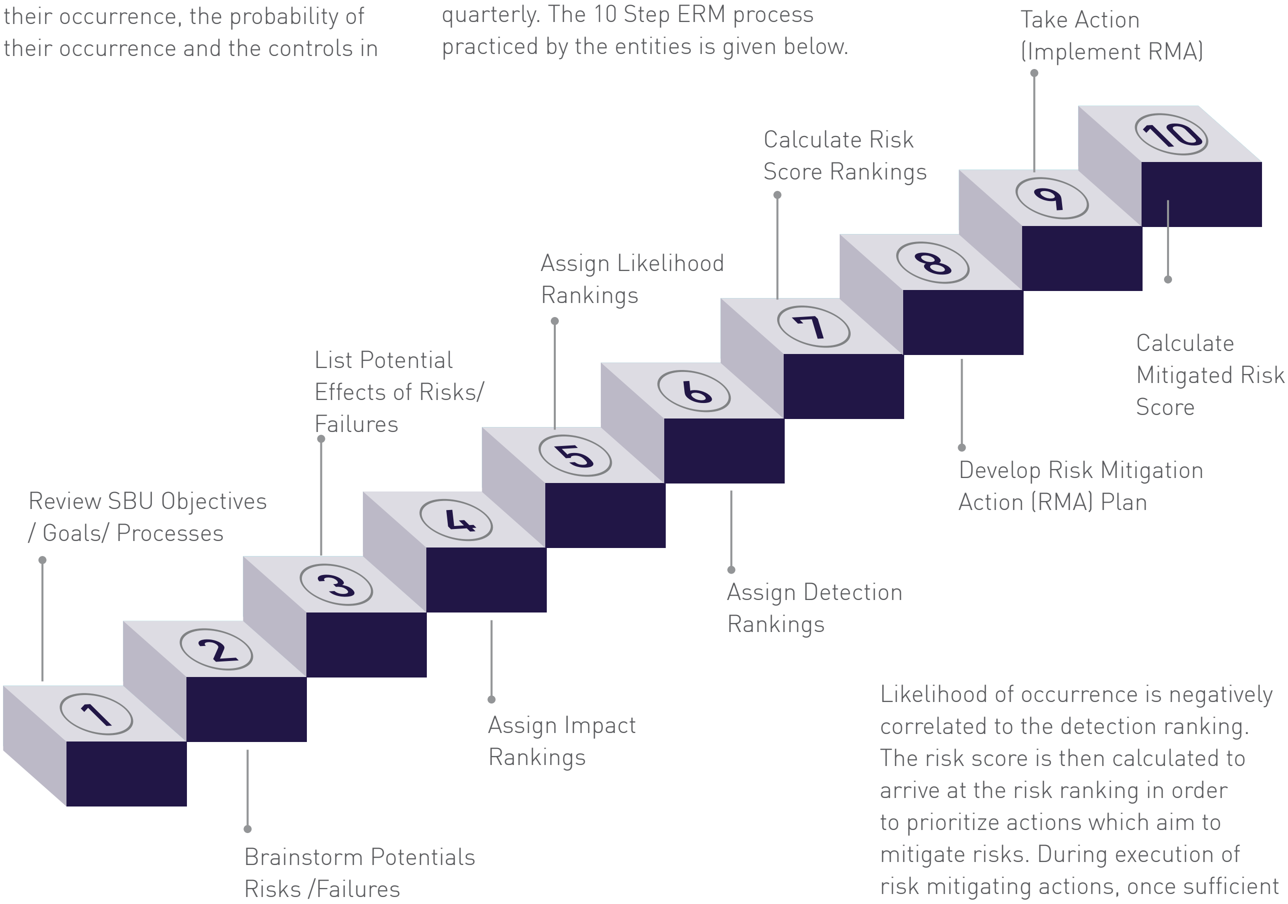
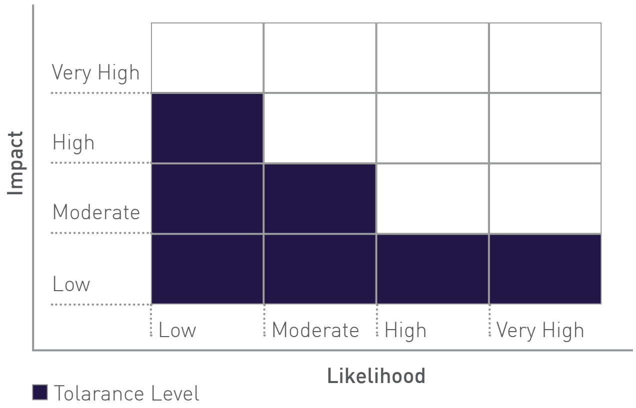
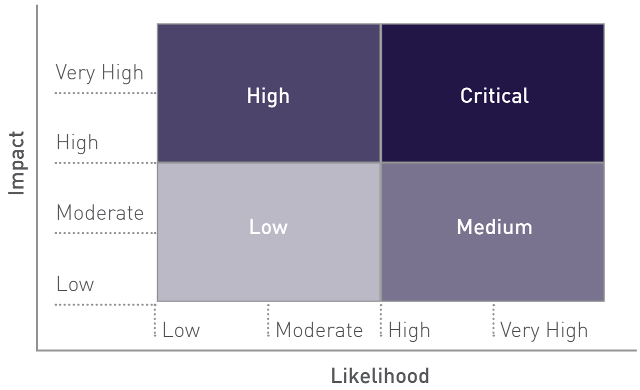


Figure 1 : 10 Step Enterprise Risk Management Model

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.





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

RISK MANAGEMENT

Risk Item	Potential Impact	Risk Mitigation	Risk Assessment
Competition / Industry Risk	Risk of 'Threats to margins, loss of market share due to the current crisis and change in consumer mind sets in relation with fashion fabric	Proactive management of key variables that influence key performance parameters. Teejay continue Strong partnership with vendors and continue to work with Global Brands. New product line being developed in the PPE industry.	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
Operational Risk			
Under Operational Risks, the management has identified the following risks as being significant for consideration.			
Capacity Risk-Raw Material	Risk of not having adequate flow of imported resources (RM, consumables) due to crisis situation	Look for alternate supply chain avenues such as India and Vietnam.	Assessed level of risk: Medium
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
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.	Assessed level of risk: Low

Risk Item	Potential Impact	Risk Mitigation	Risk Assessment
Socio Economic Risk	Risks associated with operating in the current socio-economic environment	High levels of engagement with community Investing in CSR activities.	Assessed level of risk: Low
Political Risk	Risks associates 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 continues relationships 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. Strict environmental compliances. Environment Management System and Environmental policies were up to date. Safe disposal of solid waste.	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
HR Risk & Industrial Relations Risk	Risk of employees not supporting the operations plan Risks due to COVID-19, Isolation of people, maintaining social distance in workplace, continue operation with few shifts or not in full capacity	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. Sanitization methods are in place in factories and Implementation of flexy hour policy which enable working from home (WFH) practices.	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

RISK MANAGEMENT

Risk Item	Potential Impact	Risk Mitigation	Risk Assessment
Business Risk	Risk of not being able to fill the plants due to absence of orders from strategic customers due to end market lock downs for COVID-19 situation	Sales and Operations Planing (S&OP) process that creates visibility of demand for products. Operational Excellence (OE) Journey that ensures the company stay competitive. Secured orders for Personal Protective Equipment (PPE) related products.	Assessed level of risk: Medium
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.	Assessed level of risk: Medium
Inventory Risk	Risk of carrying FG inventory that is not saleable, RM or WIP inventory that is not usable 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

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 2019/20 are illustrated below.

These are prioritized in accordance to their impacts to stakeholders and the businesses operations of the Group.

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 12 to 15 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 five times during the year. The attendance of committee members was as given in the table 'Attendance at Audit Committee Meetings' below.

Director	29 May 2019	11 July 2019	19 August 2019	20 November 2019	05 March 2020
Mr. Amitha Lal Gooneratne	√	√	√	√	√
Prof. Malik Kumar Ranasinghe	√	√	√	√	√
Mr. Wing Tak Bill Lam	×	×	√	√	√

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 continued to monitor the Fire Risk Mitigation plans of the group.

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 evaluated the independence and the performance of Internal and External Auditors. The Audit Committee maintained 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 were 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 29th July 2020. An independent firm of Accountants was engaged to conduct a special inventory review with full coverage of all inventory categories. The Audit

AUDIT COMMITTEE REPORT

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 with 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 Board of Directors that Messers Price Waterhouse Coopers continued as External Auditors for the financial year ending March 31,2021.

SRI LANKA ACCOUNTING STANDARDS

The Audit Committee reviewed the revised policy decisions relating to adoption of new and revised Sri Lanka Accounting Standards (SLFRSs/ LKASs) applicable to group and made recommendation to the Board of Directors.

ETHICS & GOOD GOVERNANCE

During the year, the Group introduced a Positive Assurance Framework that promotes frequent self-reporting of adherence to processes by the process owners of each key process area and support processes. Framework effectiveness is managed by Risk & Control department. Code of Conduct which includes Whistle-Blowers Process and an Anti-Corruption policy were put in place. The group also rolled out its "Value Drive" program through which the Company intends to get the employees to live the corporate values which are Integrity, Innovate to Lead, Collaboration and Togetherness.

CONCLUSION

The Audit Committee is satisfied that the internal controls and Enterprise Risk Management processes 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 2019-20 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 (2) Independent Non-Executive Directors one (1) of whom function as the Chairman of the Remuneration Committee and one Non-Executive Director.

The Members of the Remuneration Committee consist of;

- 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 12 to 15 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 and contribute 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

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

Director	29 May 2019	24 June 2019	20 November 2019
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, competent and experienced workforce to achieve the goals and 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. A workflow based Performance Appraisal system is in operation and is being used by all executives to record and review performance.

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

- Review of remuneration of the Board and Senior Management.
- 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 the same frequently to ensure they are in par with the market/industry rates.
- Assess and recommend to the Board of Directors the promotions of the Key Management Personnel.
- Review of succession plans and the transition plan of key members of leadership team.

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. Details of Directors emoluments are disclosed on page 100.

REMUNERATION COMMITTEE REPORT

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 (2019-20)

- Mr. Amitha Lal Gooneratne - (Chairman) (IND/NED)
- Prof. Malik Kumar Ranasinghe - (IND/ NED)
- Mr. Hasitha Premaratne - (NED)
  IND/NED – Independent Non Executive Director

(Refer to pages 12 to 15 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 2019/20 and the members ´attendance record is set out in the Conformance Report given below.

Member	29 May 2019	19 August 2019	20 November 2019	5 March 2020
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 2020

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 2020.

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 was 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 7 August 2020.

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 74.

FINANCIAL STATEMENTS

4 The financial statements which include statement of financial positions as at 31 March 2020, 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 2020 are set out on pages 68 to 138. 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 65 to 67.

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 16, Leases. The significant accounting policies including any new accounting standards adopted in the preparation of financial statements are given on pages 74 to 89.

REVIEW OF BUSINESS

7 The state of affairs of the Group and the Company as at 31 March 2020 and the financial performance for the year ended 31 March 2020 are set out in the statement of financial position and income statement on page 68, 69 and page 70 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 2020 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 772,152,238 (USD 4,419,291) representing LKR 1.10 per share approved by the shareholders at the Annual General Meeting held on 19 August 2019 in respect of the year ended 31 March 2019.

Further, the Company declared and paid an interim dividend of LKR 912,543,554 (USD 5,079,934) representing LKR 1.30 per share for the year ended 31 March 2020.

RESERVES

12 Total reserves and their composition are set out in the statement of changes in equity on pages 71 and 72 of the consolidated financial statements.

STATED CAPITAL

13 The stated capital of the Company as at 31 March 2020 amounted to LKR 4,056,683,466 (USD 37,571,594) consisting of 701,956,580 ordinary shares.

SHAREHOLDING

14 As at 31 March 2020, there were 7,903 registered shareholders and the twenty largest shareholders of the Company with the corresponding shareholding percentages held are set out as follows:

	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	36,690,030	5.23
HSBC Intl Nom Limited-BBH-Matthews Emerging Asia Fund	21,277,916	3.03
Bnymsanv Re-CF Ruffer Investment Funds : CF Ruffer Pacific Emerging Markets Fund	19,000,000	2.71
HSBC Intl Nom Limited-JPMCB NA-Fidelity Asian Values PLC	18,420,373	2.62
Citibank Newyork S/A Norges Bank Account 2	17,200,229	2.45
Melstacorp PLC	12,622,428	1.80
Employees Provident Fund	6,979,333	0.99
Jpmbl Sa-Kapitalforeningen Institutionel Investor, Asiatiske Smid Cap Aktier	5,948,284	0.85
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	4,195,979	0.60
Standard Chartered Bank Difc Branch S/A Efg Hermes Oman LLC	3,614,630	0.51
Sri Lanka Insurance Corporation Limited-Life Fund	3,455,238	0.49
Commercial Bank Of Ceylon Plc/Metrocorp (Pvt) Ltd	3,000,000	0.43
Periceyl (Private) Limited A/C No. 03	2,694,100	0.38
Nuwara Eliya Property Developers (Private) Limited	2,285,200	0.33
East India Holding (Private) Limited	2,145,813	0.31
South Asian Investment (Pvt) Ltd	2,085,134	0.30

As at 31 March 2020 the public shareholding was 38.88% (272,944,655 shares).

