textured jersey
Textures of Perfection
Annual Report 2015/16

Spreading our wings

"Until you spread your wings,
you have no idea how far you can fly..."

Spreading our wings

"Until you spread your wings, you have no idea how far you can fly..."

At Textured Jersey we believe that the power to change and the courage to evolve are what will drive our continuing success. Today we're consolidating on present strengths even as we continue to progress on many fronts besides revenue generation. Long term strategies activated during the year saw Textured Jersey become the first multinational in the industry, through two international acquisitions that will transform the paradigms of our business.

This report also pays tribute to our people - the Textured Jersey Team whose passion, commitment and innovative ideas will continue to keep your Company ahead as we spread our wings and soar, taking flight towards the new horizons we will conquer in the years that lie ahead.

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Textures of Perfection

The First Integrated Report:

This annual report is the Company's first step towards an Integrated format of reporting. Following the introduction of integrated reporting during the year, your Company adopted a process to identify material topics which the directors and management believe will enable the Group to sustain growth into the future. This process has been informed by the Group's values and vision encapsulated in its business philosophy, as well as the interests of its key stakeholders, namely customers, shareholders, our employees, our suppliers, the society and the natural environment

Contents

The Butterfly Cover

The cover of this report features a design of butterflies reflecting our theme - 'Spreading our wings'. The butterfly shapes were cut out of Textured Jersey fabrics and mounted on board. The resulting artworks were then photographed for the final version.

Textured Jersey is an industry leader in specialised fabrics such as Viscose, Modal, Micro-Modal, and Tencel. We manufacture Single jersey, Ribs and Interlock product categories for intimate apparel, active and leisure wear in the form of Yarn Dyes, Solids, Prints and Marls.

Milestones

2000

Textured Jersey Lanka is incorporated

2001

Commercial production commences

2004

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

2006

First phase of expansion 100% of capacity

2007

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

2008

Second phase of expansion 100% of capacity

Introduction of energy saving equipment and launch of "Green Initiatives" in line with our commitment to sustainability

2011

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

2014

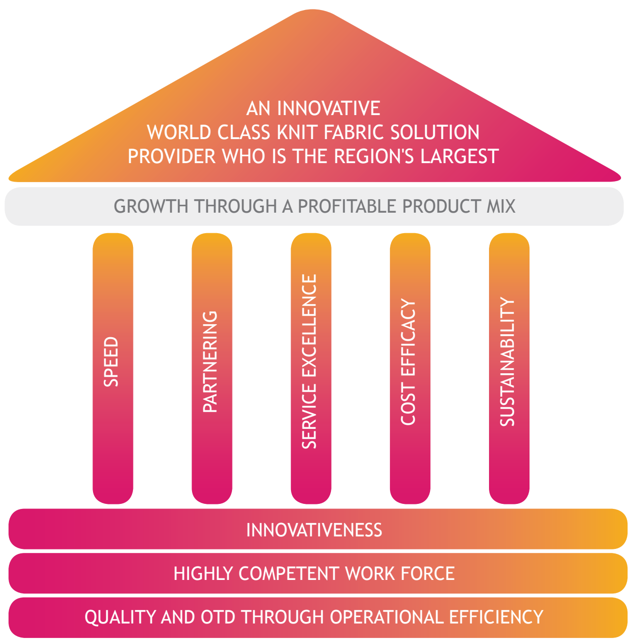
Third phase expansion 10 - 12% of capacity

2015

Acquisition of Ocean India Pvt Ltd

Acquisition of Quenby Lanka Prints Pvt Ltd

Our Philosophy and Direction



At Textured Jersey, we aspire to become an innovative world-class knit fabric solutions provider who is the region's largest. These lofty aspirations are built upon some fundamental pillars which we hold dear as we journey ahead. At the heart of everything, we believe in developing a deep customer centric understanding of global fashion trends and the required value propositions, which we consciously strive to deliver at the desired expectations. At the core of our service lies Speed which will be driving us in all what we do to give an incomparable experience to our customers. The journey to bring inspiration and value to our stakeholders, can only be through engaging in ethical business practices. For us, respecting and protecting the environment we operate is essential, and so Sustainability has become a way of life. Environmental consciousness is ingrained into the conduct of our business. To these ends, and in our efforts to deliver Operational Excellence, Quality and On-Time Delivery, we will keep growing and developing our team competencies and skill sets.

At the core, we believe in bringing cutting edge Innovation to the selected customers we focus on. We continue to invest and bring organisational alignment to support this thrust, with the hope of bringing excitement and prosperity to the entire industry. Partnerships are things we actively seek, and we drive our resources to harvest these combined synergies. Continued investment in technology and active focus on process improvements and wastage reduction, lie at the core of our efforts to continually deliver Cost Efficacy.

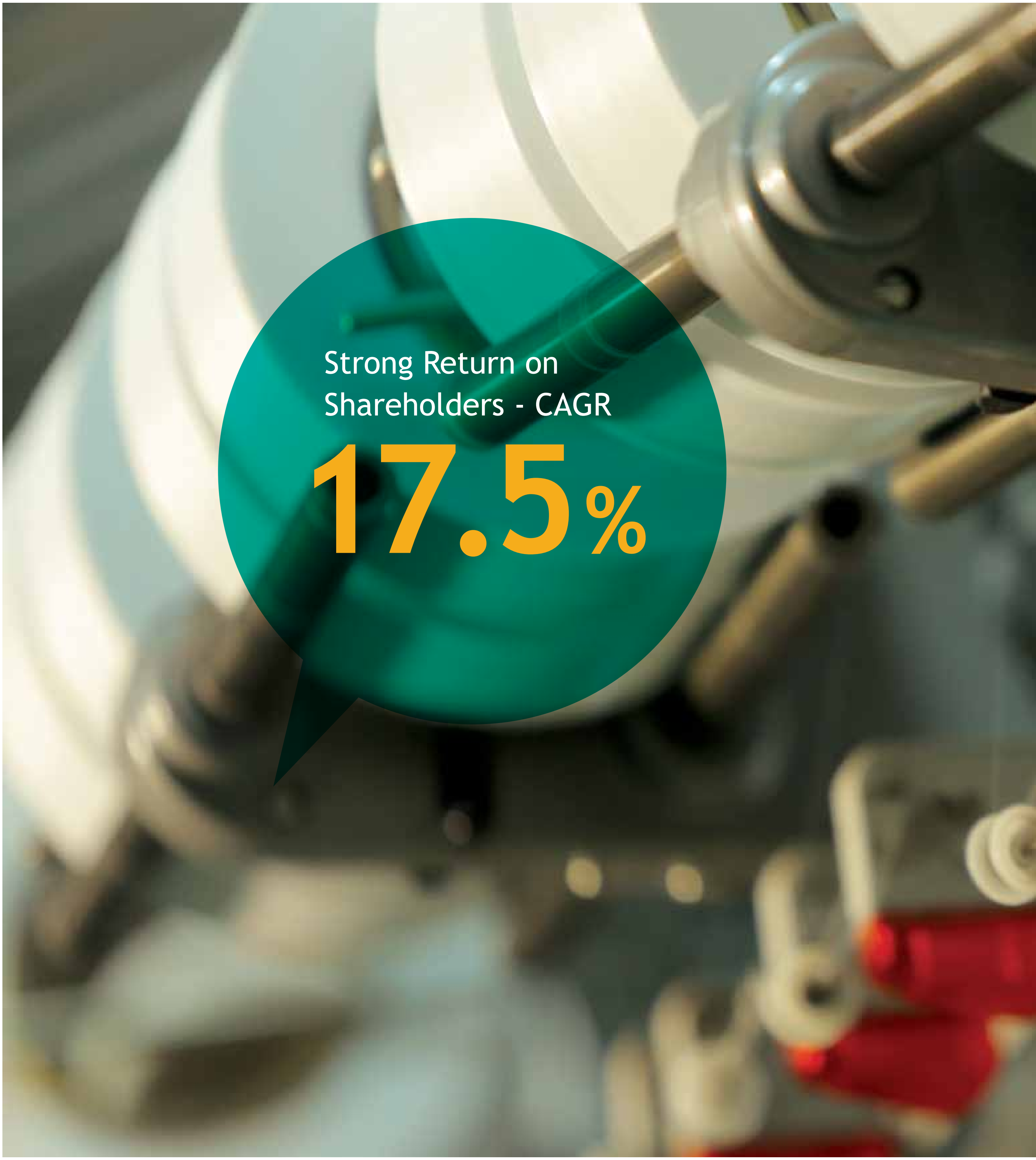
This is the new identity of TJ. Modern and futuristic, yet embracing the goodness of a rich heritage which it is built upon shared values, discussion and consultation. These collective energies will help us journey towards becoming one of the Top of the Mind Brands in South Asia.

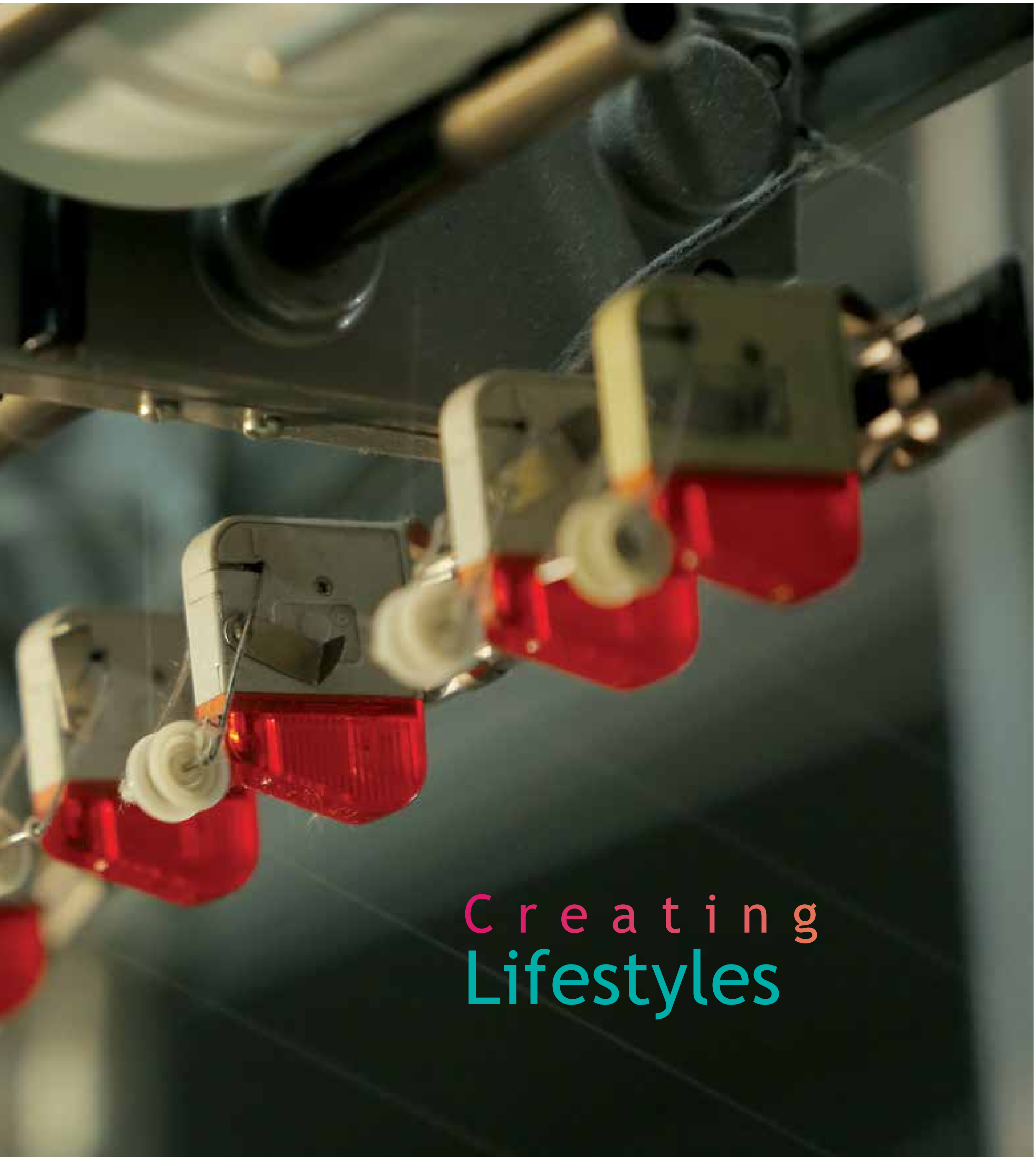

Becoming the Industrial Leader for Weft Knitting
LKR 17.83 Bn.

Making an Impact


Growth of the New Customer Segment
250%
Growth YOY

Connecting Growth


Strong Return on
Shareholders - CAGR
17.5%



Creating Lifestyles

Five Year Summary

	2012 LKR	2013 LKR	2014 LKR	2015 LKR	2016 LKR
Trading Results					
Turnover	12,363,531	10,951,455	12,724,715	13,678,462	17,820,179
Profit Before Taxation	661,972	1,014,333	1,193,087	1,361,544	2,228,947
Current Taxation	(33,041)	1,710	(40,315)	(29,385)	(58,280)
Profit After Taxation	628,931	1,016,043	1,152,772	1,332,159	2,170,667
Statement of Financial Position					
Stated Capital	2,797,229	2,797,229	2,797,229	2,849,899	3,853,024
ESOP Fund	-	-	19,473	19,473	42,283
Revenue Reserves	1,695,425	2,044,071	2,461,922	2,925,111	4,150,852
Other Reserves	991,335	908,971	1,092,244	1,240,168	2,090,184
	5,483,989	5,750,271	6,370,868	7,034,651	10,136,343
Non-Current Assets	2,752,474	2,490,879	3,107,846	3,415,789	6,710,361
Net Current Assets	2,858,358	3,382,224	3,457,338	3,865,147	3,998,820
Long Term Deferred Liabilities	(126,843)	(122,832)	(194,316)	(246,285)	(572,838)

The power to change…

Executive Information

Chairman's Message

Dear Shareholder,

It is my pleasure to welcome you to the 5th Annual General Meeting of Textured Jersey Lanka (TJL) PLC and to share with you the performance, outlook and strategies as your Company ends a year with an excellent performance and looks to an exciting future.

TJL's profitability grew by more than 63% during the year and the overall performance was bolstered by several significant strategic initiatives during the year.

Your Company made two significant strategic acquisitions during the year; namely, Ocean India Private Limited (OCI) and Quenby Lanka Prints Pvt Ltd, with the ground work for the former carried out in 2014. TJL's total investment into 100% ownership in these two enterprises amounted to LKR 2.7Bn (USD 18.2 Mn.).Your Company expects these acquisitions to enable several strategic imperatives for sustained future growth, as already demonstrated during their first year of joining the TJL Group.

OCI is a knitted fabric manufacturer located in Visakhapatnam, India, with a daily production capacity of 18 tons. The manufacturing facility is also equipped

Taking Flight

Chairman's Message

with the necessary infrastructure for doubling its present capacity. Our buoyant outlook for the future is thus underscored by the further expansion potential that this acquisition has brought. The year under review saw the Group's enhanced capacity, after two quarters of consolidation, contributing LKR 3.7 Bn to Group Turnover. In addition to the benefits of economies of scale that it will offer us, a manufacturing plant overseas also offers us access to new markets via geographical advantages. Furthermore, geographic diversification and new markets offer new avenues for risk mitigation and for harnessing different competitive advantages. In addition, we are also excited at the prospect of manufacturing our product range on a larger scale in India. Quenby Lanka is Sri Lanka's leading fabric printer, located in the Seethawaka Industrial Zone, in close proximity to our manufacturing plant. The printing technology and know-how will enable us to widen our customer solutions as well as customer base in the years ahead.

It is also most noteworthy that TJL continued its commitment to a strong Balance Sheet despite the cash outflows on two acquisitions during the year, by optimizing its working capital to remain unleveraged, and to end the year with a net cash surplus of LKR 3Bn. TJL thus possesses significant capacity for debt financing, should a need arise in the future.

Performance in Context

The year under review saw subdued demand from European economies due to low economic growth in most countries in the EU, which impacted TJL as well as the entire Apparel industry. As per Central Bank statistics, Sri Lanka's garment exports to the EU declined in both Rupee and US Dollar terms by 9% and 12.5% respectively; the US Dollar value being further affected by the depreciation during the year. Exports to the USA however, grew by 10.3% in Rupee terms and by 6% in US Dollar terms and exports to other non-traditional markets also grew by 4.6% in US Dollar values. Total export earnings from textiles and garments which account for 46% of the country's total export earnings, declined by 2.2% mainly due to the 2.7% decline in garment exports, despite the 4.5% growth in textiles. However, your Company's client portfolio being well diversified, with key clientele comprising the United States and EU, supported its resilience once again, enabling TJL to offset the downturn in one market with the upturn in another.

Sri Lanka's share market performance continued to be lackluster and well below its potential, with the ASPI declining by 5.5% and market capitalization of the CSE declining by 5.4% in 2015. TJL's share price continued to outperform the market this year as well, reaching a highest of LKR 36.3 during the year whilst closing the year on 31st March 2016 at LKR 31.7 which reflects a 32% growth in share price over April 2015. The Company's market capitalisation as at 31st March 2016 amounted to LKR 22 Bn.

We are confident that the TJL share price will continue to thrive and reflect the sustainable growth of the Company.

Governance

TJL believes that the highest standards in governance are indispensable to creating long term value to its stakeholders, and must be pursued uncompromisingly. The Board sets the tone at the top by promoting professional standards and corporate values that cascade down to senior management and other employees of the Company. We are particularly happy to note that your Board comprises two independent members whose contribution reflects true commitment to the role expected of an Independent Director. These two eminent individuals who have held very senior positions in their respective careers, actively initiate and participate in deliberations, playing a strongly independent role to assure good governance and the constant setting of new benchmarks.

Looking Ahead - Challenges & Opportunities

Sri Lanka's reputation and proven track record as an investment friendly destination and as a manufacturer for a large number of the world's leading apparel brands, continue to make it an attractive destination for inflows of new investments by overseas apparel manufacturers. However, we are also mindful that its global competitiveness as a manufacturing destination is being challenged with the opening up of new destinations such as on the African continent, and some South Asian and East Asian nations which enjoy lower costs of production. Sri Lanka's high labour and energy costs continue to be a challenge which dampens its cost competitiveness for all manufacturing industries. Your Company's commissioning of its own coal power plant is an important step towards meeting the challenge of high energy costs. A continuous focus on managing costs and enhancing efficiencies, and increasing value addition to our products to offer more customised solutions, are amongst the strategic imperatives to enhance our profitability in the near term. Moreover, we expect our focus on technology and expansion as a regional player to be key solutions to meet rising labour costs, in order to sustain growth and soar higher in the near to medium term future.

We are optimistic that the GSP+ for Sri Lanka will be resumed over the next two years and Sri Lanka's apparel exports would begin to benefit from concessionary terms for its exports to Europe. Moreover, Sri Lanka is also likely to benefit from new bilateral and regional trade agreements that are likely in the context of improved relations and prospects with the international community.

TJL has been on a strong growth trajectory, with its strengths further augmented during the year, placing it on a strong springboard for enhanced growth. We are thus excited about the many new opportunities we foresee and the new horizons we can reach. TJL will continue to innovate and evolve with changing market needs to sustain its growth into the future.

I would like to take this opportunity to convey my gratitude to the Board of Directors, the management team and all employees for their unstinted support, passion and commitment that has enabled this remarkable performance which is the best in the Company's history. Your efforts and talents and nimbleness enabled us to make a smooth transition in the amalgamation of two new entities during the year. My sincere appreciation also goes out to all our customers, investors and other stakeholders who have been true partners in our progress and for whom we create value and strive constantly to enhance that value. You will continue to be our inspiration to keep raising the benchmarks for your Company.

Wing Tak Bill Lam
Chairman

26 June, 2016

CEO/Managing Director's Review

Dear Stakeholder,

The year under review was an outstanding one, with your Company surpassing many milestones which reflected growth across the board. We achieved record profits and growth and it is most noteworthy that this was despite challenges in one of our key markets. We have just seen the conclusion of what is probably our best year ever, but equally created a platform for what might, in future, even become our most exciting few years. We are indeed humbled by these results, and truly grateful to our customers, upon whose success we totally depend upon. It is their belief and confidence in our team, which has enabled much of the above. TJL also rose in ranks to become the 26th Most Valuable Company within the Colombo Stock Exchange, as at the year end.

