PEOPLE

POWERED

teejay

TEEJAY LANKA PLC | ANNUAL REPORT 2020/21

Our Annual Report is also available online.

Please visit our website at www.teejay.com to access the report.

At Teejay Lanka we're interwoven into the very fabric of people's lives— creating opportunities for progressive growth, while supporting the ever-evolving needs of the people through a commendable performance; geared by our culture, resilient strategies and undeterred team spirit.

Since our inception, our team has consistently served as an integral partner in the lives of our stakeholders by supporting their endeavours and ambitions, delivering constant streams of value through both good times and bad.

The report you hold is a tribute to how our people transformed adversity into opportunities - challenging themselves to formulate a promising future in our hope of achieving USD 300 Mn.

Today we're propelling ourselves to leverage our impact with advanced technologies - a testament to our remarkable resilience and combined strength, which have enriched the lives of thousands of stakeholders.

teejay

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FINANCIAL STATEMENTS

ABOUT THIS REPORT

Welcome to our 10th Integrated Annual Report in which we share the strategies and solutions that have made 2020/21 a success for the Teejay Group. Under the theme of 'People Powered', this report highlights the collective determination of our team, and pays tribute to our people who responses which continued to redefine our corporate presence and strengths even amid a challenging operational environment.

This year as Teejay reflects upon decades of consistency, we are venturing into the future powered by our people - the contributors of our progress and success.

SCOPE & BOUNDARY

This Report covers the operations of Teejay Lanka PLC and its operating subsidiaries in Sri Lanka and India from April 1, 2020 to March 31, 2021.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 2020 was covered in the 2019/20 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

Company Act No. 15 08 1995

CORPORATE GOVERNANCE:

Continued 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 21-26)
- Management Discussion and Analysis (Pages 28-36)
- Governance Structure (Page 37)

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 2020/21

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,

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

E mail: info@teejay.com

Tel: 036 4279500

OUR PHILOSOPHY AND DIRECTION

OUR VISION

To be the preferred fabric solutions provider for branded clothing.

OUR MISSION

To become a USD 300 Mn Company in 2022/23 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.

ON THE ROAD TO USD 300 MN, THE MILESTONES OF FINANCIAL YEAR 2020/21

ON-BOARDING NEW BUSINESSES

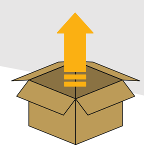
Focusing on developing relationships with 2 to 3 new strategic customers.

INNOVATION CENTER

Teejay Lanka invested in a brand-new Innovation Centre, geared to develop new innovative fabrics.

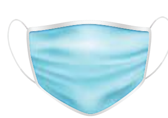
DIGITAL TRANSFORMATION JOURNEY

SAP S4 HANA - This will usher in higher productivity levels through use of a single ERP across the group, new best practices, automation, business intelligence and analytics tools etc.



EXPANSION OF TEEJAY INDIA

The USD 26 Mn project is anticipated to increase the daily capacity of the Teejay India plant by 20 tonnes, thereby enhancing output to 55 tonnes in daily capacity.



BREAKING INTO NEW MARKET SEGMENTS

Penetrating into PPE wear during the pandemic opened opportunities to Teejay to break into new market segment.

PERFORMANCE HIGHLIGHTS

Group Performance	Metric	2021	2020	% Variance
Operations				
Revenue	Rs: 000's	31,780,287	33,276,976	-4%
Gross profits	Rs: 000's	3,789,959	4,229,042	-10%
Profit from operations	Rs: 000's	2,441,402	2,728,431	-11%
Profit after taxation	Rs: 000's	2,139,602	2,383,784	-10%
Revenue growth	%	-4.5	4.8	-194%
Operating profit margin	%	7.7	8.2	-6%
Return on equity (ROE)	%	12.1	16.1	-25%
Return on assets (ROA)	%	6.9	9.7	-29%
Return on capital employed (ROCE)	%	12	13.1	-8%
Financial Position				
Non current assets	Rs: 000's	10,499,504	10,673,443	-1%
Current assets	Rs: 000's	20,599,835	16,289,050	26%
Non current liabilities	Rs: 000's	1,999,689	2,065,360	-3%
Current liabilities	Rs: 000's	11,335,426	9,248,490	24%
Capital and reserves	Rs: 000's	17,764,224	15,648,643	13%
Current ratio	No. of Times	1.8	1.8	0%
Quick assets ratio	No. of Times	1.2	1.1	6%
Shareholder Information				
No. of shares in issue	Number	709,322,545	701,956,580	1%
Market value per share (closing)	Rs:	40.0	23.3	72%
Dividend per share	Rs:	1.65	2.4	-31%
Earnings per share	Rs:	3.04	3.4	-10.5%
Net assets per share	Rs:	25.0	22.3	12%
P/E ratio	No. of Times	13.3	6.9	92%
Property, plant and equipment	Rs: 000's	8,710,818	8,777,251	0%
Capital expenditure	Rs: 000's	715,458	1,461,606	-51%
Total employees	No.	2,711	2,651	2%
Payments to employees	Rs: 000's	2,408,658	2,360,123	2%
No. of promotions	No.	7	36	-81%
Investment in training	Rs: 000's	3,033	25,575	-88%
Total training hours	Hours	4,051	61,915	-93%
Average training hours/employee	Hours	2.65	21.41	-88%
New products approved*	No.	70	78	-10%

PERFORMANCE HIGHLIGHTS

Group Performance	Metric	2021	2020	% Variance
Investment in R&D	Rs: 000's	112,510	80,937	39%
Strategic customers	No.	8	8	0
Water consumption	m3 '000	1,774	2,028	-13%
Specific electricity consumption	kWh/kg	1.8132	1.8257	-1%

* Teejay Lanka

40
(Rs.)
Market value per share
72% ↑

13.3
P/E ratio
92% ↑

112,510
(Rs: 000's)
Investment in R&D
39% ↑

1,774
(m3 '000)
Water consumption
13% ↓

CHAIRMAN'S REVIEW

We remain focused on our ultimate USD 300 Mn goal while clearing any hurdles along the way as a result of great team spirit, which reflects resilience and confidence in our capabilities.

It gives me great pride to welcome you to the 10th Annual General Meeting of Teejay Lanka PLC and to present before you the Annual Report and Audited Financial Statements for the year ended 31st March 2021. Despite a very difficult year, Team Teejay worked tirelessly to overcome obstacles and ended the Financial Year on a strong note.

FINANCIAL PERFORMANCE

Operating under the highly challenging environment created by the ongoing COVID-19 global pandemic, the Group began the Financial Year managing to break even in Quarter One and eventually ended the year with a noteworthy performance. The Teejay Group recorded a Net Profit of LKR 2.1 Bn, maintaining the LKR 2 Bn plus Bottomline from the previous year, while recording Topline of LKR 31.7 Bn for the year. One of the key factors for Group profitability during the period under consideration was the favourable yarn prices due to reduction in demand. Although 2020/21 ended favourably for the Group, supply chain disruptions were seen with subsequent waves of COVID-19 infections, which triggered a host of adverse economic and social consequences.

CHALLENGES FACED

The highlight of the year under review was the global battle to curb the spread of the pandemic. With mobility restrictions and retail shop closures globally, a reduction in demand was seen in the early part of the year. With order cancellations and pushbacks, the textile and apparel industry around the world was facing setbacks. This was an unprecedented situation which no organizations or even governments could predict or be prepared for. All these factors led to factory shutdowns which hindered the manufacturing processes the world over.

The ongoing US-China trade war however worked in favour of Sri Lanka, as orders were moved away from the region to South East Asian regions. The ban on Xinjiang cotton also saw a price hike in cotton, which affected the industry, as majority of our raw material cost is based on cotton prices. Mitigation of reliance on single destinations for fabric has been placed high on the agenda of many retailers who are now looking for diverse locations to fulfill their fabric requirements, which was dominated by China up to now. Teejay Group benefited from this relocation trend as it operates production facilities in both India and Sri Lanka.

Looking to explore new growth avenues amidst the gloom, Teejay Group saw an opportunity in the Personal Protective Equipment (PPE) market and was quick to commence the manufacture of PPE fabric to compensate for the reduction in capacity for strategic orders.

Already in the works, the outbreak of the pandemic further exposed the vulnerability of procurement partners, the weakness of contracts and the risks of a concentrated supplier footprint. As a result, supply chain disruptions that were seen in 2020 due to the crisis accelerated many of the changes that companies were already making to rebalance their supply chain. To mitigate future disruptions, fashion players moved away from transactional relationships in favour of deeper partnerships that bring greater agility and accountability. The Group is fortunate in this regard as it has always believed in enduring partnerships with its key customers, and thus, supported them strongly through the crisis with several initiatives. As an export-oriented Company, Teejay also leveraged on the favourable exchange rate fluctuations seen during the Financial Year under review. All these emerging opportunities coupled with an increase in demand for weft fabric positioned the Group strongly in the region as a supplier of choice.

2020/21 FINANCIAL YEAR

LKR 31.7 BN

Group Topline

LKR 2.1 BN

Group Net Profit

INDUSTRY PERFORMANCE

As the world started coping with the pandemic, we moved to safer ways of conducting business - with new restrictions amid a 'New Normal'. The trend of consumers championing fairness and social justice accelerated against the backdrop of the pandemic, generating a movement in the market for ethically sourced products, which are also sustainable. This is indeed a positive trend and paves the way further for circular fashion and sustainability. Performance polarization in the fashion industry accelerated during the pandemic as the gap widened between the best-performing companies and the rest. With some players already insolvent and others kept afloat by government subsidies, we expect heightened mergers and acquisitions activity in the industry.

As expected, adoption of digital platforms soared during the pandemic, with many brands finally going online and enthusiasts embracing the digital platform to replace frequent buyer/supplier visits and trade shows. Demand from the existing strategic customers via supermarket chains has seen significant growth amidst the COVID-19 environment, as supermarket chains were able to operate through the pandemic unlike other retail stores which were forced to shut down due to government mandates. To emerge from this pandemic, companies need to embrace technology and innovation not just as a mode of survival, but to thrive and compete in the industry.

CORPORATE GOVERNANCE AND MITIGATION OF RISK

During the year under review, the Company faced many challenges, which made it an uphill task to achieve the goals set for the year. Nevertheless, foreseen risks due to COVID-19 were identified and mitigation actions planned to reduce the impact due to the risks. However, the unforeseen elements were too many, which the team managed despite additional exposure to these risks. In general, the team on the ground managed to evaluate and manage the risks continuously with prudence, which helped the organization to emerge from the challenges on a winning note.

CHALLENGES TO PROFITABILITY DURING THE YEAR AND FUTURE STRATEGIES FOR GROWTH

As the world continues to battle with the pandemic, we are expecting a few order pushbacks and requests for discounts and extended credit periods from customers. Regardless, Teejay continues with expansion projects to reach its target of becoming a USD 300 Mn Company. The ongoing expansion in India will enhance Teejay India's daily capacity by 20 Tonne to 55 Tonne per day. Further, the Company has also invested in an innovation hub to propel the development of new innovative fabrics to revolutionize the fabric industry. Teejay is also mitigating the future risk of capacity by partnering with few outsourced parties within Sri Lanka to fulfill demand.

FUTURE OUTLOOK

The prospect of losing Generalised Scheme of Preferences Plus (GSP+) while not a breaking point will impact the apparel industry, but for textiles and fabric the impact will be curtailed due to relocation strategies from the existing supply chain that was heavily dependent on China. Raw material costs are expected to increase, thereby challenging our margins in the short term. However, the future order book looks strong as the team has been working alongside managing pandemic-induced challenges to onboard new, high value customers.

As Teejay is catering to intimate wear, comfort wear and loungewear, the expected impact is minimal than of fabric suppliers catering to other apparel segments. We remain focused on our ultimate USD 300 Mn goal while clearing any hurdles along the way as a result of great team spirit, which reflects resilience and confidence in our capabilities.

ACKNOWLEDGEMENT

I take this opportunity to thank the Board of Directors, the Management team and our valued Associates for their unstinted support and tireless spirit in surmounting the odds. I would like to express my gratitude to all our customers for their understanding and mutual respect to ensure we emerged relatively unscathed from the crises that dogged the industry through the year. Our investors and stakeholders deserve our thanks for placing their faith in our ability to innovate while safeguarding their trust.

WING TAK BILL LAM
Chairman

CEO'S MESSAGE

In tandem with the ambitious expansion plan in its facilities in India and upgrading of machinery and capacity in Sri Lanka, Teejay Lanka is forging ahead with purpose towards its USD 300 Mn goal by Financial Year 22/23.

Dear Stakeholder,

The challenges discussed in the previous year's annual report arising from the COVID-19 global pandemic persisted through Financial Year 2020/21 as well, further eroding hopes for a quick global economic recovery. Although the year under review was peppered with complexities, the one key positive outcome was that Teejay Group performed admirably under pressure, which is a testimony to the resilience of our people and processes that remained unbowed in our journey to become a USD 300 Mn Company by Financial Year 2022/23. The Operational Excellence journey that the Group has embarked on is yielding significant benefits.

FINANCIAL PERFORMANCE

The operating environment during the period was infinitely more challenging than the previous year due to the subsequent waves of COVID-19 infections, resultant lockdowns and mobility restrictions both in Sri Lanka and India, where Teejay Group's plants are located. Nevertheless, the Company managed to sustain manufacturing operations with the required health and safety protocols in place to safeguard Associates and ended the Financial Year on a positive note, to exceed the Revenue earned in the previous year.

However, Teejay Group's Profits and Revenue naturally declined as a result of pandemic-induced shutdowns in factory operations experienced in Teejay India during April. Group Revenue for 2020/21 was recorded at LKR 31.7 Bn for the year, marking a decline of 4.5% while Profit was recorded at LKR 2.1 Bn, which is a 10.4% decline over the previous year, mainly due to the closure of plants and less delivery output in Quarter One.

The first Quarter in 2020/21 was truly challenging as manufacturing operations had to be halted due to the pandemic situation in Sri Lanka and India, nevertheless the commitment and hard work of the entire team made it possible to surmount the challenges. The order book strengthened in the second half of the year along with the demand for manufacturing fabric for Personal Protective Equipment (PPE) for face masks in addition to the 'glocalization' strategy of brands which supported factory operations during the lean period.

Teejay Lanka as an entity recorded a Revenue of LKR 21 Bn which reflects a 8.3% year-on-year growth. The Company posted Profit after Tax of LKR 1.9 Bn, which reflects a year-on-year Decline of 1.3%. Sales volumes too grew over the previous year due to demand for PPE fabric which was met by outsourced capacity.

2020/21 FINANCIAL YEAR

LKR 21 BN

Company Topline

LKR 1.9 BN

Company Net Profit

HIGHLIGHTS OF THE YEAR

Despite the pandemic in the background, the Teejay Group had many positive developments to celebrate - such as embarking on Teejay India's expansion project in the year under review. The USD 26 Mn project is anticipated to increase the daily capacity of the Teejay India plant by 20 tonnes, thereby enhancing output to 55 tonnes in daily capacity .The utilisation of expanded capacity is expected to begin production during Financial Year 2021/22 and utilization of full capacity will begin during Financial Year 2022/23. The project was embarked upon as a response to the growth in the global retail apparel market and businesses shifting to the South-East Asia region. The plant will have flexible knitting machines converting cotton to synthetic fabric as we believe the demand for synthetics is poised to expand by leaps and bounds

Teejay also explored various outsourcing models to cater to the increased demand which led to strategic collaborations with few Sri Lankan outsourced mills. Further, Teejay Lanka received several accolades during the year, being ranked 37th in LMD's top 50 brands and was also named as the sector leader of consumer durables and apparel.

OPERATIONAL REVIEW

Strategic Brands

The US-China trade tensions and the COVID impact led retailers to make changes to their Supply chain location strategies. As a result, retailers seek supply chain solutions with in the country which benefited the Sri Lankan textile industry. This glocalization focus by customers led to a strengthening of the Group's order book and the Company performed strongly in the strategic brands segment.

Despite pessimistic forecasts on account of the pandemic, Teejay Group was able to achieve strong numbers as a result of the excellent teamwork and understating amongst its teams. The Group's reasonable performance was also brought about by close collaboration with strategic brands which helped to fill capacities. Teejay also remains in strategic discussions with innovations hubs of key vendors and is partnering with these giants within the industry to grow business on the innovation frontier in its bid to reach its USD 300 Mn goal. The new business teams are aggressively focusing on on-boarding strategic premium brands and the groundwork done in this regard during the Financial Year is expected to bear fruit in 2021/22.

Product Development

On the product development and innovation side, Teejay will continue to upgrade its product portfolio with value addition by entering into joint venture projects with other brands on their innovation journey and R&D efforts. During the year under review, Teejay Lanka invested in a brand-new Innovation Centre, and geared to develop new, innovative fabrics. The thrust at the Centre will be on designing sustainable products, which have a positive impact on the environment.

Along with the major investment in India, Teejay is increasing production capacity and internal capabilities in Sri Lanka through modernization of technical machinery for dyeing and printing processes. Highly experienced team members have been recruited to lead this effort to meet evolving customer demands. While increasing production, Teejay is managing water consumption and effluents to meet the highest environmental standards.

Challenges and Mitigation Strategies

The COVID-19 pandemic posed severe challenges to global demand and disrupted supply chains. Teejay's main supply base out of India was impacted due to prolonged lockdowns and other factors which impacted the supply chain by way of congestion at ports and other logistics issues.

In addition, customer behaviour also changed during the year under review - with greater emphasis on digital platforms. Demand from existing strategic customers via supermarket chains and online outlets saw significant growth amidst COVID-19. The industry has moved into a 'read and react' model, where flexibility and agility will be key forces of success and Teejay is geared up for this.

As part of our Digital Transformation journey, Teejay is planning a project to move to SAP S4 HANA version as the single ERP platform for the Group from current SAP ECC and Inform M3 ERP platforms. This will usher in higher productivity levels through use of a single ERP across the Group, new best practices, automation, business intelligence and analytics tools etc. Teejay will also be replacing existing On-premise Hardware infrastructure with Cloud infrastructure solutions that can serve all Group entities to serve customers more effectively.

CEO'S MESSAGE

Since the Teejay Group is catering to Intimate wear, comfort wear and loungewear, the expected impact is to be less due to the increase in demand in these clothing categories since a greater percentage of people are working from home globally. In general, our team on the ground managed to evaluate and manage the risks continuously with prudence which helped the organization emerge from the challenges on a winning note.

OUR PEOPLE

I am proud to state that Teejay Lanka was the first to reopen in April 2020 and the first to operate at 100% capacity due to superior performance displayed by an extraordinary team. Team Teejay was resilient and worked undeterred through the volatile circumstances, never letting the customer down and continuously producing and serving customers while bringing in valuable foreign exchange to the country. One of the key differentiators of the Group is the brilliance shown in all aspects of this team.

Despite the challenges posed during the year, Teejay strengthened its team with an aggressive recruitment drive to support capacity enhancement. Although the lack of opportunity to hold in-person training sessions proved to be a constraint, several other training programmes were conducted virtually.

One of the key priorities during the year was ensuring the health and safety of Associates and their families and extending grocery packs and medicines to Associates in lockdown areas. The Company prioritised both the physical and mental health of Associates to ensure they were able to resume work with the right mindset and spared no expense to ensure their wellbeing. The Group also initiated a 'work from home' option for all admin staff to ensure their safety. The IT team played a critical role in ensuring employees were able to work remotely for their safety, without interruption, providing them with the required hardware and software with required firewalls and security. The leadership at Teejay continues to demonstrate and supported anti-corruption measures.

ENVIRONMENTAL AND SOCIAL COMMITMENT

As a responsible corporate entity, Teejay places environmental and social sustainability on its priority list and while designing sustainable products it is also reducing its carbon footprint by monitoring Green House Gas (GHG) emissions, energy and water consumption and waste management from its production processes. Apart from agreements with third-party recyclers to dispose waste responsibly, the Company has recorded process improvements in water treatment processes. Teejay Lanka is exploring harnessing solar power. The Company also engages in sustainability initiatives with partner brands and submitted all 3 of its facilities for carbon footprint assessment. During the year under review, Teejay Lanka improved its position on the HIGG FEM (Facility Environmental Module) Index, scoring 77%, which reflects a 5+ improvement over the previous year.

Teejay enthusiastically marks important events such as Earth Hour and this year sponsored AISEC, a university student exchange society and supported its efforts to plant 2,000 trees at the Dehiyattakandiya national school.

Further supporting the fight against COVID-19, the Company donated over USD 156,000 worth of fabric for face masks to the medical community on the request of the government to protect healthcare workers and first responders. Teejay also engaged closely with Associates and their families, supporting their needs.

FUTURE

In tandem with the ambitious expansion plan in its facilities in India and upgrading of machinery and capacity in Sri Lanka, Teejay Group is forging ahead with purpose towards its USD 300 Mn goal by Financial Year 22/23.