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 2020:

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

The Board has determined that Mr. Amitha Gooneratne and Prof. M.K. Ranasinghe who have served the Board for more than nine (9) years are Independent Directors as they are not directly involved in the Management of the Company.

The Board, having considered the said fact, believes that Mr. Amitha Gooneratne and Prof. M.K. Ranasinghe should continue to serve on the Board as Independent Directors notwithstanding the fact that they have served on the Board for a period of nine (09) years as it is beneficial to the Company and its Shareholders.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

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 100.

DIRECTOR'S INTEREST IN SHARES

18 At the beginning and the end of the financial year 2019/20, Mr. Hasitha Premaratne held 40,000 shares of the Company. Other directors did not hold any shares at the beginning and the end of the financial year 2019/20.

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. 10 of 2006 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The statement of directors' responsibility for financial reporting is given on page 62.

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 89 to 93.

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 19th 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 committee appointed by the Board. This scheme 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 obtained shareholder approval on 19 August 2019, for the Company to grant further share options under the ESOS after 1 May 2018 (latest grant date), 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.

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

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. No share options were granted under the ESOS during the financial year ending 31st March 2020.

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 28,279,174 during the year ended 31 March 2020 for charitable purposes (2019 - LKR 692,013).

GOING CONCERN

27 The financial statements are prepared on going concern principles. After making adequate enquiries from 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 after the reporting period which 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 2021 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 6 to 9.

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 2020; 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 2020,

  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 STATEMENT

A LIFETIME OF VALUE

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 2020, 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 comprehensive income for the year then ended;
- the statement of financial position as at 31 March 2020;
- 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 judgment, 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 Company and Group:

Key audit matter	How our audit addressed the Key audit matter
Valuation of inventories	
The Company and Group had inventories valued at lower of cost and net realisable values of LKR 3,7 Bn and LKR 5,9 Bn respectively as at 31 March 2020, which comprised raw materials, work in progress, finished goods, engineering spares and consumables as disclosed in Note 20 to the financial statements. The total inventories represented approximately 19% and 22% of the Company's and Group's total assets respectively. The Group estimates the write down required for slow moving and obsolete inventory and for identified items of inventory for specified job orders, based on the inventory residence periods and subsequent realisable values respectively to determine Net Realisable Value (NRV) of items of inventory.	We evaluated the significant assumptions and methodologies applied by management to identify and determine the write down required for values of slow moving and obsolete inventory categories. We compared the residence periods and write down determined by management in the current year to those applied in prior years and checked the reasonableness of basis for write down to net realisable values using our understanding of industry practices. Further, we reviewed the year to year movement in the amount considered for write down for each category of inventory considering subsequent write offs, reversals on re-use and amounts realised on disposals. We also compared the cost of items of inventories as at 31 March 2020 to their net realisable values subsequent to year end.

INDEPENDENT AUDITOR’S REPORT

Key audit matter	How our audit addressed the Key audit matter
Further, the write down to net realisable value for all slow and non-moving inventories of engineering spares and consumables are based on the inventory days and identification of specific inventories requiring write down, through verification by management. We focused on this area as inventories represent a significant balance to total assets and estimation of write down to net realisable value involve a high level of management judgement which could result in measurement uncertainty.	We performed a recalculation of the inventory write down amounts made to individual inventory categories based on the system generated inventory ageing reports, for which system reliance was placed. Further, we checked the write down amounts considered by management for damaged and obsolete inventory, if any, that were physically identifiable during our stock count observation. Based on the procedures performed above, we found management’s judgement and estimates in determining the amount of write down required 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

7 August 2020

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T U Jayasinghe FCA, H P V Lakdeva FCA, M D B Boyagoda ACA

STATEMENT OF COMPREHENSIVE INCOME

INCOME STATEMENT

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
Year ended 31 March	**Note**	**2020**	**2019**	**2020**	**2019**
Revenue from contracts with customers	6	33,276,976	31,746,592	19,364,894	18,038,820
Cost of sales		(29,047,934)	(28,060,534)	(17,067,349)	(16,140,244)
Gross profit		4,229,042	3,686,058	2,297,545	1,898,576
Other income - net	7	172,617	246,073	701,134	652,736
Distribution expenses		(195,150)	(168,321)	(133,592)	(109,988)
Administrative expenses		(1,428,813)	(1,415,749)	(769,660)	(755,888)
Net impairment losses on financial assets	21 (a)	(49,265)	(3,412)	(32,640)	(3,051)
Operating profit	8	2,728,431	2,344,649	2,062,787	1,682,385
Finance income	10	243,825	101,899	199,255	96,381
Finance costs	10	(160,292)	(189,486)	(18,117)	(32,812)
Net finance income / (cost)	10	83,533	(87,587)	181,138	63,569
Profit before tax		2,811,964	2,257,062	2,243,925	1,745,954
Income tax expense	11	(428,180)	(398,345)	(308,031)	(229,776)
Profit for the year		2,383,784	1,858,717	1,935,894	1,516,178
Attributable to:					
Equity holders of the parent		2,383,784	1,858,717		
Earnings per share					
Basic earnings per share (LKR)	12 (a)	3.40	2.65		
Diluted earnings per share (LKR)	12 (b)	3.40	2.65		

The notes on pages 74 to 138 form an integral part of these financial statements
Independent auditor's report is set out on pages 65 to 67

STATEMENT OF COMPREHENSIVE INCOME

OTHER COMPREHENSIVE INCOME

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
Year ended 31 March	Note	2020	2019	2020	2019
Profit for the year		2,383,784	1,858,717	1,935,894	1,516,178
Other comprehensive income					
Items that will not be reclassified to income statement					
Remeasurement of retirement benefit obligations	26	(93,029)	(7,016)	(29,787)	11,708
Deferred tax attributable to remeasurement of retirement benefit obligations	27	25,696	4,869	4,170	(1,639)
		(67,333)	(2,147)	(25,617)	10,069
Items that may be subsequently reclassified to income statement					
Cash flow hedges	31	Nil	(9,673)	Nil	(9,673)
Currency translation differences		1,091,633	1,594,105	930,816	1,405,557
		1,091,633	1,584,432	930,816	1,395,884
Other comprehensive income for the year		1,024,300	1,582,285	905,199	1,405,953
Total comprehensive income for the year		3,408,084	3,441,002	2,841,093	2,922,131
Attributable to:					
Equity holders of the parent		3,408,084	3,441,002		

The notes on pages 74 to 138 form an integral part of these financial statements
Independent auditor's report is set out on pages 65 to 67

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
As at 31 March	Note	2020	2019	2020	2019
ASSETS					
Non-current assets					
Property, plant and equipment	14	8,777,251	8,408,235	4,479,083	4,219,003
Right-of-use assets	15	910,400	Nil	467,711	Nil
Capital work-in-progress	16	589,511	119,098	576,587	63,327
Intangible assets	17	77,726	94,321	26,198	35,979
Goodwill	17	62,298	57,912	Nil	Nil
Investments in subsidiaries	18	Nil	Nil	3,249,687	3,020,911
Lease rentals paid in advance	21 (d)	Nil	235,887	Nil	93,587
Deferred tax assets	27	256,257	111,021	Nil	Nil
		10,673,443	9,026,474	8,799,266	7,432,807
Current assets					
Inventories	20	5,904,129	4,494,420	3,740,732	2,778,251
Trade and other receivables	21	4,136,507	4,012,653	2,633,169	2,721,113
Current tax receivables		18,219	8,766	Nil	Nil
Other financial assets	22	967,425	553,370	761,240	361,701
Cash and cash equivalents	23	5,262,770	4,290,248	3,807,121	3,098,321
		16,289,050	13,359,457	10,942,262	8,959,386
Total assets		26,962,493	22,385,931	19,741,528	16,392,193
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	Nil	Nil	Nil
Exchange equalisation reserve	32	5,263,417	4,171,784	4,819,986	3,889,170
Share option scheme	34	96,760	96,760	96,760	96,760
Retained earnings	33	6,231,783	5,600,028	4,293,801	4,068,220
		15,648,643	13,925,255	13,267,230	12,110,833
Non-current liabilities					
Borrowings	25	412,192	801,182	Nil	Nil
Lease liabilities	15	627,993	Nil	341,604	Nil
Deferred tax liabilities	27	647,592	538,266	338,381	335,543
Retirement benefit obligations	26	377,583	251,932	216,868	181,065
		2,065,360	1,591,380	896,853	516,608
Current liabilities					
Trade and other payables	24	5,642,679	4,702,611	3,445,366	2,869,519
Current tax liabilities		91,594	Nil	91,594	Nil
Borrowings	25	3,502,111	2,166,685	2,032,746	895,233
Lease liabilities	15	12,106	Nil	7,739	Nil
		9,248,490	6,869,296	5,577,445	3,764,752
Total liabilities		11,313,850	8,460,676	6,474,298	4,281,360
Total equity and liabilities		26,962,493	22,385,931	19,741,528	16,392,193

These financial statements are in compliance with the requirements of the Companies Act No, 07 of 2007.

Salman Nishtar
Chief Financial Officer

Pubudu De Silva
Chief Executive Officer

The Board of Directors is responsible for the preparation and presentation of these financial statements. The financial statements were authorised for issue by Board of Directors on 7 August 2020.

Signed on behalf of the board on 7 August 2020.

Mohamed Ashroff Omar
Director

Hasitha Premaratne
Director

The notes on pages 74 to 138 form an integral part of these financial statements
Independent auditor's report is set out on pages 65 to 67

STATEMENT OF CHANGES IN EQUITY - GROUP

(all amounts in Sri Lanka Rupees Thousands)

	Note	Stated capital	Hedging Reserve	Exchange equalisation reserve	Share option scheme	Retained earnings	Total
Balance at 1 April 2018		4,056,683	9,673	2,577,679	85,505	4,971,882	11,701,422
Profit for the year		Nil	Nil	Nil	Nil	1,858,717	1,858,717
Other comprehensive (loss) / income for the year		Nil	(9,673)	1,594,105	Nil	(2,147)	1,582,285
Total comprehensive (loss) / income for the year		Nil	(9,673)	1,594,105	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	Nil	4,171,784	96,760	5,600,028	13,925,255
Balance at 1 April 2019		4,056,683	Nil	4,171,784	96,760	5,600,028	13,925,255
Profit for the year		Nil	Nil	Nil	Nil	2,383,784	2,383,784
Other comprehensive income / (loss) for the year		Nil	Nil	1,091,633	Nil	(67,333)	1,024,300
Total comprehensive income for the year		Nil	Nil	1,091,633	Nil	2,316,451	3,408,084
Transactions with owners:							
Final dividend paid - 2018/19	13	Nil	Nil	Nil	Nil	(772,152)	(772,152)
Interim dividend paid - 2019/20	13	Nil	Nil	Nil	Nil	(912,544)	(912,544)
		Nil	Nil	Nil	Nil	(1,684,696)	(1,684,696)
Balance at 31 March 2020		4,056,683	Nil	5,263,417	96,760	6,231,783	15,648,643

The notes on pages 74 to 138 form an integral part of these financial statements
Independent auditor's report is set out on pages 65 to 67

STATEMENT OF CHANGES IN EQUITY - COMPANY

(all amounts in Sri Lanka Rupees Thousands)

	Note	Stated capital	Hedging Reserve	Exchange equalisation reserve	Share option scheme	Retained earnings	Total
Balance at 1 April 2018		4,056,683	9,673	2,483,613	85,505	3,770,397	10,405,871
Profit for the year		Nil	Nil	Nil	Nil	1,516,178	1,516,178
Other comprehensive (loss) / income for the year		Nil	(9,673)	1,405,557	Nil	10,069	1,405,953
Total comprehensive (loss) / income for the year		Nil	(9,673)	1,405,557	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	Nil	3,889,170	96,760	4,068,220	12,110,833
Balance at 1 April 2019		4,056,683	Nil	3,889,170	96,760	4,068,220	12,110,833
Profit for the year		Nil	Nil	Nil	Nil	1,935,894	1,935,894
Other comprehensive income / (loss) for the year		Nil	Nil	930,816	Nil	(25,617)	905,199
Total comprehensive income for the year		Nil	Nil	930,816	Nil	1,910,277	2,841,093
Transactions with owners:							
Final dividend paid - 2018/19	13	Nil	Nil	Nil	Nil	(772,152)	(772,152)
Interim dividend paid - 2019/20	13	Nil	Nil	Nil	Nil	(912,544)	(912,544)
		Nil	Nil	Nil	Nil	(1,684,696)	(1,684,696)
Balance at 31 March 2020		4,056,683	Nil	4,819,986	96,760	4,293,801	13,267,230