Transforming Paradigms

Soaring Higher... and Gathering Momentum

TJL's Profits After Tax grew by 63% to reach LKR 2.2 Bn., the highest in your Company's history whilst Turnover grew by 30% over the previous year to reach LKR 17.8 Bn. Moreover, it is noteworthy that we were able to diversify our brand portfolio during the year, with the number of main contributing brands increasing and thereby bringing better balance and reduced risk.

This significant growth in profitability during the year was a result of many factors. It underscores the success of the two strategic acquisitions made during the year, and equally importantly, our success in the seamless integration of these two different entities into a functional reporting structure. This decision has clearly provided the "Unlock" within the entities and the business results are easily evident.

At the heart of it all, lies a solid team of passionate people, who consistently keep pushing the boundaries, redefining possibilities, leveraging deep expertise, and embracing new ways of looking at our business.

Our innovations provide us with a new dimension to our customer engagement processes and our business model which we are eager to explore and develop to deliver sustainable growth and returns.

At the heart of it all, lies a solid team of passionate people, who consistently keep pushing the boundaries, redefining possibilities, leveraging deep expertise, and embracing new ways of looking at our business. Our passion for innovation is growing at a relentless pace, while the entire management team is dedicated towards Process improvements, better service and improved cost control and productivity. These indeed are the many pillars upon which we built our success. Deep customer insight is naturally at the core of it all. During the year, we also spent several million dollars on modern machinery, to ensure that we are constantly upgrading our machinery while also investing in new technologies.

The excellent contribution from the two new entities have exceeded our targets and expectations. OCI, achieved a remarkable turnaround during the year under review, while QBL too delivered fantastic transformative results. Secondly, a focus on increasing the share of the higher margin products through innovation contributed to our performance this year as well.

TJL, having identified significant potential in OCI, entered into a Technical Service & Management Agreement in October 2013 under which we infused new processes and management expertise. OCI's transformation in less than two years, is thus, a most heartening endorsement of TJL's business as well as technical capabilities and best practices in management. OCI has now been transformed into a world-class production facility. Moreover, it is also noteworthy that through our Knowledge Transfer and other Technical Assignments, we have been expanding TJL's role beyond one of a fabric solutions provider, to a technical solutions provider for textile mills when required. OCI and QLP were able to achieve profitability within our first year of acquisition, to contribute 46%. TJL is now, as we envisaged, well poised to harness and create the new synergies of an enhanced capacity and combined strength as a Group.

We have been able to reap the dividends of a focus on innovation, execution excellence and on-time delivery at the highest level of the Group, and will continue to leverage these competitive advantages.

We are also heartened by the many national and international accolades received in recognition of our commitment to business excellence and sustainable practices. The notable awards during the year include retaining the World's Best Dyer and Finisher of the Year award at the World Textile Awards

CEO/Managing Director's Review

in London, Overall Silver and five awards at the National Business Excellence awards, the Gold Award for Social Dialog Excellence and the 'Green Era' award for sustainable practices, awarded in Rome, just to name a few.

A Sustainable Model of Value Creation:

Whilst the Company focuses on technology as an enabler, we also remained focused on the indelible value of our human capital through planned learning and development activities to cater to all segments of the organisation. Many in the team that make up TJL, have been part of its journey since its inception, and their careers have followed the growth path of the Company. Our commitment towards People development is strong, and we will continue to invest heavily on talent growth and individual development.

Their talents, passion and commitment will continue to be a cornerstone of our future success. During the year, we also added key new competencies through new hires, to complement our skill mix, and prepare our teams for the future.

True to our credo that business is built on relationships, we continue to strengthen, nurture and expand our customer portfolio, built on long term engagement and relationships with our direct clients as well as end customers, which include some of the world's leading apparel brands. The strength of these relationships continues to be a key factor in our performance.

Whilst environmental sustainability is high on our agenda as a manufacturing industry, as an industry leader, TJL also recognises the impact it can have on society and the industry. Our award winning efforts to lead Sustainability Awareness, Reforestation, Carbon Emission Reduction and Chemical discharge minimisation are worth mentioning. One of TJL's key win-win social sustainability initiatives has been the establishment of partnerships and collaborative efforts with some of Sri Lanka's leading academic institutions and other industry related government institutions, to benefit the entire industry. These include R&D collaborations which would help Sri Lanka's fabric manufacturing industry enhance its global competitiveness and see its elevation to a new level, whilst providing opportunities for university students to acquire new skills and gain industry exposure. The year under review saw TJL sign a Memorandum of Understanding with the University of Peradeniya to fund research to develop advanced fabrics with intelligent functionalities. In addition, the Company also initiated discussions with the Sri Lanka Institute of Textiles and Apparel to launch several national level initiatives over the next few years. These complement the ongoing Agreements we have with the University of Moratuwa, SLINTEC, etc.

Future Outlook: Leading the Textile Industry Transformation

The apparel industry across the global market space today, is a rapidly evolving one, necessitating much shorter lead times. The fabric industry hence needs to be geared to ensure faster speeds of delivery as well as flexibility in the solutions it can offer. Your Company is focused on the continuous improvement of efficiency and delivery capacities, whilst speed continues to be a key competitive advantage. We will remain focused on the need to be nimble enough to respond to fast changing market needs, lifestyles, research findings and increasing competition in the global fabric and apparel industry.

The synthetic fabric market is one of the fastest growing segments, and the Company will look into expanding the role of Synthetic within our product portfolio in the years ahead. Similarly we will be exploring the realm of "Digital printing".

We have led the Textile manufacturing industry in Sri Lanka, becoming the World Textile Awards Global Winner as the Firm of the Year, becoming the only multinational mill in the country, and the largest textile mill in the region, among other things. This is a standing which provides an excellent springboard to reach new horizons, widen our footprint and stride towards new aspirations. During this year we undertook to define our long term objectives, and develop a

We have led the Textile manufacturing industry in Sri Lanka, becoming the World Textile Awards Global Winner as the Firm of the Year, becoming the only multinational mill in the country, and the largest textile mill in the region, among other things.

multi-year business strategy. I am proud to share that the goal of becoming a US Dollar 300 Million Turnover Company by 2020, is something very much within our grasp, and one we plan to pursue with passion and dedication. As part of this journey, we hope to accelerate the awareness about the overall industry, and strengthen the competency levels within the industry as well, through our initiatives. While we are yet to fully understand the implications of Britain's exit from the EU, we have limited exposure to British market, and are confident about balancing our options as we move forward. The upside potential of GSP+ will certainly outweigh any UK specific implications for your Company, in the event they be negative due to currency fluctuations, etc.

Appreciating that technology is an imperative to enhance value creation and sustain our competitiveness amidst rapidly changing life-styles and landscapes of the apparel and fabric industry, we will continue to leverage it to enhance customer convenience and satisfaction, innovating how and what we deliver. Technology and our commitment to continuous innovation, not only to be on par with the rapidly changing requirements of the fabric industry but also to spearhead fashion trends in fabric markets, will be a key to sustaining growth into the future.

Buoyed by the accelerated momentum in growth during the year that just ended and our expanded capacities, TJL looks ahead with added vigour to grow on the strengths of its sustainable model, execution excellence, spirit of innovation, great competencies and attitudes, to harness the significant potential of the Company and of the rapidly evolving and expanding textile industry.

In Conclusion

My sincere appreciation to our Chairman and other members of the Board for their expertise, constant support and guidance. I also convey my heartfelt thanks to the energetic team that makes up TJL, for their passion, commitment and untiring efforts that continue to drive growth, sustain our leadership in the industry, and propel the Company towards new horizons. A sincere thank you to our direct and indirect customers in Sri Lanka and across the globe, our investors and all other stakeholders for the confidence they have placed in us and the inspiration they provide to innovate and soar higher, expanding our horizons for the Company, the industry and the nation.

Sriyan de Silva Wijeyeratne
CEO/Managing Director

26 June, 2016

Board of Directors

From Left to Right:

Wing Tak Bill Lam
Chairman / Non-Executive Director

Prof. Malik Ranasinghe
Independent Non-Executive Director

Wai Loi Wan
Non - Executive Director

Sriyan de Silva Wijeyeratne
Managing Director/Chief Executive Officer

Hasitha Premaratne
Non-Executive Director

Ashroff Omar
Non-Executive Director

Amitha Gooneratne
Independent Non-Executive Director

Kang Po Tsang
Non - Executive Director
(Absent)

Board of Directors

Wing Tak Bill Lam
Chairman/Non-Executive Director

Mr. Lam is the CEO of Pacific Textiles Holdings Limited. Mr. Lam is responsible for sales and marketing and the formulation of the overall corporate direction and business strategies for the whole Group. He carries an experience of over 39 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 Vice Chairman of the Board of Trustees of the New Asia College and is a Honourary Fellow of the Chinese University of Hong Kong.

Sriyan de Silva Wijeyeratne
Managing Director/Chief Executive Officer

Mr. Wijeyeratne is the Managing Director/ Chief Executive Officer of Textured Jersey Lanka PLC. Prior to joining TJL, Mr. Wijeyeratne has served as the Country Manager of Microsoft for Sri Lanka and Bangladesh, and was responsible for setting up and growing the Microsoft footprint in Sri Lanka. He previously held the post of Director Marketing and Sales of Suntel Limited and was a Brand Manager of Nestle Lanka Limited. His key skills include driving growth and business expansion amidst competitive conditions, and multi-dimensional challenges, both locally and in overseas markets. He has several academic and business awards to his credit, and is a frequent speaker at leading forums locally and globally. He was previously named the CIMA Business Manager of the Year, and is involved in many business chambers, and in several local and global charities. He is a Board Member of Youth Business International, UK, and an Independent Director of Abans PLC. Mr. Wijeyeratne possesses a Master's Degree in Management from the University of Sri Jayawardenapura, and holds a First Class Special Degree in Business Administration from the same University. Additionally he is a Fellow Member (FCMA) of The Chartered Institute of Management Accountants (CIMA) UK, and is also a member of the Chartered Global Management Accountants (CGMA). He is an old boy of St. Peter's College, Colombo.

Ashroff Omar
Non-Executive Director

Mr. Omar is a Director of Phoenix Ventures Limited, Chief Executive Officer of Brandix Lanka Ltd and serves as a Director on many of it's subsidiary companies. He was the founder Chairman of the Joint Apparel Association Forum (JAAF) and former Chairman of the Sri Lanka Apparel Exporters Association. He serves as a Non-Executive Director on the Board of John Keells Holdings PLC, Director of Sri Lanka Institute of Nanotechnology (SLINTEC), Board of Directors of the United States-Sri Lanka Fulbright Commission, Chairman of the Advisory Committee on Garments - Export Development Board (EDB) and serves as a Committee Member of the Ceylon Chamber of Commerce. He is the Hon. Consul General of the Republic of Finland. A Chartered Member of the Textile Institute International, United Kingdom and a Senior Member of the Society of Plastics Engineers, Connecticut, USA.

Hasitha Premaratne
Non-Executive Director

Mr. Premaratne is currently the Chief Financial Officer Brandix Lanka Ltd, one of the largest apparel exporters with a consolidated turnover of USD 675 Mn. He leads the Group Finance Team with responsibilities in Group Investments, investor relations, cross boarder investments, corporate planning, group financial reporting, funding, treasury operations and Group financial strategy. He is a Director of many subsidiaries of the Brandix Group and is a member of the Corporate Leadership Team of Brandix. He was formally the Head of Research at HNB Stockbrokers (Pvt) Ltd and possesses plenty of experience in the fields of Capital Markets, Economics, Strategic Finance, Management and Research. He holds an MBA in International Finance and a B.Sc in Computer Science. He is a Fellow Member of The Chartered Institute of Management Accountants (CIMA) UK, The 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). His lecturing experience expands for 11 years, both locally and overseas and has produced many prize winners. Mr. Premaratne was the winner of the "Tutor of The Year Award" at CIMA Global Financial Management Awards 2009 held in London. He was the Winner and Gold Medalist of the prestigious "CIMA Star of the Year" award in 2012 and the Winner of "Young CIMA Star of the Year" award, in 2006.

Prof. Malik 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 and Independent Non-Executive Director of Sampath Bank PLC and Access Engineering PLC. He is the immediate past Vice-Chancellor of the University of Moratuwa, past Chairman of the Committee of Vice-Chancellors and Directors (CVCD) of Sri Lanka, former Council Member of the Association of Commonwealth Universities (ACU), former Fellow of the National University of Singapore, and former Non-Executive Director of the Colombo Stock Exchange, Hemas Power PLC and Lanka IOC PLC. Prof. Ranasinghe obtained his PhD in 1990 from the University of British Columbia, Vancouver, Canada as a Canadian Commonwealth Scholar. He was honored with the Education Leadership Award 2013 at the 4th Asia's Best B-School Awards, Singapore, the Award for Outstanding contribution to Education at the World Education Congress 2012, India, the *Most Outstanding Senior Researcher in Technology and related Sciences award* in 2012 by the Committee of Vice-Chancellors and Directors (CVCD) of Sri Lanka, the *Trinity prize for Engineering* in 2004 for outstanding contributions made to his chosen profession and with the Sri Lanka Association for the Advancement of Science (SLAAS) General Research Committee Award for Outstanding Contribution to Sri Lankan Science in 1999.

Amitha Gooneratne

Independent Non-Executive Director

Mr. Gooneratne has held several senior positions at Commercial Bank of Ceylon PLC and served as the Managing Director from 1996 to April 2012. He is a Fellow member of The Institute of Chartered Accountants, United Kingdom and Wales and a Fellow Member of The Institute of Chartered Accountants, Sri Lanka. He was the Founder Chairman of the Financial Ombudsman Sri Lanka (Guarantee) Ltd, and former Chairman of Sri Lanka Banks' Association (Guarantee) Ltd. He was also the Managing Director of Commercial Development Company PLC, a Public Quoted Company listed in the CSE and was the Chairman of Commercial Insurance Brokers (Pvt) Limited. He was also nominated to the Board of Sri Lankan Airlines during 2002–2004 by the Government of Sri Lanka.

On his retirement, Mr. Gooneratne, assumed duties as Managing Director of Melstacorp Limited, which is the strategic investment arm of the Distilleries Company of Sri Lanka PLC. He is the Chairman of Melsta Regal Finance Limited and Melsta Logistics (Pvt) Limited; Board Member of Periceyl (Pvt) Limited, Balangoda Plantation PLC, Lanka Bell Limited, Telecom Frontier (Pvt) Limited, Bell Solutions (Pvt) Limited, Bellvantage (Pvt) Limited, Timpex (Pvt) Limited, Texpro Industries Limited, Continental Insurance Limited and Browns Beach Hotel, which are subsidiary companies of Melstacorp Limited.

He is an Independent Director of Lanka IOC and Commercial Development Company Limited.

He is also the Alternate Director to Mr N. de S. Deva Aditiya on the Board of Distilleries Company of Sri Lanka and Aitken Spence PLC.

Wai Loi Wan

Non-Executive Director

Mr. Wai Loi Wan, is the Chairman of Pacific Textiles Holdings Limited. Mr. Wan is responsible for production and formulation of the overall corporate direction and business Strategies of the whole Group. Mr. Wan has over 43 years of experience in the textile industry. He obtained a Bachelor of Science Degree in Chemical Engineering from Taiwan National Cheng Kung University.

Kang Po Tsang

Non-Executive Director

Mr. Tsang, is an Executive Director and the Vice Chairman of Pacific Textiles Holdings Limited, listed on the Hong Kong Stock Exchange. Mr. Tsang is responsible for sales and marketing and the formulation of the overall corporate direction and business strategies for the Group. Mr. Tsang has over 37 years of experience in the textile industry. Mr. Tsang obtained an MBA from the Open University of Hong Kong and a Master of Science in Business Economics from the Chinese University of Hong Kong. Mr. Tsang joined the Group in 1997 and was appointed as a Director in 2004. He is also a founder and Director of various subsidiaries of the Group.

Leadership Team

From Left to Right:

Ishan De Silva
Janaka Gamage
Sanjaya Basnayake
Salman Nishtar
Pubudu De Silva
Harean Hettiarachchi

Moiz Rehmanjee
Sriyan de Silva Wijeyeratne
Samadhi Weerakoon
Rodney Arland
Zhu Hua Jeff
Pamoda Kariyawasam

Leadership Team

Sriyan de Silva Wijeyeratne
Managing Director/Chief Executive Officer

Mr. Wijeyeratne is the Managing Director/ Chief Executive Officer of Textured Jersey Lanka PLC (Refer page 24 for the full profile).

Pubudu De Silva
Chief Operating Officer - Operations

Mr. De Silva has over 26 Years' experience in Apparel and Textile Industry of which 16 years directly in manufacturing experience in the textile industry. Currently he is responsible for the entire manufacturing process including, quality assurance, innovation and development departments of Textured Jersey, Ocean India Pvt Ltd and Quenby Lanka Prints Pvt Ltd.

Prior to joining TJL he was the Head of Planning at Slimline - Pannala. He holds a Masters 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.

Rodney Arland
Chief Operating Officer - Marketing and Business Development

Mr. Arland has total experience of 19 years in the industry of which he has spent 8 years in managerial positions. He joined TJL in 2001 and is responsible in overlooking marketing, business development and merchandising for Textured Jersey, Ocean India Pvt Ltd and Quenby Lanka Prints Pvt Ltd. He holds a Post – Graduate Degree in Marketing and has won an ISO recognition award. Prior to joining the Company he was a Senior Merchandiser at Bangkok Phaisarn Textiles.

Janaka Gamage
Chief Operating Officer – Engineering, Planning & Special Projects

Mr. Gamage is responsible for engineering, planning and special projects for the overall Company. He was the former CEO of Quenby Lanka Prints Pvt Ltd and moved to the Company with the acquisition of it. He has been in the Brandix Group for over 11 years as CEO for other business units such as T & S Buttons and A & E Thread. He carries experience of over 18 years including banking, primary dealing and manufacturing. He holds a B.Sc degree in Electrical and Electronic Engineering from the University of Peradeniya and is also CIMA qualified.

Moiz Rehmanjee
Chief Operating Officer – Commercial

Mr. Rehmanjee has over 18 years' experience of which over 11 years has been in senior managerial positions in areas of corporate finance, investor relations, advisory, brand development, IT, supply chain and working capital. He has worked in diverse industries and multinational environments with multiple cross-border teams. At TJL his responsibilities entail overall financial management, annual strategic planning, working capital management, investor relations and supply chain management. He is a Member of The Institute of Chartered Accountants of Sri Lanka, The Chartered Institute of Management Accountants of UK and Association of Chartered Certified Accountants (UK). Prior to joining the Company he had held the position of Finance Director, Reckitt Benckiser Philippines and Sri Lanka and senior managerial positions in the Hemas Group.

Zhu Hua Jeff
Senior General Manger - Dyeing and Finishing

Mr. Jeff has a total work experience of over 26 years in the industry of which he has spent 18 years in managerial positions. Prior to joining the Company Mr. Jeff was a Factory Manager at Ocean Lanka (Pvt) Ltd and Pacific (Panyu) Textiles Limited, China.

Sanjaya Basnayake
General Manager - Production

Mr. Basnayake has total work experience of over 21 years in the industry of which he has spent over 13 years in managerial positions. He is responsible for the knitting, dyeing, finishing and color lab functions of the Company. Prior to joining the Company he was a Senior Executive at Hayleys-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 he is a Chartered Member of the Textile Institute International, United Kingdom. He has expertise in technology of dyeing, finishing and knitting and implementation of cost reduction projects. He is a gold medal award winner from Textile Institute (UK). His technical expertise is also extended to Ocean India Pvt Ltd and Quenby Lanka Prints Pvt Ltd.

Salman Nishtar
Chief Financial Officer

Mr. Nishtar holds over 10 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 Textured Jersey Lanka PLC. His current role at Textured Jersey Lanka includes leadership and key responsibilities in the fields of overall financial management, annual strategic planning and working capital management.

He is an Associate Member of The Chartered Institute of 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.

Ishan De Silva
General Manager - Sales

Mr. De Silva is the General Manager Sales responsible for managing key European customers of Textured Jersey Lanka PLC. Prior to joining TJL, Mr. De Silva was attached to three MAS Holdings companies under MAS Fabrics namely MAS Noyon Lanka as Manager – Sales and Marketing and with MAS Trischel Fabric & MAS Textprint Lanka as Deputy General Manager – sales and marketing. He was responsible for overall international sales & marketing of these companies and was attached to them for 11 years. He served in the Executive Committee in these three organisations.