Alongside this, digital transformation and product innovation will allow the Company to attract more high value brands. In tandem, having reengineered the Company's business management process by implementing Sales and Operations Planning (S&OP) has helped with longer horizon business visibility and as a result more informed and timely decision-making. The Group's systematic root cause analysis process is making operations leaner, reducing waste, streamlining the supply chain process and enabling end-to-end visibility of inventory. The strategy for upcoming years is to capitalize on benefits of these new technologies to provide inspired solutions to all of Teejay's stakeholders.

As the pandemic in India and Sri Lanka continues to evolve, Teejay Group will face further challenges in the months ahead. By proactively evaluating a new location strategy, the Group is exploring opportunities in several locations and as part of near-shoring strategy to gain a competitive edge and offer greater value to existing and potential customers.

Although Teejay Group is taking precautionary steps to mitigate any risks to the supply chain due to a possible third wave in India, it will be a challenging journey ahead. Teejay remains focused on its Operational Excellence journey, reaping the benefits of cost reduction and efficiency improvement projects implemented throughout the Group.

ACKNOWLEDGEMENT

I would like to place on record my gratitude to the Chairman and Board of Directors, and the Senior Management for their guidance and support through an immensely challenging Financial Year. The confidence placed in us by customers, business partners and suppliers motivates us to forge ahead towards our goal.

Most of all, I would like to thank and commend our Associates for the support and hard work they have put through the year under review. This has been an extremely tough year for all - both professionally and personally – yet to sustain resilience and commitment despite the circumstances, showcases the Teejay professionalism to the entire industry. It makes me so proud to be working alongside such an excellent team!

PUBUDU DE SILVA
Group Chief Executive Officer

BOARD OF DIRECTORS

WING TAK BILL LAM
Chairman
Independent Non-Executive Director

ASHROFF OMAR
Non-Executive Director

WAI LOI WAN
Non-Executive Director

HASITHA PREMARATNE
Non-Executive Director

KIT VAI TOU
Non-Executive Director

PROF. MALIK KUMAR RANASINGHE
Independent Non-Executive Director

AMITHA GOONERATNE
Independent Non-Executive Director

WING TAK BILL LAM

Chairman

Independent 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 experience of over 46 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 an Honorary Fellow of the Chinese University of Hong Kong.

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.

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 50 years of experience in the textile industry. He obtained a Bachelor of Science Degree in Chemical Engineering from Taiwan National Cheng Kung University.

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 was formally a Director of Bank of Ceylon and was a Committee Member of Ceylon Chamber of Commerce. He was a Board Member of the CIMA Sri Lanka Division and also the 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 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)

Hasitha was the winner of the "Tutor of The Year Award" at CIMA Global Financial Management Awards 2009 held in London during November 2009. He was the Winner and Gold Medalist of prestigious "CIMA Star of the year" award in 2012 and the Winner of "Young CIMA Star of the year" award, in 2006. He was the winner of the "Most Outstanding Royalist of the year" award in 1997 and was the Deputy Head Prefect of Royal College in 1998.

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.

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 an Independent Non-Executive Director of Access Engineering PLC, Resus Energy 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 Chairman of Sampath Bank PLC and 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 the Sri Lanka Association for the Advancement of Science (SLAAS), General Research Committee Award for Outstanding Contribution to Sri Lankan Science in 1999.

AMITHA GOONERATNE

Independent Non-Executive Director

Mr. Amitha 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, UK and Wales and a Fellow member of the Institute of Chartered Accountants, Sri Lanka. He was the Founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd., and former Chairman of the Sri Lanka Banks' Association (Guarantee) Ltd.

He was also the Managing Director of Commercial Development Company PLC, a Public Quoted Company listed in the CSE and was the Chairman of Commercial Insurance Brokers (Private) Limited. He was also nominated to the Board of Sri Lankan Airlines during 2002– 2004 by the Government of Sri Lanka.

On his retirement, Mr. Gooneratne assumed duties as Managing Director of Melstacorp PLC. He is the Chairman of Melsta Logistics (Private) Limited and Bellvantage (Private) Limited and is a Board Member of Periceyl (Private) Limited, Browns Beach Hotel PLC, Lanka Bell Limited, Telecom Frontier (Private) Limited, Bell Solutions (Private) Limited, Timpex (Private) Limited Texpro Industries Limited, Bogo Power Limited., Continental Insurance Limited, Melsta Tower (Pvt) Limited, Melsta Health (Private) Limited, Melsta Healthcare Services and Melsta Hospital Management Services, Melsta Pharmaceuticals (Pvt) Limited, and Balangoda Plantations PLC subsidiary companies of Melstacorp PLC. He is an independent Director of Lanka IOC, Teejay Lanka PLC, Teejay Lanka Prints (Pvt) Ltd and Commercial Development Company PLC. He is also an Alternate Director on the Board of Distilleries Company of Sri Lanka and Aitken Spence PLC.

EXECUTIVE COMMITTEE

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

EXECUTIVE COMMITTEE

PUBUDU DE SILVA

Group Chief Executive Officer

Mr. De Silva has over 31 Years' experience in Apparel and Textile Industry of which 20 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.

SANJAYA BASNAYAKE

Chief Operating Officer - Production & Engineering

Mr. Basnayake has total work experience of over 27 years in the industry of which he has spent over 18 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 15 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 16 years work experience in the fields of Finance, Supply Chain, Planning and Marketing of which 13 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

LEADERSHIP TEAM

JANAKA NANAYAKKARA
General Manager – Human Resources

SAMADHI WEERAKOON
General Manager – European Brands, 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 TEAM - TEEJAY LANKA

SAMPATH KUMARAGE
FLT Head

PRASANNA BANDARA
Centre of Business Excellence: Customer Service Business Partner

HARSHANA FONSEKA
Finance Business Partner

CHAMARA KOTUWELLE
Supply Chain Business Partner

MANJULA RANKOTHGEDARA
Marketing Business Partner

PRINCELY WEERAKOON
Operations Business Partner

FACTORY LEADERSHIP TEAM - TEEJAY LANKA

PRABATH SURAWEERA
Development Business Partner

SAJEEWA CHANDRASIRI
Operations Business Partner

EDGA MELAN
Engineering Business Partner

NILUKA BANDARA
HR Business Partner

FACTORY LEADERSHIP TEAM - TEEJAY PRINTS

SOMASIRI MANAGE
FLT Head

PADHMANATHA BANDARANAYAKE
Operations Business Partner

THARINDU DISSANAYAKE
HR Business Partner

MANJULA THUSHARA
Finance Business Partner

KOLITHA THILAKARATHNE
Operations Business Partner

LALITH ATAPATTU
Centre of Business Excellence – Customer Service Business Partner

PRASANNA MADURAPPERUMA
Marketing Business Partner

FACTORY LEADERSHIP TEAM - TEEJAY INDIA

UPUL NALLAPERUMA
FLT Head

PRABASH HEWAGE
Operations Business Partner

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

QUALITATIVE

SOLUTIONS

MANAGEMENT DISCUSSION & ANALYSIS

MANAGEMENT DISCUSSION & ANALYSIS

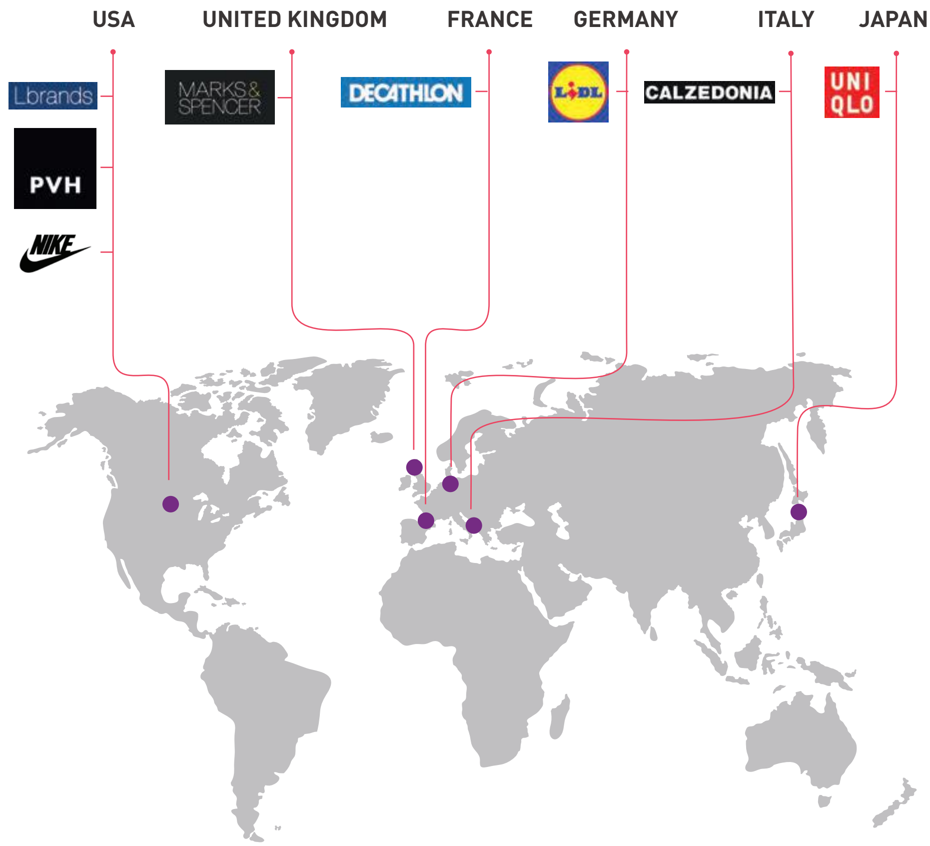
OUR CORE VALUES

- Integrity
- Innovate to Lead
- Collaboration
- Togetherness

ABOUT US

Nurturing a culture of innovative excellence, Teejay is well-placed as one of the region's largest textile manufacturers with manufacturing operations in Sri Lanka and India, supplying fabric to some of the leading international brands. It enjoys the status of being 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 also includes lace dyeing, yarn dyeing, cotton and synthetic fabric production. Teejay's fabrics are sourced by leading global brands across intimates to sleep wear, lingerie and active wear. It has earned a reputation for quality and customer service combined with the ability to meet end-to-end fast-evolving customer needs in the fashion retail industry, further underscored by its innovation and research capabilities. Its customer portfolio comprises leading retail brands from Europe, USA to Asia.

OUR FOOTPRINT



PRODUCT RANGE


Cotton


Synthetics


Lace


Prints

GLOBAL INDUSTRY CONDITIONS

According to an International Labour Organization (ILO) report, the global textile trade collapsed in the first half of the year, with exports to the major buying regions in the European Union, the US and Japan falling by up to 70%. The sudden drop in demand resulted in orders being cancelled by brands and retailers. COVID-19 had a significant impact on the global textile and apparel sector.

In addition to the lower demand, consumers are also changing their buying habits, with a significant shift to online retail, basic product as opposed to fashion. Consumers are also becoming more responsible and look for sustainably produced goods.

Looking ahead, the global textile market is expected to grow from USD 594.61 Bn in 2020 to USD 654.57 Bn in 2021 at a Compound Annual Growth Rate (CAGR) of 10.1%. The growth is mainly due to the companies rearranging their operations and recovering from the COVID-19 impact, which had earlier led to restrictive containment measures involving social distancing, remote working and the closure of commercial activities that resulted in operational challenges. The market is expected to reach USD 821.87 billion in 2025 at a CAGR of 6%.

FINANCIAL REVIEW

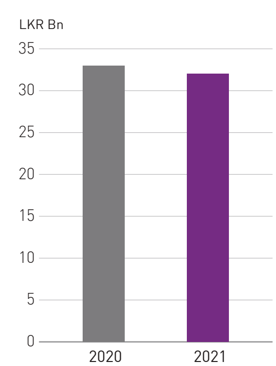
Teejay Lanka PLC posted a excellent financial performance in 2020/21 amid the global turmoil caused by the spread of COVID-19. The resultant lockdowns in Sri Lanka, India and key markets affected the Company's Topline. However, the Company's indomitable spirit helped it to sustain production while taking all the necessary safety measures and protocols to leverage on emerging opportunities while sustaining its Operational Excellence journey.

Revenue

After sustaining revenue growth for many years in a row, 2020/21 was the first year in which Revenue dropped by 4.5% for Teejay Lanka PLC in the face of the challenges triggered by the pandemic, from LKR 33.2 Bn in the preceding year to LKR 31.7 Bn in the year under review. In order to minimise the revenue drop through the year, the Company forayed into production of Personal Protection Equipment (PPE) fabrics in the first Quarter 2020/21 and identified outscored partners to meet the rising demand, thereby helping to sustain the business during the initial months of the lockdown. The decline in Revenue against last year was due to a drop in average selling price (ASP), while a 3.6% drop was owing to a drop in volumes.

Revenue from outsourcing manufacturing accounted for LKR 1.8 Bn which is 6% of Group Revenue. Further sales to Nike made up a significant portion compared to the prior year. The Company saw an increase in synthetic operations during the year. The overall market remains competitive with the price swings and high demand for low cost products which posed challenges on selling prices and margins. The rupee depreciated sharply against the US dollar during the year

Revenue



6%

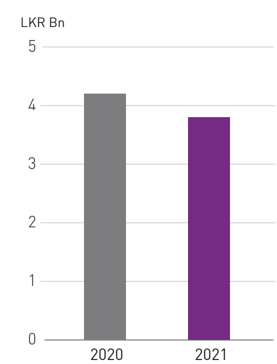
Revenue from outsourcing manufacturing accounted for LKR 1.8 Bn , which is 6% of Group Revenue

OPERATING INCOME

Gross profit

The Company's Gross Profit decreased by 10.4% from LKR 4.2 Bn to LKR 3.7 Bn as a result of lower Revenue recorded due to the reduction in Revenue in the First Half due to shut downs. The Group has already secured yarn at a better price through forward bookings and able to manage the changes in cotton prices during the year under review. Another reason for the decline in Gross Profits is that outsourcing production where margins were low. Outsourcing of production was carried out during the year due to the spread of COVID-19 and Teejay has managed to secure capacity in 3rd party locations mitigating the risk of COVID when production capacity in existing plants decline.

Gross profits



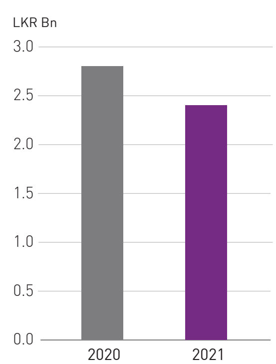
Operating Profit

During the year Operating Profits fell by 13.4% from LKR 2.7 Bn in 2019/20 to LKR 2.4 Bn in 2020/21. Vigorous cost control mechanism has been placed to manage the overheads and helped to reduce Admin

A Dividend of LKR. 1.65 has been paid during the year amounting to a total dividend payout of LKR 1.2 Bn.

& Distribution overheads. Distribution cost reduced by 9% and Admin Expenses reduced by 3%. As a result of a structured cost reduction program However, the Group recorded a higher expenditure on health and safety related to precautionary activities. All salaries were reinstated and amounts reduced in the period of April – September 2020 reimbursed to Executives.

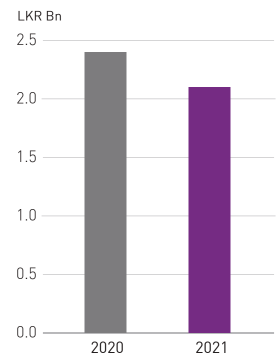
Profit from operations



Net Profit

The Group posted a Net Profit of LKR 2.1 Bn for the full year, a drop of 10.2%, after paying income tax of LKR 229 Mn in the year under review. Reduction in sales volumes and lower margins in outsourced operations reduce the Net Profit. The Group remains focused on its Operational Excellence journey and strategic projects to sustain margins.

Profit after taxation



Shareholder Value

The share price of Teejay Lanka PLC closed at LKR 40 as at 31st March 2021. Dividend of LKR 1.65 has been paid during the year amounting to a total dividend payout of LKR 1,170,382,199. The Board of Directors have proposed a dividend of LKR 1.15.

Working Capital Efficiency

The Group closed the year with a strong Balance Sheet. During the year credit extensions were granted as a new norm to the customers. Strategically we increased Finished Goods inventory due to congestions of ports. Freezing capital expenditure in Quarter One & Quarter Two to support Working Capital

BUSINESS OPERATIONS

Teejay India's USD 26 Mn expansion project is expected to position the Group as a formidable textile manufacturing entity in this region as it will increase daily capacity to 55 Tonnes. The project will be completed by 2022 in time to capitalize on global economic recovery and amid an upsurge in the global retail apparel market as consumer sentiment improves.

Capacity expansion in Sri Lanka and India to achieve the USD 300 Mn milestone necessitated certain investments decisions which were taken despite the unfavourable climate by adopting a long-term objective. During the year, both capability and toolkits

Teejay India's expansion project

were upgraded in Teejay Lanka to build further capacity in synthetics. The new manufacturing capacity will be equipped with large synthetic fabric manufacturing capability, demand for which is on the rise globally. Professionals skilled in the use of these new technologies were also on-boarded during the year.

The Teejay Group's performance in 2020/21 is a true reflection of the resilience of its people and processes to overcome the unprecedented challenges posed by the global pandemic and to record reasonable growth. Operating under the spectre of lockdowns and mobility restrictions, within health protocols, required precise coordination and teamwork – both of which were accomplished with great success. The Group focused on seizing emerging opportunities in providing Personal Protection Equipment (PPE) fabric and outsourcing orders to fulfil demand and respond with agility to customer requests. During the year under review, Teejay forged partnerships with outsourced mills to fulfil its order book.

> Nike doubled the Turnover last year making it the fastest-growing customer within a span of 2 years.

Teejay Lanka also consolidating its customer base through a partnership with Industry giants to exclusively develop innovative and sustainable fabrics. In fact, innovation is one of the key differentiators for the Company and is at the core of Teejay Lanka. Our focus is on creating a range of products, including high-end, high-performance fabric, using different yarns, dyes, and chemical processes such as botanical dyed, Amnisoul, and Naturaw. Teejay collaborates with the innovation pods of major vendor partners to create concepts and experiences in a joint effort of expanding market share, whilst also working with in-house innovation teams to develop novel products and solutions and stay updated on global fashion trends and evolving market needs. Teejay Lanka remains in strategic discussions with some of the main innovations hubs of key vendors, and is partnering with industry giants within the industry to expand innovation in its bid to reach its USD 300 Mn goal.

Moreover, there has been a visible shift in brands diversifying their manufacturing bases out of China and Teejay's plants in India and Sri Lanka are well placed to leverage on this trend and will remain attuned to geopolitical developments and seize opportunities as they emerge. As the pandemic in India and Sri Lanka continues to evolve, Teejay Lanka will face further challenges in the months ahead. Although Teejay Lanka took precautionary steps to mitigate any risks to the supply chain due to the second wave in India, it will be a challenging journey ahead as long as the COVID-19 threat remains. Undeterred, Teejay continues its Operational Excellence journey, reaping the benefits of cost reduction and efficiency improvement projects implemented throughout the Group.

Globally, retailers are diversifying supply chains and looking for reliable partners in their new location strategy in response to post-COVID-19 realities. In order to leverage on these developments, Teejay is considering expansion into several locations and as part of near-shoring strategy to gain a competitive edge and offer greater value to existing and potential customers.

Brand portfolio

The Company performed strongly in strategic brand segments. The US-China trade tensions led retailers to make changes to their manufacturing location strategies. PVH is the main strategic brand for Teejay and they were able to record the highest sales Revenue for any single brand thus far. Teejay effectively bettered last year's numbers, which is an impressive achievement considering the challenging year. Considering the overall Topline, PVH's relocation strategy benefited Teejay as it remains poised to become the largest supplier of fabric to this valued customer.

Another strategic brand, Nike, doubled the Turnover last year making it the fastest-growing customer within a span of 2 years. Nike and PVH are key partnerships that Teejay is committed to nurture going ahead.

CUSTOMERS

Globally, the apparel sector suffered a decline in the first few months of the financial year under review as the pandemic triggered lockdowns globally. The impact of the pandemic on the retail sector was profound, but as an agile Company, Teejay was able to adapt to the evolving situation. The year started off with the closure of manufacturing facilities in view of the total lockdown in Sri Lanka and India as result of the COVID-19 pandemic. In the industry, some customers cancelled orders due to sharp drop in demand while other requested longer credit periods. However, the relocation strategy by brands to diversify fabric based out of China and into the South Asian region benefited the Group.

The focus on developing the Lululemon brand saw success and Teejay will see orders coming through in 3rd Quarter 2021. Another retail chain in the US, Target, has also been on-boarded. Old Navy, has also appointed Teejay as a strategic manufacturer. All approvals have been secured to commence production for these brands in 2021/22. As part of product diversification, with the introduction of lace in its portfolio, Teejay was successful in obtaining orders.

Teejay continues to focus on upgrade its product portfolio and to position products through infusing premium value in certain segments in joint partnership with vendors across Sri Lanka while also working closely with customer brands.

In addition, customer behaviour also changed during the year under review - with greater emphasis on digital platforms. Demand from existing strategic customers via retail chains and online outlets saw significant growth amidst COVID-19. Consumers continued to champion fairness and social justice, which indicated the importance of sustainability in Teejay's operations.