The notes on pages 74 to 138 form an integral part of these financial statements
Independent auditor's report is set out on pages 65 to 67

STATEMENT OF CASH FLOWS

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
Year ended 31 March	Note	2020	2019	2020	2019
Cash flows from operating activities					
Cash generated from operations	35	4,209,437	3,774,400	2,871,190	2,341,579
Finance income received	10	120,065	101,899	92,556	74,034
Finance cost paid	10	(112,865)	(159,980)	(28)	(32,812)
Retirement benefit obligations paid	26	(62,845)	(35,091)	(34,908)	(14,938)
Tax paid		(305,159)	(96,220)	(165,338)	Nil
Net cash generated from operating activities		3,848,633	3,585,008	2,763,472	2,367,863
Cash flows from investing activities					
Additions or expenses incurred on capital work-in-progress	16	(1,461,606)	(812,944)	(985,038)	(444,482)
Net (increase) / decrease in investment in financial assets		(414,055)	236,008	(399,539)	258,513
Proceeds from sale of property, plant and equipment		Nil	268	Nil	Nil
Net cash used in investing activities		(1,875,661)	(576,668)	(1,384,577)	(185,969)
Cash flows from financing activities					
Dividend paid	13	(1,684,696)	(1,228,424)	(1,684,696)	(1,228,424)
Settlement of borrowings		(330,449)	(332,060)	Nil	Nil
Proceeds received from bank borrowings		886,350	81,360	886,350	Nil
Principal elements of lease payments	15	(7,638)	Nil	(6,512)	Nil
Net cash used in financing activities		(1,136,433)	(1,479,124)	(804,858)	(1,228,424)
Net increase in cash and cash equivalents		836,539	1,529,216	574,037	953,470
Cash and cash equivalents at beginning of year		4,265,854	2,736,638	3,073,938	2,120,468
Cash and cash equivalents at the end of the year	23	5,102,393	4,265,854	3,647,975	3,073,938

The notes on pages 74 to 138 form an integral part of these financial statements
Independent auditor's report is set out on pages 65 to 67

NOTES TO THE FINANCIAL STATEMENTS

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

1 GENERAL INFORMATION

Teejay Lanka PLC is a public limited company incorporated in Sri Lanka on 12 July 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 7 August 2020.

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 18 to these financial statements.

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 / amortised cost.

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 2019:

(i) SLFRS 16; Leases

SLFRS 16 affected primarily the accounting by lessees and resulted 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 is 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 is replaced with interest and depreciation, so key metrics like EBITDA gets changed.

Operating cash flows are 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 does 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.

(ii) Prepayment Features with Negative Compensation – Amendments to SLFRS 9

The narrow-scope amendments made to SLFRS 9; Financial Instruments, which enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss.

To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

(iii) IRIC 23 Uncertainty over Income Tax Treatments

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;

- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, ie that detection risk should be ignored;

- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;

- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and

- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

While there are no new disclosure requirements, entities are reminded of the general requirement to provide information about judgements and estimates made in preparing the financial statements.

(iv) Plan Amendment, Curtailment or Settlement – Amendments to LKAS 19

The amendments to LKAS 19 Employee Benefits clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change.

NOTES TO THE FINANCIAL STATEMENTS

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

- recognise any reduction in a surplus immediately in profit or loss, either as part of past service cost or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling.

- separately recognise any changes in the asset ceiling through other comprehensive income.

The adoption of the above amendments did not have a material impact to the financial statements of the Group and Company except for SLFRS 16. The Company elected to adopt SLFRS 16 retrospectively but recognised the cumulative effect of initially applying the new standard on 1 April 2019. This is disclosed in Note 37.

(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 2020.

(i) Definition of Material – Amendments to LKAS 1 and LKAS 8

The amendments to LKAS 1; Presentation of Financial Statements and LKAS 8; Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in LKAS 1 about immaterial information.

In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and

- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

This amendment is effective for the annual periods beginning on or after 1 April 2020.

(ii) Definition of a Business – Amendments to SLFRS 3

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

This amendment is effective for the annual periods beginning on or after 1 April 2020.

(iii) Revised Conceptual Framework for Financial Reporting

The revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting;

- reinstating prudence as a component of neutrality;

- defining a reporting entity, which may be a legal entity, or a portion of an entity;

- revising the definitions of an asset and a liability;

- removing the probability threshold for recognition and adding guidance on derecognition;

- adding guidance on different measurement basis, and

- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 April 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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 and its Subsidiaries 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 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

NOTES TO THE FINANCIAL STATEMENTS

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

by the Group and 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 - WHERE THE COMPANY IS THE LESSEE

The Group and Company leases lands.

Contracts may contain both lease and non-lease components. The Group and Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Until the 2018/19 financial year, leases of property, plant and equipment were classified as either finance leases or operating lease. From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group and Company.

The Group and Company 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 the following lease payments;

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

- variable lease payment that are based on an index or a rate.

To determine the incremental borrowing rate, the Group and Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third party financing, and

- makes adjustments specific to the lease, eg term, country, currency and security.

The Group and Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

The lease payments are discounted using the Group and Company's incremental borrowing rate. Lease payments are allocated between principal and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;

- any lease payments made at or before the commencement date less any lease incentives received;

- any initial direct costs, and

- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

As explained above, the Group and Company has changed its accounting policy for leases where the Company is the lessee. The impact of the change is included in Note 37.

Until 31 March 2019, leases of property, plant and equipment where the Group and Company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in other short-term and long-term payables. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group and Company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Group and Company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group and Company is a lessor is recognised in income on a straight line basis over the

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lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature. The Group and Company did not need to make any accounting adjustments as a result of adopting the new leasing standard as the Company did not have any assets held as a lessor.

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 and Company'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 and Company'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 and Company 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 and Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

2.11.1 FINANCIAL LIABILITIES

2.11.1.1 CLASSIFICATION AND INITIAL RECOGNITION

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

The Group and Company 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.

2.11.1.2 SUBSEQUENT MEASUREMENT

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

2.11.1.3 DERECOGNITION

The Group and Company 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

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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 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 31. 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 goods 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.

The Group applies 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 expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2020 or 1 April 2019 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.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within distribution expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against distribution expenses in the statement of comprehensive income.

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

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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 have been paid. The Group and Company 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.

Sale of goods and performance of services.

Sale are recognised upon delivery of products and customer acceptance, if any, or performance of services.

Interest income

Interest income is recognised using the effective interest method.

Royalty income

Royalty income is recognised on an accrual basis.

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 2.19 are expensed as incurred as part of net financing costs.

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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.

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.

2.28 COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with change in presentation in the current year. A summary of such changes is as follows:

Income Statement:	Group		
	As previously reported	Reclassifications	Current presentation
Administrative expenses	1,419,161	(3,412)	1,415,749
Net impairment losses on financial assets	Nil	3,412	3,412
	1,419,161	Nil	1,419,161

Income Statement:	Company		
	As previously reported	Reclassifications	Current presentation
Administrative expenses	758,939	(3,051)	755,888
Net impairment losses on financial assets	Nil	3,051	3,051
	758,939	Nil	758,939

Net impairment losses on financial assets which was previously recognised under administrative expenses are now recognised under net impairment losses in the income statement as a separate line item.

Management believes that the above re-classification gives a fairer presentation.

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.

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

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Risk	Exposure arising from	Measurement	Management
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.

(a) 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). The foreign currency exposure is disclosed under Note 21.

Sensitivity analysis

At 31 March 2020, if LKR had strengthened by 1% against USD in the financial year, profit before tax would have been decreased by LKR 31,042,459 The analysis assumes that all other variables, in particular interest rates, remain constant.

At 31 March 2020, if INR had strengthened by 1% against USD in the financial year, profit before tax would have been decreased by LKR 24,914,767 The analysis assumes that all other variables, in particular interest rates, remain constant.

During the year ended 31 March 2020, the Group and Company recorded a net foreign exchange gain of LKR 123,760,164 and LKR 106,698,990 respectively (2019 - exchange loss of LKR 29,505,523 and exchange gain of LKR 22,346,642) on transaction and translation of USD and INR denominated balances .

(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 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. The interest rate risk exposure is disclosed under Note 25 (f).

(i) Sensitivity analysis

If interest rates had been higher by 100 basis points and all other variables were held constant, the profit before tax for the year ended 31 March 2020 would have decreased by LKR 27,619,102 of Group and LKR 14,377,224 of Company (2019 - LKR 24,301,499 of Group and LKR 7,021,089 of Company). This is mainly attributable to the Group's exposure to interest rates on variable rate of interest.

Group

For the year ended 31 March	2020		2019	
	Interest expense	Profit before tax	Interest expense	Profit before tax
Borrowings	27,619	2,784,345	24,301	2,232,761

Company

For the year ended 31 March	2020		2019	
	Interest expense	Profit before tax	Interest expense	Profit before tax
Borrowings	14,377	2,229,548	7,021	1,738,933

(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.

(b) 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 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.

Credit quality of the financial assets have been disclosed in note 19.

(c) 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.

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3.1 FINANCIAL RISK FACTORS (CONTD.)

(c) Liquidity risk (Contd.)

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

Group

As at 31 March 2020	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 5 years	Over 5 years	Total
Liabilities					
Bank overdrafts (Note 25)	160,377	Nil	Nil	Nil	160,377
Amounts due to related companies (Note 24)	931,097	94,242	Nil	Nil	1,025,339
Trade and other payables (excluding statutory liabilities) (Note 24)	4,272,754	303,678	Nil	Nil	4,576,432
Borrowings (Note 25)	456,390	2,885,344	412,192	Nil	3,753,926
Lease liabilities (Note 15)	14,246	42,740	324,043	937,453	1,318,482
Total liabilities	5,834,864	3,326,004	736,235	937,453	10,834,556

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

Company

As at 31 March 2020	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 5 years	Over 5 years	Total
Liabilities					
Bank overdrafts (Note 25)	159,146	Nil	Nil	Nil	159,146
Amounts due to related companies (Note 24)	991,185	6,956	Nil	Nil	998,141
Trade and other payables (excluding statutory liabilities) (Note 24)	2,132,203	294,790	Nil	Nil	2,426,993
Borrowings (Note 25)	1,873,600	Nil	Nil	Nil	1,873,600
Lease liabilities (Note 15)	6,616	19,848	132,318	555,657	714,439
Total liabilities	5,162,750	321,594	132,318	555,657	6,172,319

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

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	2020	2019
Total borrowings (Note 25)	3,914,303	2,967,867
Less: Cash and cash equivalents and short term deposits (Notes 23 and 22)	(6,230,195)	(4,843,618)
Net debt	N/A	N/A
Total equity	15,648,643	13,925,255
Total capital	15,648,643	13,925,255
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 Lanka 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 17 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 fabric 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

(a) Critical judgements in determining the lease term - SLFRS 16

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of lands, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group and Company is typically reasonably certain to extend (or not terminate);

- If any leasehold improvements are expected to have a significant remaining value, the Group and Company is typically reasonably certain to extend (or not terminate), and

- Otherwise, the Group and Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset;

Most extension options in buildings and motor vehicles leases have not been included in the lease liability, because the Group and Company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group and Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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.

(b) COVID-19 Outbreak

COVID-19 outbreak which affected the Company and its subsidiaries operations since early March 2020 continue to evolve and change as its affects are far reaching. Accordingly, in preparing the financial statement, the management has considered the impact of COVID-19 primarily as following:

- The Company and its subsidiaries have not noted any events or conditions that may cast significant doubt about Group's ability to continue as a going concern in view of COVID-19 pandemic.

- Investments in subsidiaries are carried at cost. Company has not determined any impairment losses as at the reporting date due to the COVID-19 pandemic.

- The Group has not determined any impairment of goodwill as at reporting date due to the COVID-19 pandemic.