Prior to this he worked at Brandix Finishing, Braitrim/Plastiform Lanka & Paxar Lanka accounting for over 16 years' experience in the textile and accessory field. He was also attached to Asia Securities, John Keells Stock Brokers and Suntel Ltd in the early years of his career spanning over seven years in different fields.

Mr. De Silva possesses a Master's Degree in Business Management from the University of Southern Queensland of Australia, Diploma in Business and Finance from Cranfield School of Management and is a qualified Marketer (CIM, UK).

He is an old boy of Royal College, Colombo

Pamoda Kariyawasam
Deputy General Manager - Finance

Mr. Kariyawasam has over 11 years work experience in the field of Finance of which 9 years in apparel/textile industry. He started his career at Unilever Srilanka Limited and continued to take up position as Financial Controller at Ocean India (Pvt) Ltd.

Currently he is responsible for the overall Management Accounting function at TJL Group which includes long range strategic planning, annual business planning, inventory management, Investment Management. His main skills are in business partnering in transforming businesses where he has played a major role in turning around number of companies throughout his career. He is a Chartered Management Accountant and also holds a Special Degree in Business Administration with a Second Class Honors (Upper Division) from the University of Colombo.

Samadhi Weerakoon
Deputy General Manager - Corporate Communication and CSR

Mrs. Weerakoon is responsible for Corporate Communications and CSR for the overall Group. She was the former Business Development Manager at TJL. She has been in Merchandising and Business Development at TJL for almost 14 years. Before joining TJL she was working in advertising field based at Bates Strategic Alliance. She holds a B.Sc degree in Marketing from University of Jayawardhanapura and an MBA from the Australian Institute of Business.

Harean Hettiarachchi
Deputy General Manager - Strategic Business Initiatives & IT

Mr. Hettiarachchi is responsible for generating business insight through analytics, creating and improving decision making frameworks like forecasting and business intelligence, driving special projects aimed at business process improvement and creating business benefit through information technology for Textured Jersey. His experience includes business development, sales strategy and product launches in the software industry; business planning, forecasting and analytics in the air cargo industry. Prior to joining Textured Jersey, he worked for Microsoft for almost a decade in different roles; last with their Worldwide Licensing and Pricing Group as a Senior Global Program Manager. He has a Master in Natural Sciences from Trinity College, Cambridge.

Awards and Achievements

International Dyer & Finisher of the Year 2015

Energy Efficiency Award 2015

Merit Certificate

Sri Lanka Sustainable Energy Authority

Green Era Award

for Sustainable Practices

Association Otherways Management and Consulting - France

Par Excellence Award 2015 (for OCI)

NCQC - India

Social Dialogue Excellence Awards 2015

Large Sector, Manufacturing Category Gold Award Winner

The Department of Labour and Industrial Relations Sri Lanka

National Business Excellence Awards 2015

National Chamber of Commerce of Sri Lanka

Overall Co - Silver Award

Winner 2015

Winner

Manufacturing Apparel, Textile and Leather Products

Runners Up

Excellence in Performance Management

1st Runners Up

Extra Large Category

Winner

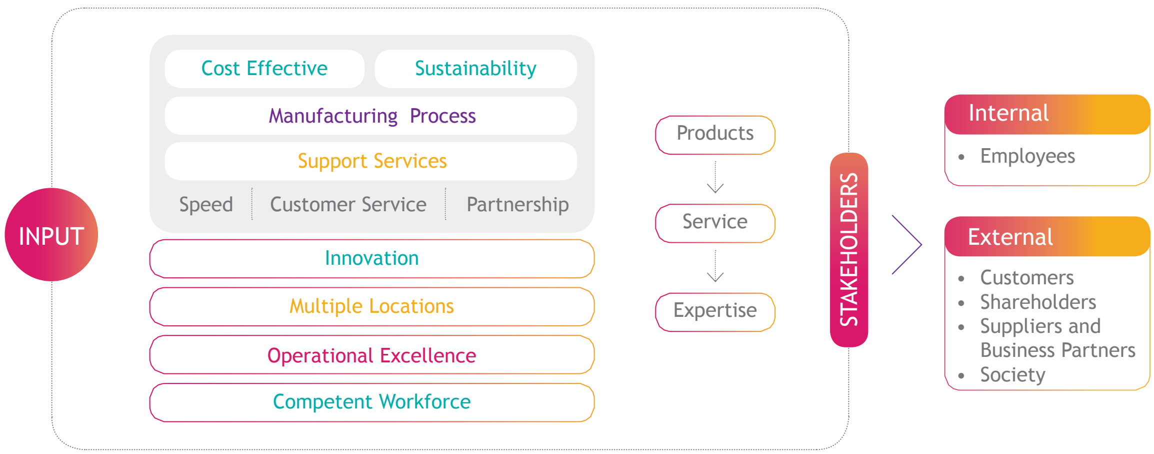
Excellence in Capacity Building

The drive to succeed

Management Discussion & Analysis

Management Discussion & Analysis

Value creation model



The model above depicts the Company's value creation process and for whom it creates value for its stakeholders which consist of Internal Stakeholders and External Stakeholders; the latter includes customers, shareholders, business partners and society at large. The factors which TJL leverages and continuously enhances as key competitive advantages are Speed, Customer Service and Partnership. Its strategies in value creation are based on five key pillars /strategic priorities namely innovation, multiple locations, operational excellence and competent workforce.

Stakeholder engagement

Who are our main stakeholders	What is our Engagement	Modes of Engagement	Frequency of the Engagement
Community	To uplift the living standards and provide infrastructure of the main social institutions and protect the environment in the vicinity	CSR initiatives	Seasonal plan
Shareholders	Awareness build up and service	AGM	Annual
		Annual Report	Annual
		Quarterly Financial Statements	Quarterly
		Company Website	Online
		CSE Website	Online
		Con call	Quarterly
		Investor Forums	Annual
		Investor Meetings	Monthly

Management Discussion & Analysis

Who are our main stakeholders	What is our Engagement	Modes of Engagement	Frequency of the Engagement
Banks and Financial Institutions	Relationship build up	Meetings	Quarterly
Regulatory Bodies	Awareness and Relationship build up	Meetings	Monthly
Employees	Sustainable career growth	Employee Committee Meetings	Every month
	Key competency developments	Open Door Policy	Continuous
	Welfare	Annual Employee Surveys	Annual
		Individual Performance Review	Continuous
		Employee Rewards - Reach Live	Continuous
		Reach Beyond	Bi - annual
		The Welfare Shop	Continuous
		Annual Excursions	Annual
		Annual Health Check	Annual
		Family Day	Annual
Vendors	Service / Relationship building	OTD Meetings	Weekly
		OTD and Quality Meetings	Monthly
		Meetings on Performance	Quarterly
		New Product Presentations	Quarterly
		Customer Compliments	Annual
		Customer Get-togethers	Annual
		Customer Reviews	Quarterly
		(Service/Quality)	
Brands	Service Relationship building	Quarterly new product presentations	Quarterly
		Customized Brochures	Quarterly
		Innovation week	Bi- annual
Suppliers	Service / Relationship building	Supplier Reviews	Monthly
		Supplier Visits	Quarterly

Our strategy

The strategies we have listed below are those we consider as imperative to create, enhance and sustain value to all our stakeholders in the context of the strengths and weaknesses of the Company and the opportunities, risks and trends in the local and global environments. Your Company's business model has been based on a Triple Bottom Line approach, and this year's integrated format of reporting better reflects this approach which we have always taken. It evaluates our performance in a wider context by including social and environmental dimensions to economic value creation.

Strategic Imperatives for 2015 - 2017

Key Strategic Imperative	Relevance	Action in 2015
A Regional Presence	• Risk mitigation via geographic diversification of production. • Harnessing of different competitive advantages through geographic diversification. • As a solution to reduce escalating cost of labour. • To gain access to new markets. • The growth opportunities in India.	Acquisition of Ocean India (OCI) Pvt Ltd, located in Visakhapatnam, India.
Capacity Expansion	Harnessing benefits of economies of scale.	Acquisition of OCI Pvt Ltd. and Quenby Lanka Prints (Private) Ltd. The expanded capacity with the inclusion of the former is 350 tons a week.
Speed of Delivery	Speed of delivery is becoming increasingly more critical to sustain competitive advantage in an industry with fast turnaround times.	Widening the speed product portfolio by adding the Lace category. Recorded 100% on-time delivery on this product.
New Product Developments	Essential for growth in fast changing industry of fashion often led by constant creativity of solutions.	We successfully launched two seasonal collections within the year for Autumn/Winter & Spring/Summer based on latest customer trends and evaluations. They were launched to the brands and vendors and the adoption rate of these were more than 20%.

Management Discussion & Analysis

Key Strategic Imperative	Relevance	Action in 2015
Value Addition to Products	• To expand to niche markets. • Moving in line with the envisaged growth strategy for Sri Lanka, towards higher value addition. • Higher margins necessitated by rising costs. • Increasing demand for customised solutions.	Acquisition of printing technology with the purchase of Quenby Lanka Prints Pvt Ltd enhanced the print solutions and the capabilities to add more value to the current product base through Foil / sublimation/ acid dispersed and digital printing. Penetration into CK Black - the high value range.
New Fabric Technology	• Synthetic Fabrics • Smart Textiles	Initial trial orders for synthetic base were carried out and was a success with customers such as CK. The bulk orders are being processed based on these new approvals. Laid the foundation for smart textiles with the University of Peradeniya and work is in progress in this new area.
Enhancing Energy Efficiency	Energy costs account for a high percentage in the fabric manufacturing industry, and at TJL for about 8% of costs. It is an important factor as Sri Lanka's competitiveness in manufacturing industries has long been threatened by its high energy costs.	Commissioning of a state-of-the-art coal power plant will enable a cost saving of 1% to 2% improvement on revenue.
Continuing to strengthen and leverage strong relationships with all our stakeholders.	Partnerships with leading international brands who are clients, end customers, our employees and society at large in Sri Lanka, are a key to sustainable profitability.	The front end team was able to forge new relationships and bring in new business while continuing to work with brands and vendors. The supply chain also worked in partnership with its supplier base bringing different synergies to the company. TJL also continued to engage with those in the vicinity as part of its social upliftment agenda, and with stakeholders such as academia and other institutions to work for the growth and enhancement of the industry and society.

Industry Environment

As a fabric manufacturer, TJL is directly impacted by the performance of the domestic apparel manufacturers and foreign retailers. The apparel industry in Sri Lanka continued to demonstrate its resilience amidst some challenges faced by one of its key export markets of the Euro zone which resulted in the overall growth in the wearing apparel subsector growing to 16.0% compared with 19.7% recorded in the previous year. The textile subsector in the industrial sector experienced a setback to record a contraction of around 1.4% during 2015 in comparison to a 3.4% growth reported in 2014 as the availability of imported textiles and textile articles at relatively low prices had an unfavourable impact on the domestic textile manufacturing subsector.

Export earnings from textiles and garments, which account for around 46% of the total export earnings, declined by 2.2%, mainly due to the 2.7% decline recorded in garment exports, despite the 4.5% and 13.4% growth, respectively, recorded in textiles and other made-up textile articles. Export earnings from garments to the EU market declined significantly by 12.5% in 2015, largely contributing to the decline in earnings from garment exports, despite the 6.0% and 4.6% growth recorded in the earnings from garment exports to the USA and other non-traditional markets, respectively.

We also remain optimistic that the wider political and economic currents in Sri Lanka would enable the reinstatement of the EU GSP+ which allows duty free exports of Sri Lankan apparels.

Sri Lanka, over the past few decades has developed and grown its global competitiveness in apparel exports. Today it has the highest per capita apparel exports in the world, at US Dollars 172; it boasts of the highest number of green certified factories in the world and is reputed for safeguarding and respecting Intellectual Property Rights (IP) and assures the world of “garments without guilt” due to its labour practices, laws and working conditions. Being located in South Asia, which has the world’s largest population and largest textile base and is the largest cotton producer, further augments Sri Lanka’s positioning to become a textile and apparel as well as a fashion hub for the world.

Company Performance

An outstanding performance driven by synergy from acquisitions, stringent cost control initiatives, cutting edge innovations, and a growing product portfolio.

Highlights of an excellent year

- Profitability grew by 63% to TJL’s highest ever of LKR 2.2 Bn.
- Revenue grew by 30% to LKR 17.8 Bn.
- Acquired Ocean India Pvt Ltd. in September 2015.
- Was ranked 47 amongst LMD’s “Most Respected Brands in Sri Lanka”
- Acquired Quenby Lanka Prints Pvt Ltd. in June 2015.
- Share Price reached an all-time high of LKR 36.30.
- Rapid growth to be amongst the top 30 in Market Capitalisation in Sri Lanka.
- Earnings per Share grew by a solid 61% to reach LKR 3.24.
- Expanded the customer footprint by augmenting the brand portfolio.
- Penetrated into the high-end range of CK Black.
- The PVH portfolio grew dramatically and has now become the largest customer of TJL.
- 'Dyer & finisher of the Year' - 2015 awarded by World Textiles.
- Bagged 5 awards, including the “National Overall Runners-up” at the National Business Excellence Awards 2015.
- Became the only Mill in the world to win the Green Era award for our sustainable practices.
- Won the Gold at the Social Dialogue awards.
- Won the ‘Par Excellence’ Award for 5S in India.

Management Discussion & Analysis

The year under review saw the Company record a resounding performance, achieving its highest ever revenue, profit and profit growth; and most significantly, despite it being a downturn year in Europe- one of the key export markets for TJL's Intimissimi brand. Several factors propelled your Company's performance during the year. Firstly, the excellent contributions from the two new entrants to the Group - Ocean India Private Limited (OCI) and Quenby Lanka Prints (Private) Limited (QLP) whose performance exceeded our targets and expectations. Our top line doubled during the last two quarters of the year following the acquisition of these two companies which were turned around during the first half of the year.

Secondly, a focus on increasing the share of the higher margin products contributed to TJL's performance this year as well. And thirdly was the operational efficiencies combined with stringent cost cutting measures.

TJL's stand-alone performance during the year under review saw gross profits grow by 26% and a net profit increase by 11% to reach LKR 1.5 Bn. on a Revenue of LKR 14.1 Bn. mainly driven by a continuing increase in operating efficiencies.

A Year of Inorganic Growth

The acquisition of OCI and QLP at an investment of LKR 2.7 Bn. (USD 18.2 Mn.), enhanced our capacity and after two quarters of consolidation, contributed (Rs. 3.7 Bn.) to TJL's turnover.

OCI, which until the first quarter of 2015 reported losses, achieved a remarkable

World Textiles Awards 2015

turnaround during the second half of the year under review, to record a profit during the year.

QLP, TJL's other acquisition, is Sri Lanka's leading fabric printer located in the Seethawaka Industrial Zone, at close proximity to TJL's manufacturing plant. Having identified significant potential to harness synergies of its printing technology and know-how to widen our customer base as well as solutions. TJL invested USD 3.5 Mn. to acquire 100% ownership in this company in June 2015.

These two entities, with their own individual identities, have been successfully and seamlessly integrated into TJL under a functional reporting structure.

A subdued demand from European economies due to low economic growth in most European countries impacted your Company's performance as it did the entire apparel industry. These demand conditions were further exacerbated by the depreciation of the Euro which diminished competitiveness of Sri Lanka's exports vis-à-vis the Eastern European fabric manufacturers. However, TJL's

National Business Excellence Awards 2015

client portfolio being well diversified, with key clientele comprising the United States, United Kingdom and Asia has been one of its key strengths, enabling it to offset the downturn in one market with the upturn in another. The Company had a consistent order book throughout the year which also supported the excellent performance during the year.

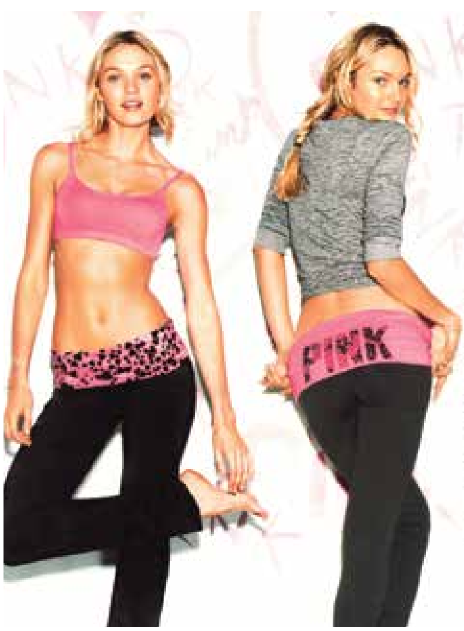
It is also notable that TJ's share has continued to outperform the ASPI of the Colombo Stock Exchange since August 2013 with price returns increasing to 123% vis-a-vis-a 5% decline in the market.

The year under review saw a marginal change in the Group's ownership structure as Pacific Textured Jersey Holdings Ltd. the Hong Kong Stock Exchange listed and China based Warp & Weft Knit fabric producer, reduced its share from 39.7% to 28.2% during the year whilst Brandix increased its share of ownership to 29.8% from 33.7% in 2016.

The Company has made an undertaking to the SEC that Brandix Lanka Ltd. and Pacific Textiles will hold a minimum of 50% stake in TJL for the next 5 years.

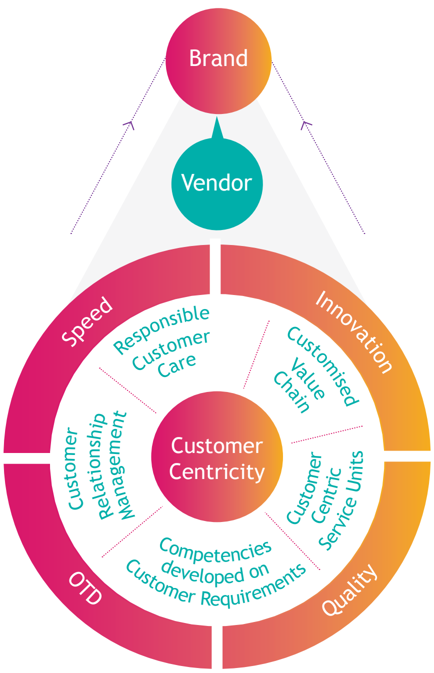
Brand Mix

It is noteworthy that the Company was able to diversify its brand portfolio during the year, with the number of main contributing brands increasing from three to four. In addition, the reliance on the hitherto largest brand- Intimissimi, reduced y-o-y whilst PVH and the Limited brands emerged as significant contributors. The PVH brand business in the TJL portfolio grew by as much as 200%, the Decatholon business by 100% and the Limited brands business by 70% during the year. Furthermore, three new brands namely Levis, H&M and Columbia were added to our portfolio during the year.



Management Discussion & Analysis

The diagram below depicts the key thrust areas through which we assure customer centricity.



The Company's emphasis on Innovation is not limited to the innovation of new products but also includes constant innovation of processes, systems and technology.

Our Manufacturing Capital

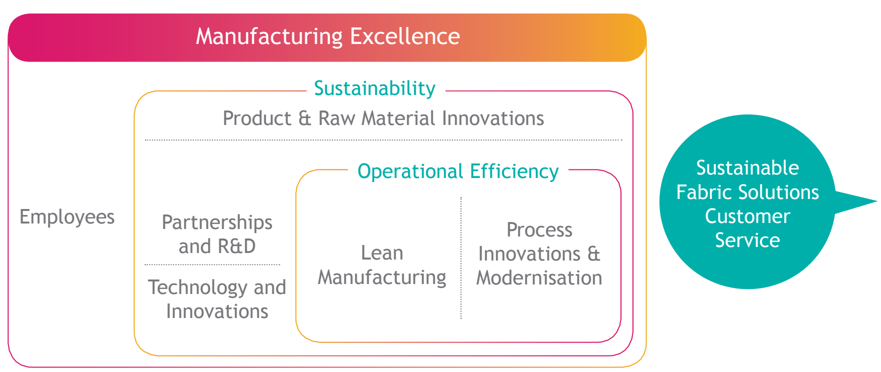
As one of the leading fabric mills in the region TJL's manufacturing capital is a key component of its value and value creation process. Following the two acquisitions during the year our manufacturing capital grew significantly in value.