Going ahead, the industry will be driven by qualities of flexibility and agility and Teejay Lanka is well prepared to thrive in this new 'read and react' model.

Since innovation has been the cornerstone of the Company's identity, it continues to explore new products through a strategic diversification approach, for example, collaborating with the medical industry to create speciality fabric for use in medical settings.

The Teejay Group caters to intimate wear, comfort wear and loungewear. The adverse impact from a slowdown in global retail sales is expected to be less on the Company as the demand for these clothing categories is on the rise since a greater percentage of people are still working from home.

Along with sustaining operations with PPE orders, efforts to on-board the next set of 3-4 strategic customers continued as part of its strategy to reach USD 300 Mn and beyond. The Teejay Group is looking at a few global premium brands as their next set of strategic brands. These brands will reflect the Group's strategy of focusing on supermarket chains and brands with strong digital platforms.

SUPPLY CHAIN

The global fashion retail industry runs on a highly integrated global supply chain and as a time sensitive industry, relies heavily on just-in-time systems and precision logistics. The global pandemic disrupted supply chains and land, air and sea logistics across the world, as port congestions and lack of port personnel and lockdown further compounded the situation in early 2020/21. The pandemic exposed the risks associated with high supply chain interconnectedness and challenges associated with global sourcing.

The ban on Xinjiang cotton also saw a price hike in cotton, which affected the industry, as majority of our raw material cost is based on cotton prices. Mitigation of reliance on single destinations for fabric has been placed high on the agenda of many retailers who are now looking for diverse locations to fulfil their fabric requirements, which was dominated by China upto now. The ongoing US-China trade war however worked in favour of Sri Lanka, as orders were moved away from the region to South East Asian regions. Teejay Group benefited from this relocation trend as it operates production facilities in both India and Sri Lanka. Sri Lanka will also diversify its supplier portfolio to the EU to mitigate risk of relying only on South Asia.

Already in the works, the outbreak of the pandemic further exposed the vulnerability of procurement partners, the weakness of contracts and the risks of a concentrated supplier footprint. As a result, supply chain disruptions that were seen in 2020 due to the crisis accelerated many of the changes that companies were already making to rebalance their supply chain. To mitigate future disruptions, fashion players moved away from transactional relationships in favour of deeper partnerships that bring greater agility and accountability.

As an export-oriented Company, Teejay also leveraged on the favourable exchange rate fluctuations seen during the financial year under review. All these emerging opportunities coupled with an increase in demand for weft fabric positioned the Group strongly in the region as a supplier of choice.

R&D AND INNOVATION

3D conceptual image of the Teejay Innovation Center

During the year under review, Teejay Lanka invested in a brand-new Product Design & Innovation Centre, geared to develop new innovative fabrics to revolutionize the fabric industry. The thrust at the Centre will be on designing sustainable products, which have a positive impact on the environment.

On the product development and innovation side, Teejay is planning to upgrade its product portfolio with value addition by entering into joint venture projects with other brands on their innovation journey and in R&D efforts. Overall, the Company is focused on developing end-to-end fabric design solutions, including Sustainable, Technical, Functional and Fashionable product ranges.

Consumer research and design trends are closely monitored to cater to customer requirements. Technical capabilities of new customers are high and Teejay must have a similar capability in place to reach their levels, which is why R&D and Innovation hubs have been further reinforced with reputed professionals. In a post-pandemic world, Teejay believes customers will towards more sustainable and ethical brands, which is why the Company seeks to keep investing in sustainable technologies.

HUMAN CAPITAL

Teejay's human capital has been at the heart of its transformation journey as it forges ahead to become a USD 300 Mn goal. The technical skills, hard work, commitment and resilience of our Associates and Executives drives the Group to success. Despite the multitude of challenges faced during the year under review, Teejay staff renewed their commitment and rallied together to help the Group record a better performance than projected under COVID-19 conditions.

Aligned to the capacity enhancements being undertaken at Teejay Sri Lanka, new Associates were aggressively recruited to be well prepared for the increase in daily output.

Although the lack of opportunity to hold in-person training sessions proved to be a severe constraint, several training programmes were conducted virtually to keep Teejay teams motivated.

Teejay also demonstrated and supported anti-corruption measures by raising awareness amongst Associates and Executives of the same.

The Group follows a policy of zero tolerance of corruption. This policy is also supported by one of the key values followed by the Group, integrity. All employees are required to sign a Declaration of Interest at the point of appointment.

The Company's Human Resource Management approach is based on meritocracy and increments, and promotions are based on achievement of goals assigned. An employee productivity measurement skill matrix has been recently put in place which infuses greater transparency into the process of evaluation. Unfortunately, due to the disruption in normal operations because of the pandemic, the Company could not award the eagerly-anticipated Employee of the Month, Employee of the Year and Department of the Year recognitions.

Teejay Lanka was the first to open in April 2020 to100% capacity due to strict adherence to protocols and seamless teamwork. At the same time, working from home was facilitated as required and necessary IT tools provided. As the sector leaders in the Apparel sector, our Associates enjoy industry-best benefits

> **Overall, the Company is focused on developing end-to-end fabric design solutions, including Sustainable, Technical, Functional and Fashionable product ranges.**

and remuneration. During the year, these Teejay Group's welfare activities extended to the COVID-19 infected employees' physical, financial and mental wellbeing right until the time they could return to work, while ensuring their families felt secure. The Company granted educational loans to Executives for children's education and distributed school bags and supplies, and uniforms for children of Associates. Strict COVID-19 protocols were maintained at all times to prevent spread of the virus in the organization. All worker-related surroundings were kept clean and sanitary for their wellbeing.

SUSTAINABILITY REPORT

Teejay Lanka's vision for sustainability consists of making a positive change in the communities it operates in and by ensuring minimal environmental impact.

Social Sustainability

In its social sustainability efforts, the Company works closely with local communities and the government for bringing about positive change. The challenging operating conditions during the year under review like mobility restrictions were unfavourable to conducting community-based CSR projects. However, the Company maintained close collaboration with its Associates, ensuring they received dry ration packs for the Sinhala and Tamil New Year, and the necessary health and safety support needed.

On request of the government to support frontline workers in the battle against COVID-19, the Company donated fabric for over 2 million protective masks to government medical service personnel. Teejay Lanka was able to distribute face masks along with dry ration packs to underprivileged families in the vicinity.

In its social initiatives, Teejay Lanka partnered with AISEC, a student exchange organization, for the project EARTH 10.0 in a platinum partnership, Teejay worked along side students for over 6 weeks, addressing the vital issue of Climate Change and environmental pollution in Sri Lanka. The main focus of this project was planting nearly 2,000 plants island-wide and raising awareness among the youth about the importance of achieving a climate-stable planet by reducing environmental pollution. The project concluded with a beach clean-up and few programs to encouraging youth for innovations based on implementation of efficiency road cleaning method.

Initiatives taken for 2020/21 and Achievements	
Scheduled Waste Management (SWM)	
Non- scheduled waste	Value enhancement such as reusing and recycling for non – scheduled solid waste in collaboration with recommended agents by (Central Environmental Authority) CEA
Scheduled waste	Sludge Dryer installed & Commissioned. There by reduced the sludge quantity by 70%.
	All the scheduled wastes are disposed through authorized waste contractors by Central Environmental Authority (CEA).
	Continuing evaluation of incineration as long-term strategy.
Water Stewardship	
	Under modernization project, high liquor ratio dye machines were replaced with low liquor ratio machines with higher efficiency and low consumption of energy.
	The chemical optimization project was completed and was able to reduce the water & effluent treatment chemicals by 52%.
	Water & effluent treatment plant clarifiers are being upgraded.
	Initiating Domestic water recycling.
Air Emission	
	Projects were identified together with RESET CARBON. Initiatives taken to reduce 10% of Absolute Carbon Emission by 2025.
	Conducted a collaborative project with AEISAC University of Moratuwa to plant 2000 trees at Dehiattakandiya.
Energy Consumption	
	Reduced Heavy Fuel Oil (HFO) consumption by synthetic thermic heater upgrade.
	Introduced innovative machineries like new slitters, singeing machine & compactor head to reduce the energy consumption.

Environmental Sustainability

Teejay's annual sustainability initiatives provide an insight into how the Group prioritizes environmental sustainability in order to ensure that it produces sustainable products through processes that help reduce the carbon footprint by monitoring Greenhouse gas (GHG) emissions, energy and water consumption and waste management from its production processes. The Group has devised its sustainability strategy in collaboration with internal and external stakeholders to address the various environmental challenges facing the planet today. The Group is exploring new strategies to mitigate any environmental impact by embedding sustainability across its enterprise. The Group has a comprehensive sustainability framework in place which is being further developed to include evolving challenges while being and aligned to the UN Sustainable Development Goals (UNSDGs).

Tree plantation at Dehiattakandiya.

Solid Waste Management

The Company's production processes generate waste which has to be disposed responsibly, without being released into the environment. Teejay has in place agreements with third-party recyclers like INSEE Ecocycle for sustainable dispose of solid waste for the next 3 years.

The investment in the sludge drier, a first in large-scale category in Sri Lanka has helped reduce sludge quantity by 70%, thereby demonstrating significant improvement. The Company has launched plans for conducting dried sludge incineration and has submitted a proposal to the Board of Investment of Sri Lanka (BOI). The environmental assessment process by the Central Environmental Agency (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. This will be yet another step in greening the Company's carbon footprint. All solid waste will be accommodated at the incineration facility.

Water Stewardship

Along with increasing production, Teejay is managing water consumption and effluents to meet the highest environmental standards. As part of its journey towards excellence, Teejay will be bringing in new technologies to be ahead of competition while standardizing internal processes. Process improvements and standardization in the water treatment process were also made.

The Company's water stewardship strategy addresses the impact of its water consumption by minimizing usage, measuring consumption and enhancing efficiency of water consumption while striving to achieve a global target of 0% discharge by 2031.

Teejay's real-time monitoring system for treated water discharge helps monitor various parameters such as pH rate of treated water, temperature in real time and TSS (Total Suspended Solids) rate.

By adopting various sustainability initiatives in its operational excellence journey, Teejay India was able to reduce the water consumption over the last six years.

Energy Conservation

The Company aims to be a leader in energy efficiency and to minimize energy usage across the entire value chain. 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. 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 has adopted solar power generation. As of now, it has replaced 40% of the roof by special roofing sheet with textured coating to reduce the temperature by one degree. Technical and financial feasibilities are been carried out to install 4 MW solar rooftop PV system. The project is to be carried out in two phases.

Teejay scored 77% on the Higg FEM (Facility Environmental Module) Index, which reflects a 5+ improvement over the previous year. The Higg FEM (Facility Environmental Module) Index is a tool to enable brands, retailers and facilities of all sizes to accurately measure and score a Company or product's sustainability performance.

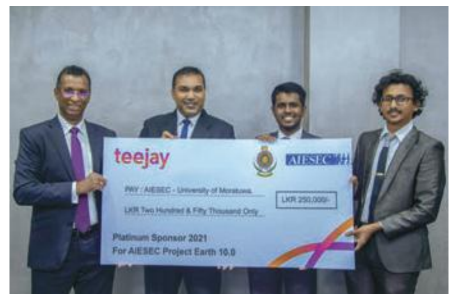
Similar to Teejay Lanka, Teejay India has also embarked on a solar power project. Through this project, Teejay India has planned to set up 1.8 MW solar energy using the factory roof as well as 4 MW floating panels in the rainwater harvesting pond.

The Nature Club was rejuvenated and undertook some notable environmental projects. 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

Teejay's key focus is on innovating sustainable products by reducing pollution and working closely with customers on this to ensure their standards are met. The Company is focused on making quality improvement in processes alongside expanding capacity. Partner brands such as PVH, Intimissimi, L-brands, Lidl and Nike have strong sustainability expectations from their suppliers.

Driven by the sustainability agenda, every decision taken at Teejay is evaluated through the prism of sustainability and impact on its value chain.

Signing MOU with AIESEC, University of Moratuwa



Platinum Partnership for Earth 10.0 Project

70%

Sludge Dryer installed & Commissioned. There by reduced the sludge quantity by 70%

52%

The chemical optimization project was completed and was able to reduce the water & effluent treatment chemicals by 52%.

Introduced innovative machineries like new slitters, singeing machine & compactor head to reduce the energy consumption.

CORPORATE GOVERNANCE

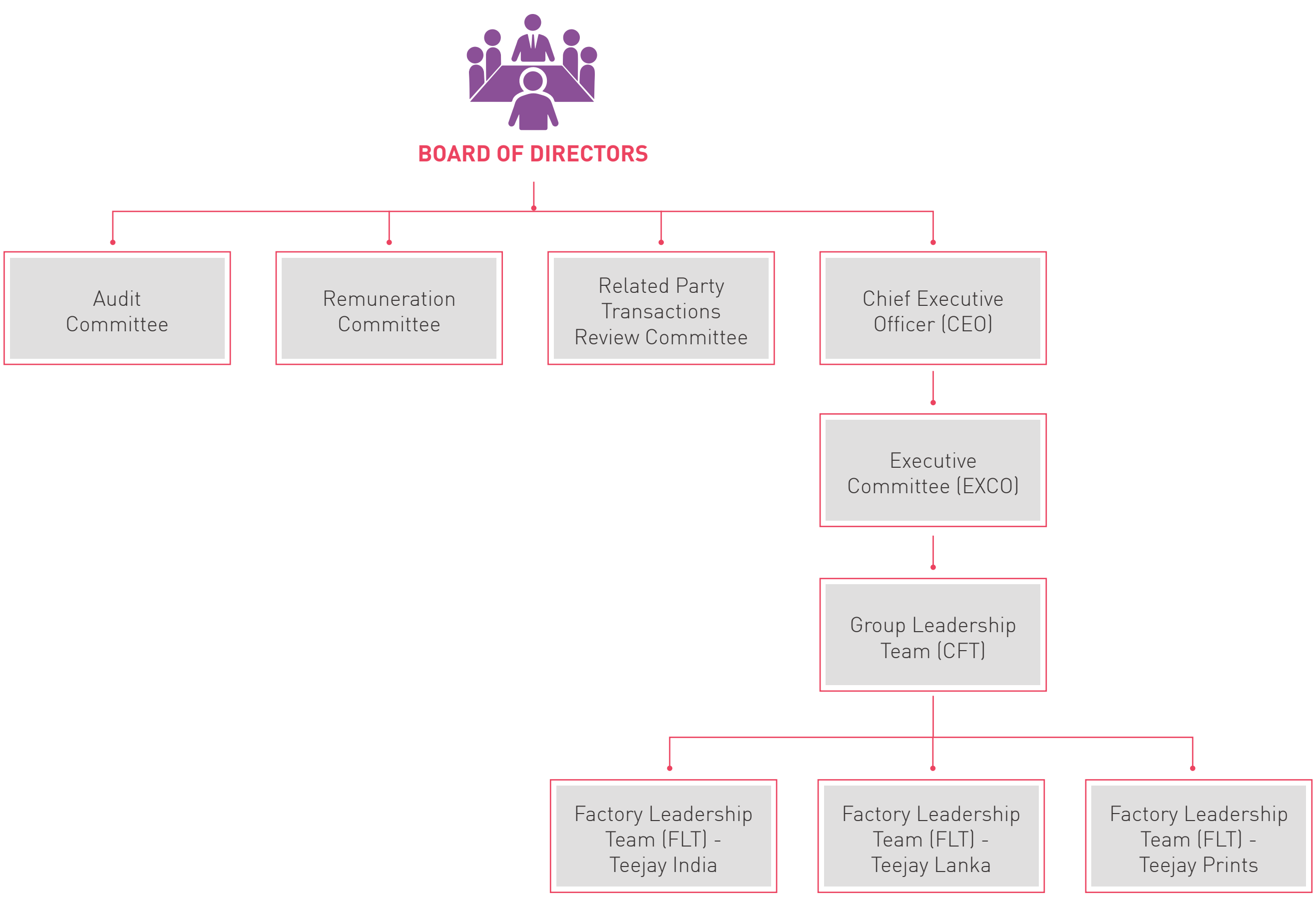
Teejay Lanka PLC is a Public Limited Company listed in the Colombo Stock Exchange (CSE) and registered under the companies Act No. 07 of 2007.

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 three (03) 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 Lanka 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.



CORPORATE GOVERNANCE

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

Regulatory Framework

- 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 No 17 of 1869
- Exchange Control Act No 22 of 2017

Voluntary Standards, Codes & Frameworks

- Code of Best Practice on Corporate Governance issued by CA Sri Lanka 2017
- Integrated Reporting Framework issued by IIRC
- Quality Standard certifications obtained by companies
- Requirements of Environmental & Social Certifications

Internal Documents & Policies

- 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 of three (3) Independent Non-Executive Directors. • Mr. Amitha Lal Gooneratne (Independent Non-Executive Director) - Chairman • Prof. Malik Kumar Ranasinghe (Independent Non-Executive Director) • Mr. Wing Tak Bill Lam (Independent Non-Executive Director)	Oversight financial reporting process in ensuring: • The Integrity of financial statements in accordance with Sri Lanka Accounting Standards. • Adequacy and the effectiveness of the internal control environment and the risk management system and performance of the internal audit function of the organization. • Monitoring of compliance with the standards, laws and regulations. • The External Auditor's Independence and performance.	Report of the Audit Committee is given on page no 58.

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 no 61.
Remuneration Committee		
Comprises two (2) Independent Non-Executive Directors and one (1) Non-Executive Director. • Prof. Malik Kumar Ranasinghe (Independent Non-Executive Director)- Chairman • Mr. Amitha Lal Gooneratne (Independent Non-Executive Director) • Mr. Mohamed Ashroff Omar (Non-Executive Director)	Committee focuses on and is responsible for ensuring that the Human Resource Management processes and remuneration policies are competitive to attract, develop and retain employees with professional, managerial and operational expertise who can assume leadership roles in the organization to achieve the objectives of the Company.	Report of the Remuneration Committee is given on page no 60.

MEETINGS & ATTENDANCE

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

Director	Board	Audit Committee	Related Party Transaction Review Committee	Remuneration Committee
Mr. Amitha Lal Gooneratne	4/4	5/5	3/3	2/2
Prof. Malik Kumar Ranasinghe	4/4	5/5	3/3	2/2
Mr. Wing Tak Bill Lam	4/4	4/5	-	-
Mr. Mohamed Ashroff Omar	4/4	-	-	0/2
Mr. Hasitha Premaratne	4/4	-	3/3	-
Mr. Kit Vai Tou	4/4	-	-	-
Mr. Wai Loi Wan	0/4			

CORPORATE GOVERNANCE

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 CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL 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 no 39. 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 PLC has obtained an insurance cover for the Board, Directors and Key Management Personnel.
A.1.5	Independent judgment of the Directors	√	Directors bring independent judgment 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 regularly and Company are provided guidelines on General aspects of directorships and industry specific matters.

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL 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 of two Chartered Accountants. One of them serves as chairman of the Audit Committee. Mr. Amitha Lal Gooneratne, Independent Non-Executive Director (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	√	Three [03] out of Seven (07) Non-Executive Directors are independent.
A.5.3/ A.5.5	Independence of Non-Executive Directors	√	Independent Non-Executive Directors are, Prof. Malik Kumar Ranasinghe Mr. Amitha Lal Gooneratne Mr. Wing Tak Bill Lam The Board considers Non-Executive Director's independence on an annual basis Please refer pages 17 and 18 for the profiles of the Directors.
A.5.4	Annual Declaration of Directors	√	Annual declarations citing their independence are obtained annually.
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 had not been any unresolved matters in Board minutes.

CORPORATE GOVERNANCE

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL 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	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 17 and 18 of this Annual Report. Directors' shareholding information is given on page 138 of this Report. The number of Board meetings attend by the Directors is available in the page 39 of this Report.

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
A.11	Appraisal of Chief Executive Officer (CEO)		
A.11.1 & A.11.2	Evaluation 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.
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	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	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 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 ESOP 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 page 60.
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	Disclosure of Remuneration	√	Refer the Report of Remuneration Committee on page 60 The total of Directors' Remuneration is reported in Note 08 to the Financial Statements.

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
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.
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. Secretaries, as appropriate. 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.

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
D: Accountability and Audit & Audit Committee			
D.1	Financial and Business Reporting:		
D.1.1/ D.1.2	Board's responsibility for present a balanced and understandable assessment of the Company's financial position, performance and prospects.	√	Company has presented balanced and understandable financial statements which gives a true and fair view quarterly and annually. 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, Chief Financial Officer and two other Directors have signed the Financial Statements on behalf of the Board. The statement of Directors Responsibility and the Auditors Report for the reporting responsibility of auditors are given in pages 62 to 66 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 62 to 65.
D.1.5	Statement of Directors Responsibility, statement on internal controls and Auditors' Report	√	The Statement of Director's Responsibilities for the financial statements is given in page 66 and Director's statement on internal controls is given in page 66. The Auditors' Report is available on page 69
D.1.6	Management Discussion and Analysis	√	Please refer management Discussion and analysis on pages 28 to 36.
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 35 in Financial Statements.