- Uncertainty due to COVID-19 related events are reflected in the Group's assessment of expected credit loses from its credit portfolio which are subject to a number of management judgements and estimates.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

5 SEGMENT INFORMATION (CONTD.)

(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	
	2020	2019
Textile manufacturing		
- Sri Lanka	2,541,326	2,273,615
- India	1,294,270	1,028,625
	3,835,596	3,302,240
Fabric printing		
- Sri Lanka	152,797	273,121
- India	65,994	53,406
	218,791	326,527
Total adjusted EBITDA	4,054,387	3,628,767

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

	Group	
	2020	2019
Total adjusted EBITDA	4,054,387	3,628,767
Depreciation on property, plant and equipment	(1,236,507)	(1,240,971)
Amortisation of intangible assets	(39,632)	(26,636)
Amortisation of lease rentals paid in advance	Nil	(16,511)
Depreciation on right of-use assets (Note 15 (d))	(49,817)	Nil
Net finance income / (cost)	83,533	(87,587)
Profit before income tax from continuing operations	2,811,964	2,257,062

(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 2020 Segment assets	Group 2019 Segment assets
Textile manufacturing		
- Sri Lanka	19,741,531	16,392,192
- India	14,016,692	13,173,784
Fabric printing - Sri Lanka	1,791,569	1,722,473
Total segment assets	35,549,792	31,288,449
Inter segment eliminations	(8,843,556)	(9,013,539)
Unallocated:		
Deferred tax assets	256,257	111,021
Total assets as per the statement of financial position	26,962,493	22,385,931

(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 2020 Segment liabilities	Group 2019 Segment liabilities
Textile manufacturing		
- Sri Lanka	6,135,917	3,945,818
- India	5,875,272	6,036,939
Fabric printing - Sri Lanka	211,271	255,597
Total segment liabilities	12,222,460	10,238,354
Inter segment eliminations	(1,556,202)	(2,315,944)
Unallocated:		
Deferred tax liabilities	647,592	538,266
Total liabilities as per the statement of financial position	11,313,850	8,460,676

NOTES TO THE FINANCIAL STATEMENTS

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

6 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group and the Company derives following types of revenue:

	Group		Company	
Year ended 31 March	2020	2019	2020	2019
Textile sector	31,406,823	28,957,521	19,364,894	18,038,820
Printing sector	1,870,153	2,789,071	Nil	Nil
Total revenue from continuing operations	33,276,976	31,746,592	19,364,894	18,038,820

(a) Segment revenue

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

Year ended 31 March 2020	Total segment revenue	Inter segment revenue	Revenue from external customers
Revenue			
Textile manufacturing			
- Sri Lanka	19,364,892	(399,090)	18,965,802
- India	13,458,701	(1,017,681)	12,441,020
Fabric printing			
- Sri Lanka	1,588,916	(524,650)	1,064,266
- India	805,888	Nil	805,888
Total segment revenue	35,218,397	(1,941,421)	33,276,976

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)	11,793,298
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

(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 recognised 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. 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. 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

	Group		Company	
Year ended 31 March	**2020**	**2019**	**2020**	**2019**
Scrap sales	117,366	192,259	31,165	47,124
Screen cost recovery	63,971	56,651	Nil	Nil
Royalty income [See Note (a) below and Note 36 (iv)]	Nil	Nil	611,948	598,867
Net loss on disposal of property, plant and equipment	(24,709)	(2,837)	(24,709)	(458)
Dividend income [Note 36 (vi)]	Nil	Nil	76,966	Nil
Other income	15,989	Nil	4,621	Nil
Steam coal cost recovery [Note 36 (v)]	Nil	Nil	1,143	7,203
	172,617	246,073	701,134	652,736

(a) Royalty income of LKR 611,947,917 (2019 - LKR 598,867,221) in Company solely consists of royalty received from Teejay India (Private) Limited for the year ended 31 March 2020 [Note 36 (iv)].

NOTES TO THE FINANCIAL STATEMENTS

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

8 RESULTS FROM OPERATING ACTIVITIES

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

	Group		Company	
Year ended 31 March	2020	2019	2020	2019
Directors' emoluments	7,665	35,375	7,665	35,375
Auditors' remuneration - audit	9,997	10,571	2,670	1,717
- non audit	2,664	1,323	837	1,059
	12,661	11,894	3,507	2,776
Depreciation on property, plant and equipment (Note 14)	1,236,507	1,240,971	531,841	558,256
Depreciation on right-of-use assets (Note 15)	49,817	Nil	19,364	Nil
Provision / (reversal of provision) for slow and non moving inventories (Note 20)	578,412	(80,209)	415,782	(96,881)
Provision for impairment of trade receivables [Note 21 (a)]	49,265	3,412	32,640	3,051
Amortisation of intangible assets (Note 17)	39,632	26,636	15,468	16,112
Amortisation of lease rentals paid in advance [Note 21 (d)]	Nil	16,511	Nil	4,690
Development expenditure	80,937	58,821	80,937	58,821
Repair and maintenance expenditure	388,953	331,083	247,494	206,875
Employee benefit expense (Note 9)	2,683,842	2,497,363	1,626,196	1,575,734

9 EMPLOYEE BENEFIT EXPENSE

	Group		Company	
Year ended 31 March	2020	2019	2020	2019
Salaries, wages and other fringe benefits	2,360,123	2,205,955	1,442,644	1,393,235
Defined contribution plans	226,971	209,151	142,608	133,229
Retirement benefit obligations (Note 26)	96,748	71,002	40,944	38,015
Share options granted to directors and employees [Note 34 (b)]	Nil	11,255	Nil	11,255
	2,683,842	2,497,363	1,626,196	1,575,734
Average number of persons employed by the Group and the Company during the year - full time	2,614	2,610	1,279	1,281

10 NET FINANCE INCOME / (COST)

	Group		Company	
	2020	2019	2020	2019
Finance income:				
Net foreign transaction and translation gains	123,760	Nil	106,699	22,347
Interest income on short term deposits	120,065	101,899	92,556	74,034
Total finance income	243,825	101,899	199,255	96,381
Finance costs:				
Net foreign transaction and translation losses	Nil	(29,506)	Nil	Nil
Interest expense				
- bank overdrafts	(37)	(446)	(28)	(419)
- short term bank borrowings	(28,729)	(60,334)	Nil	(32,393)
- related company borrowings [Note 36 (ix)]	(32,440)	(30,300)	Nil	Nil
- Interest charge on lease liabilities (Note 15)	(47,427)	Nil	(18,089)	Nil
- long term bank borrowings	(51,659)	(68,900)	Nil	Nil
Total finance cost	(160,292)	(189,486)	(18,117)	(32,812)
Net finance income / (cost)	83,533	(87,587)	181,138	63,569

11 INCOME TAX EXPENSE

	Group		Company	
	2020	2019	2020	2019
Current income tax:				
Current income tax on profits for the year	446,789	321,433	317,383	224,031
Minimum alternative tax credit entitlement	(64)	(96,220)	Nil	Nil
Under / (over) provision for income tax in respect of prior years	7,835	(30,630)	7,835	(14,260)
Withholding tax on inter company dividend	12,529	Nil	Nil	Nil
Total current tax:	467,089	194,583	325,218	209,771
Deferred tax:				
(Reversal) / origination of temporary differences (Note 27)	(38,909)	203,762	(17,187)	20,005
Income tax expense	428,180	398,345	308,031	229,776
Deferred tax (released) / charged to other comprehensive income (Note 27)	(25,696)	(4,869)	(4,170)	1,639
Income tax charged to statement of comprehensive income	402,484	393,476	303,861	231,415

NOTES TO THE FINANCIAL STATEMENTS

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

11 INCOME TAX EXPENSE (CONTD.)

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	
	2020	2019	2020	2019
Profit before tax	2,811,964	2,257,062	2,243,925	1,745,954
Tax calculated at effective tax rate of Group 17.6%, (2019 - 17.6%) Company 14% (2019 - 14%)	497,066	396,519	314,150	244,434
Income not subject to tax	(67,352)	(140,469)	Nil	Nil
Expenses not deductible for tax purposes	11,502	(361)	651	11,838
Impact on additional allowable expenses	(40,438)	Nil	(39,546)	Nil
Under / (over) provision for income tax in respect of prior years	7,835	(30,630)	7,835	(14,260)
Tax losses for which no deferred tax assets was recognised	Nil	144,637	Nil	Nil
Use of previously unrecognised tax losses	(45,090)	Nil	Nil	Nil
Adjustments due to the change of estimated deferred tax base in previous years	52,128	28,649	24,941	(12,236)
Withholding tax on intercompany dividend	12,529	Nil	Nil	Nil
Tax charge	428,180	398,345	308,031	229,776

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.

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 2019/2020, 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 2020.

Further information about deferred tax is provided in Note 27.

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	
	2020	2019	2020	2019
Profit attributable to equity holders of the Company	2,383,784	1,858,717	1,935,894	1,516,178
Weighted average number of ordinary shares [Note 30 (b)]	701,957	701,957	701,957	701,957
Basic earnings per share - LKR	3.40	2.65	2.76	2.16

(b) Diluted

Diluted earnings per share was 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. No weighted average shares (2019- a weighted average number of 215,539 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	
	2020	2019	2020	2019
Profit attributable to equity holders of the Company	2,383,784	1,858,717	1,935,894	1,516,178
Weighted average number of ordinary shares for diluted earnings per share (In thousands)	701,957	702,172	701,957	702,172
Diluted earnings per share - LKR	3.40	2.65	2.76	2.16

NOTES TO THE FINANCIAL STATEMENTS

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

13 DIVIDEND PER SHARE

	Group and Company			
	2020		2019	
	Per share LKR	LKR	Per share LKR	LKR
Declared and paid during the year				
Final Dividend [See note (a) below]	1.10	772,152	0.90	631,761
Interim Dividend [See note (b) below]	1.30	912,544	0.85	596,663
Total Dividend	2.40	1,684,696	1.75	1,228,424

(a) The Company has paid a final dividend of LKR 772,152,238 representing LKR 1.10 approved by the shareholders at the Annual General Meeting held on 19 August 2019 in respect of the year ended 31 March 2019.

(b) The Company declared and paid an interim dividend of LKR 912,543,554 representing LKR 1.30 per share for the year ended 31 March 2020.

14 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings on leasehold lands	Plant, machinery & equipment installation	Fixtures, fittings & factory equipment	Office equipment	Computer & communication equipment	Motor vehicles	Total
At 1 April 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 16)	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
Transferred to intangible assets (Note 17) - 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
Year ended 31 March 2020							
Opening net book value	2,903,965	4,754,116	513,099	19,473	212,274	5,308	8,408,235
Transfers from capital work-in-progress (Note 16)	13,565	772,263	141,728	2,270	52,849	25,213	1,007,888
Disposals - cost	Nil	(187,033)	(22,441)	Nil	(486)	Nil	(209,960)
- accumulated depreciation	Nil	162,891	22,100	Nil	260	Nil	185,251
Effect of change in foreign exchange rates	211,406	353,342	40,809	1,211	13,974	1,602	622,344
Depreciation charge (Note 8)	(163,131)	(865,671)	(107,115)	(6,909)	(89,561)	(4,120)	(1,236,507)
Closing net book amount	2,965,805	4,989,908	588,180	16,045	189,310	28,003	8,777,251
At 31 March 2020							
Cost	4,458,507	15,783,844	1,698,934	242,535	752,563	43,093	22,979,476
Accumulated depreciation	(1,492,702)	(10,793,936)	(1,110,754)	(226,490)	(563,253)	(15,090)	(14,202,225)
Net book amount	2,965,805	4,989,908	588,180	16,045	189,310	28,003	8,777,251

NOTES TO THE FINANCIAL STATEMENTS

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

14 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

Company	Buildings on leasehold lands	Plant, machinery & equipment installation	Fixtures, fittings & factory equipment	Office equipment	Computer & communication equipment	Motor vehicles	Total
At 1 April 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 16)	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
Year ended 31 March 2020							
Opening net book value	1,431,869	2,203,755	436,109	6,260	141,010	Nil	4,219,003
Transfers from capital work-in-progress (Note 16)	Nil	317,164	134,676	1,919	21,349	25,213	500,321
Disposals - cost	Nil	(187,033)	(22,441)	Nil	(486)	Nil	(209,960)
- accumulated depreciation	Nil	162,891	22,100	Nil	260	Nil	185,251
Effect of change in foreign exchange rates	105,455	164,288	35,774	455	8,960	1,377	316,309
Depreciation charge (Note 8)	(52,383)	(338,786)	(86,070)	(2,249)	(51,320)	(1,033)	(531,841)
Closing net book amount	1,484,941	2,322,279	520,148	6,385	119,773	25,557	4,479,083
At 31 March 2020							
Cost	2,082,727	8,423,621	1,423,102	41,307	487,854	26,649	12,485,260
Accumulated depreciation	(597,786)	(6,101,342)	(902,954)	(34,922)	(368,081)	(1,092)	(8,006,177)
Net book amount	1,484,941	2,322,279	520,148	6,385	119,773	25,557	4,479,083

(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 2020 amounted to LKR 9,152,562,605 and LKR 6,041,620,490 respectively (2019 Group - LKR 7,142,203,820 and Company - LKR 5,312,090,948).

(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 2020 are 31,15,18 and 18 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 processing zone. The remaining lease periods as of 31 March 2020 are 27 and 31 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 2020 is 10 years.

(c) Depreciation expense of Group of LKR 1,119,143,091 (2019 - LKR 1,160,228,432) and LKR 117,363,553 (2019 - LKR 80,742,381) has been charged to cost of goods sold and administrative expenses respectively. Depreciation expense of the Company of LKR 505,376,207 (2019 - LKR 536,848,375) and LKR 26,464,816 (2019 - LKR 21,407,742) has been charged to cost of goods sold and administrative expenses respectively.