Launch of 'Glacē' Collection

Launch of 'Mask' Collection

Change in Value of our Manufacturing Capital

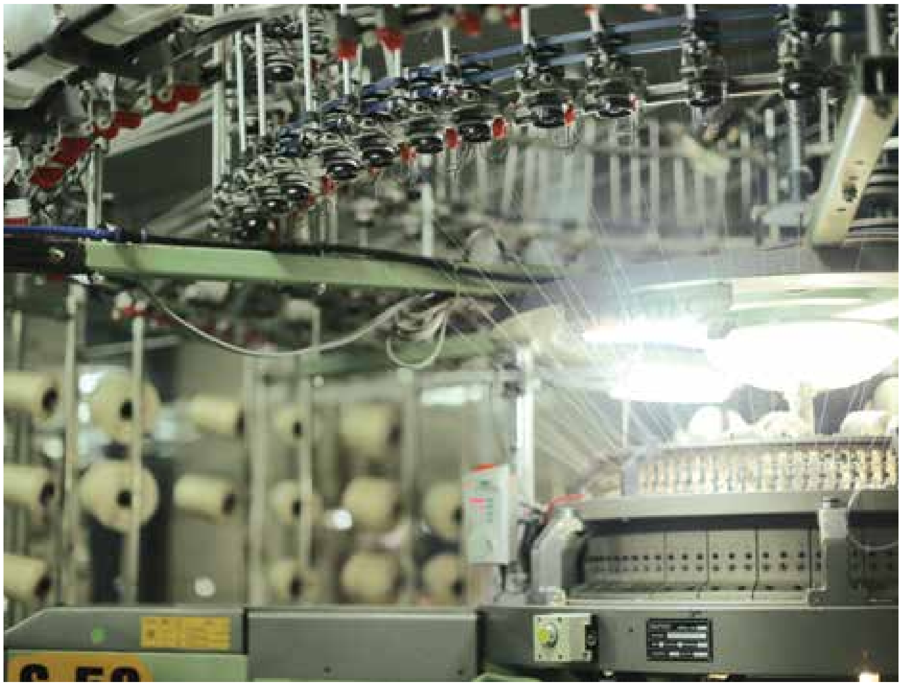
	2014/15	2015/16	
	TJL	Group	TJL
	LKR '000	LKR '000	LKR '000
Plant & Machinery	1,179,032	3,074,616	1,719,998
Buildings	1,044,145	2,572,808	1,324,516
Land	94,333	260,920	99,894



The thrust of our Manufacturing Process and Manufacturing Excellence

Some of the ways in which we enhanced our Manufacturing Capital during the year:

- TJL upgraded its knitting machines with new units to enhance productivity.
- Colour lab machinery was modernised at TJL.
- TJL introduced the Synthetic project and technologically advance machinery.
- Printing technology upgrade with digital printing machinery at Quenby.
- Technological upgrade of finishing machinery at OCI and TJL.
- Installed an energy efficient backup boiler to facilitate plant shutdown for maintenance at OCI.



Harnessing and Enhancing our Knowledge Capital During the Year

- Introduced Lace dyeing and printing to OCI
- A process improvement in the preparation of fabric for dyeing enabled TJL to reduce process time, as well as water and energy consumption.

Supply Chain & Costs

The current financial year saw a relatively stable cotton market, with the decline in global cotton prices since last year continuing to remain at same levels. TJL continues to shield itself from possible impacts of the volatility of global cotton prices via its practice of "made-to-order" which enables a lean supply chain with quick turnarounds and minimum inventory levels. TJL refrains from hedging against cotton prices and instead engages closely with customers in sustaining its margins against cotton price movements. Stable cotton prices in the current financial year also contributed to securing TJL's profit margins, and facilitated a further improvement in margins by enabling us to offer innovative solutions to our customers. Yarn being the Company's single largest cost component necessitates that we closely and continuously monitor market conditions and challenges across the global cotton supply chain, especially within our key sourcing regions.

Our continuous drive on operational and production efficiencies has translated to gross margin improvements during the financial year, and we will continue to pursue leaner processes which would enable synergies from our long term growth plans.

TJL successfully deployed its Coal Power Plant in the fourth quarter of the financial year, which contributed to easing our high energy costs. Sri Lanka's energy costs are higher in comparison to the rest of the Region. TJL would pursue further energy cost saving initiatives via its Coal Power Plant and other initiatives.

Management Discussion & Analysis

Outlook

Innovative use of technology, production techniques and supply chain management have enabled the Company to cater to premium products and specialised solutions. Thus, technology and innovation will remain priorities in our strategies, not only to ensure that we remain on par with the rapidly changing requirements of the fabric industry but also to spearhead fashion trends in fabric markets.

The global textile industry is today under intensifying pressures to increase efficiency, fueled by rising demand for lower costs, shorter lead times and greater value addition by apparel brands. TJL's strategy of differentiation by developing customised value propositions and its positioning as a specialised supply chain solutions provider, are key strengths to meet these escalating challenges.

Synthetic Fabrics is one of the fastest growing segments with very high growth potential in the global market. During the year under review, with the acquisition of Quenby Lanka, TJL invested in a manufacturing capability to venture into this high growth segment. Fast Fashion and "Atleisure" segments are also rapidly expanding, and accordingly, faster turnaround times is also a key priority for the future.

Since its inception in 2001, your Company has been on a strong and rapid growth trajectory, becoming Sri Lanka's leading knit fabric manufacturer. High product and service standards; focus on

innovation and execution excellence; direct relationships with brands and deep customer engagement based on customised solutions; strong customer portfolio based on long term engagement and sophisticated management capability have been the cornerstones of TJ's growth. These key strengths have been further augmented by the several strategic initiatives during the year, which have now positioned TJL as the largest textile manufacturer in the region. It is the only one of its kind in scale and sophistication and Sri Lanka's only multi national mill. This is a positioning which augments TJL's strong growth prospects, as it strides towards new horizons with a target to become a US Dollar 300 Million Company by 2020.

Financial Performance

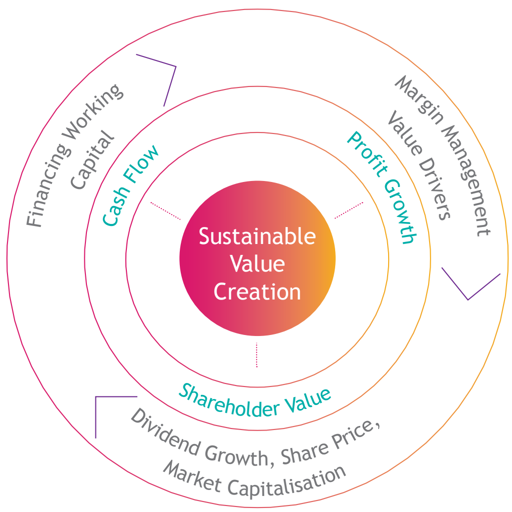


Diagram above summarises our key thrust areas in TJL's financial performance.

Revenue

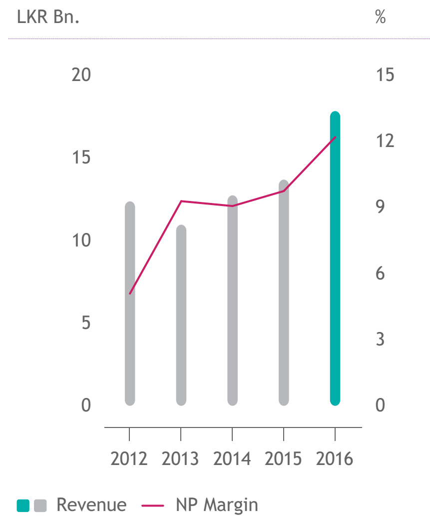
TJL's topline continued its upward trajectory in the financial year 2015/16 with Total Revenue increasing by 30% year-on-year to LKR 17.8 Bn. The Growth in Revenue was driven by the acquisitions of QLP and OCI which were consolidated in July and September, respectively, during the financial year. Consolidation of the two subsidiaries contributed LKR 3.7 Bn. which amounted to 26% of the year's turnover. Both subsidiaries, since consolidation, functioned at almost full capacity which contributed to the increase in turnover.

Revenue at TJL grew by 3% year-on-year to LKR 14.1 Bn. Revenue on a standalone basis was affected by a decline in selling prices, which was due to a decline in cotton prices which was experienced during the year. With the exception of the first quarter, the plant ran at full capacity driving revenues in response to increased sales quantities on a year-on-year basis.

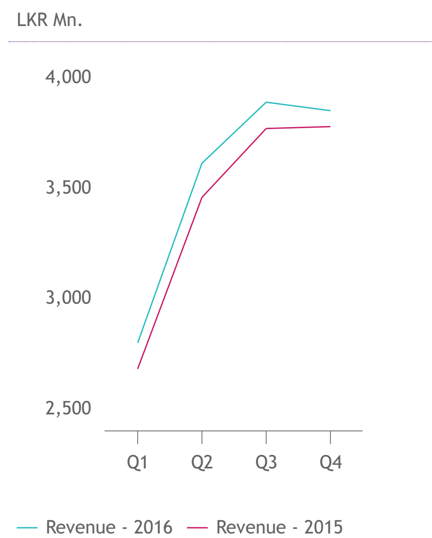
The Company's Revenue has grown on a quarterly basis for the four quarters in a row, reflecting its focus on Revenue growth. The successful strategies for a trajectory of Revenue growth were mainly driven by acquisitions, customer portfolio improving efficiencies and thereby improving output.

With a full year of consolidation In the coming financial year combined with the expansion plans in synthetics, and the leveraging of the potential of the new subsidiaries for a full year; TJL looks forward to continuing its growth in Revenue at healthy levels. However, given the state of flux in the global economy at present, the Company will respond with necessary measures if and when required to ensure sustained growth in profits.

Revenue vs NP Margin

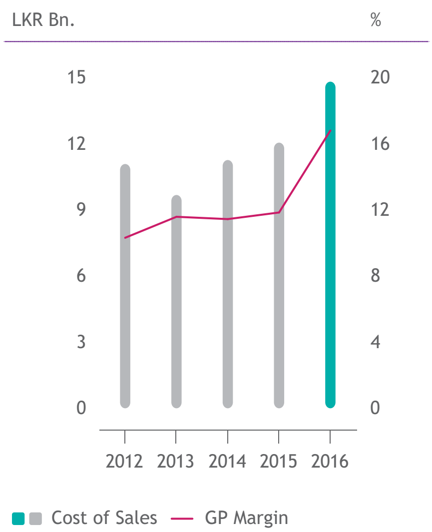


TJL Standalone Revenue-Quarterly

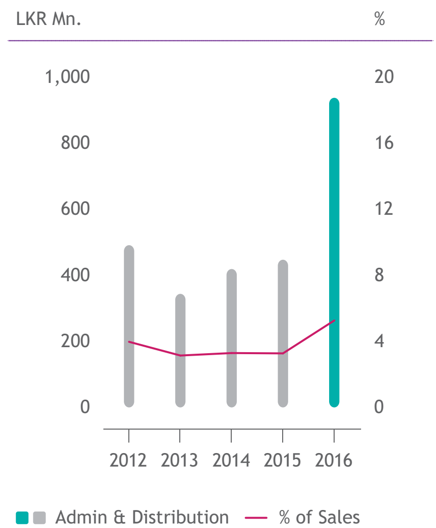


Management Discussion & Analysis

Cost of Sales vs GP Margin



Admin & Distribution Expenses



Operating Income

Gross Profit

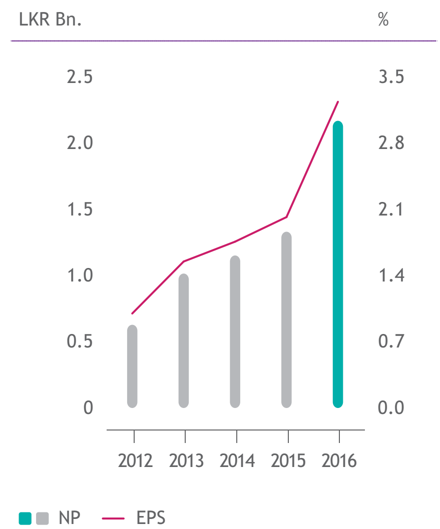
TJL's Gross Profit improved by 85% against the previous year. The upward trend from LKR 1.6 Bn to LKR 3.0 Bn stemmed from consolidation of the subsidiaries and the synergies derived from the acquisition. Even though the reduction of the cotton prices affected the selling prices, the management of margins and the value added portfolio, the firing of the coal plant at the end of Q3, increase in output and the depreciation of the rupee helped improve the margins during the year. In addition, our continuous commitment to efficiency drive and stringent control of overheads helped galvanise the position and close the consolidated GP margin to 16.8% from 11.8% in the previous year and TJL's stand alone from 14.4% to 11.8%.

Operating Profit

Operating Profit for the year increased from LKR 1.2 Bn to LKR 2.2 Bn. which is an 80% increase from the previous year. Distribution expenses and Administration expenses increased mainly due to the consolidation of costs of the two subsidiaries. In addition strategic strengthening of the team in bench strength, an increase in training and development costs and costs applicable to stabilising future revenue and profit streams, increased expenses during the year on a standalone basis from 3.3% of revenue to 4.0% of Revenue. However, our focus of cost control and reduction of expenses through process improvements and efficiency, continued during the year.

Other income increased during the year mainly from the subsidiaries due to the disposal of a backlog of scrap stock that had been accumulated prior to acquisition.

Net Profit vs EPS



Non Operating Income

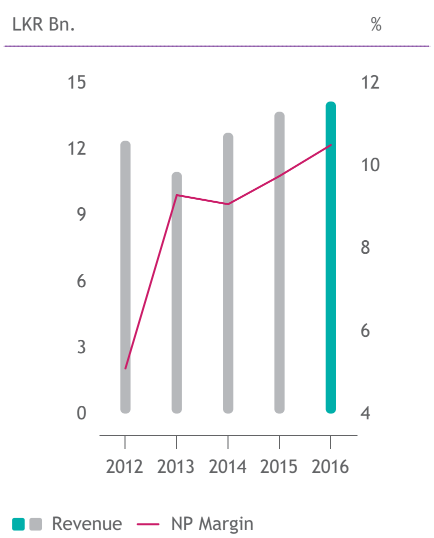
Non-operating income reduced from a LKR 102 Mn. to LKR 17 Mn. during the year which was a result of the non - renewal of its Operational and Technical Agreement with OCI since the company is now consolidated.

Net Profit

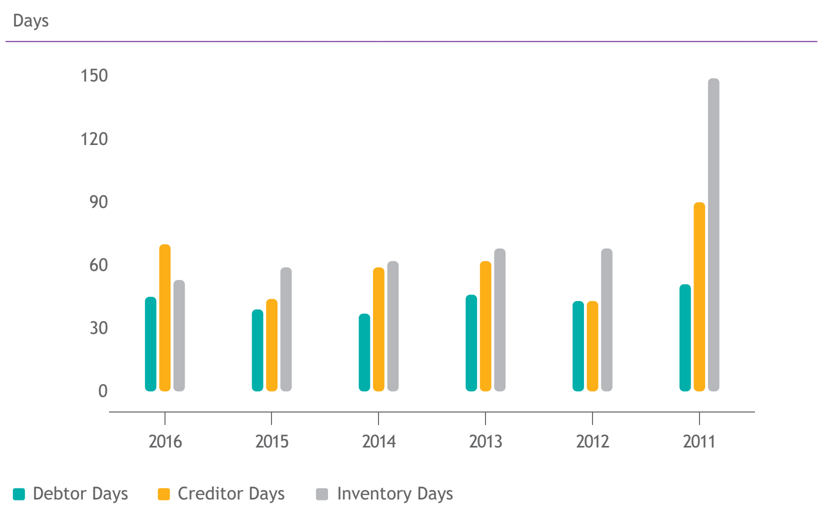
TJL achieved a record net profit for the year passing the LKR 2 Bn. mark achieving LKR 2.2 Bn. for the year. This was a 63% growth in Net Profit compared to the previous year. This is the first time a double digit Net Profit margin was achieved as an entity. In addition to the Group achieving an NP margin of 12.2% the Company as well achieved a double digit NP Margin of 10.5% closing the year with a net profit of LKR 1.5 Bn.

Considering the strong performance beside the new shares issued during the year, an EPS of 3.24 was achieved compared to 2.02 in the previous financial year.

TJL standalone Revenue vs NP Margin



Working Capital Efficiency



Working Capital Efficiency

The Company closed the financial year with a cash balance of LKR 2.9 Bn. due to the focus on the efficient utilisation of working capital during the year. Despite the cash outflow for the acquisition of the two subsidiaries, the Company closed with an almost debt free Balance Sheet as a result of its strong Working Capital Management philosophy and its strong performance during the year.

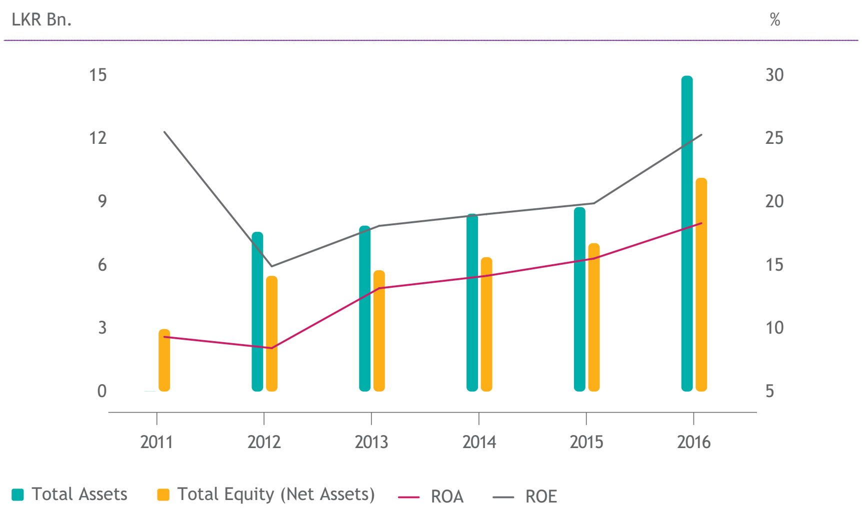
The reduction of inventory days within the Group and an increase in the payable balances helped improve the efficiency of the working capital cycle. This is a result of the close follow up and monthly monitoring of the Inventory Days and Debtor Days, a practice which has been ingrained into TJL's management approach.

Management Discussion & Analysis

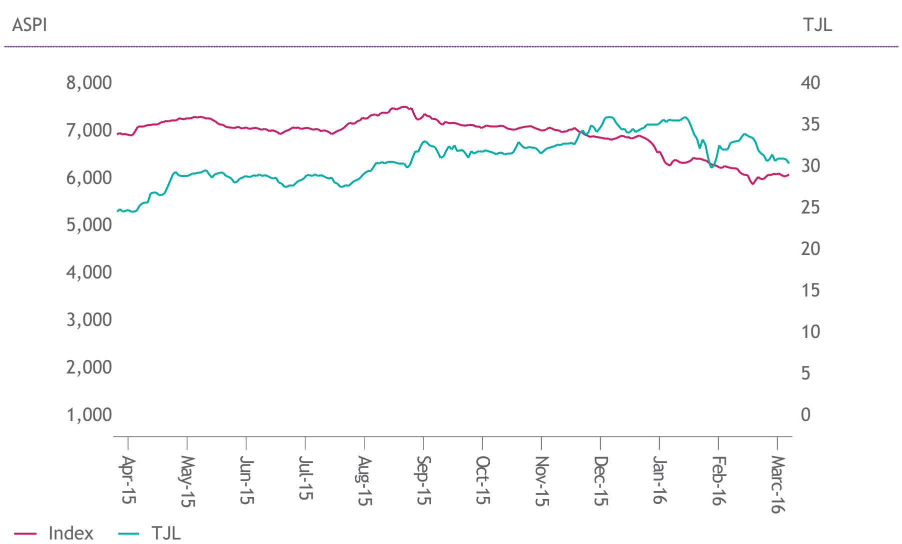
Fixed Capital Efficiency

By improving efficiency in harnessing its assets, the Company has been able to improve its Return on Assets from 15.5% to 18.3% and Return on Equity from 19.9% to 25.3% during the financial year. The acquisition of the two entities has helped sustain and improve return on the said assets .

Return on Assets and Equity



Share Price Movements



Shareholder value

The Company has recorded its highest share price of LKR 36.30 since the IPO during the current financial year and continued to improve dividend payment from LKR 1.30 to LKR 1.60. Moreover, the dividend payout ratio of 49.3% is well above the 33.3% minimum payout policy.