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
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 page 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 66.
D.3	Audit Committee		
D.3.1	Composition of the Audit Committee	√	The Audit Committee consists of three [03] Independent Non-Executive Directors.
D.3.2	Terms of reference of the Audit Committee & Duties of Audit Committee	√	Activities and operation of the Audit Committee is governed by the Internal Audit Charter of the Company which is approved by the Board. Please refer Audit Committee Report on page 58 for the duties.

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
D.3.3	Disclosures of the members of Audit Committee	√	The Audit Committee report with required disclosures are given on page 58.
D.4	Related Party Transaction Review Committee		
D.4.1	Related Party Transactions	√	Company is adhering to LKAS 24 and Transactions entered into with related parties during the year is disclosed in note 35 to the financial statements.
D.4.2	Composition of Related Party Transactions Committee	√	RPT Review Committee consists of two (2) Independent Non-Executive Directors and One (1) Non-Executive Director Mr. Amitha L. Gooneratne (INED) Prof. Malik R. Ranasinghe (INED) Mr. Hasitha Premaratne (NED)
D.4.3	Terms of Reference	√	Please refer Related Party Transactions Review Committee Report on page 61.
D.5	Code of Business Conducted 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 page 9
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 37 to 51 of this report.

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL 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 devices 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 52 to 57 in this annual report.

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
H. Environment, Society and Governance (ESG)			
H.1.1	ESG Reporting	√	Company has included the environmental, social and governance factors in its business model.
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 reporting of adherence to processes.

Levels of compliance with the CSE's Listing Rules - Section 7.10 Rules on corporate Governance are given in the following table.

CSE Rule Reference	Corporate Governance Principles	Teejay's Extent of Adaption	Compliance Status	Reference in this Report
7.10.1 (a)	Non- Executive Directors (NED)	The Board consists of three Independent Non-Executive Directors and Four Non-Executive Directors All directors are Non-Executive Directors.	√	Corporate Governance A.5.1
7.10.2 (a)	Independent Directors:	Three of the seven Non-Executive Directors are independent	√	Corporate Governance A.5.2
7.10.2.(b)	Independent Directors:	All Non-Executive Directors have submitted their confirmation on independence in writing.	√	Corporate Governance A.5.4
7.10.3.(a)	Disclosures Relating to Directors:	Names of Independent Directors disclosed in the Annual Report.	√	Corporate Governance A.5.5
7.10.3.(b)	Disclosures Relating to Directors:	The Board has determined that all Independent Non – Executive Directors satisfy the criteria for "Independence" set out in Listing Rules.	√	Corporate Governance A.5.5

CSE Rule Reference	Corporate Governance Principles	Teejay's Extent of Adaption	Compliance Status	Reference in this Report
7.10.3.(c)	Disclosures Relating to Directors:	A brief resume of each director is included in the Annual report.	√	Board of Directors Profile
7.10.3.(d)	Disclosures Relating to Directors:	New Directors were not appointment during the year.	N/A	Not Applicable
7.10.5 (a)	Composition Of Remuneration Committee:	The Remuneration Committee comprises of two Independent Non-Executive Directors one of whom function as the chairman of the Remuneration Committee and one Non-Executive Director.	√	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 and Remuneration Committee Report
7.10.5 (b)	Functions of Remuneration Committee:	Remuneration Committee determines the compensation of Chief Executive and the Members of the Group Leadership Team.	√	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5 and Remuneration Committee Report
7.10.5 (c)	Disclosure in The Annual Report Relating to Remuneration Committee: Aggregated remuneration paid to Executive & Non-Executive Directors	Names of Remuneration Committee members and Remuneration paid to Directors are disclosed.	√	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5, B.2.1, B.2.2, B.2.3, B.2.4, Remuneration Committee Report and Note 8 to the financial statement on page 101.
7.10.6 (a)	Composition of Audit Committee:	The Audit Committee comprises of three members, all are Independent Non-Executive Directors One of the Independent Non-Executive Directors functions as the Chairman of the Audit Committee.	√	Corporate Governance D.3.1,D.3.2 and Audit Committee Report
7.10.6(b)	Function of Audit Committee	Audit Committee facilitates and monitors Enterprise Risk Management process, the formulation of a risk based audit plan and the implementation of the same.	√	Corporate Governance D.3.3 Audit Committee Report
7.10.6(c)	Disclosure in the Annual Report relating to Audit Committee	Name of Audit Committee members and the basis of determination of the independence of the auditor are disclosed.	√	Corporate Governance D.3.4

Levels of compliance with the CSE's Listing Rules - Section 9 Rules on Related party transactions for Listed Companies issued by the Colombo Stock Exchange are given in the following table.

CSE Rule Reference	Corporate Governance Principles	Teejay's Extent of Adaption	Compliance Status	Reference in this Report
9.2.1 & 9.2.3	Related Party Transactions Review Committee (RPTRC)	Related Party Transactions Review Committee is consistent with the Code of Best Practice on Related Party Transactions issued by the SEC. The functions of the RPTRC are stated in Related Party Transactions Review Committee report.	√	Please refer Related Party Transactions Review Report on page 61
9.2.2	Composition of Related party Transactions Review Committee	The Related party Transactions Review Committee comprises of three members, two of whom are Independent Non-Executive Directors and one Non-Executive Director. One of the Independent Non-Executive Directors functions as the Chairman of Related Party Transactions Review Committee.	√	Please refer Related Party Transactions Review Report on page 61
9.2.4	Related Party Transactions Review Committee Meetings	The RPTRC met three (03) times during the year.	√	Please refer Related Party Transactions Review Report on page 61
9.3.1	Immediate Disclosures	The Company has not been involved in any non-recurrent related party transactions which requires immediate announcements to the CSE.	√	Please refer notes 35 to the financial statements
9.3.2 (a) & (b)	Disclosure: Non- recurrent Related Party Transactions	The Company has not been involved in any non-recurrent related party transactions.	√	Please refer Related Party Transactions Review Report on page 61
	Disclosure: Recurrent Related Party Transactions.	The Company has disclosed recurrent related party transactions which exceed 10% of Gross Revenue.	√	Please refer Related Party Transactions Review Report on page 61
9.3.2 (c)	Report by the Related Party Transactions Review Committee.	The report of the Related Party Transactions review committee is given.	√	Please refer Related Party Transactions Review Report on page 61
9.3.2 (d)	A declaration by the Board of Directors.	Annual Report of the Directors is included.	√	Please refer the Annual Report of the Board of Directors on page 62

√ - Complied

N/A - Not Applicable

ENTERPRISE RISK MANAGEMENT

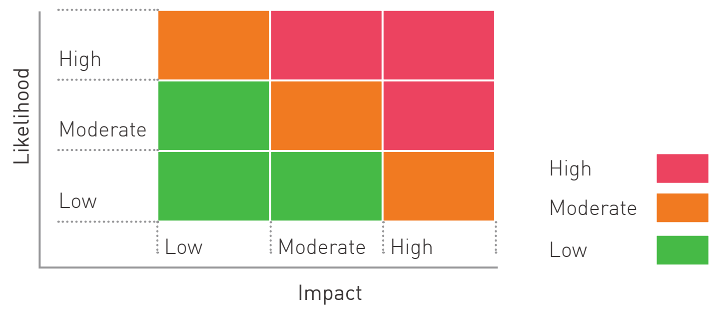
Enterprise Risk Management(ERM) is the process of understanding and managing risks that an entity faces in the course of working towards achieving its objectives. TJ uses as input to the ERM process, the objectives set for the year as part of the development of the Company plan for the year. The process 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. The risk models derived through the process for all three entities are reviewed by the Audit Committee and other Board members each quarter. The 10 Step ERM process practiced by the entities is given below.

Figure 1 : 10 Step Enterprise Risk Management Model

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. 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.

PRINCIPLE RISK LEVELS



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

ENTERPRISE RISK MANAGEMENT

Risk Item	Potential Impact	Risk Mitigation	Risk Assessment
Stakeholder Reputation Risk	Risk of 'the Company failing to deliver stakeholder expectations'	Customer satisfaction is crucial to ensuring sustainable business growth. Operational Excellence that ensures Quality and reliability of supplies Narrow and deep customer strategy Focus on Innovation Ensure compliances with requirements and specifications	Assessed level of risk: Low
Competition /Industry Risk	Risk of 'Threats to margins, loss of market share due to 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 continues to build strong partnership with vendors and continue to work with Global Brands. New product line being developed in the PPE segment.	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 investments 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 pandemic situation.	Look for alternate supply chain avenues for all critical RM & Consumables	Assessed level of risk: Low

Risk Item	Potential Impact	Risk Mitigation	Risk Assessment
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: Medium
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 impact of GSP+ withdrawal by the Europe Union Diversified customer base with competitive pricing & Location strategy	Assessed level of risk: Low
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 through a licensed scheduled waste management Company.	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

ENTERPRISE RISK MANAGEMENT

Risk Item	Potential Impact	Risk Mitigation	Risk Assessment
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 employees. 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. Comprehensive Health & Safety protocols are in place in factories and Implementation of flexi hour policy which enable working from home	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 supported by Positive Assurance Reporting framework and continuous monitoring of the same	Assessed level of risk: Low
Business Risk	Risk of not being able to fill the plants from strategic customers due to end market lock downs	S&OP process that creates visibility of demand for products. Operational Excellence Journey that ensures the Company stay competitive Secured orders for PPE related products.	Assessed level of risk: Medium

Risk Item	Potential Impact	Risk Mitigation	Risk Assessment
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: Low
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 to secure the key buyers.	Assessed level of risk: Medium
Inventory Risk	Risk of carrying RM & Consumables inventory that is not useable or obsolete	Close monitoring of excess FG inventory, and liability management process Strengthening the planning system within the Group that ensures MTO Tight inventory provisioning policies and close focus on provisions	Assessed level of risk: Medium

AUDIT COMMITTEE REPORT

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprises of three [03] Independent Non-Executive Directors. One of them functions as the Chairman of Audit Committee.

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

IND/NED – Independent Non Executive Director

NED – Non Executive Director

(Refer to pages 16 to 18 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	27th May 2020	29th July 2020	13th Aug. 2020	13th Nov. 2020	22nd Feb. 2021
Mr. Amitha Gooneratne	√	√	√	√	√
Prof. Malik 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 30th July 2021. An independent firm of Accountants was engaged to conduct a special inventory review with full coverage of all inventory categories. The Audit Committee reviewed the results of this stock count which was conducted at the end of financial year which the Company undertakes every year.

The Audit Committee has reviewed the other services provided by the External Auditors to the group to ensure that their independence as external auditors has not impaired and Evaluated the independence of the External Auditors based on their declaration of Independence which includes the number of years the assigned partner engages with the Company continuously, the fees for audit services and the non-audit services as well as providing direct access to the Chairman of Audit Committee to discuss audit findings.

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 31,2022.

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 FY 2019-20 , 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" programme 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 2020-21 under review.

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

30th July 2021

REMUNERATION COMMITTEE REPORT

COMPOSITION OF THE COMMITTEE

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

The Members of the Remuneration Committee consist of as below;

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

IND/NED – Independent Non-Executive Director

NED – Non-Executive Director

(Refer to pages 16 to 18 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.

ATTENDANCE AT COMMITTEE MEETINGS

Director	13th August 2020	5th March 2021
Prof. Malik K. Ranasinghe	√	√
Mr. Amitha L. Gooneratne	√	√
Mr. Mohamed Ashroff Omar	X	X

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 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 101.

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 K. Ranasinghe
Chairman of the Remuneration Committee

30th July 2021

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 (2020-21)

- Mr. Amitha Lal Gooneratne - (Chairman) (IND/NED)
- Prof. Malik Kumar Ranasinghe - (IND/NED)
- Mr. Hasitha Premaratne - (NED)

IND/NED – Independent Non-Executive Director

NED – Non-Executive Director

(Refer to pages 16 to 18 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 2020/21 and the members 'attendance record is set out in the Conformance Report given below.

Related Party Transactions Review Committee Member	27 May 2020	13 August 2020	13 November 2020	22 February 2021
Mr. Amitha Lal Gooneratne	√	√	√	√
Prof. Malik 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 35 to the Financial Statements.

DECLARATION

Related Party Transaction Review Committee reviewed all the Related Party Transactions during the financial year at the quarterly meetings. 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

30th July 2021

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 MARCH 2021

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 2021.

FORMATION

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

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

The Board of Directors approved these financial statements on 30 July 2021.

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 79.

FINANCIAL STATEMENTS

4 The financial statements which include statement of financial positions as at 31 March 2021, the statements of comprehensive income, the statement of changes in equity, the statements of cash flows and notes to the financial statements of the Group and the Company for the year ended 31 March 2021 are set out on pages 72 to 78 All amounts are stated in Sri Lankan Rupees, unless otherwise stated.

INDEPENDENT AUDITOR'S REPORT

5 The Independent Auditor's Report on the financial statements is given on pages 69 to 71.

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 70 to 90.

REVIEW OF BUSINESS

7 The state of affairs of the Group and the Company as at 31 March 2021 and the financial performance for the year ended 31 March 2021 are set out in the statement of financial position on pages 74 and 75 and statement of comprehensive income on pages 72 and 73.

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 2021 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 declared and paid an interim dividend of USD 6,166,266 (LKR 1,170,382,199) representing LKR 1.65 per share for the year ended 31 March 2021

Further, The Board of Directors wishes to propose the payment of LKR 1.15 per share as final dividend to the shareholders of the Company for the year ended 31 March 2021 subject to obtaining the approval of the shareholders at the forthcoming Annual General Meeting.

RESERVES

12 Total reserves and their composition are set out in the statement of changes in equity on pages 76 and 77 of the consolidated financial statements.

STATED CAPITAL

13 The stated capital of the Company as at 31 March 2021 amounted to LKR 4,248,787,934 (USD 38,619,455) consisting of 709,322,545 ordinary shares.

SHAREHOLDING

14 14 As at 31 March 2021, there were 7,726 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	32.74%
Pacific Textured Jersey Holdings Limited	195,926,217	27.62%
HSBC Intl Nom Limited - BBH - Fidelity Funds	37,238,610	5.25%
Citibank Newyork S/A Norges Bank Account 2	19,978,077	2.82%
Bnymsanv Re-CF Ruffer Investment Funds : CF Ruffer Pacific Fund	19,000,000	2.68%
HSBC Intl Nom Limited-JPCMB NA-Fidelity Asian Values PLC	16,320,745	2.30%
Melstacorp PLC	12,622,428	1.78%
Employees Provident Fund	6,979,333	0.98%
HSBC Intl Nom Limited-BBH-Matthews Emerging Asia Fund	6,972,828	0.98%
JPMBL Sa - Kapitalforeningen Institutionel Investor,Asiatiske Smid Cap Aktier	5,699,332	0.80%
SEYLAN BANK PLC/PUNSISI PARAKRAMA HEWA MATARAGE	5,452,833	0.77%
Deutsche Bank AG-National Equity Fund	4,891,071	0.69%
Mr. L.K.M.Fernando	4,630,620	0.65%
Standard Chartered Bank Difc Branch S/A Efg Hermes Oman LLC	3,614,630	0.51%
Union Assurance Plc-Universal Life Fund	3,460,708	0.49%
JPMCB Na-Scotgems Plc	3,331,281	0.47%
Commercial Bank Of Ceylon Plc/Metrocorp (Pvt) Ltd	3,000,000	0.42%
Periceyl (Private) Limited A/C No. 03	2,694,100	0.38%
J.B. Cocoshell (Pvt) Ltd	2,150,415	0.30%
Nuwara Eliya Property Developers (Private) Limited	2,055,464	0.29%

As at 31 March 2021 the public shareholding was 39.21% (278,104,326 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 2021:

Mr Wing Tak Bill Lam - *Chairman and Independent 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, Prof. M.K. Ranasinghe and Mr Wing Tak Bill Lam who have served on the board for over 9 nine years as independent as they have not been directly involved in the management of the Company and their contribution at meetings of the Board are made from an independent point of view and expressed from a broader perspective than of the Company alone.

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 35 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 101.

DIRECTOR'S INTEREST IN SHARES

18 As at 31 March 2021, Mr Hasitha Premaratne held 40,000 shares of the Company.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

19 The Directors are responsible for the preparation of financial statements of the Company and Group to reflect a true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Inland Revenue Act No. 24 of 2017 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The statement of directors' responsibility for financial reporting is given on page 66.

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 91 to 94.

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 and 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 shareholders 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 were authorised to be issued to eligible employees under the ESOS was 27,090,851 shares representing 4.1% of the issued shares of the Company as at 1 April 2015.

During the period 1st April 2020 to 31st March 2021, a total of 15,999,436 share options were granted to eligible employees under two grants which were made by the Company (grants 5 and 6), out of which a total of 7,365,965 shares were exercised and issued to eligible employees under grant 5, in the financial year under reference.

Out of 27,090,851 share options approved to be issued under the ESOS, during the period from the establishment of the ESOS in 2015 to the end of 31st March 2021, an aggregate of 13,372,712 shares were issued to eligible employees, after the said number of share options were exercised by them and 5,778,435 share options were available for further grants under the ESOS. The said 5,778,435 pool of share options excluded 7,939,704 share options which were granted under grant 6 during the financial year under reference, the vesting period of which expired after 31st March 2021.The said 5,778,435 pool of share options which were available for further grants included (i) 4,625,268 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 2020 to 27 May 2020 and were not exercised by the eligible employees; (ii) and 693,767 share options granted to eligible employees under Grant 5 of the ESOS on 16 June 2021, which were not exercised during that year.

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

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 2,067,101 during the year ended 31 March 2021 for charitable purposes (2020 - LKR 28,279,174).

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 have occurred since the statement of financial position date which would require adjustments to, or disclosure in, these 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 2022 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 69 to 71.

The financial statements comprise the:

- comprehensive income, which present a true and fair view of the results of the Group and the Company for the year ended 31 March 2021; 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 2021,

  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.

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

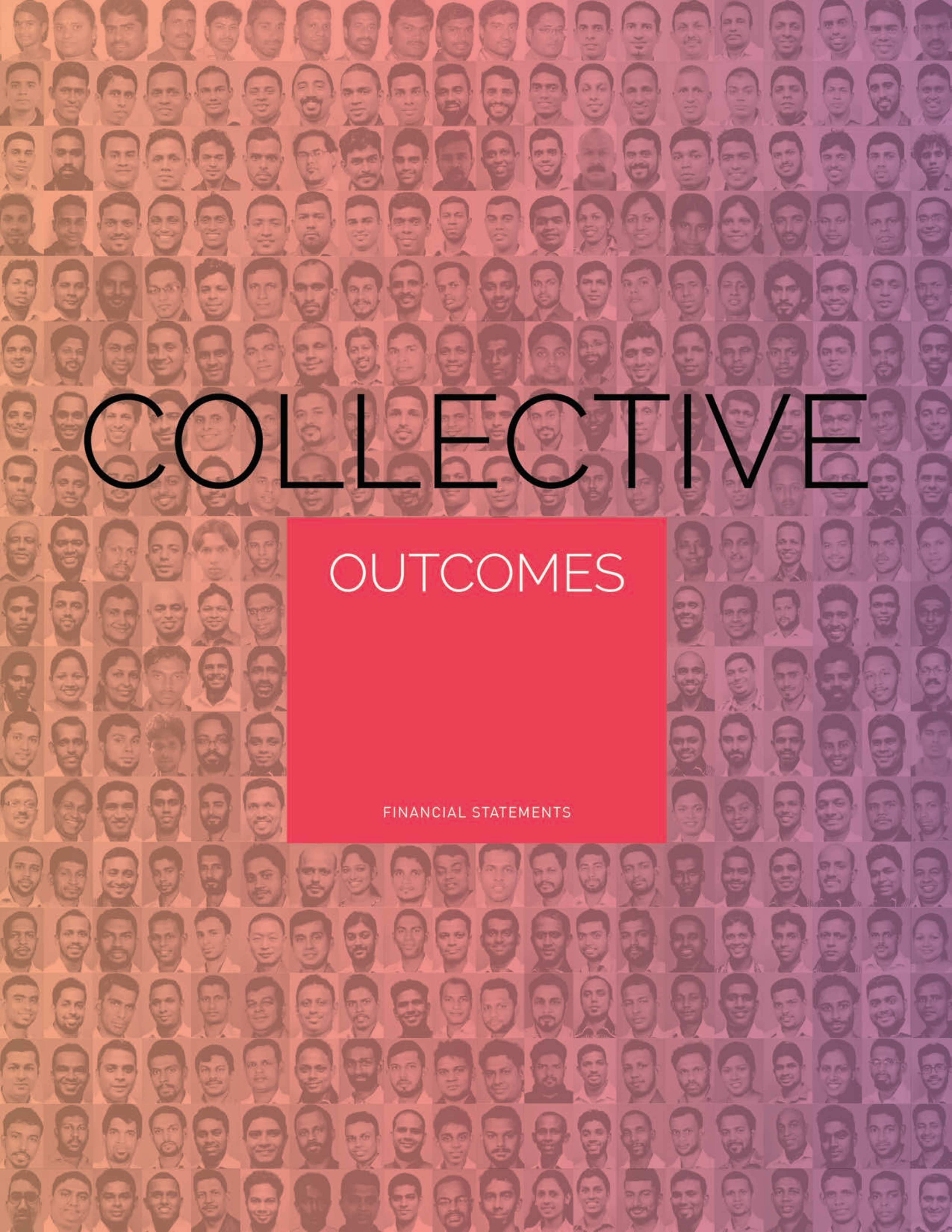
COMPLIANCE REPORT

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

Corporate Services (Private) Limited
Secretaries

30th July 2021



COLLECTIVE

OUTCOMES

FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

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 2021, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

WHAT WE HAVE AUDITED

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

- the statement of financial position as at 31 March 2021;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

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

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

INDEPENDENCE

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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 4.6 Bn and LKR 7.3 Bn respectively as at 31 March 2021, 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 20% and 23% 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 2021 to their net realisable values subsequent to year end.