15 LEASES

This note provides information for leases where the Group / Company is the lessee.

(a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

Right-of-use assets

	Group		Company	
	2020	2019	2020	2019
Land	910,400	Nil	467,711	Nil
	910,400	Nil	467,711	Nil

Lease liabilities

	Group 2020	Group 2019	Company 2020	Company 2019
Current lease liabilities	12,106	Nil	7,739	Nil
Non-current lease liabilities	627,993	Nil	341,604	Nil
	640,099	Nil	349,343	Nil

NOTES TO THE FINANCIAL STATEMENTS

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

15 LEASES (CONTD.)

(a) Amounts recognised in the statement of financial position (Contd.)

Movement relating to leases:

Right-of use assets

	Group	Company
	2020	2020
Right-of-use asset recognised as at 1 April 2019 - Land	617,526	331,578
Prepayments	21,463	23,716
Transferred from lease rentals paid in advance [Note 21 (d)]	260,826	100,270
Depreciation charged during the year - Land (Note 8)	(49,817)	(19,364)
Effect of change in foreign exchange rates	60,402	31,511
Right-of-use asset recognised as at 31 March 2020	910,400	467,711

Lease liabilities

	Group	Company
	2020	2020
Lease liability recognised as at 1 April 2019 - Land	617,526	331,578
Interest charged during the year (Note 9)	47,427	18,089
Rentals paid during the year	(55,065)	(24,601)
Effect of change in foreign exchange rates	30,211	24,277
Lease liability recognised as at 31 March 2020	640,099	349,343

(b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

Depreciation charge of right-of-use assets

	Group	Company
	2020	2020
Land (Note 8)	49,817	19,364
	49,817	19,364
Interest charge on lease liabilities (Note 9)	47,427	18,089

(c) The total cash outflow for leases of Group and Company for the financial year ended 31 March 2020 were LKR 7,638,210 and LKR 6,511,834 respectively.

16 CAPITAL WORK-IN-PROGRESS

	Group		Company	
	2020	2019	2020	2019
Balance at beginning of the year	119,098	444,541	63,327	349,528
Expenses incurred	1,461,606	812,944	985,038	444,482
Transferred to property, plant and equipment (Note 14) and [See Note (a) below]	(1,007,888)	(1,121,857)	(500,321)	(746,896)
Transferred to intangible assets (Note17)	(17,172)	(57,694)	(3,635)	(14,737)
Effect of change in foreign exchange rates	33,867	41,164	32,178	30,950
Balance at end of the year [See Note (b) below]	589,511	119,098	576,587	63,327

(a) Transferred to property, plant and equipment of Group mainly include Stenter machine cost amounting to LKR 157,892,094 and modernisation of existing dye machineries amounting to LKR 67,599,255. Transferred to property, plant and equipment of Company includes new Stenter machine of LKR 157,892,094, modernisation of existing dye machineries amounting to LKR 67,599,255 and Singeing machine amounting to LKR 29,585,654.

(b) Capital work-in-progress of Group as at 31 March 2020 mainly comprises of construction expenses related to dye machineries cost amounting to LKR 73,002,445, network monitoring system amounting to LKR 59,408,850, Sales and Operational Planning tool implementation cost amounting to LKR 41,794,593, DLP unit amounting to LKR 35,590,498 and Sludge dryer system amounting to LKR 31,148,289.

NOTES TO THE FINANCIAL STATEMENTS

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

17 INTANGIBLE ASSETS

Group	Goodwill	Computer software	Total
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 16)	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
Year ended 31 March 2020			
Opening net book amount	57,912	94,321	152,233
Transferred from capital work-in-progress (Note 16)	Nil	17,172	17,172
Effect of change in foreign exchange rates	4,386	5,865	10,251
Amortisation charge (Note 8)	Nil	(39,632)	(39,632)
Closing net book amount	62,298	77,726	140,024
At 31 March 2020			
Cost	62,298	685,122	747,420
Accumulated amortisation	Nil	(607,396)	(607,396)
Net book amount	62,298	77,726	140,024

Company	Computer software	Total
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 16)	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
Year ended 31 March 2020		
Opening net book amount	35,979	35,979
Transferred from capital work-in-progress (Note 16)	3,635	3,635
Effect of change in foreign exchange rates	2,052	2,052
Amortisation charge (Note 8)	(15,468)	(15,468)
Closing net book amount	26,198	26,198
At 31 March 2020		
Cost	510,190	510,190
Accumulated amortisation	(483,992)	(483,992)
Net book amount	26,198	26,198

(a) Amortisation charge amounting to LKR 39,631,545 (2019 Group - LKR 26,636,027) and LKR 15,467,694 (2019 Company - LKR 16,112,049) 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 Lanka Rupees Thousands unless otherwise stated)

17 INTANGIBLE ASSETS (CONTD.)

(b) Impairment tests for goodwill (Contd.)

Summary of the goodwill allocation is presented below.

	Group	
As at 31 March	2020	2019
Teejay Lanka Prints (Private) Limited	17,780	16,528
Ocean Mauritius Limited	44,518	41,384
	62,298	57,912

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:

- 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.

18 INVESTMENTS IN SUBSIDIARIES

	Company	
	2020	2019
Unquoted investments		
At the beginning of the year	3,020,911	2,666,214
Effect of change in foreign exchange rates	228,776	354,697
At the end of the year	3,249,687	3,020,911

(a) Details of the company 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

19 FINANCIAL INSTRUMENTS BY CATEGORY

(a) Financial assets - at amortised cost

	Group		Company	
	2020	2019	2020	2019
Trade receivables (Note 21)	1,687,942	1,916,192	1,267,076	1,251,787
Other receivables (excluding advances)	501,159	282,051	205,410	10,492
Amounts due from related companies (Note 21)	1,463,274	1,259,483	1,082,972	1,335,930
Other financial assets (Note 22)	967,425	553,370	761,240	361,701
Cash and cash equivalents (Note 23)	5,262,770	4,290,248	3,807,121	3,098,321
	9,882,570	8,301,344	7,123,819	6,058,231

(b) Financial liabilities - at amortised cost

	Group		Company	
	2020	2019	2020	2019
Trade payables (Note 24)	3,441,652	2,569,451	1,562,371	1,110,209
Accrued expenses (Note 24)	975,008	605,486	725,118	444,799
Other payables (Note 24)	159,772	142,303	139,504	94,986
Amount due to related companies (Note 24)	1,025,339	1,309,536	998,141	1,169,713
Borrowings from related companies (Note 25)	674,496	627,012	Nil	Nil
Short-term bank borrowings (Note 25)	2,667,238	1,515,279	1,873,600	870,850
Long-term bank borrowings (Note 25)	412,192	801,182	Nil	Nil
Bank overdrafts (Note 25)	160,377	24,394	159,146	24,383
Lease liability (Note 15)	640,099	Nil	349,343	Nil
	10,156,173	7,594,643	5,807,223	3,714,940

NOTES TO THE FINANCIAL STATEMENTS

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

19 FINANCIAL INSTRUMENTS BY CATEGORY (CONTD.)

(c) 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	
	2020	2019	2020	2019
Export customers / overseas	913,237	1,026,370	492,371	361,965
Local customers	774,705	889,822	774,705	889,822
Related parties	1,463,274	1,259,483	1,082,972	1,335,930
	3,151,216	3,175,675	2,350,048	2,587,717

Counterparties without external credit rating:

	Group		Company	
	2020	2019	2020	2019
Group 1	3,151,216	3,175,675	2,350,048	2,587,717
Group 2	Nil	Nil	Nil	Nil
Group 3	Nil	Nil	Nil	Nil
Total unimpaired trade and related party receivables	3,151,216	3,175,675	2,350,048	2,587,717

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	
	2020	2019	2020	2019
AAA	Nil	857,663	Nil	73,502
AA+	902,900	388,146	132,021	92,714
AA	25,980	34,810	25,980	34,810
A+	1,385,904	Nil	1,385,904	Nil
A	1,846	Nil	1,846	Nil
A-	446	Nil	Nil	Nil
AA-	2,175,934	2,586,357	1,844,380	2,474,473
BBB+	768,253	421,956	416,490	421,956
Cash in hand	1,507	1,316	500	866
	5,262,770	4,290,248	3,807,121	3,098,321

Other financial assets

	Group		Company	
	2020	2019	2020	2019
AA+	967,425	553,370	761,240	361,701
	967,425	553,370	761,240	361,701

20 INVENTORIES

	Group		Company	
	2020	2019	2020	2019
Raw materials	2,180,495	1,730,837	1,217,158	1,139,999
Work-in-progress	1,257,922	1,289,290	817,716	700,198
Finished goods	930,641	519,976	549,452	383,156
Engineering spares, needles and sinkers	323,821	257,726	176,894	125,788
Effluent chemicals, fuel and consumables	195,486	313,647	179,885	109,656
Goods in transit	1,015,764	382,944	799,627	319,454
	5,904,129	4,494,420	3,740,732	2,778,251

Inventories are stated after a provision for impairment of inventories and the total movement on the provision is as follows:

	Group		Company	
	2020	2019	2020	2019
Balance at the beginning of the year	406,525	433,055	275,589	332,929
Effect of change in foreign exchange rates	63,708	53,679	44,537	39,541
Provision / (reversal of provision) for slow and non moving inventories (Note 8)	578,412	(80,209)	415,782	(96,881)
Balance at the end of the year	1,048,645	406,525	735,908	275,589

NOTES TO THE FINANCIAL STATEMENTS

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

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
Current				
Trade receivables - external customers	1,732,859	1,920,502	1,295,127	1,255,509
Less - provision for impairment [See Note (a) below]	(44,917)	(4,310)	(28,051)	(3,722)
	1,687,942	1,916,192	1,267,076	1,251,787
Trade receivable due from related companies [See Note 36 (vii) (a)]	1,443,226	1,217,878	601,696	430,074
Less - provision for impairment [See Note (a) below] and [See Note 36 (vii) (a)]	(13,220)	(1,330)	(11,518)	(992)
	1,430,006	1,216,548	590,178	429,082
Other receivables from related companies [See Note 36 (vii) (b)]	33,268	42,935	492,794	906,848
	1,463,274	1,259,483	1,082,972	1,335,937
Prepayments	37,740	209,195	16,446	147,401
Other receivables [See Note (e) below]	547,556	451,287	251,806	53,623
Statutory receivables [See Note (g) below]	399,995	412,383	14,869	25,959
	4,136,507	4,248,540	2,633,169	2,814,700
Less				
Non current portion of lease rentals paid in advance [See note (d) below]	Nil	(235,887)	Nil	(93,587)
Current portion	4,136,507	4,012,653	2,633,169	2,721,113

(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 2020 or 1 April 2019 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 2020 and 1 April 2019 was determined as follows for trade receivables:

	Group		Company	
	2020	2019	2020	2019
Loss allowance	58,137	5,640	39,569	4,714

The closing loss allowances for trade receivables as at 31 March 2020 reconcile to the opening loss allowances as follows:

	Group		Company	
	2020	2019	2020	2019
Opening loss allowance as at 1 April – calculated under SLFRS 9	5,640	1,818	4,714	1,336
Increase in loss allowance recognised in profit or loss during the year (Note 8)	49,265	3,412	32,640	3,051
Effect of change in foreign exchange rates	3,232	410	2,215	327
At 31 March	58,137	5,640	39,569	4,714

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.

(b) The carrying amounts of trade and other receivables (current and non-current) are denominated in following currencies:

	Group		Company	
	2020	2019	2020	2019
US Dollars	3,337,754	3,465,179	2,531,917	2,733,091
LKR	110,359	94,340	101,252	71,557
Euro	Nil	10,050	Nil	10,052
INR	688,394	678,971	Nil	Nil
	4,136,507	4,248,540	2,633,169	2,814,700

(c) The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above. The Group / Company does not hold any collateral as security.

NOTES TO THE FINANCIAL STATEMENTS

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

21 TRADE AND OTHER RECEIVABLES (CONTD.)

(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 amortised 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:

	Group		Company	
	2020	2019	**2020**	2019
At beginning of the year	**256,265**	241,462	**98,517**	91,292
Transferred to right-of-use assets (Note 15)	**(260,826)**	Nil	**(100,270)**	Nil
Effect of change in foreign exchange rates	**4,561**	31,314	**1,753**	11,915
Amortisation (Note 8)	**Nil**	(16,511)	**Nil**	(4,690)
At end of the year	**Nil**	256,265	**Nil**	98,517

Prepaid operating leases can be analysed as follows:

	Group		Company	
	2020	2019	**2020**	2019
Current (Not later than one year)	**Nil**	20,378	**Nil**	4,930
Non-current (Later than one year)	**Nil**	235,887	**Nil**	93,587
	Nil	256,265	**Nil**	98,517

(e) Other receivables of the Group mainly consist of advances to suppliers amounting to LKR 230,297,666 (2019 - LKR 65,932,924), electricity and water deposits amounting to LKR 81,534,013 (2019 - LKR 75,544,237), MEIS rebate receivable amounting to LKR 68,571,512 (2019 - LKR 34,834,000), scrap sales receivable amounting to LKR 4,667,887 (2019 - LKR 15,522,553) and accrued interest income amounting to LKR 4,115,175 (2019 - LKR 6,114,412). Other receivables of the Company mainly consist of advances to suppliers amounting to LKR 230,297,666 (2019 - LKR 27,522,692) and refundable deposit amounting to LKR 8,117,372 (2019 - LKR 7,637,703).