Since Listing	LKR	2015/16 Year	LKR
Highest Traded Price (05-Jan-16)	36.30	Highest Traded Price (05-Jan-16 & 23-Nov-15)	36.30
Lowest Traded Price (14-Mar-12)	7.00	Lowest Traded Price (01-Apr-15)	24.10

The dividend yield as at year end stood 5.0% in addition to the share price appreciation from LKR 24.10 to LKR 31.70 during the year, reiterating a strong return to shareholders during the financial year.

Qaurter-on-Qaurter Profit Growth

The Company has maintained Profit Growth on a quarter on quarter basis for seven quarters consecutively as at the financial year 2016.This has been a result of the increase in capacity in the previous financial year; the acquisition of the two entities in the current financial year and the Company's continuing commitment to improvement in efficiencies and processes. This is testament to the remarkable performance and shareholder value generated during the years.

Management Discussion & Analysis

Delivering Value for and with our Human Capital

We know that the assertion "our people are our most valuable asset" is today almost a cliché, but then again we will not be doing justice to our story if we don't say so. Whether it be the high quality of our products; strong innovation capabilities; the speed of delivery or the strong relationships we have established with leading international fashion brands, our people have been the key factor in us becoming a leader in fabric manufacturing and the only mill with a regional presence in the country, catering to world's leading brands.

One of the HR challenges during the year was the facilitation of the integration of people and cultures of OCI India and Quenby Lanka, two entities with their own distinct identities. TJL made internal transfers and introduced several structural changes across the Group. The seamless integration which had the teams coming together with ease to work towards a common goal during the year is most heartening. The end result has been significant value addition, with credit largely due to the people. We will continue to enhance the process of integration to optimize the synergies as the largest mill in the region.

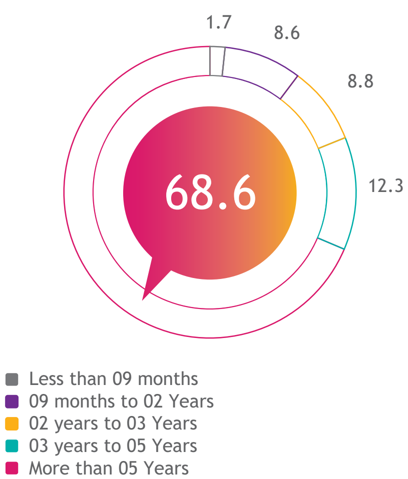
The model above depicts the six pillars of our HR Management Process and Brand, and the key significant objectives in our HR Management Philosophy.

Our Diverse Workforce

TJL promotes workplace diversity from the point of recruitment as we believe that diversity enriches the talent pool and hence the resources and ideas for constant innovation and growth of the Company. And diversity encompasses ethnic to religious, gender, physical, cultural and talent diversity.

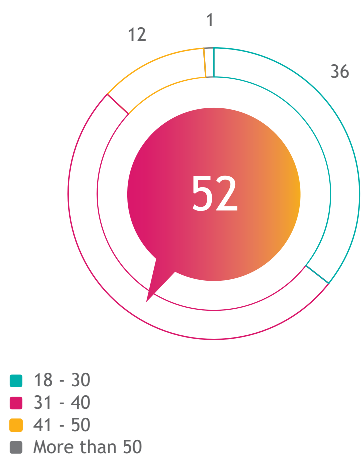
Experience Years

%



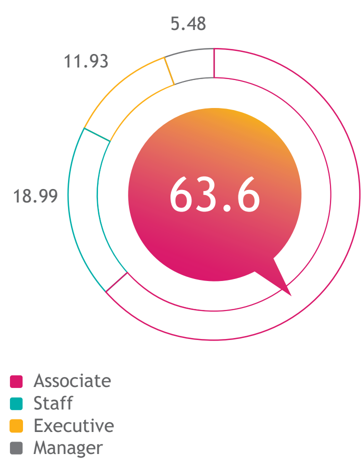
Age Category

%



Worker Category

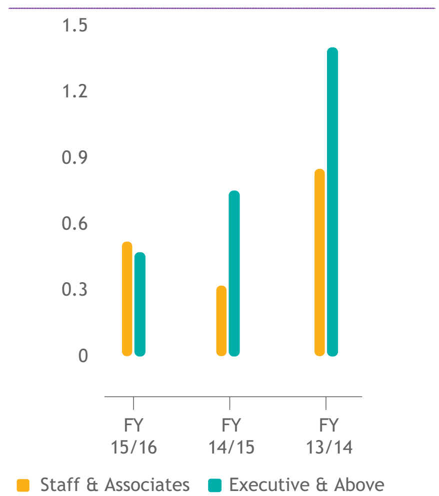
%



Our People philosophy focuses on attracting, developing & building a pool of talented, dynamic and a motivated human resource base with the right competencies to proactively meet our mission and objectives. The very high retention rates (which are well above industry averages) and low absenteeism rates are a reflection of employee satisfaction levels. Group recruitment and selection processes are streamlined to meet evolving business needs, whilst planned training and development initiatives are carried out across the Company to build a talent pool and enable employees to give their best to the organisation.

LTO/Attrition

%



Management Discussion & Analysis

Employee Engagement & Empowerment as Route to Sustainability

The Group encourages a culture with minimum bureaucracy valuing professionalism over rank or stifling practices. An open door culture is in fact further expanded at TJL to a "no door" policy which encourages dialogue and participation across all levels and functions of the Company. We are honoured and encouraged by the external endorsements we have received for our practices and achievements this year; TJL was the winner of the Gold award in the large scale manufacturing category for "Social Dialogue", the highest national accolade to honour work place harmony awarded by the Social Dialgoue & Work Place Cooperation Unit of the Department of Labour and Industrial relations, having won the Bronze, the previous year.

Whilst our employees are not unionised, TJL ensures that labour rights are safeguarded through the mechanism of a Joint Consultative Council (JCC) which has management and employee representation. The JCC meets regularly to discuss employee related matters and the process has proven effective in maintaining cordial communication between management and employees of all grades.

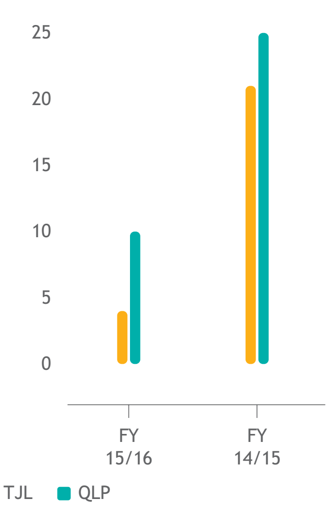
Social Dialogue Excellence Awards 2015

Joint Consulatative Council Election

TJL promotes employee camaraderie via many formal as well as informal channels. Some of the channels include distribution of newsletter, CSR activities, and many more year round calendar of activities such as staff trips and socials involving employees and their families, musical shows, sports activities and religious functions.

Climate Survey

Ranking



Annual Musical Show of TJL

Annual Excursion : Club Palm Bay, Marawila

TJPL : TJL Cricket Carnival 2015

Vesak Celebrations 2015

Vesak Celebrations 2015

Pirith Ceramony

TJL Lama Siththaru : Art Exhibition and Family Day

TJL Lama Siththaru : Art Exhibition and Family Day

Mercantile 'B' Division Cricket Champions

Annual Executive Get-together 2015

Annual Executive Get-together 2015

X'mas Celebrations 2015

Management Discussion & Analysis

Training and Development

Employees being our most valuable asset, one of our critical strategic imperatives is to enhance the value of that asset. Thus, promoting education, training and a culture of continuous learning remain key focus areas across the Company. The ‘TJ Academy’ is the training arm of TJL which designs and conducts training programmes conducted by in-house or external resource personnel, for all categories of employees

Strategic training at TJL revolves around three key pillars of a training triangle and based on this approach, the following will be the key strategic priorities of our training in 2016/17

- Technical training and continuation of high level leadership training.
- Outward Bound Training for our Associates focusing on more adventure based training which will help in confidence building.
- LEAD program – focusing on executives and above – high fliers to build a talent pool.

With the key objective of building a talent pool for the future, the Company has evaluated and identified a list of “Top & Critical Talent” (TACT), and these requirements guide the talent development programme. The talent development programme launched last year is ongoing, and nearly 100% of staff have been exposed to general and specialised training events.


Training & Development with "TJ Academy"


Outbound Training


Forklift Training


CCL Training


LEAD Program


Fire Training

The partnership established with the Centre for Creative Leadership (CCL) in Singapore during the last financial year, continued to benefit our employees during the year. Five Management personnel participated in the CCL programme in Singapore during the year whilst CCL trainers from Singapore trained 60 executives in Sri Lanka during the year.

Given that we are a manufacturing company engaged in specialised/customised solutions, TJL also has ongoing internal trainings and on-the-job trainings. We have consistently increased our investments in training over the past few years, and during the year under review. The following table provides a summary of TJL's investments on this aspect.

Investment in Training & Development				
2015/16			2014/15	2013/14
LKR '000	LKR '000	LKR '000	LKR '000	LKR '000
TJL	OCI	QLP	TJL	TJL
23,723	3,314	269	12,412	4,271

Employee Category	Training Hours	No.of Participants	Average Training Hours
Executives & Above	7,464	217	34
Non-Executives	15,028	1,069	14

Achievers' Awards 2015 : Employee of the Year

Achievers' Awards 2015 : Department of the Year

'AIM' Winner

A Fabric of Innovation

We understand the value of providing the right kind of environment to enable our employees to harness their potential and the Company's, and to nurture a culture of innovation. Some of the ways in which we encourage and empower our people are given below:

- **AIM :** the "All Ideas Matter" scheme, a mechanism which encourages employees across the Company to contribute towards the growth and development of the Company by submitting suggestions for improvement of any aspect of the business. The best ideas are recognised each quarter and annually, whilst any gains and savings achieved through the implementation of an AIM idea is distributed amongst employees. It is most heartening that many of the ideas that contributed to the growth of the Company have originated from employees.

Management Discussion & Analysis

- **Reach LIVE(Leadership Innovative Value Added Enterprise) scheme:** This appreciation scheme which was introduced in 2014/15 continues to encourage a performance based culture where all levels of employees feel appreciated and recognised. The scheme appreciates good work at any time or day at work with a winner from each department rewarded every month, leading up to an annual ceremony at year end, which recognises the "Employees of the Year" across all grades of employees and the Department of the Year".
- **Long Service Awards:** TJL recognises loyalty and commitment of employees who have served the Company for more than 5 years and 10 years; with service periods of over 5 years rewarded with half a gold sovereign and service of 10 years rewarded with a gold sovereign.

Reaching Beyond for our Employees

Apart from remuneration that is on par with or exceeds industry norms, and the provision of uniforms, meals and transport at no cost to all our Associates, TJL also extends itself with its "Reach Beyond "programme to financially support less privileged employees for their housing, health and educational needs. During the year the "Reach Beyond" programme donated dry ration packs valuing LKR 4,200 each to all 960 Associates. TJL also maintains a critical illness fund and death donation fund that would assist their loved ones during difficult circumstances.

Social performance

"The mutual dependence and reciprocal interest which man has upon man, and all the parts of a civilized community upon each other, create that great chain of connection which holds it together."

- Thomas Paine

TJL firmly believes in the importance of interconnection and a reciprocal approach, and that the sustainability of its profitability ultimately depends on the sustainability of the communities and environment it is part of. We believe that creating social and environmental value is integral to sustaining long-term shareholder value. The following certifications obtained by TJL, reflect the Company's Triple Bottom Line focus and commitment to quality:

- Fairtrade certification since 2013,
- ISO 9001 certification since 2008,
- ISO 14001 in April 2016.

During the year under review, TJL (including QLP) and OCI defined its CSR footprint based on key pillars with main focus on the development of the locality in its social and environmental initiatives. Group CSR policies are unique and is driven by the needs of the different societies they operate in. Both companies take effort in focusing on diverse issues that matter to the people of the locality which they operate in. OCI CSR policies were defined on four key pillars and will cover a radius of 25 km from the plant. Its key four pillars are:

1. Awareness building on sanitation and providing the required infrastructure
2. Water distribution
3. Women's Health
4. Afforestaration

TJL also defined its CSR footprint based on 4 key pillars as follows.

1. **The growth and enhancement of the future of textile industry**

   TJL firmly believes that Sri Lanka's textile industry should grow parallel to Sri Lanka's apparel industry. This provides the context for the partnerships we have initiated with Sri Lanka's leading academic and other textile affiliated institutions which will promote and encourage knowledge sharing and training as well as developing cottage industries (textile related) in Sri Lanka.

2. **Neighbouring community development**

   We believe supporting key institutions such as schools and religious institutions in the area is important for the vital role they play in molding societies and future generations. And thus, identifying needs and ways in which we can support and develop infrastructure for schools, hospitals and religious institutions in the surrounding area spanning a radius of about 5 kms from the factory premises is a priority in our CSR agenda. In addition, the company maintains a solid relationship with different societies, and engages with them frequently and support their activities which benefit the people in the area.

Our engagement with the neighbourhood also encompasses initiatives to nurture and uplift the natural environment in our area which is blessed with an abundance of natural resources. Environmental protection through preservation and cleaning are amongst them. TJL will also initiate a programme which combines income generation opportunity for the community with the objective of making the surroundings cleaner by establishing the collection of household wastage and establishing collecting centres. The wastage collected will be used for energy generation in the future and this is a long term project that the Company is working on.

3. **CSR begins at home - our employees.**

   We believe that concern for people must begin at home, and at TJL we support our team of employees, who

Reach Beyond Program

Management Discussion & Analysis

MoU with University of Peradeniya

Industry Projects with University of Moratuwa

UoM Graduation Fashion Show TJL Collection

UoM Graduation Fashion Show Student Collection

UoM Graduation Fashion Show Overall Winner

are our biggest strength, in numerous ways to uplift their standards of living and quality of life, mainly through the ‘Reach Beyond’ program

4. **Environment sustainability**

   Two key focus areas: Control of greenhouse Gas (GHG) emissions and waste management. GHG control includes raising stakeholder awareness, reforestation, afforestation, engaging with environmental movements like WNPS, rainforest protectors, and related resource saving projects. waste management with long term horizons, involving the participation of community in our neighbourhood who are also the key beneficiaries of our CSR initiatives.

Win-Win Initiatives for Sustained Growth

As an industry leader there is much we can do to benefit the industry and ultimately the economy and society at large. We thus aim our CSR footprint to define industrial growth. One of TJL’s key win-win social sustainability initiatives has been the establishment of partnerships and collaborative efforts with some of Sri Lanka’s leading academic institutions and other industry related government institutions, in order to benefit the industry. These include R&D collaborations which would help take the fabric manufacturing industry to new horizons and enhance its global competitiveness, whilst at the same time providing opportunities for university students to acquire new skills and gain industry exposure.

The year under review saw TJL sign a Memorandum of Understanding (MoU) with the University of Peradeniya to fund research to develop advanced fabrics with intelligent functionalities. In addition, the Company also initiated discussions with the Sri Lanka Institute of Textiles & Apparel for several national level initiatives over the next few years.

In addition we completed three years of successful engagement with the Department of Textiles and Design of the University of Moratuwa, and during the year the University's second year students began industrial projects with TJL and the projects were displayed on the ramp during the graduation design festival. This affiliation will continue over the next few years.

Empowerment of our Surrounding Community

One of the key ways in which we support the local economy is through employment generation and recruitment of employees from the area. most of our Associates are from the neighbourhood.

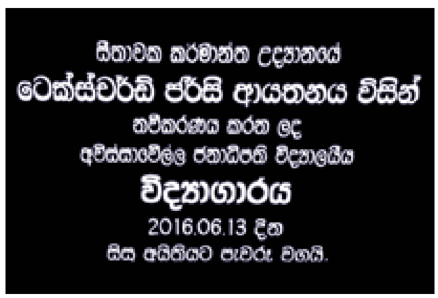
Both companies allocate LKR 10.8 Mn. per annum from its annual budget for CSR activities with additional funds channelled upon need.

Key focus area of our CSR activities is our neighbourhood

Among the projects through which we contributed to uplift the living standards and quality of life of our neighbourhood during the year include the renovation of the base hospital, a temple, church and the police station and the sponsorship of an annual musical show in the Avissawella area. In addition TJL also supported different infrastructure development

At Jayaviru Homes : 1st January 2016

Gifting Library Facilities to Hemagiri Vidyalaya



New Science Lab for Presidents College Seethawaka

Blood Donation

efforts in the surrounding schools to enhance facilities for children during the year. These include

- Renovation and refurbishment of a new science lab at the Presidents College of Seethawaka during the year.
- Gifting of library facilities, sports equipment and stationary to Hemagiri Vidyalaya- one of the most under privileged schools in the Ratnapura district.

Management Discussion & Analysis

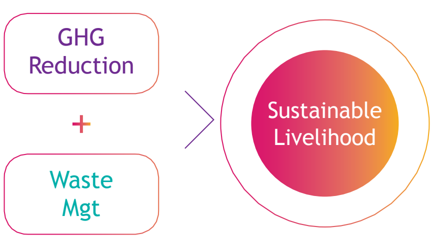
Environmental performance

Our Green efforts have been two pronged; as a leading industrial manufacturer to reduce our carbon footprint on one hand and to play an active role and spearhead environmental causes on the other hand.

Our Environmental footprint has two key areas.

GHG Emission controlling - Our vision is to reduce this by 10% from the current level by 2020.

Waste Management - Utilise waste to keep the environment clean and create a source of income for the communities in the vicinities. Zero solid waste to landfill by 2020.



As part of our continuous efforts towards environmental preservation and resource reduction, the year under review saw us strengthen our existing sustainable business practices and embark on an initiative to modify the existing Effluent Treatment Plant with an investment of over LKR 17 Mn. to improve further on our discharges.

Reducing our Footprint - Highlights of 2015/16

Reduced electricity consumption by
400,000 Kwh
over 2014/15

Reduced water consumption by
40 Million litres
over last year

Saved
3.1 Million KJ
of Energy on Thermic Heaters

- Specific electricity consumption by 5%
- Specific water consumption by 6%
- Direct water from BOI by 58%
- Specific furnace oil consumption from thermic heaters by 87%
- Specific diesel consumption 12%

Reducing Diesel Consumption

The Company was able to reduce its Diesel consumption by reducing the duration of the generator running time by adding an automatic power shut off. The saving amounted to 8,400 liters of diesel which is a 12% saving year-on-year for specific diesel consumption.

Our Biogas plant, generated approximately 1,800 kg of LPG equivalent energy for the year which amounts to about 5.4 tons of CO_2 saved for the year 2015/16. Due to the increase in production quantities the demand for energy went up and with the introduction of coal as a main source of fuel for thermal energy, the overall specific CO_2 emissions increased by 2.3% and will continue to increase through the year 2016/17 and we have set ourselves a target to improve. TJL intends to reduce this GHG emission by 10% from these levels by year 2020. Due to the coal inclusion, the overall specific energy requirement also increased by 3% compared to the previous year.

It is an added bonus that our green focus continues to receive many national as well as international accolades.

International & National Accolades in 2015:

- TJL became the only mill in the world to win the Green Era Award for our sustainable practices, awarded by the Platinum Technology Awards in June 2015, in Rome, Italy. The awards ceremony also provided TJL the opportunity to present its initiatives which reflect its Triple Bottom Line focus.
- TJL won a merit award winner at the Energy Efficiency Awards held by Sri Lanka Sustainable Energy Authority in late 2015.

We work tirelessly and passionately to streamline our processes and activities in an environmentally friendly manner. It is hence, an encouragement and a recognition that we were able to obtain ISO 14001:2008 in April 2016. Moreover, the Company also obtained GOTS certification for the processes and best cotton products.

Green Era Award 2015

Espousing Environmental Protection Initiatives

TJL signed an MoU with the Wild Life and Nature Protection Society of Sri Lanka, Asia's pioneering nature conservation movement which comes under the patronage of H.E. President. The objectives of this MoU, signed initially for period of five years, on 25th May 2016 at the Presidential Secretariat, is to engage in large reforestation projects, knowledge transfer to TJL employees, kindle enthusiasm and commitment amongst the young generation to protect the fauna and flora, forests and wildlife, via school level engagements. TJL's contribution through many supportive initiatives and a further LKR 1 million in cash funding as per the MoU, will create an enabling platform for both parties to share knowledge and expertise of sustainability, and further the national work on conservation. The first such project will be initiated in June 2016 at Diyakothakanda, bordering the Sinharaja forest reserve.