Key audit matter	How our audit addressed the Key audit matter
Valuation of inventories	
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 other 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 judgment 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's 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.

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS
CA Sri Lanka membership number - 3015

Colombo
Sri Lanka

30th July 2021

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
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STATEMENT OF COMPREHENSIVE INCOME

INCOME STATEMENT

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
Year ended 31 March	Note	2021	2020	2021	2020
Revenue from contracts with customers	6	**31,780,287**	33,276,976	**20,965,296**	19,364,894
Cost of sales		**(27,990,328)**	(29,047,934)	**(18,803,018)**	(17,067,349)
Gross profit		**3,789,959**	4,229,042	**2,162,278**	2,297,545
Other income - net	7	**185,662**	172,617	**533,747**	701,134
Distribution expenses		**(177,672)**	(195,150)	**(116,550)**	(133,592)
Administrative expenses		**(1,392,044)**	(1,428,813)	**(713,990)**	(769,660)
Net impairment losses on financial assets	21 (a)	**35,497**	(49,265)	**26,829**	(32,640)
Operating profit	8	**2,441,402**	2,728,431	**1,892,314**	2,062,787
Finance income	10	**276,786**	243,825	**266,133**	199,255
Finance costs	10	**(118,851)**	(160,292)	**(18,553)**	(18,117)
Net finance income	10	**157,935**	83,533	**247,580**	181,138
Profit before tax		**2,599,337**	2,811,964	**2,139,894**	2,243,925
Income tax expense	11	**(459,735)**	(428,180)	**(229,413)**	(308,031)
Profit for the year		**2,139,602**	2,383,784	**1,910,481**	1,935,894
Attributable to:					
Equity holders of the parent		**2,139,602**	2,383,784		
Earnings per share					
Basic earnings per share (LKR)	12 (a)	**3.04**	3.40		
Diluted earnings per share (LKR)	12 (b)	**3.04**	3.40		

The notes on pages 79 to 134 form an integral part of these financial statements

Independent auditor's report is set out on pages 69 to 71

STATEMENT OF COMPREHENSIVE INCOME

OTHER COMPREHENSIVE INCOME

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
Year ended 31 March	Note	2021	2020	2021	2020
Profit for the year		**2,139,602**	2,383,784	**1,910,481**	1,935,894
Other comprehensive income					
Items that will not be reclassified to income statement					
Remeasurement of retirement benefit obligations	26	**(72,815)**	(93,029)	**(73,646)**	(29,787)
Deferred tax attributable to remeasurement of retirement benefit obligations	27	**8,483**	25,696	**10,310**	4,170
		(64,332)	(67,333)	**(63,336)**	(25,617)
Items that may be subsequently reclassified to income statement					
Currency translation differences		**961,858**	1,091,633	**817,032**	930,816
Other comprehensive income for the year		**897,526**	1,024,300	**753,696**	905,199
Total comprehensive income for the year		**3,037,128**	3,408,084	**2,664,177**	2,841,093
Attributable to:					
Equity holders of the parent		**3,037,128**	3,408,084		

The notes on pages 79 to 134 form an integral part of these financial statements

Independent auditor's report is set out on pages 69 to 71

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
As at 31 March	Note	2021	2020	2021	2020
ASSETS					
Non-current assets					
Property, plant and equipment	14	8,710,818	8,777,251	4,724,995	4,479,083
Right-of-use assets	15	899,016	910,400	472,602	467,711
Capital work-in-progress	16	425,281	589,511	213,249	576,587
Intangible assets	17	125,452	77,726	93,431	26,198
Goodwill	17	65,709	62,298	Nil	Nil
Investments in subsidiaries	18	Nil	Nil	3,427,643	3,249,687
Deferred tax assets	27	273,228	256,257	Nil	Nil
		10,499,504	10,673,443	8,931,920	8,799,266
Current assets					
Inventories	20	7,280,706	5,904,129	4,601,443	3,740,732
Trade and other receivables	21	7,180,865	4,136,507	5,021,770	2,633,169
Current tax receivables		6,170	18,219	Nil	Nil
Other financial assets	22	1,679,622	967,425	1,453,927	761,240
Cash and cash equivalents	23	4,452,472	5,262,770	3,014,888	3,807,121
		20,599,835	16,289,050	14,092,028	10,942,262
Total assets		31,099,339	26,962,493	23,023,948	19,741,528
EQUITY AND LIABILITIES					
Capital and reserves					
Stated capital	30	4,248,787	4,056,683	4,248,787	4,056,683
Exchange equalisation reserve	31	6,225,275	5,263,417	5,637,018	4,819,986
Share option scheme	33	153,491	96,760	153,491	96,760
Retained earnings	32	7,136,671	6,231,783	4,970,564	4,293,801
		17,764,224	15,648,643	15,009,860	13,267,230
Non-current liabilities					
Borrowings	25	197,620	412,192	Nil	Nil
Lease liabilities	15	654,657	627,993	351,271	341,604
Deferred tax liabilities	27	626,990	647,592	258,292	338,381
Retirement benefit obligations	26	520,422	377,583	331,343	216,868
		1,999,689	2,065,360	940,906	896,853

As at 31 March	Note	Group 2021	Group 2020	Company 2021	Company 2020
Current liabilities					
Trade and other payables	24	**8,087,052**	5,642,679	**4,713,233**	3,445,366
Current tax liabilities		**126,421**	91,594	**126,421**	91,594
Borrowings	25	**3,108,290**	3,502,111	**2,224,928**	2,032,746
Lease liabilities	15	**13,663**	12,106	**8,600**	7,739
		11,335,426	9,248,490	**7,073,182**	5,577,445
Total liabilities		**13,335,115**	11,313,850	**8,014,088**	6,474,298
Total equity and liabilities		**31,099,339**	26,962,493	**23,023,948**	19,741,528

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. These financial statements were approved for issue by the Board of Directors on 30th July 2021.

Signed on behalf of the Board on

Mohamed Ashroff Omar
Directors

Hasitha Premaratne
Directors

The notes on pages 79 to 134 form an integral part of these financial statements

Independent auditor's report is set out on pages 69 to 71

STATEMENT OF CHANGES IN EQUITY - GROUP

(all amounts in Sri Lanka Rupees Thousands)

	Note	Stated capital	Exchange equalisation reserve	Share option scheme	Retained earnings	Total
Balance at 1 April 2019		4,056,683	4,171,784	96,760	5,600,028	13,925,255
Profit for the year		Nil	Nil	Nil	2,383,784	2,383,784
Other comprehensive loss for the year		Nil	1,091,633	Nil	(67,333)	1,024,300
Total comprehensive income for the year		Nil	1,091,633	Nil	2,316,451	3,408,084
Transactions with owners:						
Final dividend paid - 2018/19	13	Nil	Nil	Nil	(772,152)	(772,152)
Interim dividend paid - 2019/20	13	Nil	Nil	Nil	(912,544)	(912,544)
		Nil	Nil	Nil	(1,684,696)	(1,684,696)
Balance at 31 March 2020		4,056,683	5,263,417	96,760	6,231,783	15,648,643
Balance at 1 April 2020		4,056,683	5,263,417	96,760	6,231,783	15,648,643
Profit for the year		Nil	Nil	Nil	2,139,602	2,139,602
Other comprehensive loss for the year		Nil	961,858	Nil	(64,332)	897,526
Total comprehensive income for the year		Nil	961,858	Nil	2,025,270	3,027,128
Transactions with owners:						
Interim dividend paid - 2020/21	13	Nil	Nil	Nil	(1,170,382)	(1,170,382)
Share option scheme	33 (a)	192,104	Nil	56,731	Nil	248,835
Balance at 31 March 2021		4,248,787	6,225,275	153,491	7,136,671	17,764,224

The notes on pages 79 to 134 form an integral part of these financial statements

Independent auditor's report is set out on pages 69 to 71

STATEMENT OF CHANGES IN EQUITY - COMPANY

(all amounts in Sri Lanka Rupees Thousands)

	Note	Stated capital	Exchange equalisation reserve	Share option scheme	Retained earnings	Total
Balance at 1 April 2019		4,056,683	3,889,170	96,760	4,068,220	12,110,833
Profit for the year		Nil	Nil	Nil	1,935,894	1,935,894
Other comprehensive loss for the year		Nil	930,816	Nil	(25,617)	905,199
Total comprehensive income for the year		Nil	930,816	Nil	1,910,277	2,841,093
Transactions with owners:						
Final dividend paid - 2018/19	13	Nil	Nil	Nil	(772,152)	(772,152)
Interim dividend paid - 2019/20	13	Nil	Nil	Nil	(912,544)	(912,544)
		Nil	Nil	Nil	(1,684,696)	(1,684,696)
Balance at 31 March 2020		4,056,683	4,819,986	96,760	4,293,801	13,267,230
Balance at 1 April 2020		4,056,683	4,819,986	96,760	4,293,801	13,267,230
Profit for the year		Nil	Nil	Nil	1,910,481	1,910,481
Other comprehensive loss for the year		Nil	817,032	Nil	(63,336)	753,696
Total comprehensive income for the year		Nil	817,032	Nil	1,847,145	2,664,177
Transactions with owners:						
Interim dividend paid - 2020/21	13	Nil	Nil	Nil	(1,170,382)	(1,170,382)
Share option scheme	33 (a)	192,104	Nil	56,731	Nil	248,835
Balance at 31 March 2021		4,248,787	5,637,018	153,491	4,970,564	15,009,860

The notes on pages 79 to 134 form an integral part of these financial statements

Independent auditor's report is set out on pages 69 to 71

STATEMENT OF CASH FLOWS

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
Year ended 31 March	Note	2021	2020	2021	2020
Cash flows from operating activities					
Cash generated from operations	34	**2,723,558**	4,209,437	**1,319,176**	2,871,190
Finance income received	10	**186,842**	120,065	**162,921**	92,556
Finance cost paid		**(70,962)**	(112,865)	**Nil**	(28)
Retirement benefit obligations paid	26	**(29,044)**	(62,845)	**(7,397)**	(34,908)
Tax paid		**(466,630)**	(305,159)	**(283,740)**	(165,338)
Net cash generated from operating activities		**2,343,764**	3,848,633	**1,190,960**	2,763,472
Cash flows from investing activities					
Additions or expenses incurred on capital work-in-progress	16	**(715,459)**	(1,461,606)	**(377,597)**	(985,038)
Net (increase) / decrease in investment in financial assets		**(712,197)**	(414,055)	**(692,687)**	(399,539)
Net cash used in investing activities		**(1,427,656)**	(1,875,661)	**(1,070,284)**	(1,384,577)
Cash flows from financing activities					
Dividend paid	13	**(1,170,382)**	(1,684,696)	**(1,170,382)**	(1,684,696)
Issue of shares		**194,525**	Nil	**194,525**	Nil
Settlement of borrowings		**(104,564)**	(330,449)	**Nil**	Nil
Proceeds received from bank borrowings		**Nil**	886,350	**Nil**	886,350
Settlement of related party borrowings	35 (vii) (b)	**(674,496)**	Nil	**Nil**	Nil
Principal elements of lease payments	15	**(59,840)**	(7,638)	**(26,634)**	(6,512)
Net cash used in financing activities		**(1,814,757)**	(1,136,433)	**(1,002,491)**	(804,858)
Net increase in cash and cash equivalents		**(898,649)**	836,539	**(881,815)**	574,037
Cash and cash equivalents at beginning of year		**5,102,393**	4,265,854	**3,647,975**	3,073,938
Cash and cash equivalents at end of year	23	**4,203,744**	5,102,393	**2,766,160**	3,647,975

The notes on pages 79 to 134 form an integral part of these financial statements

Independent auditor's report is set out on pages 69 to 71

NOTES TO THE FINANCIAL STATEMENTS

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

1. GENERAL INFORMATION

Teejay Lanka PLC is a public limited company incorporated in Sri Lanka on 12 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 30 July 2021.

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

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.

(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 2021.

(i) Covid-19-related Rent Concessions – Amendments to SLFRS 16

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. According to the amendment to SLFRS 16 Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

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

(ii) Classification of Liabilities as Current or Non-current – Amendments to LKAS 1

The narrow-scope amendments to LKAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (eg: the receipt of a waver or a breach of covenant). The amendments also clarify what LKAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

(iii) Property, Plant and Equipment: Proceeds before intended use – Amendments to LKAS 16

The amendment to LKAS 16 Property, Plant and Equipment (PP&E) prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment.

Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

(iv) Onerous Contracts – Cost of Fulfilling a Contract Amendments to LKAS 37

The amendment to LKAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

Annual Improvements to SLFRS Standards 2018–2020

The following improvements were finalised in May 2020:

- SLFRS 9; Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- SLFRS 16; Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- SLFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same SLFRS 1 exemption.
- LKAS 41 Agriculture – removal of the requirement for entities to exclude cash flows for taxation when measuring fair value under LKAS 41. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

This amendment is effective for the annual periods beginning on or after 1 January 2022.

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

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

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.

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 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.

Assets and liabilities arising from a lease 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.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

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.

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.

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.

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.

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

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.

2.11.2 Financial liabilities

2.11.2.1 Classification and initial recognition

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

The Group 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.

2.11.2.2 Subsequent measurement

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

2.11.2.3 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 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.

2.13 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 2021 or 1 April 2020 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 Employee benefits

(a) Defined benefit plan - Gratuity

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

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

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

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

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

(b) Defined contribution plans

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

2.21 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.

2.22 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

Sales 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.

2.23 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.

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

(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.

2.24 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.

2.25 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.

2.26 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.

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
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 2021, if LKR had strengthened by 1% against USD in the financial year, profit before tax would have been decreased by LKR 38,718,378. The analysis assumes that all other variables, in particular interest rates, remain constant.

At 31 March 2021, if INR had strengthened by 1% against USD in the financial year, profit before tax would have been decreased by LKR 17,661,975. The analysis assumes that all other variables, in particular interest rates, remain constant.

During the year ended 31 March 2021, the Group and Company recorded a net foreign exchange gain of LKR 89,944,065 and LKR 103,212,498 respectively (2020 - exchange loss of LKR 123,760,164 and exchange gain of LKR 106,698,990 respectively) on transaction and translation of LKR 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 favourable rates on borrowings and deposits.

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

3.1 Financial risk factors (Contd)

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 favourable rates on borrowings and deposits.

(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 2021 would have decreased by LKR 39,605,551 of Group and LKR 18,338,819 of Company (2020 - LKR 27,619,021 of Group and LKR 14,377,306 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 2021		For the year ended 31 March 2020	
	Interest expense	Profit before tax	Interest expense	Profit before tax
Borrowings	39,606	2,559,731	27,619	2,784,345

Company	For the year ended 31 March 2021		For the year ended 31 March 2020	
	Interest expense	Profit before tax	Interest expense	Profit before tax
Borrowings	18,339	2,121,555	14,377	2,229,548

(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.

3.1 Financial risk factors (Contd)

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.

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

Group

As at 31 March 2021	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)	248,728	Nil	Nil	Nil	248,728
Amounts due to related companies (Note 24)	385,034	Nil	Nil	Nil	385,034
Trade and other payables					
(excluding statutory liabilities) (Note 24)	6,259,437	1,373,675	Nil	Nil	7,633,112
Borrowings (Note 25)	2,503,846	355,716	197,620	Nil	3,057,182
Lease liabilities	15,821	47,463	282,734	873,132	1,219,150
Total liabilities	9,412,866	1,776,854	480,354	873,132	12,543,206

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	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

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

3.1 Financial risk factors (Contd)

Company

As at 31 March 2021	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)	248,728	Nil	Nil	Nil	248,728
Amounts due to related companies (Note 24)	444,703	Nil	Nil	Nil	444,703
Trade and other payables					
(excluding statutory liabilities) (Note 24)	3,454,822	778,057	Nil	Nil	4,232,879
Bank borrowings (Note 25)	1,976,200	Nil	Nil	Nil	1,976,200
Lease liabilities	6,978	20,934	111,651	530,260	669,823
Total liabilities	6,131,431	798,991	111,651	530,260	7,572,333

As at 31 March 2021	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
Bank borrowings (Note 25)	1,873,600	Nil	Nil	Nil	1,873,600
Lease liabilities	6,616	19,848	132,318	555,657	714,439
Total liabilities	5,162,750	321,594	132,318	555,657	6,172,319

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	
	2021	2020
Total borrowings (Note 25)	**3,305,910**	3,914,303
Less: Cash and cash equivalents and short term deposits (Notes 23 and 22)	**(6,132,095)**	(6,230,195)
Net debt	**N/A**	N/A
Total equity	**17,764,221**	15,648,643
Total capital	**17,764,221**	15,648,643
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.

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.

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

(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. The 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 trade receivables and financial assets 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.

(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	
	2021	2020
Textile manufacturing		
- Sri Lanka	2,595,663	2,541,326
- India	1,096,133	1,294,270
	3,691,796	3,835,596
Fabric printing		
- Sri Lanka	124,674	152,797
- India	53,398	65,994
	178,072	218,791
Total adjusted EBITDA	3,869,868	4,054,387

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

	Group	
	2021	2020
Total adjusted EBITDA	3,869,868	4,054,387
Depreciation of Property,plant & equipments	(1,323,715)	(1,236,507)
Amortisation of intangible assets	(47,145)	(39,632)
Depreciation on right-of-use assets	(57,606)	(49,817)
Net finance income	157,935	83,533
Profit before income tax from continuing operations	2,599,337	2,811,964

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

5. SEGMENT INFORMATION (CONTD)

(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.

	Group	
As at 31 March	2021	2020
Textile manufacturing		
- Sri Lanka	23,075,229	19,741,531
- India	15,267,393	14,016,692
Fabric printing - Sri Lanka	2,500,764	1,791,569
Total segment assets	40,843,386	35,549,792
Inter segment eliminations	(10,017,275)	(8,843,556)
Unallocated:		
Deferred tax assets	273,228	256,257
Total assets as per the statement of financial position	31,099,339	26,962,493

(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.

	Group	
As at 31 March	2021	2020
Textile manufacturing		
- Sri Lanka	7,868,340	6,135,917
- India	6,287,874	5,875,272
Fabric printing - Sri Lanka	797,076	211,271
Total segment liabilities	14,953,290	12,222,460
Inter segment eliminations	(2,245,165)	(1,556,202)
Unallocated:		
Deferred tax liabilities	626,990	647,592
Total liabilities as per the statement of financial position	13,335,115	11,313,850

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group and the Company derives following types of revenue:

	Group		Company	
	2021	2020	**2021**	2020
Textile sector	**29,848,675**	31,406,823	**20,965,296**	19,364,894
Printing sector	**1,931,612**	1,870,153	**Nil**	Nil
Total revenue from continuing operations	**31,780,287**	33,276,976	**20,965,296**	19,364,894

(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 2021	Total segment revenue	Inter segment revenue	Revenue from external customers
Revenue			
Textile manufacturing			
- Sri Lanka	20,965,296	(585,539)	20,379,757
- India	11,268,147	(1,799,229)	9,468,918
Fabric printing - Sri Lanka	1,953,322	(543,109)	1,410,213
Fabric printing - India	521,399	Nil	521,399
Total segment revenue	34,708,164	(2,927,877)	31,780,287

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
Fabric printing - India	805,888	Nil	805,888
Total segment revenue	35,218,397	(1,941,421)	33,276,976

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

6. REVENUE FROM CONTRACTS WITH CUSTOMERS (CONTD)

(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	
	2021	2020	2021	2020
Scrap sales	136,752	117,366	51,877	31,165
Screen cost recovery	34,040	63,971	Nil	Nil
Royalty income [See Note (a) below and Note 35 (v)]	Nil	Nil	467,836	611,948
Net loss on disposal of property, plant and equipment	(2,278)	(24,709)	(2,279)	(24,709)
Dividend income [Note 35 (vii)]	Nil	Nil	Nil	76,966
Other income	17,148	15,989	1,422	4,621
Steam coal cost recovery [Note 35 (vi)]	Nil	Nil	14,891	1,143
	185,662	172,617	533,747	701,134

(a) Royalty income of LKR 467,835,634 (2020 - LKR 611,947,917) in Company solely consists of royalty received from Teejay India (Private) Limited for the year ended 31 March 2021 [Note 35 (v)].