(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 383,154,760 (2019 - LKR 385,190,192), WHT receivable of LKR 9,026,817 (2019- LKR 2,728,721), and VAT receivables amounting to LKR 5,842,447 (2019 - LKR 5,202,284). Statutory receivables of the Company mainly consist of ESC recoverable amounting to LKR Nil (2019 - LKR 19,262,157), WHT recoverable amounting to LKR 9,026,817 (2019 - LKR 1,822,689).

22 OTHER FINANCIAL ASSETS - AT AMORTISED COST

	Group		Company	
	2020	2019	**2020**	2019
Short term deposits	**967,425**	553,370	**761,240**	361,701

The weighted average effective interest rate of the Group on short term deposits (USD) was 4.75% - 5.00% (year ended 31 March 2019 - 3.50% - 4.15%) and short term deposits (INR) was 5.25% -5.5% (year ended 31 March 2019 - 5.5% - 6.6%). The weighted average effective interest rate of the Company on short term deposits (USD) was 4.75% - 5.00% (year ended 31 March 2019 - 3.50% - 4.15%).

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
Cash at bank and in hand	5,262,770	4,290,248	3,807,121	3,098,321

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

	Group		Company	
	2020	2019	2020	2019
Cash and bank balances	5,262,770	4,290,248	3,807,121	3,098,321
Bank overdrafts (Note 25)	(160,377)	(24,394)	(159,146)	(24,383)
	5,102,393	4,265,854	3,647,975	3,073,938

24 TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
Trade payables	3,441,652	2,569,451	1,562,371	1,110,209
Amounts due to related companies [Note 36 (viii)]	1,025,339	1,309,536	998,141	1,169,713
Accrued expenses [See Note (a) below]	975,008	605,486	725,118	444,799
Other payables	159,772	142,303	139,504	94,986
Statutory payables [See Note (b) below]	40,908	75,835	20,232	49,812
	5,642,679	4,702,611	3,445,366	2,869,519

(a) Accrued expenses of the Group mainly consist of accrued employee bonus of LKR 327,041,564 (2019 - LKR 216,324,365), electricity expenses of LKR 53,572,407 (2019 - LKR 29,747,191), accrued salaries of LKR 7,765,885 (2019 - LKR 9,021,483), air freight expenses of LKR 187,792,052 (2019 - LKR 65,322,459) and bulk discount of LKR 39,945,527 (2019 - LKR 44,605,111). Accrued expenses of the Company mainly consist of accrued employee bonus of LKR 142,902,282 (2019 - LKR 105,396,537), electricity expenses of LKR 51,867,244 (2019 - LKR 26,740,320), air freight expenses of LKR 187,792,052 (2019 - LKR 65,322,459) and bulk discount of LKR 39,945,527 (2019 - LKR 44,605,111).

(b) Statutory payables of the Group mainly consist of ESC payable of LKR Nil (2019 - LKR 25,323,970), EPF payable of LKR 27,118,861 (2019 - LKR 26,826,012) and PAYE payable of LKR Nil (2019 - LKR 3,568,395). Statutory payables of the Company mainly consist of ESC payable of USD Nil (2019 - LKR 25,323,970), EPF payable of LKR 17,501,298 (2019 - LKR 15,491,899) and ETF payable of LKR 2,625,101 (2019 - LKR 2,323,776).

NOTES TO THE FINANCIAL STATEMENTS

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

25 BORROWINGS

	Group		Company	
	2020	2019	2020	2019
Current				
Bank overdrafts (Note 23)	160,377	24,394	159,146	24,383
Short-term bank borrowings	2,667,238	1,515,279	1,873,600	870,850
Borrowing from related company [Note 36 (ix)]	674,496	627,012	Nil	Nil
	3,502,111	2,166,685	2,032,746	895,233
Non-current				
Long-term bank borrowings	412,192	801,182	Nil	Nil
	412,192	801,182	Nil	Nil
Total borrowings	3,914,303	2,967,867	2,032,746	895,233

The maturity of non-current borrowings is as follows:

	Group		Company	
	2020	2019	2020	2019
Between 1 to 2 years	412,192	418,008	Nil	Nil
Between 2 to 5 years	Nil	383,174	Nil	Nil
	412,192	801,182	Nil	Nil

(a) The interest rate exposure of the borrowings of the Group are as follows:

	Group		Company	
	2020	2019	2020	2019
Total borrowings:				
- at fixed rates	674,496	627,012	Nil	Nil
- at floating rate	3,239,807	2,340,855	2,032,746	895,233
	3,914,303	2,967,867	2,032,746	895,233

(b) Weighted average effective interest rates:

- Borrowings from related company (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		Group	
	2020		2019	
	Carrying amount	Fair value	Carrying amount	Fair value
	412,192	412,192	801,182	801,182

(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 2020 and 2019 represent book overdrawn situations. Borrowings from related company is unsecured.

(e) Bank borrowings of Group are on clean basis.

(f) The exposure of the Group's / Company's borrowings to interest rate changes and contractual repricing dates at the end of the reporting period are as follows.

	Group		Company	
	2020	2019	2020	2019
6 month or less	3,239,807	2,340,855	2,032,746	895,233

26 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY

	Group		Company	
	2020	2019	2020	2019
Statement of financial position obligations for:				
Gratuity benefits	377,583	251,932	216,868	181,065
Statement of comprehensive income charge:				
Gratuity benefits	96,748	71,002	40,944	38,015
Other comprehensive income:				
Remeasurement losses / (gains)	93,029	7,016	29,787	(11,708)

NOTES TO THE FINANCIAL STATEMENTS

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

26 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY (CONTD)

(a) The movement in the defined benefit obligation over the year is as follows:

	Group		Company	
	2020	2019	2020	2019
At the beginning of the year	251,932	207,666	181,065	171,132
Net transfers in	Nil	1,800	Nil	1,800
Current service cost	69,321	50,267	19,759	19,875
Interest cost	27,427	20,735	21,185	18,140
Remeasurement losses / (gains)	93,029	7,016	29,787	(11,708)
Benefits paid	(62,845)	(35,091)	(34,908)	(14,938)
Effect of movement in foreign exchange translation gains	(1,281)	(461)	(20)	(3,236)
At the end of the year	377,583	251,932	216,868	181,065

(b) The amounts recognised in the income statement income are as follows:

	Group		Company	
	2020	2019	2020	2019
Current service cost	69,321	50,267	19,759	19,875
Interest cost	27,427	20,735	21,185	18,140
Total included in employee benefit expense (Note 9)	96,748	71,002	40,944	38,015

As stated in paragraph 2.21 (a) under summary of significant accounting policies, a roll-forward 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 2020. 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 firm, KP actuaries and Consultants, using the Projected Unit Credit method to calculate the liability for gratuity as at 31 March 2020. The provision for gratuity is not externally funded.

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

		Group		Company	
		2020	2019	2020	2019
Discount rate		5.60% - 11.7%	7.50% - 11.7%	10.53%	11.70%
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 4.7% to 10.35%	Increase by 5.2% to 11.95%
Future salary increase	1%	Increase by 4.8% to 12.82%	Decrease by 4.5% to 11.23%
Staff turnover factor	1%	Change by -4.4% to 2.17%	Change by -2.21% to 8.4%

Company	Impact on retirement benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease by 10.35%	Increase by 11.95%
Future salary increase	1%	Increase by 12.82%	Decrease by 11.23%
Staff turnover factor	1%	Increase by 2.17%	Decrease by 2.21%

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 9 years and 12.5 years respectively. The expected maturity analysis of undiscounted retirement obligation:

	Group		Company	
	2020	2019	2020	2019
Less than 1 year	50,423	26,357	22,974	12,799
Between 1 – 2 years	103,427	57,332	81,297	43,366
Between 2 – 5 years	223,507	175,351	153,059	139,338
Over 5 years	459,618	354,158	337,399	295,710
Total	836,975	613,198	594,729	491,213

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

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	
	2020	2019	2020	2019
At the beginning of the year	427,245	192,934	335,543	276,106
(Credited) / charged to statement of comprehensive income (Note 11)	(38,909)	203,762	(17,187)	20,005
Tax (release) / charge relating to components of other comprehensive income (Note 11)	(25,696)	(4,869)	(4,170)	1,639
Effect of change in foreign exchange rates	28,695	35,418	24,195	37,793
At end of the year	391,335	427,245	338,381	335,543

A summary of deferred tax (assets) / liabilities of the Group and Company are as follows:

	Group		Company	
	2020	2019	2020	2019
Deferred tax assets	(256,257)	(111,021)	(104,917)	(76,760)
Deferred tax liabilities	647,592	538,266	443,298	412,303
Deferred tax liabilities (net)	391,335	427,245	338,381	335,543

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	
	2020	2019	2020	2019
Deferred tax assets:				
- Deferred tax assets to be recovered after more than 12 months	(256,257)	(111,021)	(104,917)	(76,760)
Deferred tax liabilities:				
- Deferred tax liabilities to be recovered after more than 12 months	471,719	371,510	308,686	278,821
- Deferred tax liabilities to be recovered within 12 months	175,873	166,756	134,612	133,482
	647,592	538,266	443,298	412,303
Deferred tax liabilities (net)	391,335	427,245	338,381	335,543

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 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
Transfer to deffered tax assets	105,128	105,128
Charged to income statement	(39,985)	(39,985)
Effect of change in foreign exchange rates	44,183	44,183
At 31 March 2020	647,592	647,592

Deferred tax assets	**Retirement benefit obligations**	**Provision for impairment of inventory**	**Provision for impairment trade receivables**	**Tax losses**	**Provision for bonus**	**Total**
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)
Re-classification from deffered tax liability	(17,364)	(12,109)	(9,942)	(65,713)	Nil	(105,128)
(Credited) / charged to income statement	(5,072)	(74,853)	5,186	79,533	(3,430)	1,364
Charged directly to other comprehensive income	(25,696)	Nil	Nil	Nil	Nil	(25,696)
Effect of change in foreign exchange rates	(4,892)	(8,475)	(328)	(537)	(1,544)	(15,776)
At 31 March 2020	(81,453)	(141,993)	(5,840)	(4,191)	(22,780)	(256,257)

NOTES TO THE FINANCIAL STATEMENTS

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

27 DEFERRED INCOME TAX LIABILITIES (CONTD.)

Company

Deferred tax liabilities	Accelerated tax depreciation	Total
At 1 April 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
Charged to income statement	(216)	(216)
Effect of change in foreign exchange rates	31,211	31,211
At 31 March 2020	443,298	443,298

Deferred tax assets	Retirement benefit obligations	Provision for impairment of inventory	Provision for impairment trade receivables	Provision for bonus	Total
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)
Charged / (credited) to income statement	1,238	(9,626)	(4,570)	(4,012)	(16,970)
Credited directly to other comprehensive income	(4,170)	Nil	Nil	Nil	(4,170)
Effect of change in foreign exchange rates	(2,087)	(3,282)	(310)	(1,338)	(7,017)
At 31 March 2020	(30,362)	(49,009)	(5,540)	(20,006)	(104,917)

28 CONTINGENCIES

There were no material contingent liabilities against the Company outstanding as at the 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 71,178,251, LKR 773,021,504, LKR 320,302,600, LKR 483,033,753 and LKR 159,775,549 for the years of assessment 2010/11, 2011/12, 2012/13, 2014/15 and 2016/17 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 631,836,189. The Company has appealed against these assessments in the Disputed Resolution Panel/Income Tax Appellate Tribunal (ITAT).

Assessment year 2010/11 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 2013/14 order was closed in favour of Company with no adjustments and no order been raised for assessment year 2015/16. No provision has been recognised in the financial statements as at 31 March 2020 pending the outcome of the appeals made.

Other than above, there were no material contingencies 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 721,326 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 721,326 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 187,360 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 515,240 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.

On adoption of SLFRS 16; Leases; effective from 1 April 2019. Leasehold rights under operating lease arrangements were recognised as right-of-use assets along with the corresponding lease liabilities.