MoU with Wildlife and Nature Protection Society

Earth Hour Celebrations

Driving the Earth Hour Campaign

TJL continued to give leadership to champion the world 'Earth Hour" in Sri Lanka, for the fourth consecutive year. Our employees worked tirelessly to engage as many people as it could, to spread the message of the urgent need to "Change Climate Change" and how each of us can contribute to do so . Since joining millions of individuals around the world, who participate in the Earth Hour programme, TJL as of since three years ago has selected highly populated cities of Ratnapura, Galle and Kurunegala

Management Discussion & Analysis

in 2013, 2014 and 2015 respectively to spread the message and generate awareness and action.

During the year under review, TJL targeted Avissawella which also included, upon invitation, a school at which TJL employees presented a street drama. The programme also included a group-wide competition to reward an employee action to save energy, reduce water consumption or waste or save any other resources. The year under review had the new companies OCI and QLP also join hands with TJL. OCI conducted a programme at school in their locality in India and an internal awareness campaign called "OXYGEN" .

E Waste Collection Centre

'To Earth with Love' at Kosgama Central College

First Ever Green Quiz at TJ

Some of the environmental Initiatives we've planned for the next few years

Objective	**Project Planned**
Waste Management	Sustainable Livelihood program with community on waste management
	Waste to energy project
	Co-Processing of contaminated waste with Holcim
	Utilising effluent treatment waste (sludge) to use as fuel source
Control of GHG Emissions	Reforestation with WNPS in Diyakothakanda (Sinharaja Border)
	Reforestation projects with Rainforest Protectors
	Continuation of "To Earth With Love" afforestation program with schools in line with World Environment Day
	Thermal and Electrical saving projects (eg: LED, Employee Solar Panel Project, etc.)
Other	Rainwater Harvesting Project
	Zero Discharge of Hazardous Chemical (ZDHC) project
	Further sub-meters for water to have more control
	Dedicated washing bay for chemical barrels and packs to minimise impacts during reselling
	Promoting Biodegradable lunch sheets among our employees

...the courage to
evolve

Governance Reports

Corporate Governance

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 TJL. For us, good governance is essential for the sustainable growth of our business and strives to ensure that the Company adheres to the highest ethical standards in corporate conduct.

The Board of Directors, led by the Chairman, is responsible for good governance at TJL and its system of internal controls and for the review and the design and effectiveness of the same. There is a perpetual process for identifying, evaluating and managing significant risks by way of elimination or mitigation of same. This process is described in full in the Enterprise Risk Management section of this report.

During the year under review, Textured Jersey Lanka PLC worked with a leading consultant and formulated a Business Continuity Plan (BCP), and it is currently being implemented. The BCP was designed to achieve the Company's Disaster Recovery objectives, namely, protection of lives and a smooth recovery of critical processes and is based on a comprehensive Risk Assessment and a Business Impact Analysis. This BCP will have the complete support of the Board of Directors and Senior Management who will ensure that all employees are aware of its contents and support to ensure that the BCP becomes a part of the Organisational culture.

TJL has adopted and has inculcated a collection of best governance practices which have been stipulated jointly by the Institute of Chartered Accountants Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC) in July 2008 and revised in 2011 and 2013. These include the Colombo Stock Exchange (CSE) listing rules, the requirements of BOI and statutory obligations. Employees are actively involved in planning and implementing the processes required to meet Corporate Governance Best Practices, individually and as teams who have clearly defined roles and responsibilities. The compliance with statutes is reported quarterly, to the Audit Committee.

Meetings of the Board of Directors (BOD) are held quarterly whilst Committee meetings are also held on same day on most occasions. The table below provides information on the members of the BOD during 2015/16, their positions and attendance at meetings during the period.

Board Member	Date of First Appointment to the Board	Board Position	Attendance at Board Meetings	Audit Committee Position	Attendance	Remuneration Committee Position	Attendance
Wing Tak Bill Lam	03.06.2004	Chairman	4/4	Member	4/5	-	-
Mohamed Ashroff Omar	28.08.2000	Non-Executive Director	4/4	-	-	Member	1/1
Kulatilleke Arthanayake Malik Kumar Ranasinghe	15.04.2011	Independent Non-Executive Director	3/4	Member	4/5	Chairman	1/1
Amitha Lal Gooneratne	15.04.2011	Independent Non-Executive Director	4/4	Chairman	5/5	Member	1/1
Hasitha Premaratne	01.08.2012	Non-Executive Director	4/4	-	-	-	-
Kang Po Tsang	31.03.2013	Non-Executive Director	0/4	-	-	-	-
Wai Loi Wan	06.08.2013	Non-Executive Director	0/4	-	-	-	-
Sriyan Joseph De Silva Wijeyeratne	01.11.2013	Executive Director	4/4	-	-	-	-

Corporate Governance

As at this financial year end, the Company is compliant with the Corporate Governance Principles identified above. Given below is the compliance status for each of the Corporate Governance Principles as identified in the Corporate Governance Best Practices by ICASL and SEC in 2008, revised in 2011 and Corporate Governance Compliance Reporting Requirements in CSE Listing Rules Section 7.10.

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
A: DIRECTORS		
Principle A.1 - THE BOARD: Every public company should be headed by an effective Board, which should meet regularly, direct, lead and control the Company.	Compliant	TJL PLC is headed by an eight member Board of Directors of which, two are Independent Directors.
A1.1 Frequency of Board Meetings	Compliant	The Board meets at least once a quarter.
A1.2 The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.	Compliant	Board provides leadership to the Company, monitors risk management and ensures that oversight is maintained over high risk areas.
Principle A.2 - CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO): There are two key tasks at the top of every public company – conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.	Compliant	The Board provides leadership and direction. The CEO is responsible for the day to day operations of the business.
Principle A.3 - CHAIRMAN'S ROLE: The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.	Compliant	Chairman facilitates the effective discharge of Board functions.
Principle A.4 - FINANCIAL ACUMEN: The Board should ensure the availability within it of those with sufficient financial acumen and knowledge to offer guidance on matters of finance.	Compliant	Persons with financial acumen are available on the Board.
Principle A.5 - BOARD BALANCE: It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking process. CSE Rule 7.10.1 (a) - NON-EXECUTIVE DIRECTORS: At least two Directors or one third of the Board of Directors, whichever is higher, should be Non-Executive Directors	Compliant	The Board consists of two Independent Non-Executive Directors and Five Non Independent Non-Executive Directors and one Executive Director (CEO).

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
CSE Rule 7.10.1 (a) – INDEPENDENT NON EXECUTIVE DIRECTORS: Where the constitution of the Board of Directors includes only two Non-Executive Directors in terms of Rule 7.10.1.a above, both such Non-Executive Directors shall be 'Independent'. In all other instances, two or 1/3 of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'Independent'.	Compliant	Two of the seven Non-Executive Directors are independent.
CSE Rule 7.10.2.(b) – DECLARATION OF INDEPENDENCE BY NON-EXECUTIVE DIRECTORS: The Board shall require each Non-Executive Director to declare annually his/her independence against the specified criteria.	Compliant	All Non-Executive Directors have declared their independence in writing.
Principle A.6 - SUPPLY OF INFORMATION: The Board should be provided with timely information in a form and of a quality appropriate to enable it to discharge its duties.	Compliant	The Board is provided with timely information seven days prior to each Board Meeting.
Principle A.7 - APPOINTMENTS TO THE BOARD: There should be a formal and transparent procedure for the appointment of new Directors to the Board.	Compliant	This is done as per Articles of Association.
Principle A.8 - RE-ELECTION: All Directors should be required to submit themselves for re-election at regular intervals and at least once every three years.	Compliant	This is done as per Articles of Association.
Principle A.9 - APPRAISAL OF BOARD PERFORMANCE: Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.	Compliant	
Principle A.10 - DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS: Shareholders should be kept advised of relevant details in respect of Directors.	Compliant	Shareholders are advised of the relevant qualifications and details of Directors.
CSE Rule 7.10.3. (a,c) – DISCLOSURES RELATING TO DIRECTORS - Names of Independent Directors should be disclosed in the Annual Report. In addition to disclosures relating to the independence of a director, set out above, the Board shall publish in its Annual Report a brief resume of each Director on its Board which includes information on the nature of his/her expertise.	Compliant	Please refer section titled "Board of Directors".
Principle A.11 - APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO): The Board should be required, at least annually, to assess the performance of the CEO.	Compliant	Board assesses the performance of the CEO.

Corporate Governance

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
B: DIRECTORS' REMUNERATION AND 7.10.5. REMUNERATIONS COMMITTEE		
Principle B.1 - REMUNERATION PROCEDURE: Companies should establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/ her own remuneration. CSE Rule 7.10.5. (a, b, c) - REMUNERATION COMMITTEE: A Listed Entity shall have a remuneration committee. The remuneration committee shall comprise of a minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher. The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors. The Annual Report should set out; a) Names of Directors comprising the Remuneration Committee b) Statement of Remuneration Policy c) Aggregate remuneration paid to Executive & Non-Executive Directors	Compliant	The Board consists of a Remuneration Committee which decides on Executive Remuneration. The Remuneration Committee consists of two Independent Non-Executive Directors and one Non-Executive Director. Please refer the Remuneration Committee report for information on Composition of Remuneration Committee and Remuneration Policies. Please refer Note 7 to the Financial Statements for aggregate remuneration paid to Directors.
Principle B.2 - THE LEVEL AND MAKE UP OF REMUNERATION: Levels of remuneration of both Executive and Non-Executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.	Compliant	The Company follows a performance based incentive culture at all levels.
Principle B.3 - DISCLOSURE OF REMUNERATION: The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.	Compliant	The Remuneration Committee Report in this Annual Report contains a statement on the Remuneration Policy and details of Board remuneration.

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
C: RELATIONS WITH SHAREHOLDERS		
Principle C.1 - CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM): Boards should use the AGM to communicate with shareholders and should encourage their participation.	Compliant	
Principle C.2 - COMMUNICATION WITH SHAREHOLDERS: The Board should implement effective communication with shareholders.	Compliant	A contact name and details of a Board member, is communicated via the Annual Report for all investor related matters.
Principle C.3 - MAJOR AND MATERIAL TRANSACTIONS: Further to complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated group net asset base.	Compliant	All contingencies and capital commitments for future periods are disclosed in Notes 25 and 26 to the Financial Statements.
D: ACCOUNTABILITY AND AUDIT & AUDIT COMMITTEE		
Principle D.1 - FINANCIAL REPORTING: The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.	Compliant	An assessment of the financial position of the Company is included in the Annual Report of the Board of Directors.
Principle D.2 - INTERNAL CONTROL: The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.	Compliant	The Board facilitates the risk management process and is collectively responsible for controls within the organisation's environment. Board oversight is achieved through the Internal Audit function.

Corporate Governance

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
Principle D.3 – AUDIT COMMITTEE: The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors. CSE Rule 7.10.6. (a) – AUDIT COMMITTEE: A listed company shall have an Audit Committee. The audit committee shall comprise of; a minimum of two Independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher. One Non-Executive Director shall be appointed as Chairman of the committee by the Board of Directors. The Chief Executive Officer and the Chief Financial Officer should attend Audit Committee Meetings. The Chairman of the Audit Committee or one member should be a member of a professional accounting body.	Compliant	The BOD maintains a formal and a transparent relationship with the external Auditors. Board ensures that accounting policies are consistent with previous years, unless a change is required by changes to Financial Reporting Standards, in which case changes are specifically stated in the Auditors Report. Due to the requirement to meet SLFRS, comparative figures are provided where appropriate. The Audit Committee consists of two Independent Non-Executive Directors and one Non-Executive Director. Chairman of the Audit Committee is an Independent Non-Executive Director who is a member of The Institute of Chartered Accountants of Sri Lanka and the Institute of Chartered Accountants of England & Wales. The Chief Executive Officer and Chief Financial Officer attend Audit Committee meetings by invitation.

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
CSE Rule 7.10.6. (b) – FUNCTION OF AUDIT COMMITTEE The Committee shall; a) Overseeing of the preparation, presentation and adequacy of disclosures in the Financial Statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. b) Overseeing of the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. c) Overseeing the processes to ensure that the entity's internal controls and risk management, are adequate, to meet the requirements of the Sri Lanka Auditing Standards. d) Make an assessment of the independence and performance of the entity's External Auditors. e) Make recommendations to the Board pertaining to appointment, re-appointment and removal of External Auditors and to approve the remuneration and terms of engagement of the External Auditors.	Compliant	The Audit Committee, which meets the formulation requirements is governed by an Audit Charter and ensures that the Company complies with financial reporting requirements and information requirements of the Companies Act. It also oversees the risk management and internal control system of the organisation, engages in continuous review of the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors. Please refer to Audit Committee Report for more information.
Principle D.4 - CODE OF BUSINESS CONDUCT & ETHICS: Companies must adopt a Code of Business Conduct & Ethics for Directors and members of the senior management team and must promptly disclose any waivers of the Code for Directors or others.	Compliant	Code of Business Conduct and Ethics are available and is followed by the Directors and the management.
Principle D.5 - CORPORATE GOVERNANCE DISCLOSURES: Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good corporate governance.	Compliant	Adherences to Corporate Governance Best Practices are disclosed in this area.
E: INSTITUTIONAL INVESTORS		
Principle E.1 - SHAREHOLDER VOTING: Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	Compliant	
Principle E.2 - EVALUATION OF GOVERNANCE DISCLOSURES: When evaluating Companies' governance arrangements, particularly those relating to Board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	Compliant	

Corporate Governance

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
F: OTHER INVESTORS		
Principle F.1 - INVESTING/ DIVESTING DECISION: Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	Compliant	All individual shareholders are provided with adequate information on the performance of the Company thereby encouraging them to analyse their investments adequately.
Principle F.2 - SHAREHOLDER VOTING: Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	Compliant	All individual shareholders are sent AGM notices well in advance, encouraging them to exercise their voting rights.
G: SUSTAINABILITY REPORTING		
Principle G.1 - PRINCIPLES OF SUSTAINABILITY REPORTING: The following principles will serve the entities in maintaining policies and procedures to develop a sustainable business environment and to make disclosures on sustainability. Principle 1 – Economic sustainability Principle 2 – The Environment Principle 3 – Labour Practice Principle 4 – Society Principle 5 – Product Responsibility Principle 6 – Stakeholder identification, engagement & effective communication Principle 7 – Sustainable reporting and disclosure should be formalised as part of the Company's reporting processes	Compliant	Sustainability reporting is achieved through reporting under National Green Reporting System of Sri Lanka. Please refer the Section on Sustainability in this Annual Report, for further details on sustainability related initiatives.

Enterprise
Risk Management

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

The Company currently follows an Enterprise Risk Management (ERM) process which is a ten step ERM process followed by one of its parent companies Brandix. The Risk Model which is the outcome of the ERM process owned by the Executive Committee, is reviewed by the Audit Committee and other Board members. The ten Step ERM process practiced annually is given herewith.

During the ERM process, the management attempts to understand the risk profile of each risk through an assessment of the detectability of occurrence, likelihood of exposure and the impact of each risk in the context of the prevailing environment. Risks that would hinder the achievement of corporate objectives are identified and brainstormed to arrive at a possible impact ranking, likelihood of their occurrence (ranking) and the probability of detection. 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 prioritise actions which aim to mitigate risks. During execution of risk mitigating actions and once sufficient work has been done to reduce impact or occurrence of the risk, and help detection, the relevant risk score is reduced to reflect a reduction in risk.

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 for new risk events 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 conducted a comprehensive risk review as part of its process of formulating a Business Continuity Plan and published a Risk Assessment Report. This threat identification and risk assessment were carried out using

Enterprise Risk Management

a list of threats and a risk assessment guideline. A sequence of discussions were carried out to gather information required for the Risk Assessment. The risk ratings were then analysed to identify the most significant risks for the location as well as for each business unit. All the risk mitigation actions recommended in the Risk Assessment Report suitable for the industry were implemented during the year.

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 as having high risk scores.

Corporate Risks

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'.
- Environmental Risks: Risks posed by the environment as well as due to the Company failing to meet the obligations to protect the environment proactively.
- Stakeholder Reputation Risk: Risk of 'the Company failing to deliver stakeholder expectations'.
- Competition /Industry Risk: Risk of 'threats to margins, loss of market share due to severe price competition', oversupply in the market. Risk of losing orders to regional plants due to supply chain considerations.
- Regulatory/Compliance Risk: Risk of generating negative goodwill, penalties or other action due to non-compliance, risk of failure to meet regulatory requirements.
- Investment Risk: Risk of not making adequate capacity related investments to expand capability and plant capacity, risk of externalities affecting the realisation of benefits of capital investment made in plant and machinery.

Operational Risks

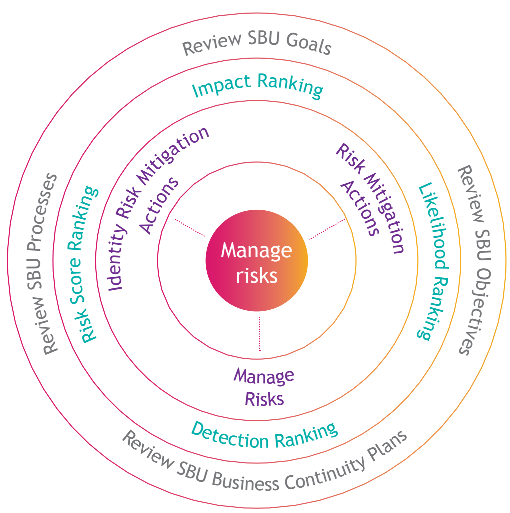
Under Operational Risks, the management has identified the following risks as being significant for consideration;

- Capacity Risk: Risk of failing to accommodate customer requirements due to capacity constraints, risk of failing to fill capacity.
- Energy Cost Escalation Risk: Risk of increasing energy costs.
- Socio-Economic Risk: Risks associated with operating in the current socio-economic environment.
- Political Risk: Risks associates with operating in the current political environment.
- Environmental Risk: Risks associated with environmental emissions and the related risks due to regulations, perceived threats, etc.
- Business Risk: Risk of not being able to operate above BE capacity and generate planned profits.
- Claims Risk: Risk of claims, penalties, rebates etc. due to operational issues, delays or failures.
- IT Systems Failure Risk: Risk of IT systems not being available to support the operation.
- HR Risk: Risk of employees not supporting the operations plan.
- Fraud Risk: Risk of fraud resulting in losses.
- Procurement Risk: Risk of procuring items that are not required, risk of paying higher than normal prices, risk of getting poor quality supplies, risk of not using demand based procurement, risk of excessive stock level that result in high write-offs.

- Reputation Risk: Risk of generating negative perception due to operational issues.
- Liquidity Risk: Risk of not being able to generate a positive cash flow.
- Market Risk : Risks associated with the demand for the end product.
- Inventory Risk: Risk of carrying FG inventory that is not saleable, RM or WIP inventory that is not useable or is obsolete.

The risks identified above are managed perpetually through a system of internal controls and a set of risk mitigation action plans where the Company had identified the need to eliminate, reduce or manage the risk. These risk mitigation action plans are implemented with guidance of the Executive Committee. The Company evaluates the risks quarterly and updates the risk scores where appropriate to arrive at an updated risk profile for the organisation. These updated risk profiles are presented to the Audit Committee for their review and guidance.

Internal control systems which include policies and standard operating procedures to ensure achievement of Company objectives; efficient business operation; safeguarding of assets; prevention and detection of fraud and errors; the accuracy and completeness of accounting records; compliance with laws and regulations and timely recording of all transactions; the timely preparation of reliable financial information are in place and forms part of the Enterprise Risk Management process.



Risk Management Model

Audit
Committee Report

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 as well as ensure the adequacy and the effectiveness of the internal control environment and the risk management system, monitoring of compliance with the standards, laws and regulations, ensure the independence of the external audit process and the adequacy and performance of the internal audit function of the organisation.

Process

Activities and operation of the Audit Committee is governed by the Internal Audit Charter defining the purpose, objectives, responsibility and protocols, composition and frequency of meetings which is approved by the Board. 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 organisation.

In fulfilling its duties, the Audit Committee evaluates the independence and the performance of Internal and External Auditors. The Audit Committee maintains free and open communication with the Chief Internal Auditor, the External Auditors and the management of the Company.

Composition

The Audit Committee comprises of three members, two of who are Independent Non-Executive Directors and one Non-Executive Director. One of the Independent Non-Executive Directors functions as the Chairman of Audit Committee. Profile of the members of the Audit Committee could be found under the section Board Directors.