8. RESULTS FROM OPERATING ACTIVITIES

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

	Group		Company	
	2021	2020	2021	2020
Directors' emoluments	**5,545**	7,665	**5,545**	7,665
Auditors' remuneration - audit	**11,264**	9,997	**2,892**	2,670
Auditors' remuneration - non audit	**356**	2,664	**536**	837
	11,620	12,661	**3,428**	3,507
Depreciation on property, plant and equipment (Note 14)	**1,323,715**	1,236,507	**664,797**	531,841
Depreciation on right-of-use assets (Note 15)	**57,606**	49,817	**19,464**	14,357
(Reversal of provision) / Provision for slow and non				
moving inventories (Note 20)	**(17,227)**	578,412	**98,825**	415,782
(Reversal of provision) / Provision for impairment of				
trade receivables [Note 21 (a)]	**(35,497)**	49,265	**(26,829)**	32,640
Amortisation of intangible assets (Note 17)	**47,145**	39,632	**19,088**	15,468
Legal Expenditure	**3,631**	904	**3,631**	904
Development expenditure	**112,510**	80,937	**112,510**	80,937
Repair and maintenance expenditure	**397,658**	388,953	**296,725**	247,494
Employee benefit expense (Note 9)	**2,782,205**	2,683,842	**1,817,809**	1,626,196

9. EMPLOYEE BENEFIT EXPENSE

	Group		Company	
	2021	2020	2021	2020
Salaries, wages and other fringe benefits	**2,408,658**	2,360,123	**1,561,882**	1,442,644
Defined contribution plans	**229,219**	226,971	**150,971**	142,608
Retirement benefit obligations (Note 26)	**87,597**	96,748	**48,225**	40,944
Share options granted to directors and employees [Note 33 (a)]	**56,731**	Nil	**56,731**	Nil
	2,782,205	2,683,842	**1,817,809**	1,626,196
Average number of persons employed by the Group				
and the Company during the year - full time	**2,678**	2,614	**1,373**	1,279

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

10. NET FINANCE INCOME / (COST)

	Group		Company	
	2021	2020	2021	2020
Finance income:				
Net foreign transaction and translation gains	**89,944**	123,760	**103,212**	106,699
Interest income on short term deposits	**186,842**	120,065	**162,921**	92,556
Total finance income	**276,786**	243,825	**266,133**	199,255
Finance costs:				
Interest expense				
- bank overdrafts	**(1)**	(37)	**Nil**	(28)
- short term bank borrowings	**(15,300)**	(28,729)	**Nil**	Nil
- related company borrowings [Note 35 (x)]	**(31,002)**	(32,440)	**Nil**	Nil
- Interest charge on lease liabilities (Note 15)	**(47,889)**	(47,427)	**(18,553)**	(18,089)
- long term bank borrowings	**(24,659)**	(51,659)	**Nil**	Nil
Total finance cost	**(118,851)**	(160,292)	**(18,553)**	(18,117)
Net finance income / (cost)	**157,935**	83,533	**247,580**	181,138

11. INCOME TAX EXPENSE

	Group		Company	
	2021	2020	2021	2020
Current income tax:				
Current income tax on profits for the year	**462,731**	446,789	**276,858**	317,383
Minimum Alternative Tax credit entitlement	**Nil**	(64)	**4,051**	Nil
Under provision for income tax in respect of prior years	**44,157**	7,835	**30,834**	7,835
Withholding tax on intercompany dividend	**Nil**	12,529	**Nil**	Nil
Total current tax:	**506,888**	467,089	**311,743**	325,218
Deferred tax:				
Reversal of temporary differences (Note 27)	**(47,153)**	(38,909)	**(82,330)**	(17,187)
Income tax expense	**459,735**	428,180	**229,413**	308,031
Deferred tax released to other comprehensive income (Note 27)	**(8,483)**	(25,696)	**(10,310)**	(4,170)
Income tax charged to statement of comprehensive income	**451,254**	402,484	**219,103**	303,861

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	
	2021	2020	2021	2020
Profit before tax	**2,599,336**	2,811,964	**2,139,894**	2,243,925
Tax calculated at effective tax rate of Group 17.6%,				
(2019 - 17.6%) Company 14% (2019 - 14%)	**477,192**	497,066	**299,585**	314,150
Income not subject to tax	**(159,579)**	(67,352)	**(62,068)**	Nil
Expenses not deductible for tax purposes	**159,966**	11,502	**151,444**	651
Impact on additional allowable expenses	**(107,922)**	(40,438)	**(96,926)**	(39,546)
Under / (over) provision for income tax in respect				
of prior years	**44,157**	7,835	**30,834**	7,835
Use of previously unrecognised tax losses	**Nil**	(45,090)	**Nil**	Nil
Adjustments due to the change of estimated deferred				
tax base in previous years	**45,921**	52,128	**(93,456)**	24,941
Withholding tax on intercompany dividend	**Nil**	12,529	**Nil**	Nil
Tax charge	**459,735**	428,180	**229,413**	308,031

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. From 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. Following five years fifty percent of profit generated from export revenue is exempted from income tax provided fulfilment of certain conditions.

The first five years of the concession period commenced in 2009 and expired in 2013 and the second five years of the concession period commenced in 2014 and expired in 2018. The Company is currently enjoying a tax concession of fifty percent of profits generated from export revenue for five consecutive years commencing from 2019.

Further information about deferred tax is provided in Note 27.

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

12. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year:

	Group		Company	
	2021	2020	2021	2020
Profit attributable to equity holders of the Company	**2,139,602**	2,383,784	**1,910,481**	1,935,894
Weighted average number of ordinary shares (in thousands) [Note 30 (b)]	**703,813**	701,957	**703,813**	701,957
Basic earnings per share - LKR	**3.04**	3.40	**2.71**	2.76

(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. A weighted average number of 1,876,808 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	
	2021	2020	2021	2020
Profit attributable to equity holders of the Company	**2,139,602**	2,383,784	**1,910,481**	1,935,894
Weighted average number of ordinary shares for diluted earnings per share (In thousands)	**703,813**	701,957	**703,813**	701,957
Diluted earnings per share - LKR	**3.04**	3.40	**2.71**	2.76

13. DIVIDEND PER SHARE

	Group and Company			
	2021		2020	
	Per share LKR	LKR	Per share LKR	LKR
Declared and paid during the year				
Final Dividend [See Note (b) below]	**1.15**	**824,251**	1.10	772,152
Interim Dividend [See Note (a) below]	**1.65**	**1,170,382**	1.30	912,544
Total Dividend	**2.80**	**1,994,633**	2.40	1,684,696

(a) The Company declared and paid an interim dividend of LKR 1,170,382,199 representing LKR 1.65 per share for the year ended 31 March 2021.

(b) The Board of Directors wishes to propose the payment of LKR 1.15 per share as final dividend to the shareholders of the Company for the year ended 31 March 2021 subject to obtaining the approval of the shareholders at the forthcoming Annual General Meeting. Further, the Board of Directors wishes to propose the payment of LKR 824,250,971 representing LKR 1.15 per share as final dividend to the shareholders of the Company for the year ended 31 March 2021 subject to obtaining the approval of the shareholders at the forthcoming Annual General Meeting.

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 31 March 2019							
Cost	4,131,304	14,097,677	1,462,130	223,230	648,136	15,287	20,577,764
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	212,275	5,308	8,408,236
Year ended 31 March 2020							
Opening net book value	2,903,965	4,754,116	513,099	19,473	212,275	5,308	8,408,236
Transfers from capital work-in-progress (Note 16)	13,565	772,263	141,728	2,270	52,849	25,213	1,007,888
Write offs	Nil	(187,033)	(22,441)	Nil	(486)	Nil	(209,960)
Disposals - 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	13,972	1,603	622,343
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	189,309	28,004	8,777,251
At 31 March 2020							
Cost	4,458,507	15,783,844	1,698,934	242,535	752,563	43,094	22,979,476
Accumulated depreciation	(1,492,702)	(10,793,936)	(1,110,754)	(226,490)	(563,254)	(15,090)	(14,202,225)
Net book amount	2,965,805	4,989,908	588,180	16,045	189,309	28,004	8,777,251
Year ended 31 March 2021							
Opening net book value	2,965,805	4,989,908	588,180	16,045	189,309	28,004	8,777,251
Transfers from capital work-in-progress (Note 16)	10,026	547,106	185,569	3,186	66,191	Nil	812,078
Disposals - cost	Nil	(74,881)	Nil	Nil	(5,298)	Nil	(80,180)
Disposals - accumulated depreciation	Nil	74,881	Nil	Nil	3,020	Nil	77,901
Effect of change in foreign exchange rates	147,079	254,419	35,827	732	8,474	952	447,483
Depreciation charge (Note 8)	(247,599)	(838,914)	(129,503)	(5,445)	(93,227)	(9,027)	(1,323,715)
Closing net book amount	2,875,311	4,952,519	680,073	14,518	168,469	19,928	8,710,818
At 31 March 2021							
Cost	4,713,332	17,150,880	1,989,514	259,208	858,593	45,454	25,016,981
Accumulated depreciation	(1,838,021)	(12,198,361)	(1,309,441)	(244,690)	(690,125)	(25,525)	(16,306,163)
Net book amount	2,875,311	4,952,519	680,073	14,518	168,469	19,928	8,710,818

(In the notes all amounts are shown in Sri Lankan 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 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)
Disposals - 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
Year ended 31 March 2021							
Opening net book value	1,484,941	2,322,279	520,148	6,385	119,773	25,557	4,479,083
Transfers from capital work-in-progress (Note 16)	4,593	413,685	182,196	1,439	65,757	Nil	667,670
Disposals - cost	Nil	(21,880)	Nil	Nil	(5,299)	Nil	(27,179)
Disposals - accumulated depreciation	Nil	21,880	Nil	Nil	3,020	Nil	24,900
Effect of change in foreign exchange rates	74,963	128,768	33,215	360	7,038	973	245,317
Depreciation charge (Note 8)	(103,028)	(388,904)	(108,893)	(1,297)	(56,073)	(6,602)	(664,797)
Closing net book amount	1,461,469	2,475,828	626,666	6,887	134,216	19,928	4,724,994
At 31 March 2021							
Cost	2,201,669	9,301,995	1,694,986	45,102	578,929	28,108	13,850,789
Accumulated depreciation	(740,200)	(6,826,167)	(1,068,320)	(38,215)	(444,713)	(8,180)	(9,125,795)
Net book amount	1,461,469	2,475,828	626,666	6,887	134,216	19,928	4,724,994

(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 2021 amounted to LKR 10,171,448,438 and LKR 9,152,562,605 respectively (2020 Group - LKR 6,448,458,579 and Company - LKR 6,041,620,490).

(b) he Company has constructed nine buildings on four plots of lands leased from the Board of Investment of Sri Lanka at Seethawaka International Industrial Park. The remaining lease periods as of 31 March 2021 are 30,14,17 and 17 years respectively. 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 International Industrial Park. The remaining lease periods as of 31 March 2021 are 26 and 30 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 2021 is 09 years.

(c) Depreciation expense of Group of LKR 1,225,075,349 (2020 - LKR 1,119,143,091) and LKR 98,639,652 (2020 - LKR 117,363,553) has been charged to cost of goods sold and administrative expenses respectively. Depreciation expense of the Company of LKR 616,491,516 (2020 - LKR 505,376,207) and LKR 48,305,047 (2020 - LKR 26,464,816) 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	
	2021	2020	2021	2020
Land	899,016	910,400	472,602	467,711
	899,016	910,400	472,602	467,711
Lease liabilities				
Current lease liabilities	13,663	12,106	8,600	7,739
Non-current lease liabilities	654,657	627,993	351,271	341,604
	668,320	640,099	359,871	349,343

Movement relating to leases:

Right-of use assets

	Group		Company	
	2021	2020	2021	2020
Right-of-use asset recognised as at 1 April 2020 - Land	910,400	617,526	467,711	331,578
Prepayments	80	21,845	Nil	19,130
Transferred from lease rentals paid in advance [Note 21 (d)]	Nil	260,826	Nil	100,270
Depreciation charged during the year - Land (Note 8)	(57,606)	(49,817)	(19,464)	(14,357)
Effect of change in foreign exchange rates	46,142	60,020	24,355	31,090
Right-of-use asset recognised as at 31 March 2021	899,016	910,400	472,602	467,711

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

15. LEASES (CONTD)

Lease liabilities

	Group		Company	
	2021	2020	2021	2020
Lease liability recognised as at 1 April 2020 - Land	**640,099**	617,526	**349,343**	331,578
Interest charged during the year (Note 10)	**47,889**	47,427	**18,553**	18,089
Rentals paid during the year	**(59,840)**	(55,065)	**(26,416)**	(25,039)
Effect of change in foreign exchange rates	**40,172**	30,211	**18,391**	24,715
Lease liability recognised as at 31 March 2021	**668,320**	640,099	**359,871**	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	
	2021	2020	2021	2020
Land (Note 8)	**57,606**	49,817	19,464	14,357
	57,606	49,817	19,464	14,357
Interest charge on lease liabilities (Note 9)	**47,889**	47,427	**18,553**	18,089

(c) The total cash outflows for leases of Group and Company for the financial year ended 31 March 2021 were LKR 59,839,940 (2020- LKR 7,638,210) and LKR 26,633,585 (2020- LKR 6,511,834) respectively.

16. CAPITAL WORK-IN-PROGRESS

	Group		Company	
	2021	2020	2021	2020
Balance at beginning of the year	**589,511**	119,098	**576,587**	63,327
Expenses incurred	**715,459**	1,461,606	**377,597**	985,038
Transferred to property, plant				
and equipment (Note 14) and [See Note (a) below]	**(812,078)**	(1,007,888)	**(667,670)**	(500,321)
Transferred to intangible assets (Note17)	**(87,979)**	(17,172)	**(80,898)**	(3,635)
Effect of change in foreign exchange rates	**20,368**	33,867	**7,633**	32,178
Balance at end of the year [See Note (b) below]	**425,281**	589,511	**213,249**	576,587

(a) Group PPE additions mainly consists of the Teejay print laser engraving machine amounting to LKR 59,292,488 and the slitter machine purchased by Teejay India amounting to LKR 22,724,007 and additions of Teejay Lanka PLC amounting to LKR 667,671. Transferred to property, plant and equipment of Company mainly consists of new knitting machines amounting to LKR 159,418,721, dye machines amounting to LKR 129,207,668, Sludge dryer system amounting to LKR 42,349,311 and Network panel amounting to LKR 37,964,308, DLP Unit Upgrading to 32 Dye MC Color Servi amounting to LKR 43,086,301, Sclavos Athena 4 H/T Dye Machine (TYPE 1500H) amounting to LKR 27,982,445, Sclavos Athena 4 H/T Dye Machine (TYPE 250H) amounting to LKR 58,139,106, Online Inspection Machine - Comatex-Mod ISX amounting to LKR 17,673,671, Light Fastness Tester - Xenotest 220+ amounting to LKR 14,929,911 and ten Santoni S/J Knitting Machine 30" 24G / Santoni S/J Knitting Machine 30" 28G machines amounting to LKR 90,216,213.

(b) Capital work-in-progress of Group as at 31 March 2021 mainly comprises of Teejay India Private Limited expansion related investments and machinery modernisation investments.

17. INTANGIBLE ASSETS

Group	Goodwill	Computer software	Total
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
Year ended 31 March 2021			
Opening net book amount	62,298	77,726	140,024
Transferred from capital work-in-progress (Note 16)	Nil	87,979	87,979
Effect of change in foreign exchange rates	3,411	6,892	10,303
Amortisation charge (Note 8)	Nil	(47,145)	(47,145)
Closing net book amount	65,709	125,452	191,161
At 31 March 2021			
Cost	65,709	816,297	882,006
Accumulated amortisation	Nil	(690,845)	(690,845)
Net book amount	65,709	125,452	191,161

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

17. INTANGIBLE ASSETS (CONTD)

Company	Computer software	Total
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
Year ended 31 March 2021		
Opening net book amount	26,198	26,198
Transferred from capital work-in-progress (Note 16)	80,898	80,898
Effect of change in foreign exchange rates	5,423	5,423
Amortisation charge (Note 8)	(19,088)	(19,088)
Closing net book amount	93,431	93,431
At 31 March 2021		
Cost	624,247	624,247
Accumulated amortisation	(530,816)	(530,816)
Net book amount	93,431	93,431

(a) Amortisation charge amounting to LKR 47,145,320 (2020 Group - LKR 39,631,545) and LKR 19,088,247 (2020 Company - LKR 15,467,694) 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.

Summary of the goodwill allocation is presented below.

	Group As at 31 March	
	2021	2020
Teejay Lanka Prints (Private) Limited	**18,753**	17,780
Ocean Mauritius Limited	**46,956**	44,518
	65,709	62,298

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.

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

18. INVESTMENTS IN SUBSIDIARIES

	Company	
	2021	2020
Unquoted investments		
At the beginning of the year	3,249,687	3,020,911
Effect of change in foreign exchange rates	177,956	228,776
At the end of the year	3,427,643	3,249,687

(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	
	2021	2020	2021	2020
Trade receivables (Note 21)	4,110,419	1,687,942	2,970,981	1,267,076
Other receivables (excluding advances)	456,313	501,159	104,387	205,410
Amounts due from related companies (Note 21)	2,173,767	1,463,274	1,039,917	1,082,972
Other financial assets (Note 22)	1,679,622	967,425	1,453,927	761,240
Cash and cash equivalents (Note 23)	4,452,472	5,262,770	3,014,888	3,807,121
	12,872,593	9,882,570	8,584,100	7,123,819

19. FINANCIAL INSTRUMENTS BY CATEGORY (CONTD)

(b) Financial liabilities - at amortised cost

	Group		Company	
	2021	2020	2021	2020
Trade payables (Note 24)	**6,114,828**	3,441,652	**3,001,508**	1,562,371
Accrued expenses (Note 24)	**1,363,610**	975,008	**1,111,766**	725,118
Other payables (Note 24)	**154,671**	159,772	**119,605**	139,504
Amount due to related companies (Note 24)	**385,034**	1,025,339	**444,703**	998,141
Borrowings from related companies (Note 25)	**Nil**	674,496	**Nil**	Nil
Short-term bank borrowings (Note 25)	**2,859,562**	2,667,238	**1,976,200**	1,873,600
Long-term bank borrowings (Note 25)	**197,620**	412,192	**Nil**	Nil
Bank overdrafts (Note 25)	**248,728**	160,377	**248,728**	159,146
Lease liabilities (Note 15)	**668,320**	640,099	**359,871**	349,343
	11,992,373	10,156,173	**7,262,381**	5,807,223

(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	
	2021	2020	2021	2020
Export customers / overseas	**1,325,922**	913,237	**186,484**	492,371
Local customers	**2,784,497**	774,705	**2,784,497**	774,705
Related parties	**2,173,767**	1,463,274	**1,889,683**	1,082,972
	6,284,186	3,151,216	**4,860,664**	2,350,048

	Group		Company	
	2021	2020	2021	2020
Counterparties without external credit rating:				
Group 1	6,284,186	3,151,216	4,860,664	2,350,048
Group 2	Nil	Nil	Nil	Nil
Group 3	Nil	Nil	Nil	Nil
Total unimpaired trade and related party receivables	6,284,186	3,151,216	4,860,664	2,350,048

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.