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

29 COMMITMENTS (CONTD.)

The future aggregate minimum lease payments under cancellable operating leases as at 31 March 2020 were as follows:

	Group		Company	
	2020	2019	2020	2019
No later than one year	Nil	47,833	Nil	20,325
Later than one year and no later than five years	Nil	215,550	Nil	81,298
Later than five years	Nil	780,945	Nil	443,116
	Nil	1,044,328	Nil	544,739

Capital commitments

Capital expenditure contracted at the end of the reporting period, but not yet incurred is as follows:

	Group		Company	
	2020	2019	2020	2019
Property, plant and equipment	45,547	15,112	Nil	Nil

30 STATED CAPITAL

	No. of Shares	Amount (LKR)
At 31 March 2018	701,956,580	4,056,683
At 31 March 2019	701,956,580	4,056,683
At 31 March 2020	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.

31 HEDGING RESERVE

	Group	Company
At 1 April 2018	9,673	9,673
Fair value loss	(9,673)	(9,673)
At 31 March 2019	Nil	Nil
At 31 March 2020	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 2018	4,971,882	3,770,397
Profit for the year	1,858,717	1,516,178
Remeasurement of retirement benefit obligations (Note 26)	(7,016)	11,708
Deferred tax attributable to remeasurement of retirement benefit obligations (Note 27)	4,869	(1,639)
Dividends (Note 13)	(1,228,424)	(1,228,424)
At 31 March 2019	5,600,028	4,068,220
At 1 April 2019	5,600,028	4,068,220
Profit for the year	2,383,784	1,935,893
Remeasurement of retirement benefit obligations (Note 26)	(93,029)	(29,787)
Deferred tax attributable to remeasurement of retirement benefit obligations (Note 27)	25,696	4,170
Dividends (Note 13)	(1,684,696)	(1,684,696)
At 31 March 2020	6,231,783	4,293,800

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:

NOTES TO THE FINANCIAL STATEMENTS

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

34 SHARE-BASED PAYMENTS (CONTD.)

	2020		2019	
	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	33.85	9,251	33.82	11,233
Granted	Nil	Nil	32.53	4,625
Expired [see Note (c) below]	33.21	(4,626)	33.89	(6,608)
At the end of year	32.53	4,625	33.85	9,250
Vested and exercisable at 31 March	Nil	Nii	33.89	6,608

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Grant Date	Vesting period	Expiry date	Exercise price LKR	Share options 31 March 2020	Share options 31 March 2019
01 May 2016	36 months	27 May 2019	33.21	Nil	4,625,268
02 April 2018	25 months	27 May 2020	32.53	4,625,268	4,625,268
				4,625,268	9,250,536

Weighted average remaining contractual life of options outstanding at end of period	0.16 years	0.66 years

(a) Fair value of options granted

The fair value of the options amounting to LKR Nil [2019 - LKR 11,255,484 (USD 75,662)] 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	
	2020	2019	2020	2019
Options issued under employee share option plan (Note 9)	Nil	11,255	Nil	11,255

(c) 4,625,268 outstanding options relevant to the Employee Share Option Scheme which was announced during the year 2016/17 were expired as the options were not exercised by the employees. No options were exercised during the year ended 31 March 2020.

35 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2020	2019	2020	2019
Profit before tax	2,811,964	2,257,062	2,243,925	1,745,954
Adjustments for:				
Depreciation on property, plant and equipment (Note 14)	1,236,507	1,240,971	531,841	558,256
Depreciation on right-of-use assets [Note 15 (b)]	49,817	Nil	19,364	Nil
Amortisation of intangible assets (Note 17)	39,632	26,636	15,468	16,112
Amortisation of lease rentals paid in advance [Note 21 (d)]	Nil	16,511	Nil	4,690
Provision / (reversal of provision) for non or slow moving of inventories (Note 20)	578,412	(80,209)	415,782	(96,881)
Provision for impairment of trade receivables [Note 21 (a)]	49,265	3,412	32,640	3,051
Interest income (Note 10)	(120,065)	(101,899)	(92,556)	(74,034)
Interest expense (Note 10)	112,865	159,980	28	32,812
Loss on disposal of property, plant and equipment (Note 7)	24,709	2,837	24,709	458
Effect of change in foreign exchange rates	372,074	485,901	279,443	361,809
Share based payment (Note 9)	Nil	11,255	Nil	11,255
Retirement benefit obligations (Note 26)	96,748	71,002	40,944	38,015
Changes in working capital:				
- inventories	(1,590,167)	214,672	(1,127,363)	491,065
- trade and other receivables	(4,815)	(170,285)	147,736	(483,480)
- trade and other payables	552,491	(363,446)	339,229	(267,503)
Cash generated from operations	4,209,437	3,774,400	2,871,190	2,341,579

NOTES TO THE FINANCIAL STATEMENTS

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

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	Kit Vai Tou	Hasitha Premaratne	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 Solutions 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 Limited	-	X	-	-	-	-	-
Brandix International Limited	-	X	-	-	-	-	-
Brandix Apparel India Limited	-	X	-	-	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	
		2020	2019	2020	2019	2020	2019	2020	2019
Brandix Apparel Limited	Affiliate	10,459,571	13,340,146	4,287,406	3,401,219	31.4%	42.0%	22.1%	18.9%
Teejay Lanka Prints (Private) Limited	Subsidiary	Nil	Nil	331,912	566,835	Nil	Nil	1.7%	3.1%
Teejay India (Private) Limited	Sub -subsidiary	Nil	Nil	67,178	162,352	Nil	Nil	0.3%	0.9%
BrandM Apparel Haiti Limited	Affiliate	94,277	Nil	90,986	Nil	0.3%	Nil	0.5%	Nil
Brandix Apparel India Limited	Affiliate	3,975,003	Nil	483,882	Nil	11.9%	Nil	2.5%	Nil
Quantum Cloting India (Private) Limited	Affiliate	7,966	Nil	Nil	Nil	0.0%	Nil	Nil	Nil
		14,536,817	13,340,146	5,261,364	4,130,406	45.8%	42.0%	29.2%	22.9%

(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	
		2020	2019	2020	2019	2020	2019	2020	2019
Pacific Textiles Limited	Shareholder	782,804	504,415	673,222	379,810	2.4%	1.6%	3.5%	2.1%
Pacific Overseas Textiles Macao Commercial Offshore Limited	Affiliate	2,420,028	3,477,496	2,420,028	3,488,989	7.3%	10.9%	12.5%	19.3%
Teejay Lanka Prints (Private) Limited	Subsidiary	Nil	Nil	492,699	607,769	Nil	Nil	2.5%	3.4%
Teejay India (Private) Limited	Sub-Subsidiary	Nil	Nil	732,687	375,040	Nil	Nil	3.8%	2.1%
		3,202,832	3,981,911	4,318,636	4,851,608	9.6%	12.5%	22.3%	26.9%

(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	
		2020	2019	2020	2019	2020	2019	2020	2019
Pacific Textiles Limited	Shareholder	21,645	49,588	21,645	49,588	0.1%	0.2%	0.1%	0.3%
Brandix Lanka Limited	Shareholder	79,309	91,839	53,187	48,852	0.2%	0.3%	0.3%	0.3%
Teejay Lanka Prints (Private) Limited	Subsidiary	Nil	Nil	40,441	Nil	Nil	Nil	0.0%	Nil
Teejay India (Private) Limited	Sub-Subsidiary	Nil	Nil	8,679	Nil	Nil	Nil	0.0%	Nil
Brandix Textiles Limited	Affiliate	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Fortude (Private) Limited	Affiliate	22,209	10,818	Nil	Nil	0.1%	0.0%	Nil	Nil
Brandix Apparel Limited	Affiliate	61,016	32,445	44,580	11,427	0.2%	0.1%	0.2%	0.1%
Brandix Apparel Solutions Limited	Affiliate	540	71	540	71	0.0%	0.0%	0.0%	0.0%
Brandix Apparel India Limited	Affiliate	608	Nil	Nil	Nil	0.0%	Nil	Nil	Nil
Brandix India Apparel City (Private) Limited	Affiliate	393,641	323,049	Nil	Nil	1.2%	1.0%	Nil	Nil
Adhishtan Investments India (Private) Limited	Affiliate	12,983	16,176	Nil	Nil	0.0%	0.1%	Nil	Nil
		591,951	523,986	169,072	109,938	1.9%	1.7%	0.7%	0.7%

NOTES TO THE FINANCIAL STATEMENTS

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

36 DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY AND RELATED PARTY TRANSACTIONS (CONTD.)

(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	
		2020	2019	2020	2019	2020	2019	2020	2019
Teejay India (Private) Limited	Sub-Subsidiary	Nil	Nil	611,948	598,867	Nil	Nil	3.2%	3.3%

(v) Steam coal sales - (net) (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	
		2020	2019	2020	2019	2020	2019	2020	2019
Teejay Lanka Prints (Private) Limited	Subsidiary	Nil	Nil	1,143	7,203	Nil	Nil	0.01%	0.04%

(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	
		2020	2019	2020	2019	2020	2019	2020	2019
Teejay Lanka Prints (Private) Limited	Subsidiary	Nil	Nil	76,966	Nil	Nil	Nil	0.4%	Nil

Outstanding balances arising from sale / purchase of goods / services:

(vii) Receivables from related parties:

(a) Trade receivables

Name of the Related Party	Relationship	Group		Company	
		2020	2019	2020	2019
Brandix Apparel Limited	Affiliate	1,334,598	1,197,853	512,967	292,891
Brandix Apparel India Limited	Affiliate	77,330	Nil	Nil	Nil
BrandM Apparel Haiti Limited	Affiliate	31,298	16,448	27,853	16,448
Brandix India Apparel City (Private) Limited	Affiliate	Nil	Nil	60,876	Nil
Teejay Lanka Prints (Private) Limited	Subsidiary	Nil	Nil	Nil	25,387
Teejay India (Private) Limited	Sub-Subsidiary	Nil	Nil	Nil	95,348
Quantum Clothing India (Private) Limited	Affiliate	Nil	3,577	Nil	Nil
		1,443,226	1,217,878	601,696	430,074
Less - Provision for impairment of amounts due from related companies		(13,220)	(1,330)	(11,518)	(992)
		1,430,006	1,216,548	590,178	429,082

(b) Other receivables

Name of the Related Party	Relationship	Group		Company	
		2020	2019	2020	2019
Brandix Apparel Limited	Affiliate	Nil	9,230	Nil	9,230
Adhishtan Investments India (Private) Limited	Affiliate	4,015	4,068	Nil	Nil
Brandix India Apparel City (Private) Limited	Affiliate	29,253	29,637	Nil	Nil
Teejay India (Private) Limited	Sub-Subsidiary	Nil	Nil	492,794	897,618
		33,268	42,935	492,794	906,848

(viii) Payables to related parties:

Name of the Related Party	Relationship	Group		Company	
		2020	2019	2020	2019
Pacific Textiles Limited	Shareholder	89,633	68,345	77,175	25,685
Pacific Overseas Textiles Macao Commercial Offshore Limited	Affiliate	744,782	1,135,063	744,782	1,135,063
Teejay India (Private) Limited	Sub-Subsidiary	Nil	Nil	113,321	8,890
Teejay Lanka Prints (Private) Limited	Subsidiary	Nil	Nil	8,081	Nil
Brandix Lanka Limited	Shareholder	60,340	13,371	54,131	Nil
Brandix Apparel Limited	Affiliate	7,811	10	Nil	Nil
Brandix International Limited	Affiliate	102,673	63,572	Nil	Nil
Fortude (Private) Limited	Affiliate	Nil	710	Nil	Nil
Adhishtan Investments India (Private) Limited	Affiliate	204	133	Nil	Nil
Brandix Apparel Solutions Limited	Affiliate	651	75	651	75
Brandix India Apparel City (Private) Limited	Affiliate	18,788	27,869	Nil	Nil
Brandix Apparel India Limited	Affiliate	457	388	Nil	Nil
		1,025,339	1,309,536	998,141	1,169,713

NOTES TO THE FINANCIAL STATEMENTS

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

(ix) Borrowings from related company:

Name of the Related Party	Relationship	Group		Company	
		2020	2019	2020	2019
Brandix International Limited	Affiliate	674,496	627,012	Nil	Nil
		674,496	627,012	Nil	Nil

Finance costs for the borrowings from Brandix International Limited amounted to LKR 32,440,410 (2019 - LKR 30,300,475) at an annual interest rate of 5% (2019-5%) (Note 10).

(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	
	2020	2019	2020	2019
Salaries and other benefits	226,584	180,875	226,584	180,875
Post-employment benefits	9,168	5,822	9,168	5,822
Share based payments	Nil	5,025	Nil	5,025
	235,752	191,722	235,752	191,722

37 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of SLFRS 16; Leases, on the Group and Company financial statements.

The Group has adopted SLFRS 16; Leases retrospectively from 1 April 2019, but has not restated comparatives for the 31 March 2019 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 April 2019. The new accounting policies are disclosed in Note 2.10.