Members of Audit Committee (2015/16)

Mr. Amitha Gooneratne - FCA (SL), FCA (England & Wales) - *Chairman of Audit Committee and Independent Non-Executive Director*

Prof. Malik Ranasinghe - PhD (UBC-Vancouver) - *Member of Audit Committee and Independent Non-Executive Director*

Mr. Wing Tak Bill Lam - MBA (Macau), BBA (HK) - *Member of Audit Committee and Non-Executive Director*

Engagement

The Audit Committee met six times during the year with participation of members as given in the table 'Attendance at Audit Committee Meetings' below. The Chief Internal Auditor, The Chief Financial Officer, Executive Committee Members, Board Directors participated in Audit Committee meetings by invitation.

Table: Attendance at Audit Committee Meetings

Audit Committee Member	14th May 2015	6th August 2015	31st August 2015	29th October 2015	18th February 2016
Mr. Amitha Gooneratne	✓	✓	✓	✓	✓
Prof. Malik Ranasinghe	✓	-	✓	✓	✓
Mr. Wing Tak Bill Lam	✓	✓	-	✓	✓

Audit Committee monitored Enterprise Risk Management Process and reviewed the key risks identified in the Risk Assessment Report which was developed as part of the Business Continuity Planning process during a dedicated meeting in August 2015. Thereafter, the Audit Committee reviewed the changes to the key risks that the Company faced and the implementation of risk mitigation actions each quarter during each Audit Committee meeting subsequently. The Audit Committee also provided guidance on risk mitigation actions, internal controls including areas to be audited. The Audit Committee reviewed the internal audit findings and the implementation of agreed remedial measures to improve the control environment.

Audit Committee reviewed the Compliance status of the organisation through formal written confirmations received from the senior management of the Company on a quarterly basis on compliance with applicable laws, regulations and standards.

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 the Company plans to undertake every year.

Financial Reporting

The Audit Committee has reviewed and discussed the quarterly and annual Financial Statements of the Company prior to publication with management and the External Auditors, including the extent of compliance with Sri Lanka Accounting Standards, the appropriateness of its accounting policies and material judgemental matters. The year under review is the fourth year the Financial Statements have been presented in compliance with the new Sri Lanka Financial Reporting Standards (SLFRS/LKAS), which have materially converged with the International Financial Reporting Standards (IFRS).

Conclusion

The Audit Committee is satisfied that the internal controls and Enterprise Risk Management process in place to assess and manage risks are adequate. It is of the view that the internal controls and procedures in place provide a reasonable assurance that the assets of the Company are safeguarded and the Financial Statements of the Company are compiled using reliable information. The Audit Committee has observed that based on the compliance reporting, the Company has complied with standards, laws and regulations during the period 2015/16 under review.

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

Remuneration Committee Report

Objective

The objective of the Remuneration Committee is to ensure that the Company follows appropriate remuneration policies in order to attract and retain employees with professional, managerial and operational expertise who can assume leadership roles in the organisation to achieve strategic and operational objectives.

Composition

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

Members of Remuneration Committee (2015/16)

Prof. Malik Ranasinghe – *Chairman of Remuneration Committee and Independent Non-Executive Director*

Mr. Amitha Gooneratne - *Member of Remuneration Committee and Independent Non-Executive Director*

Mr. Mohamed Ashroff Omar - Member of Remuneration Committee and Non-Executive Director

Remuneration Package and Benefits for Employees

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 bonus. The employees enjoy other benefits such as meals, medical insurance and common transport.

Remuneration of Board of Directors

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

Conclusion

The Remuneration Committee is satisfied that the Company follows appropriate remuneration policies in order to attract and retain employees with professional, managerial and operational expertise who can assume leadership roles in the organisation 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 Ranasinghe
Chairman - Remuneration Committee

Related Party Transactions Review Committee Report

Introduction

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

Committee Composition

The Committee comprised of two Independent Non- Executive Directors, a Non-Executive Director and one 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.

Name

Mr. Amitha Gooneratne - *Chairman of Committee and Independent Non-Executive Director*

Prof. Malik Ranasinghe - *Member of Committee and Independent Non-Executive Director*

Mr. Hasitha Premaratne - *Member of Committee and Non-Executive Director*

Mr. Sriyan de Silva Wijeyeratne - *Member of Committee and Managing Director/Chief Executive Officer*

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 occasion during the financial year 2015/16 and the members' attendance record is set out in the Conformance Report given below.

Related Party Transactions Review Committee Member	14th May 2015	6th August 2015	29th October 2015	18th February 2016
Mr. Amitha Gooneratne	✓	✓	✓	✓
Prof. Malik Ranasinghe	✓	-	✓	✓
Mr. Hasitha Premaratne	✓	✓	✓	✓
Mr. Sriyan de Silva Wijeyeratne	✓	✓	✓	✓

Related Party Transactions Review Committee Report

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 into by the Company during the year is disclosed in Note 35 to the Financial Statements.

Declaration

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

Committee Evaluation

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

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

Annual Report of the Board of Directors

Annual Report of the Board of Directors for the year ended 31st March 2016

The Board of Directors of Textured Jersey 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 31st March 2016.

Formation

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

During the year, the Company acquired 100% of issued stated capital of Quenby Lanka Prints (Private) Limited and Ocean Maurities Limited. Ocean India Private Limited is a fully owned subsidiary of Ocean Maurities Limited and considered as a sub subsidiary of the Company. The Company is the ultimate parent of the Group.

The Board of Directors approved these Financial Statements on 24th June 2016

Nature of the Business of the Company

The nature of the business of the Company and its subsidiaries is given in Note 1 to the Financial Statements on page 92.

Financial statements

The Financial Statements which include Statement of Financial positions as at 31st March 2016, the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Cash Flow Statement and Notes to the Financial Statements of the Group and the Company for the year ended 31st March 2016 are set out on pages 86 to 150.

Independent Auditor's report

The Independent Auditor's Report on the Financial Statements is given on page 85.

Accounting Policies

The accounting policies adopted by the Group and the Company have been consistently applied from the previous year. The significant accounting policies including any new accounting standards adopted in the preparation of Financial Statements are given on page 92 to 102.

Review of Business

The state of affairs of the Group and the Company as at 31st March 2016 and the financial performance for the year ended 31st March 2016 is set out in the Statement of Financial Position and Income Statement on page 88 and page 86 respectively.

Property, Plant and Equipment

The movements in property, plant and equipment during the year are set out in Note 15 to the Consolidated Financial Statements.

Market Value of Properties

The Directors are of the opinion that the carrying amount of properties stated in Note 15 to the Consolidated Financial Statements reflect their fair values.

Subsidiaries

The Company's interest in subsidiaries as at 31st March 2016 is as follows:

Name of the subsidiary	Share holdings
Quenby Lanka Prints (Private) Limited	100%
Ocean Mauritius Limited (OML)	100%
Ocean India Private Limited (holding through OML)	100%

Dividends

The Company paid a final dividend of LKR 528,601,972 (USD 3,959,565) representing LKR 0.80 per share approved by the shareholders at the Annual General Meeting held 6th August 2015 in respect of the year ended 31st March 2015.

Further, the Company declared and paid an interim dividend of LKR 417,569,900 (USD 2,889,765) representing LKR 0.60 per share for the year ended 31st March 2016.

The Board of Directors wishes to propose the payment of a final dividend of LKR 1.00 per share amounting to LKR 695,949,833 to the shareholders of the Company for the year ended 31st March 2016 subject to obtaining the approval of the shareholders at the forthcoming Annual General Meeting.

Reserves

Total Reserves and their composition are set out in the Statement of Changes in Equity on pages 89 and 90 of the Consolidated Financial Statements.

Annual Report of the Board of Directors

Stated capital

The stated capital of the Company as at 31st March 2016 amounted to LKR 3,853,024,229 (USD 36,198,782) consisting of 695,949,833 ordinary shares.

Shareholding

As at 31st March 2016, there were 9,202 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
1.	Brandix Lanka Limited	232,198,344	33.36%
2.	Pacific Textured Jersey Holdings Limited	195,926,217	28.15%
3.	HSBC INTL NOM LTD-SSBT-National Westminister Bank PLC as depositary of first state Asia Pacific fund a sub fund of first state investments ICVC	49,278,338	7.08%
4.	Citibank Newyork S/A Norges Bank Account 2	16,657,693	2.39%
5.	Deutsche Bank Ag Singapore-Dss A/C Navis Yield Fund	15,134,460	2.17%
6.	Melstacorp Limited	12,622,428	1.81%
7.	Sri Lanka Insurance Corporation Limited - Life Fund	11,000,000	1.58%
8.	J.B. Cocoshell (Private) Limited	5,733,424	0.82%
9.	Addision Private Limited	4,619,300	0.66%
10.	Nuwara Eliya Property Developers (Private) Limited	4,329,343	0.62%
11.	Deutsche Bank Ag - National Equity Fund	4,000,000	0.57%
12.	Employees Trust Fund Board	2,859,886	0.41%
13.	Periceyl (Private) Limited A/C No 03	2,694,100	0.39%
14.	Mellon Bank N.A-Acadian Frontier Markets Equity Fund	2,575,035	0.37%
15.	Mr. A.R.Gunasekara	2,252,700	0.32%
16.	Ms.O.D.Gunewardene	2,252,000	0.32%
17.	MCSEN Range (Private) Limited	2,031,400	0.29%
	Nawaloka Piling (Private) Limited	2,031,400	0.29%
18.	South Asian Investment (Private) Limited	2,026,000	0.29%
19.	Asian Alliance Insurance PLC - A/C 02 (Life Fund)	1,743,000	0.25%
20.	Caceis Bank Luxembourg - Intereffekt Investments Funds N.V	1,700,000	0.24%

As at 31st March 2016 the public shareholding was 38.14% (265,438,713 shares).

Directors

The Board of Directors of the Company consists of eight 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 31st March 2016:

Mr. Wing Tak Bill Lam - *Chairman and Non-Executive Director*

Mr. Sriyan Joseph de Silva Wijeyeratne - *CEO/Managing Director*

Mr. Mohamed Ashroff Omar - *Non-Executive Director*

Mr. Wai Loi Wan - *Non-Executive Director*

Mr. Kang Po Tsang - *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*

All the Directors held office for the whole of the year ended 31st March 2016.

Director's Interest in Transactions

The Directors of the Company have made general disclosures provided for in Section 192 (2) of the Companies Act No. 7 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

The remuneration and other benefits of the Directors are given in Note 8 to the Financial Statements on page 111.

Director's Interest in Shares

As at 31st March 2016, Mr Hasitha Premaratne held 40,000 shares.

	31-Mar-16	31-Mar-15
Director's Shareholding	**No of Shares**	**No of Shares**
Mr. Wing Tak Bill Lam	-	-
Mr. Sriyan Joseph de Silva Wijeyeratne	-	-
Mr. Mohamed Ashroff Omar	-	-
Mr. Wai Loi Wan	-	-
Mr. Kang Po Tsang	-	-
Mr. Hasitha Premaratne	40,000	40,000
Mr. Amitha Lal Gooneratne	-	-
Prof. Malik Kumar Ranasinghe	-	-

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of Financial Statements of the Group to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, Inland Revenue Act No. 10 of 2006 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The Statement of Directors Responsibility for financial reporting is given in page 84.

Interest register

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. 7 of 2007. The related entries were made in the interest register during the year under review.

Risk Management

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 of the Company in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records. The key financial risk management disclosures are given in Note 3 to the Financial Statements on pages 102 to 105.

Corporate Governance

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

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.

Annual Report of the Board of Directors

Employee Share Option Scheme

Consequent to the shareholders granting approval on 26th November 2015, the Company established an Employee Share Option Scheme for Executive Directors and/or Executives in management positions in the Company as may be decided by the Board or a Board Committee appointed by the Board. This scheme was established on the recommendation of the Board having taken into consideration the benefits that will accrue to the Company by employees involved in the management of the Company participating in the equity of the Company and thereby in the profits of the Company. The maximum number of shares that can be issued to eligible employees under the ESOS is 27,090,851 share representing 4.1% of the issued shares of the Company as at 1st April 2015. During the financial year 2015/16 options were granted to 53 employees conferring them with the right to subscribe to upto 2,643,009.

None of the said options were vested or exercised during the financial year. Further no options were cancelled during the financial year.

The Board hereby declares and confirms that the Company has not directly or indirectly provided funds for the said Employee Share Option Scheme.

Environmental Protection

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 operate.

Donations

The Company has made donations amounting to LKR 1,750,355 during the year ended 31st March 2016 for charitable purposes (2015 - LKR 660,428).

Going Concern

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

No events have occurred since the date of the Statement of Financial Position which would require adjustments to, or disclosure in, the Financial Statements.

Independent Auditors

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 31st March 2017 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 its subsidiaries that would impair their independence.

BY ORDER OF THE BOARD

Sriyan Joseph de Silva Wijeyeratne
Managing Director/Chief Executive officer

Hasitha Premaratne
Director

Secretary

20 June 2016
Colombo

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Financial Reports

Statement of the Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the financial statements of the Company and the Group, is set out in the following statement. The responsibility of the 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 page 85.

The financial statements comprise the:

- o statements of income and other comprehensive income, which present a true and fair view of the results of the Company and the Group for the year ended 31 March 2016; and

- o statement of financial position, which present a true and fair view of the state of affairs of the Company and the Group as at 31 March 2016,

which comply with the requirements of the Act.

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

- o appropriate accounting policies have been selected and applied in a consistent manner and material departures, if any, have been disclosed and explained;

- o all applicable Sri Lanka Accounting Standards (LKASs / SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka, as relevant, have been followed; and

- o judgements and estimates have been made which are reasonable and prudent.

The Directors have also ensured that the Company and its subsidiaries has 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 Company and its subsidiaries, and to ensure that the financial statements presented comply with the requirements of the Act.

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

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

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

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

COMPLIANCE REPORT

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

BY ORDER OF THE BOARD

Secretary
Colombo

Auditor's Report

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TO THE SHAREHOLDERS OF TEXTURED JERSEY LANKA PLC AND ITS SUBSIDIARIES

Report on the Financial Statements

1 We have audited the accompanying financial statements of Textured Jersey Lanka PLC ("the company"), the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2016, and the statements of income, other comprehensive income, changes in equity and cash flow for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information as set out in pages 86 to 150.

Management's Responsibility for the Financial Statements

2 Management is responsible for the preparation and the presentation 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of financial statements.

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

Opinion

4 In our opinion, the financial statements of the Company and the consolidated financial statements of the Group give a true and fair view of the financial positions of the Company and the Group as at 31 March 2016 and of their financial performance and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

5 These financial statements also comply with the requirements of Section 151 (2) and Sections 153 (2) to 153 (7) of the Companies Act, No. 7 of 2007.

PricewaterhouseCoopers

CHARTERED ACCOUNTANTS

COLOMBO

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Partners **Y. Kanagasabai FCA, D.T.S.H. Mudalige FCA, C.S. Manoharan FCA, N.R. Gunasekera FCA, S. Gajendran FCA, Ms. S. Hadgie FCA, Ms. S. Perera ACA, T.U. Jayasinghe ACA**

Income Statement

(all amounts in Sri Lanka Rupees Thousands)

		Group	Company	
Year ended 31 March	Note	2016	2016	2015
Revenue	6	17,820,179	14,142,151	13,678,462
Cost of sales		(14,825,317)	(12,108,474)	(12,057,430)
Gross profit		2,994,862	2,033,677	1,621,032
Other income - net	7	109,655	32,866	26,936
Distribution expenses		(123,349)	(105,471)	(82,469)
Administrative expenses		(813,560)	(512,874)	(364,453)
Operating profit	8	2,167,608	1,448,198	1,201,046
Non operating income	9	17,883	31,399	102,689
Finance income	11	77,292	62,822	61,538
Finance costs	11	(33,836)	(1,812)	(3,729)
Net finance income	11	43,456	61,010	57,809
Profit before tax		2,228,947	1,540,607	1,361,544
Income tax expense	12	(58,280)	(57,374)	(29,385)
Profit for the year		2,170,667	1,483,233	1,332,159
Attributable to:				
Equity holders of the parent		2,170,667		
Earnings per share				
Basic earnings per share (LKR)	13(a)	3.24	2.22	2.02
Diluted earnings per share (LKR)	13(b)	3.23	2.21	2.02

The notes on pages 92 to 150 form an integral part of these financial statements
Independent auditor’s report is set out on page 85.

Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees Thousands)

		Group	Company	
Year ended 31 March	Note	2016	2016	2015
Profit for the year		2,170,667	1,483,233	1,332,159
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of retirement benefit obligations	25	1,517	212	(11,354)
Deferred tax attributable to remeasurement of retirement benefit obligations	26	(271)	(26)	1,362
Items that may be subsequently reclassified to profit or loss				
Currency translation differences		850,016	807,399	147,924
Other comprehensive income for the year		851,262	807,585	137,932
Total comprehensive income for the year		3,021,929	2,290,818	1,470,091
Attributable to:				
Equity holders of the parent		3,021,929		

The notes on pages 92 to 150 form an integral part of these financial statements
Independent auditor’s report is set out on page 85.

Statement of Financial Position

(all amounts in Sri Lanka Rupees Thousands)

As at 31 March	Note	Group 2016	Company 2016	Company 2015
ASSETS				
Non-current assets				
Property, plant and equipment	15	5,954,224	3,253,545	2,408,567
Capital work-in-progress	16	283,152	260,810	864,434
Intangible assets	17	84,460	43,132	52,232
Goodwill	17	48,944	Nil	Nil
Investments in subsidiaries	18	Nil	2,677,210	Nil
Lease rentals paid in advance	21 (f)	247,781	95,728	90,556
Deferred tax assets	26	91,800	Nil	Nil
		6,710,361	6,330,425	3,415,789
Current assets				
Inventories	20	2,640,788	1,901,813	1,961,454
Trade and other receivables	21	2,702,607	1,882,132	1,453,786
Cash and cash equivalents	22	2,923,552	1,625,859	1,914,631
		8,266,947	5,409,804	5,329,871
Total assets		14,977,308	11,740,229	8,745,660
Equity and liabilities				
Capital and reserves				
Stated capital	29	3,853,024	3,853,024	2,849,899
Exchange equalisation reserve	31	2,090,184	2,047,567	1,240,168
Share option scheme	33	42,283	42,283	19,473
Retained earnings	30	4,150,852	3,462,358	2,925,111
		10,136,343	9,405,232	7,034,651
Non-current liabilities				
Borrowings	24	141,680	Nil	Nil
Deferred tax liabilities	26	240,227	171,371	114,316
Retirement benefit obligations	25	190,931	158,673	131,969
		572,838	330,044	246,285
Current liabilities				
Trade and other payables	23	3,508,592	1,956,862	1,441,994
Current tax liability		4,148	Nil	Nil
Borrowings	24	755,387	48,091	22,730
		4,268,127	2,004,953	1,464,724
Total liabilities		4,840,965	2,334,997	1,711,009
Total equity and liabilities		14,977,308	11,740,229	8,745,660

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

Moiz Rehmanjee
Chief Operating Officer - Commercial

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

Sriyan Joseph de Silva Wijeyeratne
Managing Director/Chief Executive officer

Hasitha Premaratne
Director

24 June 2016

The notes on pages 92 to 150 form an integral part of these financial statements
Independent auditor's report is set out on page 85.

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 2015		2,849,899	1,240,168	19,473	2,925,111	7,034,651
Profit for the year		Nil	Nil	Nil	2,170,667	2,170,667
Other comprehensive income for the year		Nil	850,016	Nil	1,246	851,262
Total comprehensive income for the year		Nil	850,016	Nil	2,171,913	3,021,929
Transactions with owners:						
Issue of ordinary shares related to business combinations	29	1,003,125	Nil	Nil	Nil	1,003,125
Final dividend paid - 2014/15	14	Nil	Nil	Nil	(528,602)	(528,602)
Interim dividend paid - 2015/16	14	Nil	Nil	Nil	(417,570)	(417,570)
		Nil	Nil	Nil	(946,172)	(946,172)
Share option scheme	33	Nil	Nil	22,810	Nil	22,810
Balance at 31 March 2016		3,853,024	2,090,184	42,283	4,150,852	10,136,343

The notes on pages 92 to 150 form an integral part of these financial statements

Independent auditor’s report is set out on page 85.