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

19. FINANCIAL INSTRUMENTS BY CATEGORY (CONTD)

Cash and cash equivalents:

	Group		Company	
	2021	2020	2021	2020
AA+	**653,275**	902,900	**Nil**	132,021
AA	**Nil**	25,980	**Nil**	25,980
A+	**1,609,313**	1,385,904	**1,609,313**	1,385,904
A	**6,245**	1,846	**6,245**	1,846
A-	**468**	446	**Nil**	Nil
AA-	**1,489,737**	2,175,934	**876,504**	1,844,380
BBB+	**111,814**	768,253	**Nil**	416,490
BBB	**580,187**	Nil	**522,326**	Nil
Cash in hand	**1,433**	1,507	**500**	500
	4,452,472	5,262,770	**3,014,888**	3,807,121

Other financial assets

	Group		Company	
	2021	2020	2021	2020
AA+	**1,679,622**	967,425	**1,453,927**	761,240
	1,679,622	967,425	**1,453,927**	761,240

20. INVENTORIES

	Group		Company	
	2021	2020	2021	2020
Raw materials	**3,294,281**	2,180,495	**1,942,848**	1,217,158
Work-in-progress	**2,028,247**	1,257,922	**1,372,649**	817,716
Finished goods	**553,223**	930,641	**221,865**	549,452
Engineering spares, needles and sinkers	**413,480**	323,821	**253,886**	176,894
Effluent chemicals, fuel and consumables	**169,833**	195,486	**144,203**	179,885
Goods in transit	**821,642**	1,015,764	**665,992**	799,627
	7,280,706	5,904,129	**4,601,443**	3,740,732

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

	Group		Company	
	2021	2020	2021	2020
Balance at the beginning of the year	**1,048,645**	406,525	**735,908**	275,589
Effect of change in foreign exchange rates	**56,313**	63,708	**46,676**	44,537
(Reversal of provision) / provision for slow and non moving inventories (Note 8)	**(17,227)**	578,412	**98,825**	415,782
Balance at the end of the year	**1,087,731**	1,048,645	**881,409**	735,908

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	2021	2020
Current				
Trade receivables - external customers	**4,121,896**	1,732,859	**2,980,495**	1,295,127
Less - provision for impairment [See Note (a) below]	**(11,477)**	(44,917)	**(9,514)**	(28,051)
	4,110,419	1,687,942	**2,970,981**	1,267,076
Trade receivable due from related companies				
[See Note 35 (viii) (a)]	**2,149,833**	1,443,226	**939,698**	601,696
Less - provision for impairment				
[See Note (a) below] and [See Note 35 (vii) (a)]	**(12,055)**	(13,220)	**(3,662)**	(11,518)
	2,137,778	1,430,006	**936,036**	590,178
Other receivables from related companies				
[See Note 35 (viii) (b)]	**35,989**	33,268	**103,881**	492,794
Loan given to related parties [See Note 35 (xi)]	**Nil**	Nil	**849,766**	Nil
	2,173,767	1,463,274	**1,889,683**	1,082,972
Prepayments	**27,317**	37,740	**6,444**	16,446
Other receivables [See Note (e) below]	**491,130**	547,556	**139,204**	251,806
Statutory receivables [See Note (g) below]	**378,232**	399,995	**15,458**	14,869
	7,180,865	4,136,507	**5,021,770**	2,633,169
Less				
Non current portion of lease rentals paid in advance				
[See note (d) below]	**Nil**	Nil	**Nil**	Nil
Current portion	**7,180,865**	4,136,507	**5,021,770**	2,633,169

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

21. TRADE AND OTHER RECEIVABLES (CONTD)

(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 2021 or 1 April 2020 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 2021 and 1 April 2020 was determined as follows for trade receivables:

	Group		Company	
	2021	2020	2021	2020
Loss allowance	23,532	58,137	13,176	39,569

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

	Group		Company	
	2021	2020	2021	2020
Opening loss allowance as at 1 April				
– calculated under SLFRS 9	58,137	5,640	39,569	4,714
(Decrease) / increase in loss allowance recognised				
in profit or loss during the year (Note 8)	(35,497)	49,265	(26,829)	32,640
Effect of change in foreign exchange rates	892	3,232	436	2,215
At 31 March	23,532	58,137	13,176	39,569

21. TRADE AND OTHER RECEIVABLES (CONTD)

(a) Impairment of trade receivables (Contd)

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	
	2021	2020	2021	2020
US Dollars	**6,294,582**	3,337,754	**4,887,780**	2,531,917
LKR	**130,460**	110,359	**130,460**	101,252
Euro	**3,530**	Nil	**3,530**	Nil
INR	**752,292**	688,394	**Nil**	Nil
	7,180,864	4,136,507	**5,021,770**	2,633,169

(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

(d) The non-current portion of prepayments in previous year solely consisted 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 were included in prepayments under trade and other receivables - current. Reconciliation of the prepaid operating lease rentals was as follows:

	Group		Company	
	2021	2020	2021	2020
At beginning of the year	**Nil**	256,265	**Nil**	98,517
Transferred to right-of-use assets (Note 15)	**Nil**	(260,826)	**Nil**	(100,270)
Effect of change in foreign exchange rates	**Nil**	4,561	**Nil**	1,753
At end of the year	**Nil**	Nil	**Nil**	Nil

(e) Other receivables of the Group mainly consist of export incentive recievables of LKR 98,801,107 (2020 - LKR 68,571,512), advance tax paid LKR 103,180,564 (2020 - LKR 115,858,927), advances to suppliers LKR 88,732,763 (2020 - LKR 230,297,666) and refundable deposit of LKR 87,883,590 (2020 - LKR 81,534,013). Other receivables of the Company mainly consist of advances to suppliers amounting to LKR 28,759,639 (2020 - LKR 230,297,666) and refundable deposit amounting to LKR 8,461,693 (2020 - LKR 8,117,372).

(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 351,129,042 (2020 - LKR 383,154,760), WHT receivable of LKR 11,206,635 (2020- LKR 9,026,817) and VAT receivables amounting to LKR 6,281,747 (2020 - LKR 5,842,447). Statutory receivables of the Company wholly consist of VAT recoverable amounting to LKR 5,937,098 (2020 - LKR 5,842,447) and WHT recoverable amounting to LKR 9,520,936 (2020 - LKR 9,026,817).

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

22. OTHER FINANCIAL ASSETS - AT AMORTISED COST

	Group		Company	
	2021	2020	2021	2020
Short term deposits	1,679,622	967,425	1,453,927	761,240

The weighted average effective interest rate of the Group on short term deposits (USD) was 5.00% - 5.25% (year ended 31 March 2020 - 4.75% - 5.00%). The weighted average effective interest rate of the Company on short term deposits (USD) was 5.00% - 5.25% (year ended 31 March 2020 - 4.75% - 5.00%).

23. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	2020	2021	2020
Cash at bank and in hand	4,452,472	5,262,770	3,014,888	3,807,121

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

	Group		Company	
	2021	2020	2021	2020
Cash and bank balances	4,452,472	5,262,770	3,014,888	3,807,121
Bank overdrafts (Note 25)	(248,728)	(160,377)	(248,728)	(159,146)
	4,203,744	5,102,393	2,766,160	3,647,975

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	2021	2020
Trade payables	6,114,828	3,441,652	3,001,508	1,562,371
Amounts due to related companies [Note 35 (ix)]	385,034	1,025,339	444,703	998,141
Accrued expenses [See Note (a) below]	1,363,610	975,008	1,111,766	725,118
Other payables	154,671	159,772	119,605	139,504
Statutory payables [See Note (b) below]	68,909	40,908	35,651	20,232
	8,087,052	5,642,679	4,713,233	3,445,366

(a) Accrued expenses of the Group mainly consist accrued employee bonus of LKR 341,835,566 (2020 - LKR 327,041,564), air freight expenses of LKR 336,753,966 (2020 - LKR 187,792,052) and bulk discount of LKR 278,073,078 (2020 - LKR 39,945,527). Accrued expenses of the Company mainly consist of accrued employee bonus of LKR 194,395,237 (2020 - LKR 142,902,282), air freight expenses of LKR 327,755,932 (2020 - LKR 187,792,052), and bulk discount of LKR 194,642,657 (2020 - LKR 39,945,527).

(b) Statutory payables of the Group mainly consist of EPF payable of LKR 39,602,060 (2020 - LKR 27,118,861) ETF payable of LKR 4,371,157 (2020 - LKR 2,625,101) and PAYE payable of LKR 6,223,844 (2020 - LKR Nil). Statutory payables of the Company mainly consist of PAYE payable of LKR 5,135,353 (2020 - LKR Nil), EPF payable of LKR 26,434,639 (2020 - LKR 17,501,298) and ETF payable of LKR 3,965,245 (2020 - LKR 2,625,101).

25. BORROWINGS

	Group		Company	
	2021	2020	2021	2020
Current				
Bank overdrafts (Note 23)	**248,728**	160,377	**248,728**	159,146
Short-term bank borrowings	**2,859,562**	2,667,238	**1,976,200**	1,873,600
Borrowing from related company [Note 35 (x)]	**Nil**	674,496	**Nil**	Nil
	3,108,290	3,502,111	**2,224,928**	2,032,746
Non-current				
Long-term bank borrowings	**197,620**	412,192	**Nil**	Nil
	197,620	412,192	**Nil**	Nil
Total borrowings	**3,305,910**	3,914,303	**2,224,928**	2,032,746

The maturity of non-current borrowings is as follows:

	Group		Company	
	2021	2020	2021	2020
Between 1 to 2 years	**197,620**	412,192	**Nil**	Nil
	197,620	412,192	**Nil**	Nil

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

	Group		Company	
	2021	2020	2021	2020
Total borrowings:				
- at fixed rates	**Nil**	674,496	**Nil**	Nil
- at floating rate	**3,305,910**	3,239,807	**2,224,928**	2,032,746
	3,305,910	3,914,303	**2,224,928**	2,032,746

(b) Weighted average effective interest rates:

	Group		Company	
	2021	2020	2021	2020
- 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%

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

25. BORROWINGS (CONTD)

(c) The bank overdrafts of the Group / Company as at 31 March 2021 and 2020 represent book overdrawn situations. Borrowings from related company is unsecured.

(d) Bank borrowings of Group are on clean basis

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

	Group		Company	
	2021	2020	2021	2020
6 months or less	**3,305,910**	3,239,807	**2,224,928**	2,032,746

26. RETIREMENT BENEFIT OBLIGATIONS - GRATUITY

	Group		Company	
	2021	2020	2021	2020
Statement of financial position obligations for:				
Gratuity benefits	**520,422**	377,583	**331,343**	216,868
Statement of comprehensive income charge:				
Gratuity benefits	**87,597**	96,748	**48,225**	40,944
Other comprehensive income:				
Remeasurement losses	**72,815**	93,029	**73,646**	29,787

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

	Group		Company	
	2021	2020	2021	2020
At the beginning of the year	**377,583**	251,932	**216,868**	181,065
Current service cost	**54,522**	69,321	**25,387**	19,759
Interest cost	**33,075**	27,427	**22,838**	21,185
Remeasurement losses	**72,815**	93,029	**73,646**	29,787
Benefits paid	**(29,044)**	(62,845)	**(7,397)**	(34,908)
Effect of movement in foreign exchange rates	**11,471**	(1,281)	**1**	(20)
At the end of the year	**520,422**	377,583	**331,343**	216,868

26. RETIREMENT BENEFIT OBLIGATIONS - GRATUITY (CONTD)

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

	Group		Company	
	2021	2020	2021	2020
Current service cost	**54,522**	69,321	**25,387**	19,759
Interest cost	**33,075**	27,427	**22,838**	21,185
Total included in employee benefit expense (Note 9)	**87,597**	96,748	**48,225**	40,944

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 2021. 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 2021. The provision for gratuity is not externally funded.

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

		Group		Company	
		2021	2020	2021	2020
Discount rate		**5.70% - 10.53%**	5.60% - 11.7%	**10.53%**	10.53%
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 10.56%	Increase by 12.28%
Future salary increase	1%	Increase by 13.89%	Decrease by 12.05%
Staff turnover factor	1%	Increase by 0.53%	Decrease by 0.78%

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

26. RETIREMENT BENEFIT OBLIGATIONS - GRATUITY (CONTD)

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	
	2021	2020	2021	2020
Less than 1 year	38,850	50,423	38,850	22,974
Between 1 – 2 years	53,767	103,427	53,767	81,297
Between 2 – 5 years	148,361	223,507	148,361	153,059
Over 5 years	498,615	459,618	498,615	337,399
Total	739,593	836,975	739,593	594,729

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	
	2021	2020	2021	2020
At the beginning of the year	391,335	427,245	338,381	335,543
Credited to statement of comprehensive income (Note 11)	(47,153)	(38,909)	(82,330)	(17,187)
Tax (release) / charge relating to components of other comprehensive income (Note 11)	(8,483)	(25,696)	(10,310)	(4,170)
Effect of change in foreign exchange rates	18,063	28,695	12,551	24,195
At end of the year	353,762	391,335	258,292	338,381

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

	Group		Company	
	2021	2020	2021	2020
Deferred tax assets	(273,228)	(256,257)	(187,895)	(104,917)
Deferred tax liabilities	626,990	647,592	446,187	443,298
Deferred tax liabilities (net)	353,762	391,335	258,292	338,381

27. DEFERRED INCOME TAX LIABILITIES (CONTD)

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	
	2021	2020	2021	2020
Deferred tax assets:				
- Deferred tax assets to be recovered after more	**(273,228)**	(256,257)	**(187,895)**	(104,917)
Deferred tax liabilities:				
- Deferred tax liabilities to be recovered after more than 12 months	**432,081**	471,719	**310,698**	308,686
- Deferred tax liabilities to be recovered within 12 months	**194,909**	175,873	**135,489**	134,612
	626,990	647,592	**446,187**	443,298
Deferred tax liabilities (net)	**353,762**	391,335	**258,292**	338,381

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 2019	**538,266**	538,266
Transfer to deferred tax assets	**105,128**	105,128
(Credited) 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
Credited to income statement	**(52,877)**	(52,877)
Effect of change in foreign exchange rates	**32,275**	32,275
At 31 March 2021	**626,990**	626,990

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 2019	(28,429)	(46,556)	(756)	(17,474)	(17,806)	(111,021)
(Credited) / charged to income statement	(5,072)	(74,853)	5,186	79,533	(3,430)	1,364
Re-classification from deferred tax liability	(17,364)	(12,109)	(9,942)	(65,713)	Nil	(105,128)
Credited 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)	(195,017)	(147,833)	(10,031)	(26,971)	(256,257)
Charged/(credited) to income statement	2,123	11,468	(7,205)	(4,815)	4,153	5,724
Credited directly to other comprehensive income	(8,483)	Nil	Nil	Nil	Nil	(8,483)
Effect of change in foreign exchange rates	(4,871)	(7,036)	(785)	(540)	(980)	(14,212)
At 31 March 2021	(92,684)	(190,585)	(155,823)	(15,386)	(23,798)	(273,228)

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

27. DEFERRED INCOME TAX LIABILITIES (CONTD)

Company

Deferred tax liabilities	Accelerated tax depreciation	Total
At 1 April 2019	412,303	412,303
Credited to income statement	(216)	(216)
Effect of change in foreign exchange rates	31,211	31,211
At 31 March 2020	443,298	443,298
Credited to income statement	(20,089)	(20,089)
Effect of change in foreign exchange rates	22,978	22,978
At 31 March 2021	446,187	446,187

Deferred tax assets	Retirement benefit obligations	Provision for impairment of inventory	Provision for impairment trade receivables	Provision for bonus	Total
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)
Charged / (credited) to income statement	7,128	(67,358)	3,756	(5,767)	(62,241)
Credited directly to other comprehensive income	(10,310)	Nil	Nil	Nil	(10,310)
Effect of change in foreign exchange rates	(1,868)	(7,030)	(61)	(1,468)	(10,427)
At 31 March 2021	(35,412)	(123,397)	(1,845)	(27,241)	(187,895)

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 77,002,435, LKR 835,596,251, LKR 346,511,058, LKR 522,557,673, LKR 83,172,527 and LKR 1,178,300,159 for the years of assessment 2010/11, 2011/12, 2012/13, 2014/15, 2016/17 and 2017/18 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 1,063,881,737. 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

Capital commitments

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

	Group		Company	
	2021	2020	2021	2020
Property, plant and equipment	**289,386**	45,547	**Nil**	Nil

Operating lease commitments

There were no material operating commitments outstanding at the statement of financial position date.

30. STATED CAPITAL

	No. of Shares	Amount (LKR)
At 31 March 2019	701,956,580	4,056,683
At 31 March 2020	701,956,580	4,056,683
Issue of shares	7,365,965	192,104
At 31 March 2021	709,322,545	4,248,787

(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 33.

31. 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.

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

32. RETAINED EARNINGS

	Group	Company
At 1 April 2019	5,600,028	4,068,220
Profit for the year	2,383,784	1,935,894
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	4,293,801
At 1 April 2020	6,231,783	4,293,801
Profit for the year	2,139,602	1,910,480
Remeasurement of retirement benefit obligations (Note 26)	(72,815)	(73,646)
Deferred tax attributable to remeasurement of retirement benefit obligations (Note 27)	8,483	10,310
Dividends (Note 13)	(1,170,382)	(1,170,382)
At 31 March 2021	7,136,671	4,970,563

33. 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 weeks.

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 below are summaries of options granted under the plan:

	2021		2020	
	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	**32.53**	4,625	33.85	9,251
Granted	**26.08**	15,999	Nil	Nil
Exercised [see Note (c) below]	**26.08**	(7,366)	Nil	Nil
Expired [see Note (c) below]	**29.31**	(5,319)	33.21	(4,626)
At the end of year	**26.08**	7,939	32.53	4,625
Vested and exercisable at 31 March	Nil	Nil	Nil	Nil

33. SHARE-BASED PAYMENTS (CONTD)

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
02 April 2018	25 months	27 May 2020	32.53	Nil	4,625,268
16 June 2020	10 months	27 May 2021	26.08	7,939,704	Nil
				7,939,704	4,625,268
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 56,730,549 (USD 310,003) [2020 - LKR Nil (USD Nil)] 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	
	2021	2020	2021	2020
Options issued under employee share option plan (Note 9)	**56,731**	Nil	**56,731**	Nil

(c) 4,625,268 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 2020 to 27 May 2020, were not exercised by the eligible employees. Further, 693,767 share options granted to eligible employees under Grant 5 of the ESOS on 16 June 2020 were not exercised during the year.

(d) Out of 8,059,732 options relevant to the Employee Share Option Scheme which was announced during year, 7,365,965 options were exercised resulting in 7,365,965 shares being issued at a weighted average price of LKR 26.08 amounting to LKR 192,104,367 (USD 1,047,861).

(e) During the year ended 31 March 2021, a total of 15,999,463 share options were granted to eligible employees under two grants (Grant 5 and Grant 6). Out of 8,059,732 options relevant to the Grant 5 which was announced during the year, 7,365,965 options were exercised resulting in 7,365,965 shares being issued at a weighted average exercise price of LKR 26.08 amounting to LKR 192,104,367 (USD 1,047,861). Balance options of 7,939,704 relevant to Grand 6 are outstanding as of the statement of financial position date and are excisable as of 21 May 2021.

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

34. CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2021	2020	2021	2020
Profit before tax	2,599,337	2,811,964	2,139,893	2,243,925
Adjustments for:				
Depreciation (Note 14)	1,323,715	1,236,507	664,797	531,841
Depreciation on right-of-use assets [Note 15 (b)]	57,606	49,817	19,464	19,364
Amortisation of intangible assets (Note 17)	47,145	39,632	19,088	15,468
(Reversal of provision) / provision for slow and non moving inventories (Note 20)	(17,227)	578,412	98,825	415,782
(Reversal of provision) / provision for impairment of trade receivables [Note 21 (a)]	(35,497)	49,265	(26,829)	32,640
Interest income (Note 10)	(186,842)	(120,065)	(162,921)	(92,556)
Interest expense (Note 10)	118,851	112,865	18,553	28
Loss on disposal of property, plant and equipment (Note 7)	2,278	24,709	2,279	24,709
Effect of change in foreign exchange rates	326,612	372,074	241,054	279,443
Retirement benefit obligations (Note 26)	87,597	96,748	48,225	40,944
Changes in working capital:				
- inventories	(1,006,639)	(1,590,167)	(714,930)	(1,127,363)
- trade and other receivables	(2,692,935)	(4,815)	(2,081,518)	2,099,642
- trade and other payables	2,099,557	552,491	1,071,321	339,229
Cash generated from operations	2,723,558	4,209,437	1,319,176	2,871,190

35. 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	-	-
BrandM Apparel Haiti Limited	-	X	-	-	X	-	-
Quantum Clothing India (Private) Limited	-	X	-	-	X	-	-
Brandix International (Private) Limited	-	X	-	-	-	-	-
Brandix Apparel India Private Limited	-	X	-	-	X	-	-
Inqube Global (Private) Limited	-	X	-	-	-	-	-

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

35. DIRECTORS' INTEREST IN CONTRACTS WITH THE COMPANY AND RELATED PARTY TRANSACTIONS

The following transactions were carried out with related parties under normal commercial terms:

(i) Sale of goods and services:

		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	
	Relationship	2021	2020	2021	2020	2021	2020	2021	2020
Sale of goods:									
Brandix Apparel Limited	Affiliate	**8,756,957**	10,459,571	**4,661,214**	4,287,406	**27.6%**	31.4%	**22.2%**	22.1%
Teejay Lanka Prints (Private) Limited	Subsidiary	**Nil**	Nil	**357,664**	331,912	**Nil**	Nil	**1.7%**	1.7%
Teejay India (Private) Limited	Sub-subsidiary	**Nil**	Nil	**227,875**	67,178	**Nil**	Nil	**1.1%**	0.3%
BrandM Apparel Haiti Limited	Affiliate	**55,720**	94,277	**55,720**	90,986	**0.2%**	0.3%	**0.3%**	0.5%
Brandix Apparel India (Private) Limited	Affiliate	**2,483,598**	3,975,003	**262,956**	483,882	**7.8%**	11.9%	**1.3%**	2.5%
Quantum Cloting India Private Limited	Affiliate	**196,421**	7,966	**60,331**	Nil	**0.6%**	0.03%	**0.3%**	Nil
		11,492,696	14,536,817	**5,625,760**	5,261,364	**36.2%**	43.7%	**26.8%**	27.2%