On adoption of SLFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of LKAS 17; Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.36%.

(a) Practical expedients applied

In applying SLFRS 16 for the first time, the Group / Company has used the following practical expedients permitted by the standard.

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases;
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group / Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying LKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

(b) Measurement of lease liabilities

	Group	Company
Operating lease commitments disclosed as at 31 March 2019	1,044,328	544,739
Operating lease commitments for SLFRS 16 adoption	1,044,328	544,739
Discounted using the lessee's incremental borrowing rate of at the date of initial application	617,526	331,578
Lease liability recognised as at 1 April 2019	617,526	331,578
Of which are:		
Current lease liabilities	7,505	6,828
Non-current lease liabilities	610,021	324,750
	617,526	331,578

(c) Measurement of right-of-use assets

The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 March 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

(d) Adjustments recognised in the statement of financial position on 1 April 2019

The change in accounting policy affected the following items in the statement of financial position on 1 April 2019.

- Right-of-use assets – increase in Group by LKR 617,526,353 and Company by LKR 331,577,705.
- Lease liabilities – increase in Group by LKR 617,526,353 and Company by LKR 331,577,705.

The net impact on retained earnings on 1 April 2019 was LKR Nil.

(e) Adjustments recognised in the statement of financial position on 1 April 2019

The Group / Company did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of SLFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

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

37 CHANGES IN ACCOUNTING POLICIES (CONTD.)

(f) Simplified transition approach

Where a lessee applies the simplified approach, it does not restate any comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of retained earnings (or another component of equity, as appropriate) at the date of initial application. While full retrospective application is optional, if chosen it must be applied to all leases. Selective application of the simplified transition approach is not permitted.

Statement of financial position item	Measurement
Leases previously classified as operating leases	
Lease liability	Present value of remaining lease payments, discounted using the lessee's incremental borrowing rate at the date of initial application.
Right-of-use asset	Retrospective calculation, using a discount rate based on the lessee's incremental borrowing rate at the date of initial application. Or Amount of lease liability (adjusted by the amount of any previously recognised prepaid or accrued lease payments relating to that lease). Lessees can choose one of the alternatives on a lease-by-lease basis.

Statement of financial position item	Measurement
Leases previously classified as finance leases	
Lease liability	Carrying amount of the lease liability immediately before the date of initial application.
Right-of-use asset	Carrying amount of the lease asset immediately before the date of initial application.
Lease liabilities and right-of use assets	Any measurement adjustments arising from applying SLFRS 16 are recognised post-transition, i.e. not through retained earnings.

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.

FIVE YEARS FINANCIAL SUMMARY - GROUP

All Amounts in Sri Lanka Rupees Thousands	2020	2019	2018	2017	2016
INCOME STATEMENT					
Revenue	33,276,976	31,746,592	24,647,488	22,137,641	17,820,179
Profit before taxation	2,811,964	2,257,062	1,817,716	2,011,370	2,228,947
Current taxation	(428,180)	(398,345)	(221,602)	(52,195)	(58,280)
Profit after taxation	2,383,784	1,858,717	1,596,114	1,959,175	2,170,667
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Non-current assets					
Property, plant and equipment	8,777,251	8,408,235	7,534,180	6,960,885	5,954,224
Right-of-use assets	910,400	Nil	Nil	Nil	Nil
Deferred tax assets	256,257	111,021	125,070	132,751	91,800
Other non-current assets	729,535	507,218	777,931	694,476	664,337
	10,673,443	9,026,474	8,437,181	7,788,112	6,710,361
Total current assets	16,289,050	13,359,457	11,127,755	8,981,687	8,266,947
Total assets	26,962,493	22,385,931	19,564,936	16,769,799	14,977,308
EQUITY					
Capital and reserves					
Stated capital	4,056,683	4,056,683	4,056,683	3,942,686	3,853,024
Hedging reserve	Nil	Nil	9,673	Nil	Nil
Exchange equalisation reserve	5,263,417	4,171,784	2,577,679	2,446,006	2,090,184
Share option scheme	96,760	96,760	85,505	63,746	42,283
Retained earnings	6,231,783	5,600,028	4,971,882	4,724,786	4,150,852
Total equity	15,648,643	13,925,255	11,701,422	11,177,224	10,136,343
LIABILITIES					
Non-current liabilities					
Borrowings	412,192	801,182	1,106,784	567,429	141,680
Lease liabilities	627,993	Nil	Nil	Nil	Nil
Deferred tax liabilities	647,592	538,266	318,004	247,932	240,227
Retirement benefit obligations	377,583	251,932	207,666	208,120	190,931
	2,065,360	1,591,380	1,632,454	1,023,481	572,838
Total current liabilities	9,248,490	6,869,296	6,231,060	4,569,094	4,268,127
Total liabilities	11,313,850	8,460,676	7,863,514	5,592,575	4,840,965
Total equity and liabilities	26,962,493	22,385,931	19,564,936	16,769,799	14,977,308

Ratios and Statistics		2020	2019	2018	2017	2016
Revenue growth	%	4.8	28.8	11.3	24.2	30.3
Gross profit margin	%	12.7	11.6	11.8	13.9	16.8
Net profit margin	%	7.2	5.9	6.5	8.8	12.2
Gearing ratio	%	25.0	21.3	24.2	18.7	8.9
Earnings per share	Rs.	3.40	2.65	2.28	2.81	3.24
Dividend per share	Rs.	2.40	1.75	1.95	2.00	1.40
Net Assets Per Share at year end	Rs.	22.3	19.8	16.7	16.0	14.6
Return on equity (ROE)	%	16.1	14.5	14.0	18.4	25.3
Return on assets (ROA)	%	9.7	8.9	8.8	12.3	18.3

SHAREHOLDING INFORMATION

1 SHAREHOLDERS

	Residents			Non- Residents			Total		
Number of Shares held	No of Share holders	No. of Shares	%	No of Share holders	No.of Shares	%	No.of Share holders	No.of Shares	%
1-1,000	4,848	2,036,904	0.29	13	7,687	0.00	4,861	2,044,591	0.29
1,001-5,000	1,637	4,482,639	0.64	12	42,223	0.01	1,649	4,524,862	0.64
5,001-10,000	514	3,997,883	0.57	17	144,906	0.02	531	4,142,789	0.59
10,001-50,000	542	12,779,232	1.82	18	521,735	0.07	560	13,300,967	1.89
50,001-100,000	110	8,499,928	1.21	5	424,235	0.06	115	8,924,163	1.27
100,001-500,000	119	25,896,490	3.69	8	2,527,604	0.36	127	28,424,094	4.05
500,001-1,000,000	20	14,119,829	2.01	2	1,341,830	0.19	22	15,461,659	2.20
Over 1,000,000	26	297,201,749	42.34	12	327,931,706	46.72	38	625,133,455	89.06
Total	7,816	369,014,654	52.57	87	332,941,926	47.43	7,903	701,956,580	100.00

	31 March 2020			31 March 2019		
Categories of Shareholders	Shareholders	No. of shares	%	Shareholders	No.of shares	%
Individuals	7,688	73,595,621	10.48	7,855	74,649,941	10.63
Institutions	215	628,360,959	89.52	207	627,306,639	89.37
Total	7,903	701,956,580	100.00	8,062	701,956,580	100.00

2 SHARE TRADING INFORMATION

	2019/20		2018/19	
Highest	44.50	28-Nov-2019	35.20	12-Feb-2019
Lowest	23.00	20-Mar-2020	27.60	25-Sep-2018
Closing	23.30		30.40	
No.of Transactions	12,220		7,706	
No.of Shares traded	78,274,471		71,161,691	
Value of shares traded (LKR)	2,869,652,448		2,236,955,096	

3 TOP 20 SHAREHOLDER LIST AS AT 31 MARCH

		2020		2019	
	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	36,690,030	5.23	34,187,877	4.87
4	HSBC Intl Nom Limited-BBH-Matthews Emerging Asia Fund	21,277,916	3.03	29,116,858	4.15
5	Bnymsanv Re-CF Ruffer Investment Funds : CF Ruffer Pacific Emerging Markets Fund	19,000,000	2.71	19,000,000	2.71
6	HSBC Intl Nom Limited-JPMCB NA-Fidelity Asian Values PLC	18,420,373	2.62	14,601,214	2.08
7	Citibank Newyork S/A Norges Bank Account 2	17,200,229	2.45	21,003,973	2.99
8	Melstacorp PLC	12,622,428	1.80	12,622,428	1.80
9	Employees Provident Fund	6,979,333	0.99	-	-
10	Jpmbl Sa-Kapitalforeningen Institutionel Investor, Asiatiske Smid Cap Aktier	5,948,284	0.85	2,789,251	0.40
11	Mr. L.K.M.Fernando	5,119,300	0.73	5,119,300	0.73
12	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
13	Deutsche Bank AG-National Equity Fund	4,195,979	0.60	4,900,000	0.70
14	Standard Chartered Bank Difc Branch S/A Efg Hermes Oman LLC	3,614,630	0.51	-	-
15	Sri Lanka Insurance Corporation Limited-Life Fund	3,455,238	0.49	3,455,238	0.49
16	Commercial Bank Of Ceylon Plc/Metrocorp (Pvt) Ltd	3,000,000	0.43	-	-
17	Periceyl (Private) Limited A/C No. 03	2,694,100	0.38	2,694,100	0.38
18	Nuwara Eliya Property Developers (Private) Limited	2,285,200	0.33	2,285,200	0.33
19	East India Holding (Private) Limited	2,145,813	0.31	3,955,425	0.56
20	South Asian Investment (Pvt) Ltd	2,085,134	0.30	-	-

SHAREHOLDING INFORMATION

4 DIRECTOR'S SHAREHOLDING

	31 March 2020		31 March 2019	
	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	-	-	-	-
M.A.Hasitha Premaratne	40,000	0.01	40,000	0.01
	40,000	0.01	40,000	0.01

5 PUBLIC SHAREHOLDING

	31 March 2020	31 March 2019
No.of Shares	272,944,655	272,350,615
	38.88%	38.80%

6 FLOAT ADJUSTED MARKET CAPITALIZATION

The public holding of the Company as at 31 March 2020 was 38.88% comprising 7,893 shareholders and a float adjusted market capitalization of LKR 6,359,052,736. In terms of Rule 7.13.1(a) of the Listing Rules of the Colombo Stock Exchange, the Company qualifies under option 5 of the minimum public holding requirement.

NOTICE OF MEETING

The Board of Directors have proposed to hold the Annual General Meeting on 31st August 2020 at 3.00 p.m. via audio or audio and visual technology taking into account the current situation in the country due to the Covid-19 pandemic and the health and safety guidelines issued by the authorities with a view of protecting public health against the spread of the virus

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Teejay Lanka PLC will be held at 3.00 p.m. on 31st August 2020, by virtual means of audio or audio and visual technology, at No.409, Phoenix Building, 2nd Floor, 6th Lane, Colombo 3 for the following purposes:

AGENDA

1. To receive and consider the Annual Report of the Board and the Financial Statements of the Company for the financial year ended 31st March 2020 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 propose the following resolution as an ordinary resolution for the reappointment of Mr. Wai Loi Wan who has reached the age of 70 years.

   "IT IS HEREBY RESOLVED that the age limit referred to in section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. Wai Loi Wan who has reached the age of 70 years prior to this Annual General Meeting and that he be reappointed as a director of the Company".

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 31st day of July 2020.

Note:

(1) Any member entitled to attend and vote is entitled to appoint a proxy instead.

(2) A proxy need not be a member, instruments appointing proxies must be lodged with the registered office of the Company, Block D8 – D14, Seethawaka International Industrial Park, Avissawella not less than 48 hours before the time appointed for the holding of the meeting.

NOTES

NOTES

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 No.409, Phoenix Building, 2nd Floor, 6th Lane, Colombo 3 on 31st August at 3.00 p.m by means of audio or audio and visual technology and at any adjournment thereof.

	For	Against
1. To receive and consider the Annual Report of the Board and the Financial Statements of the Company For the financial year ended 31st March 2020 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 re-appoint as a Director Mr. Wai Loi Wan in terms of section 210 of the Companies Act No.07 of 2007.		
4. To authorize the Directors to determine contributions to charities.		

Signed this .... day of 2020

....

Signature/s

Note: Instructions as to completion are noted on the reverse hereof.

FORM OF PROXY

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 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 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
Hongkong and Shanghai Banking Corporation Limited
Deutsche Bank AG
Standard Chartered Bank
Bank of Ceylon
People's Bank
DFCC Bank PLC
National Development Bank PLC
Nations Trust Bank PLC
Commercial Bank of Ceylon PLC

INVESTOR RELATIONS
Pubudu De Silva
Salman Nishtar
Teejay Lanka PLC

Designed & produced by
emagewise
Printed by Printage (Pvt) Ltd

teejay