(ii) Purchase of goods and services:

		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	
	Relationship	2021	2020	2021	2020	2021	2020	2021	2020
Pacific Textiles Limited	Shareholder	**699,743**	652,879	**705,009**	Nil	**2.2%**	2.0%	**3.4%**	Nil
Pacific Overseas Textiles Macao Commercial Offshore Limited	Affiliate	**463,762**	442,852	**2,534,292**	Nil	**1.5%**	1.3%	**12.1%**	Nil
Teejay Lanka Prints (Private) Limited	Subsidiary	**Nil**	Nil	**515,963**	492,699	**Nil**	Nil	**2.5%**	2.5%
Teejay India (Private) Limited	Sub-subsidiary	**Nil**	Nil	**767,282**	732,687	**Nil**	Nil	**3.7%**	3.8%
		1,163,505	1,095,731	**4,522,546**	1,225,386	**3.7%**	3.4%	**21.6%**	6.3%

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

The following transactions were carried out with related parties under normal commercial terms: (Contd)

(ii) Purchase of administrative and other services:

		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	
	Relationship	2021	2020	2021	2020	2021	2020	2021	2020
Pacific Textiles Limited	Shareholder	24,194	21,645	24,194	21,645	0.1%	0.1%	0.1%	0.1%
Brandix Lanka Limited	Shareholder	28,872	79,309	3,520	53,187	0.1%	0.2%	0.0%	0.3%
Teejay Lanka Prints (Private) Limited	Subsidiary	Nil	Nil	22,106	Nil	Nil	Nil	Nil	0.0%
Teejay India (Private) Limited	Sub-subsidiary	Nil	Nil	326	8,679	Nil	Nil	0.0%	0.0%
Brandix Textiles Limited	Affiliate	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Fortude (Private) Limited	Affiliate	1,326	22,209	Nil	Nil	0.0%	0.1%	Nil	Nil
Brandix Apparel Limited	Affiliate	54,947	61,016	38,765	44,580	0.2%	0.2%	0.2%	0.2%
Brandix Apparel Solutions Limited	Affiliate	Nil	540	Nil	540	Nil	0.0%	Nil	0.0%
Brandix Apparel India (Private) Limited	Affiliate	17,411	608	Nil	Nil	0.1%	0.0%	Nil	Nil
Brandix India Apparel City (Private) Limited	Affiliate	317,375	393,641	Nil	Nil	1.0%	1.2%	Nil	Nil
Adhishtan Investments India (Private) Limited	Affiliate	16,593	12,983	Nil	Nil	0.1%	0.0%	Nil	Nil
		460,718	591,951	88,911	128,631	1.6%	1.8%	0.3%	0.6%

(iv) Reimbursement of Expenses:

		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	
	Relationship	2021	2020	2021	2020	2021	2020	2021	2020
Teejay India (Private) Limited	Sub-subsidiary	Nil	Nil	3,655	Nil	Nil	Nil	0.0%	Nil

(v) Royalty income received (Note 7)

		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	
	Relationship	2021	2020	2021	2020	2021	2020	2021	2020
Teejay India (Private) Limited	Sub-subsidiary	Nil	Nil	467,836	611,948	Nil	Nil	2.2%	3.2%

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

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

The following transactions were carried out with related parties under normal commercial terms: (Contd)

(vi) Steam coal sales - (net) (Note 7)

		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	
	Relationship	2021	2020	2021	2020	2021	2020	2021	2020
Teejay Lanka Prints (Private) Limited	Subsidiary	**Nil**	Nil	**14,891**	1,143	**Nil**	Nil	**0.1%**	0.0%

(vii) Dividend received (Note 7)

		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	
	Relationship	2021	2020	2021	2020	2021	2020	2021	2020
Teejay Lanka Prints (Private) Limited	Subsidiary	**Nil**	Nil	**Nil**	76,966	**Nil**	Nil	**Nil**	0.40%

(vii) (b) Settlements of borrowings:

		Group		Company	
	Relationship	2021	2020	2021	2020
Brandix International Limited	Affiliate	**674,496**	Nil	**Nil**	Nil

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

(viii) Receivables from related parties:

(a) Trade receivables

		Group		Company	
	Relationship	2021	2020	2021	2020
Brandix Apparel Limited	Affiliate	**1,905,468**	1,334,598	**623,661**	512,967
Brandix Apparel India Private Limited	Affiliate	**202,297**	77,330	**152,171**	Nil
BrandM Apparel Haiti Limited	Affiliate	**11,461**	31,298	**11,461**	27,853
Brandix India Apparel City (Private) Limited	Affiliate	**Nil**	Nil	**Nil**	60,876
Teejay Lanka Prints (Private) Limited	Subsidiary	**Nil**	Nil	**144,045**	Nil
Inqube Global (Private) Ltd	Affiliate	**19,938**	Nil	**Nil**	Nil
Quantum Clothing India (Private) Limited	Affiliate	**10,669**	Nil	**8,360**	Nil
		2,149,833	1,443,226	**939,698**	601,696
Less - provision for impairment of amounts due from related companies		**(12,055)**	(13,220)	**(3,662)**	(11,518)
Total amount due from related companies		**2,137,778**	1,430,006	**936,036**	590,178
At the beginning of the year		**13,220**	10,707	**11,518**	992
Increase in provision for impairment from related companies		**(1,774)**	1,611	**(7,972)**	9,887
Effect of change in foreign exchange rates		**609**	902	**116**	639
At the end of the year		**12,055**	13,220	**3,662**	11,518

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

Outstanding balances arising from sale / purchase of goods / services: (Contd)

(viii) Receivables from related parties (Contd)

(b) Other receivables

	Relationship	Group 2021	Group 2020	Company 2021	Company 2020
Adhishtan Investments India (Private) Limited	Affiliate	**4,343**	4,015	**Nil**	Nil
Brandix India Apparel City (Private) Limited	Affiliate	**31,646**	29,253	**Nil**	Nil
Teejay India (Private) Limited	Sub-subsidiary	**Nil**	Nil	**103,881**	492,794
		35,989	33,268	**103,881**	492,794

(ix) Payables to related parties:

	Relationship	Group 2021	Group 2020	Company 2021	Company 2020
Pacific Textiles Limited	Shareholder	**294,086**	89,633	**293,295**	77,175
Pacific Overseas Textiles Macao Commercial Offshore Limited	Affiliate	**Nil**	744,782	**Nil**	744,782
Teejay India (Private) Limited	Sub-subsidiary	**Nil**	Nil	**144,215**	113,321
Teejay Lanka Prints (Private) Limited	Subsidiary	**Nil**	Nil	**1,324**	8,081
Brandix Lanka Limited	Shareholder	**4,463**	60,340	**307**	54,131
Brandix Apparel Limited	Affiliate	**50,483**	7,811	**Nil**	Nil
Brandix International Limited	Affiliate	**2,964**	102,673	**Nil**	Nil
Brandix Casualwear Limited	Affiliate	**2,514**	Nil	**5,562**	Nil
Adhishtan Investments India (Private) Limited	Affiliate	**204**	204	**Nil**	Nil
Brandix Apparel Solutions Limited	Affiliate	**Nil**	651	**Nil**	651
Brandix India Apparel City (Private) Limited	Affiliate	**29,634**	18,788	**Nil**	Nil
Brandix Apparel India Limited	Affiliate	**686**	457	**Nil**	Nil
		385,034	1,025,339	**444,703**	998,141

(x) Borrowings from related company:

	Relationship	Group 2021	Group 2020	Company 2021	Company 2020
Brandix International Limited	Affiliate	**Nil**	674,496	**Nil**	Nil
		Nil	674,496	**Nil**	Nil

Finance costs for the borrowings from Brandix International Limited amounted to LKR 31,001,880 (2020 - LKR 32,440,410). Interest rate is 5% (2020 - 5%) (Note 10)

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

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

Outstanding balances arising from sale / purchase of goods / services: (Contd)

(xi Loan given to related company:

		Group		Company	
	Relationship	2021	2020	2021	2020
Ocean Mauritius Limited	Affiliate	**Nil**	Nil	**849,766**	Nil
		Nil	Nil	**849,766**	Nil

(xii) 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	
	2021	2020	2021	2020
Salaries and other benefits	**204,159**	226,584	**204,159**	226,584
Post-employment benefits	**7,649**	9,168	**7,649**	9,168
Share based payments	**14,387**	Nil	**14,387**	Nil
	226,195	235,752	**226,195**	235,752

36. 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	2021	2020	2019	2018	2017
INCOME STATEMENT					
Revenue	**31,780,287**	33,276,977	31,746,592	24,647,488	22,137,641
Profit before taxation	**2,599,337**	2,811,964	2,257,062	1,817,716	2,011,370
Current taxation	**(459,735)**	(428,180)	(398,345)	(221,602)	(52,195)
Profit after taxation	**2,139,602**	2,383,784	1,858,717	1,596,114	1,959,175
STATEMENT OF FINANCIAL POSITION					
ASSETS					
Non-current assets					
Property, plant and equipment	**8,710,818**	8,777,251	8,408,235	7,534,180	6,960,885
Right-of-use assets	**899,016**	910,400	Nil	Nil	Nil
Deferred tax assets	**273,228**	256,258	111,021	125,070	132,751
Other non-current assets	**616,442**	729,534	507,218	777,931	694,476
	10,499,504	10,673,443	9,026,474	8,437,181	7,788,112
Current assets	**20,599,835**	16,289,050	13,359,457	11,127,755	8,981,687
Total assets	**31,099,339**	26,962,493	22,385,931	19,564,936	16,769,799
EQUITY					
Capital and reserves					
Stated capital	**4,248,787**	4,056,683	4,056,683	4,056,683	3,942,686
Hedging reserve	**Nil**	Nil	Nil	9,673	Nil
Exchange equalisation reserve	**6,225,275**	5,263,128	4,171,784	2,577,679	2,446,006
Share option scheme	**154,491**	96,760	96,760	85,505	63,746
Retained earnings	**7,136,671**	6,231,783	5,600,028	4,971,882	4,724,786
Total equity	**17,764,221**	15,648,354	13,925,255	11,701,422	11,177,224
LIABILITIES					
Non-current liabilities					
Borrowings	**197,620**	412,192	801,182	1,106,784	567,429
Lease liabilities	**654,657**	627,993	Nil	Nil	Nil
Deferred tax liabilities	**626,990**	647,880	538,266	318,004	247,932
Retirement benefit obligations	**520,422**	377,583	251,932	207,666	208,120
	1,999,689	2,065,648	1,591,380	1,632,454	1,023,481
Current liabilities	**11,335,429**	9,248,491	6,869,296	6,231,060	4,569,094
Total liabilities	**13,335,118**	11,314,139	8,460,676	7,863,514	5,592,575
Total equity and liabilities	**31,099,339**	26,962,493	22,385,931	19,564,936	16,769,799

Ratios and Statistics		2021	2020	2019	2018	2017
Annual growth in turnover	%	**-4.5**	4.8	28.8	11.3	24.2
Gross profit margin	%	**0.1**	12.7	11.6	11.8	13.9
Net profit margin	%	**0.1**	7.2	5.9	6.5	8.8
Gearing ratio	%	**18.6**	25.0	21.3	24.2	18.7
Earnings per share	Rs:	**18.6**	3.4	2.7	2.3	2.8
Dividend per share	Rs:	**1.7**	2.4	2.0	1.6	2.3
Net Assets Per Share at year end	Rs:	**25.0**	22.3	19.8	16.7	16.0
Return on equity (ROE)	%	**12.1**	16.1	14.5	14.0	18.4
Return on assets (ROA)	%	**6.9**	9.7	8.9	8.8	12.3

SHAREHOLDING INFORMATION

1 SHAREHOLDERS

Number of Shares held	Residents			Non- Residents			Total		
	No of Share holders	No. of Shares	%	No of Share holders	No.of Shares	%	No.of Share holders	No.of Shares	%
1-1,000	4,706	1,914,354	0.27	17	8,421	0.00	4,723	1,922,775	0.27
1,001-10,000	2,079	8,321,824	1.17	35	223,360	0.03	2,114	8,545,184	1.20
10,001-100,000	647	22,236,244	3.13	32	1,426,575	0.20	679	23,662,819	3.34
100,001-1,000,000	156	48,910,309	6.90	12	5,660,650	0.80	168	54,570,959	7.69
1,000,001 & Over	30	307,104,957	43.30	12	313,515,851	44.20	42	620,620,808	87.49
Total	7,618	388,487,688	54.77	108	320,834,857	45.23	7,726	709,322,545	100.00

	31 March 2021			31 March 2020		
Categories of Shareholders	Shareholders	No. of shares	%	Shareholders	No.of shares	%
Individuals	7,425	72,190,051	10.18	7,688	73,595,621	10.48
Institutions	301	637,132,494	89.82	215	628,360,959	89.52
Total	7,726	709,322,545	100.00	7,903	701,956,580	100.00

2 SHARE TRADING INFORMATION

	2020/21		2019/20	
Highest	46.50	27-Jan-2021	44.50	28-Nov-2019
Lowest	18.00	12-May-2020	23.00	20-Mar-2020
Closing	40.00		23.30	
No.of Transactions	24,941		10,759	
No.of Shares traded	112,360,901		64,447,386	
Value of shares traded (LKR)	4,014,272,306		2,406,506,961	

3 TOP 20 SHAREHOLDER LIST AS AT 31 MARCH

		2021		2020	
	Name	No of Share	%	No of Share	%
1	Brandix Lanka Limited - Number 1 Account	232,198,344	32.74	232,198,344	33.08
2	Pacific Textured Jersey Holdings Limited	195,926,217	27.62	195,926,217	27.91
3	HSBC Intl Nom Limited - BBH - Fidelity Funds	37,238,610	5.25	36,690,030	5.23
4	Citibank Newyork S/A Norges Bank Account 2	19,978,077	2.82	17,200,229	2.45
5	Bnymsanv Re-CF Ruffer Investment Funds : CF Ruffer Pacific Emerging Markets Fund	19,000,000	2.68	19,000,000	2.71
6	HSBC Intl Nom Limited-JPCMB NA-Fidelity Asian Values PLC	16,320,745	2.30	18,420,373	2.62
7	Melstacorp PLC	12,622,428	1.78	12,622,428	1.80
8	Employees Provident Fund	6,979,333	0.98	6,979,333	0.99
9	HSBC Intl Nom Limited-BBH-Matthews Emerging Asia Fund	6,972,828	0.98	21,277,916	3.03
10	Jpmbl Sa-Kapitalforeningen Institutionel Investor,Asiatiske Smid Cap Aktier	5,699,332	0.80	5,948,284	0.85
11	Seylan Bank PLC/Punsisi Parakrama Hewa Matarage	5,452,833	0.77		
12	Deutsche Bank AG-National Equity Fund	4,891,071	0.69	4,195,979	0.60
13	Mr. L.K.M.Fernando	4,630,620	0.65	5,119,300	0.73
14	Union Assurance PLC-Universal Life Fund	3,460,708	0.49		
15	Standard Chartered Bank Difc Branch S/A Efg Hermes Oman LLC	3,614,630	0.51	3,614,630	0.51
16	JPMCB NA-SCOTGEMS PLC	3,331,281	0.47		
17	Commercial Bank Of Ceylon PLC/Metrocorp (Pvt) Ltd	3,000,000	0.42	3,000,000	0.43
18	Periceyl (Private) Limited A/C No. 03	2,694,100	0.38	2,694,100	0.38
19	J.B. Cocoshell (Pvt) Ltd	2,150,415	0.30		
20	Nuwara Eliya Property Developers (Private) Limited	2,055,464	0.29	2,285,200	0.33

4 DIRECTOR'S SHAREHOLDING

	31 March 2021		31 March 2020	
	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 2021	31 March 2020
No.of Shares	278,104,326	272,944,655
	39.21%	38.88%

6 FLOAT ADJUSTED MARKET CAPITALIZATION

The public holding of the Company as at 31 March 2021 was 39.21% comprising 7,726 shareholders and a float adjusted market capitalization of LKR 11,125,014,796. In terms of Rule 7.13.1(a) of the Listing Rules of the CSE, the Company qualifies under option 5 of the minimum public holding requirement.

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Teejay Lanka PLC will be held online via a virtual platform on Monday, 23rd August 2021, at 3.00 p.m 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 2021 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 71 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 71 years prior to this Annual General Meeting and that he be reappointed as a director of the Company".

4. To propose the following resolution as an ordinary resolution for the reappointment of Mr. Wing Tak Bill Lam 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. Wing Tak Bill Lam 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".

5. To declare a final dividend of LKR 1.15 per share for the financial year ended 31st March 2021 as recommended by the Board.

6. 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 2021.

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 Export Processing, Zone, Avissawella not less than 48 hours before the time appointed for the holding of the meeting.

Note:

Any shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote/speak in his/her stead and a form of proxy is sent herewith for this purpose. A proxy need not be a shareholder of the Company. A completed form of proxy must be deposited at the registered office of the Company, at No. Block D8 – D14, Seethawaka Export Processing Zone, Avissawella or e-mailed to corporateservices@corporateservices.lk not less than 48 hours before the time appointed for the holding of the meeting.

Meeting Guidelines

(A) The meeting is to be held in line with the guidelines given by the Colombo Stock Exchange and the health authorities and as per the applicable laws.

(B) In the interest of protecting public health and facilitating social distancing in line with the guidelines issued by the Ministry of Health, Nutrition and Indigenous Medicine, the Annual General Meeting will be held in the manner set out below:

(i) The shareholders who wish to participate at the meeting will be able to join the meeting through audio or audio and visual means via virtual platform. In order for us to forward the access information necessary for participation at the meeting, which shall include the meeting identification number, access password, and access telephone number, please forward the duly completed registration form including your e-mail address and contact telephone number to the registered address of the Company not less than 48 hours before the time appointed for the holding of the meeting, so that the login information could be forwarded to the e-mail addresses so provided.

These measures have been adopted to observe social distancing regulations/requirements to mitigate the dangers of spread of the virus.

(ii) If the Company is unable to post this Notice due to any situation beyond its control, then this Notice will be published in one issue of a daily newspaper in the Sinhala, Tamil and English languages and if the circumstances permit, in one issue of the Gazette. The Annual Report, Notice of Meeting, Form of Proxy and Registration Form will also be published on the website of the Colombo Stock Exchange (www.cse.lk) and the website of the Company (www.teejay.com).

(iii) Proxy forms are forwarded to the shareholders together with the Notice of Meeting and Registration form. Proxy forms have been uploaded to the Company's website (www.teejay.com) and should be duly completed as per the instructions given therein and sent to the registered address of the Company or e-mailed to corporateservices@corporateservices not less than 48 hours before the time appointed for the holding of the meeting and the proxy so appointed shall participate at the meeting through audio or audio visual means only.

(i) The shareholders who are unable to participate at the Annual General Meeting via Virtual platform could send their queries, if any, to email address RiyasAh@Teejay.com at any time before the meeting time and the responses to the same will be included in the minutes of the meeting.

(ii) Voting in respect of the items specified in the agenda to be passed will be registered by using the audio or audio and visual means (Virtual platform) or a designated ancillary online application. All of such procedures will be explained to the shareholders prior to the commencement of the meeting.

(iii) Shareholders can use the "Q&A Forum" to communicate your questions/concerns as and when required.

(iv) For any questions please contact Riyas Ahmed of Teejay Lanka PLC on 076-6036366 during office hours.

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 online via a virtual platform on 23rd August 2021 at 3.00 p.m held 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 2021 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 re-appoint as a Director Mr. Win Tak Bill Lam in terms of section 210 of the Companies Act.		
5.	To declare a final dividend of LKR 1.15 per share for the financial year ended 31st March 2021 as recommended by the Board.		
6.	To authorize the Directors to determine contributions to charities.		

Signed this .... day of 2021

....

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 the meeting.

7. If there is any doubt as to the manner in which the proxy should vote by reason of the manner in which instructions in 2 above have been carried out, the proxy holder will vote as she/he thinks fit.

8. A shareholder appointing a proxy (other than a director of the Company) to attend the meeting should indicate the proxy holder's National Identity Card (NIC) number on the Form of Proxy and should instruct the proxy holder to bring his/her National Identity Card to the Meeting.

CORPORATE INFORMATION

NAME
Teejay Lanka PLC

LEGAL FORM
A public quoted Company with limited liability, incorporated on 12 July 2000.

COMPANY REGISTRATION NO.
PV 7617 PB/PQ

STOCK EXCHANGE LISTING
The issued Ordinary Shares of the Company was listed on the Main Board of the Colombo Stock Exchange of Sri Lanka on 9 August 2011.

REGISTERED OFFICE
Block D8 – D14, Seethawaka
Export Processing Zone,
Avissawella

DIRECTORS
Mr. Wing Tak Bill Lam – Chairman
Mr. Mohamed Ashroff Omar
Mr. Wai Loi Wan
Mr. Hasitha Premaratne
Mr. Kit Vai Tou
Prof. Malik Kumar Ranasinghe
Mr. Amitha Lal Gooneratne

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

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

teejay