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 2014		2,797,229	1,092,244	19,473	2,461,922	6,370,868
Issue of shares under						
Employee Share Option Scheme	29	52,670	Nil	Nil	Nil	52,670
Profit for the year		Nil	Nil	Nil	1,332,159	1,332,159
Other comprehensive income/(loss) for the year		Nil	147,924	Nil	(9,992)	137,932
Total comprehensive income for the year		Nil	147,924	Nil	1,322,167	1,470,091
Transactions with owners:						
Final dividend paid - 2013/14	14	Nil	Nil	Nil	(528,602)	(528,602)
Interim dividend paid - 2014/15	14	Nil	Nil	Nil	(330,376)	(330,376)
		Nil	Nil	Nil	(858,978)	(858,978)
Balance at 31 March 2015		2,849,899	1,240,168	19,473	2,925,111	7,034,651
Balance at 1 April 2015		2,849,899	1,240,168	19,473	2,925,111	7,034,651
Profit for the year		Nil	Nil	Nil	1,483,233	1,483,233
Other comprehensive income for the year		Nil	807,399	Nil	186	807,585
Total comprehensive income for the year		Nil	807,399	Nil	1,483,419	2,290,818
Transactions with owners:						
Issue of ordinary shares related to business combinations	29	1,003,125	Nil	Nil	Nil	1,003,125
Final dividend paid - 2014/15	14	Nil	Nil	Nil	(528,602)	(528,602)
Interim dividend paid - 2015/16	14	Nil	Nil	Nil	(417,570)	(417,570)
		Nil	Nil	Nil	(946,172)	(946,172)
Share option scheme	33	Nil	Nil	22,810	Nil	22,810
Balance at 31 March 2016		3,853,024	2,047,567	42,283	3,462,358	9,405,232

The notes on pages 92 to 150 form an integral part of these financial statements

Independent auditor's report is set out on page 85.

Statement of Cash Flows

(all amounts in Sri Lanka Rupees Thousands)

		Group	Company	
Year ended 31 March	Note	2016	2016	2015
Cash flows from operating activities				
Cash generated from operations	34	3,925,704	2,462,426	1,183,246
Finance income received	11	62,598	49,562	61,538
Finance cost paid	11	(33,836)	(1,812)	(3,206)
Retirement benefit obligations paid	25	(4,940)	(4,210)	(3,134)
Net cash generated from operating activities		3,949,527	2,505,966	1,238,444
Cash flows from investing activities				
Acquisition of shares in subsidiaries	32(a)	Nil	(1,496,496)	Nil
Payment for acquisition of subsidiaries, net of cash acquired	32(b)	(1,281,873)	Nil	Nil
Additions or expenses incurred on capital work-in-progress	16	(472,474)	(377,472)	(610,327)
Proceeds from sale of property, plant and equipment		41	41	123
Net cash used in investing activities		(1,754,307)	(1,873,927)	(610,204)
Cash flows from financing activities				
Dividend paid	14	(946,172)	(946,172)	(858,978)
Settlement of borrowings		(265,488)	Nil	Nil
Proceeds received from issue of ordinary shares	29	Nil	Nil	52,670
Net cash used in financing activities		(1,211,660)	(946,172)	(806,308)
Net increase/(decrease) in cash and cash equivalents		983,560	(314,133)	(178,068)
Cash and cash equivalents at beginning of year		1,891,901	1,891,901	2,069,969
Cash and cash equivalents at end of year	22	2,875,461	1,577,768	1,891,901

The notes on pages 92 to 150 form an integral part of these financial statements

Independent auditor’s report is set out on page 85.

Notes to the Financial Statements

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

1 GENERAL INFORMATION

Textured Jersey Lanka PLC is a public limited company incorporated in Sri Lanka on 12 June 2000, listed on the Main Board of the Colombo Stock Exchange of Sri Lanka on 9 August 2011. The registered office of the Company is located at Block D8-D14, C V Gooneratne Seethawaka International Industrial Park, Avissawella. The Company carries on the business of manufacturing and selling of weft knit fabrics.

These financial statements have been approved for issue by the Board of Directors on 24 June 2016.

During the year, the Company acquired 100% of issued stated capital of Quenby Lanka Prints (Private) Limited and Ocean Maurities Limited. Ocean India Private Limited is a fully owned subsidiary of Ocean Maurities Limited and considered as a sub subsidiary of the Company. The Company is the ultimate parent of the Group. The details of subsidiaries and details of acquisitions are given under Notes 18 and 32 to these financial statements respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with the Sri Lanka Accounting Standards (LKASs / SLFRSs) issued 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 Group and the Company have been prepared in accordance with and comply with Sri Lanka Accounting Standards (LKASs / SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka.

These financial statements are prepared under the historical cost convention except for valuation of financial assets and financial liabilities at amortised cost. The preparation of financial statements in conformity with LKASs / SLFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying 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 financial statements are disclosed in Note 4.

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 Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2015:

(i) SLFRS 8, 'Operating Segments', requires disclosure of the judgments made by management in aggregating operating segments and also clarifies that a reconciliation of segment assets must only be disclosed if segment assets are reported.

(ii) SLFRS 13, 'Fair Value Measurement', confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial. SLFRS 13 also clarifies that the portfolio exception in the standard (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of LKAS 39 'Financial Instruments: Recognition and Measurement'.

(iii) LKAS 19, 'Employee Benefits', clarifies the accounting for defined benefit plans that require employees or third parties to contribute towards the cost of the benefits. The amendment distinguishes between contributions that are linked to service only in the period in which they arise and those linked to service in more than one period. The objective of the amendment is to simplify the accounting for contributions that are independent of the number of years of employee service. Entities with plans that require contributions that vary with service will be required to recognise the benefit of those contributions over employee's working lives.

(b) New accounting standards, amendments and interpretations issued but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2016 reporting periods and have not been early adopted by the Group. The Group is yet to assess the impact of these new standards that are set out below:

(i) SLFRS 9 'Financial Instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of SLFRS 9 was issued in July 2014. It replaces the guidance in LKAS 39 that relates to the classification and measurement of financial instruments. SLFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in LKAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under LKAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

(ii) SLFRS 15, 'Revenue from Contracts with Customers', deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces LKAS 18 and LKAS 11 and related interpretations. This standard will be effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

(iii) Amendments to LKAS 16, 'Property, Plant and Equipment' and LKAS 38, 'Intangible Assets', clarify that a revenue-based method of depreciation or amortisation is generally not appropriate. The amendments are effective for accounting periods beginning on or after 1 January 2016.

(iv) Amendments to LKAS 19, 'Employee Benefits', clarify that when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important and not the country where they arise. The amendments are effective for accounting periods beginning on or after 1 January 2016.

Notes to the Financial Statements

2.2 Changes in accounting policy and disclosures (Contd.)

(b) New accounting standards, amendments and interpretations issued but not yet adopted (Contd.)

(v) Amendments to LKAS 1, 'Presentation of Financial Statements', amendments are made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. The amendments provide clarifications on a number of issues, including: materiality, disaggregation and subtotals, notes to the financial statements and other comprehensive income arising from investments accounted for under the equity method. The amendments are effective for accounting periods beginning on or after 1 January 2016.

There are no other Standards, amendments and interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.3 Consolidation

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

2.3.1 Subsidiaries

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

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

Acquisition - related costs are expensed as incurred.

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

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

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 the group operates. The Directors of the Company and its subsidiaries are of the opinion that the use of USD as the functional currency provides information about the Company and its subsidiaries that is useful and reflects the economic substance of the underlying events and circumstances relevant to the Company and its subsidiaries as:

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

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

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

Financial statements of the Company 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 monthly average exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rates are generally recognised in the statement of comprehensive income.

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 are 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.

Notes to the Financial Statements

2.6 Property, plant and equipment (Contd.)

(b) Depreciation (Contd.)

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 GUs, 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 company are recognised as intangible assets when the following criterias are met:

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

development and to use or sell the software product are available; and

- the expenditure attributable to the software product during its development can be reliably measured.

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

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

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

2.8 Investments

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

2.9 Impairment of non-financial assets

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

2.10 Accounting for leases by the lessee

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

2.11 Financial assets

2.11.1.1 Classification

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investment or available-for-sale financial assets, as appropriate. The Group determines the classification of its financial assets at initial recognition. At the date of the statement of financial position and during the reporting period, there were no financial assets classified as fair value through profit or loss, held-to-maturity or available-for-sale.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

The Group classifies its financial assets as loans and receivables. Those financial assets include cash and cash equivalents and trade and other receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets as trade and other receivables except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Note 2.13 and 2.14).

2.11.1.2 Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using effective interest method.

2.11.1.3 Derecognition

Loans and receivables are derecognised when:

(i) The rights to receive cash flows from the asset have expired / transferred or:

(ii) The Company has transferred substantially all the risks and rewards of ownership.

2.11.1.4 Impairment of financial assets

Assets carried at amortised cost (Loans and receivables)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets are

Notes to the Financial Statements

2.11 Financial assets (Contd.)

2.11.1.4 Impairment of financial assets (Contd.)

impaired. A financial asset or a group of financial assets are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

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

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

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

2.11.2 Financial liabilities

2.11.2.1 Classification and initial recognition

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

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

2.11.2.2 Subsequent measurement

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

2.11.2.3 Derecognition

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

2.11.3 Offsetting financial instruments

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

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

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

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

2.14 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.

Notes to the Financial Statements

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, Quenby Lanka Prints (Private) Limited, comprise the gratuity provided under the Act, No. 12 of 1983. The defined benefit plan of overseas subsidiary, Ocean 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, as there is no deep market for high quality corporate bonds in Sri Lanka.

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 25 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, Ocean 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 the employees are members of these defined contribution plans.

(c) Short term employee benefits

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

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of Value Added Tax, returns, rebates and discounts.

(a) Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer which is the date of customer signing the proof of delivery. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Interest income

Interest income is recognised using the effective interest method.

(c) 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.

(b) Net financing costs

Net financing costs comprise interest payable on borrowings, interest receivable on funds invested, and foreign exchange gains and losses that are recognised in the income statement.

All interest and other costs incurred in connection with borrowings except for the acquisition or construction of qualifying assets as noted in 2.6 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 entity 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

Notes to the Financial Statements

2.26 Share based payments (Contd.)

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	Short term borrowings at variable rates	Sensitivity analysis	Not applicable
Market risk - security prices	The Company or its subsidiaries has no investments in equity securities	Not applicable	Not applicable
Credit risk	Cash and cash equivalents 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 US Dollar (USD) against the Sri Lankan Rupee (LKR) and Indian Rupee (INR). The Company's and its subsidiaries functional currency is USD in which most of the transactions are denominated. Foreign exchange risks arises from local expenses including salaries and wages and, assets and liabilities denominated in Sri Lanka Rupees (LKR) and Indian Rupees (INR).

Sensitivity analysis

At 31 March 2016, if LKR had strengthened by 1% against USD in the financial year, profit after tax would have been decreased by LKR 41,565,900. The analysis assumes that all other variables, in particular interest rates, remain constant.

At 31 March 2016, if INR had strengthened by 1% against USD in the financial year, profit after tax would have been decreased by LKR 6,860,997. The analysis assumes that all other variables, in particular interest rates, remain constant.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group exposure to the risk of changes in market interest rates relates to primarily to the Company's and its subsidiaries short-term bank deposits, short term borrowings and bank overdrafts. 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.

The Group is not significantly exposed to interest rate risk since there are no borrowings with variable rate of interest. Bank overdraft as of 31 March 2016 represents book overdrawn situations.

(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 Note 21 and Note 22.

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.

(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 at 31 March based on contractual undiscounted payments.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

3 FINANCIAL RISK MANAGEMENT (CONTD.)

Group

As at 31 March 2016	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 2 years	Total
Liabilities				
Bank overdrafts (Note 24)	48,091	Nil	Nil	48,091
Amounts due to related companies (Note 23)	775,457	718,402	Nil	1,493,859
Trade and other payables (excluding statutory payables, non financial liabilities and provisions)	1,295,252	474,222	19,987	1,789,461
Borrowings (Note 24)	34,592	672,704	141,680	848,976
Total liabilities	2,153,392	1,865,328	161,667	4,180,387

Company

As at 31 March 2016	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 2 years	Total
Liabilities				
Bank overdrafts (Note 24)	48,091	Nil	Nil	48,091
Amounts due to related companies (Note 23)	901,003	718	Nil	901,721
Trade and other payables (excluding statutory payables, non financial liabilities and provisions)	836,238	27,530	Nil	863,768
Total liabilities	1,785,332	28,248	Nil	1,813,580

As at 31 March 2015	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 2 years	Total
Liabilities				
Bank overdrafts (Note 24)	22,730	Nil	Nil	22,730
Amounts due to related companies (Note 23)	728,691	Nil	Nil	728,691
Trade and other payables (excluding statutory payables, non financial liabilities and provisions)	569,378	Nil	Nil	569,378
Total liabilities	1,320,799	Nil	Nil	1,320,799

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
	2016
Total borrowings (Note 24)	897,067
Less: Cash and cash equivalents (Note 22)	(2,923,552)
Net debt	N/A
Total equity	10,136,343
Total capital	10,136,343
Gearing ratio	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.

As at 31 March 2016, the Company is fully funded by equity. Borrowings as at 31 March 2016 consist of short term borrowings and book overdrawn situations.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates and judgments 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

(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) Estimated impairment of non-current assets

The Group test annually the indicators to ascertain whether non-current assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.9. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

(c) Estimated useful lives of PPE

The Group reviews annually the estimated useful lives of PPE based on factors such as business plan and strategies, expected level of usage and future technological 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 carrying value.

(d) 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 25.

4.2 Critical judgements in applying the entity’s accounting policies

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

5 SEGMENT INFORMATION

(a) Description of segments and principal activities

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

1: Textile manufacturing - Sri Lanka and India:

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

2: Fabric printing - Sri Lanka:

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

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

(b) Adjusted EBITDA

Adjusted EBITDA excludes discontinued operations and the effects of significant items of income and expenditure which may have an impact on the quality of earnings resulted of an isolated or non-recurring event.

	Group
	2016
Textile manufacturing	
- Sri Lanka	1,962,393
- India	585,411
Fabric printing - Sri Lanka	309,358
Fabric printing - India	78,669
Total adjusted EBITDA	2,935,831

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

	2016
Total adjusted EBITDA	2,935,831
Depreciation	(708,731)
Amortisation	(31,839)
Amortisation of lease rentals paid in advance	(9,770)
Net finance income / (cost)	43,456
Profit before income tax from continuing operations	2,228,947

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

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 2016
Segment assets	
Textile manufacturing	
- Sri Lanka	11,740,230
- India	9,521,803
Fabric printing - Sri Lanka	879,287
Total segment assets	22,141,320
Intersegment eliminations	(7,255,812)
Unallocated:	
Deferred tax assets	91,800
Total assets as per the statement of financial position	14,977,308

(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 and borrowings are not considered to be segment liabilities.

	Group As at 31 March 2016
Segment liabilities	
Textile manufacturing	
- Sri Lanka	2,115,535
- India	1,619,184
Fabric printing - Sri Lanka	154,075
Total segment liabilities	3,888,794
Intersegment eliminations	(185,123)
Unallocated:	
Deferred tax liabilities	240,227
Borrowings	897,067
Total liabilities as per the statement of financial position	4,840,965

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

6 REVENUE

The Group and the Company derives following types of revenue:

	Group	Company	
	2016	2016	2015
Textile sector	16,416,493	14,142,151	13,678,462
Printing sector	1,403,686	Nil	Nil
Total revenue from continuing operations	17,820,179	14,142,151	13,678,462

(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.

	Total segment revenue	Inter segment revenue	Revenue from external customers
Revenue			
Textile manufacturing			
- Sri Lanka	14,142,151	512,354	13,629,797
- India	3,440,563	653,867	2,786,696
Fabric printing - Sri Lanka	1,282,825	341,488	941,337
Fabric printing - India	462,349	Nil	462,349
Total segment revenue	19,327,888	1,507,709	17,820,179

(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 when products are delivered to its customers, and there is no unfulfilled obligation that could affect its customers acceptance of the products. Delivery occurs when the products have been shipped to the specified location, the risks of obsolance and loss have been transferred to the customer.

Measurement of revenue:

The fabrics are sold to the customers with a right to return faulty products. Revenue from sales is based on the price specified in the sales contracts. 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 on the basis of ex-factory. Delivery occurs when the products have been dispatched from the Group's factory, the risks of obsolance and loss have been transferred to the customer.

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 price specified in the sales contracts. 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

Other income of group mainly consists of scrap sales of LKR 63,777,121 and screen cost recovery of LKR 27,861,927. Other income of the Company consists of scrap sales of LKR 30,924,597 (2015 - LKR 36,301,725), dividend income of LKR 1,944,284 (2015 - LKR Nil) and net of loss on disposal of property, plant and equipment of LKR 2,495 (2015 - LKR 9,365,780).

8 RESULTS FROM OPERATING ACTIVITIES

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

	Group	Company	
	2016	2016	2015
Directors' emoluments	34,628	34,628	22,655
Auditors' remuneration - audit	8,431	1,926	1,743
Auditors' remuneration - non audit	398	196	547
	8,829	2,122	2,290
Depreciation (Note 15)	708,731	456,738	339,556
Provision for slow and non moving inventories (Note 20)	67,427	67,622	8,487
Provision / (reversal of provision) for impairment of			
trade receivables [Note 21(a)]	962	1,978	(360)
Amortisation of intangible assets (Note 17)	31,839	24,619	21,219
Amortisation of lease rentals paid in advance [Note 21 (f)]	9,770	3,916	3,710
Repair and maintenance expenditure	247,984	180,264	141,417
Reversal of previously written off ESC	(14,763)	(12,338)	(11,983)
Employee benefit expense (Note 10)	1,441,766	1,188,801	1,000,620

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

9 NON OPERATING INCOME

	Group	Company	
	2016	2016	2015
Management consultancy income [Note 35 (iv)]	42,949	59,919	124,920
With holding tax on consultancy fee	(1,051)	Nil	Nil
Cost incurred in relation to Consultants	(28,520)	(28,520)	(22,231)
Net management consultancy income [See Note (a) below]	13,378	31,399	102,689
Overseas Fabric printing technical support services fee	4,505	Nil	Nil
	17,883	31,399	102,689

(a) Management consultancy income of Group mainly consists of management consultancy income received from Ocean India Private Limited of LKR 5,406,457 [(Company for the year LKR 16,218,540 (2015 - LKR 39,542,392)] and Ocean Mauritius Limited of LKR 37,542,870 [(Company for the year LKR 43,700,232 (2015 - LKR 85,377,500)] prior to acquisition, net of cost incurred in relation to Consultants and WHT attributable.

10 EMPLOYEE BENEFIT EXPENSE

	Group	Company	
	2016	2016	2015
Salaries, wages and other fringe benefits	1,286,740	1,046,424	902,024
Defined contribution plans	98,990	88,441	73,236
Retirement benefit obligations (Note 25)	33,226	31,126	25,360
Share options granted to directors and employees (Note 33)	22,810	22,810	Nil
	1,441,766	1,188,801	1,000,620
Average number of persons employed by the Group and the Company during the year - full time	2,103	1,164	1,166

11 NET FINANCE INCOME

	Group	Company	
	2016	2016	2015
Finance income:			
Net foreign transaction and translation gains	14,694	13,260	Nil
Interest income on short term deposits	62,598	49,562	61,538
Total finance income	77,292	62,822	61,538
Finance costs:			
Net foreign transaction and translation losses	Nil	Nil	(523)
Interest expense			
- bank overdrafts	(1,842)	(1,812)	(3,206)
- short term bank borrowings	(4,919)	Nil	Nil
- related company borrowings [Note 35 (vii)]	(27,075)	Nil	Nil
Total finance cost	(33,836)	(1,812)	(3,729)
Net finance income	43,456	61,010	57,809

12 INCOME TAX EXPENSE

	Group	Company	
	2016	2016	2015
Current income tax:			
Current income tax on profits for the year	125,348	14,715	13,250
Minimum Alternative Tax credit entitlement	(86,638)	Nil	Nil
(Over)/under provision for income tax in respect of prior year	(1,189)	48	(1,267)
Total current tax:	37,521	14,763	11,983
Deferred tax:			
Origination of temporary differences (Note 26)	20,759	42,611	17,402
Income tax expense	58,280	57,374	29,385
Deferred tax charged / (released) to other comprehensive Income (Note 26)	271	26	(1,362)
Income tax charged to statement of comprehensive income	58,551	57,400	28,023

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

12 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	
	2016	2016	2015
Profit before tax	2,228,947	1,540,607	1,361,544
Tax calculated at effective tax rate of Group 18.03%, Company 12% (2015 - 12%)	401,979	184,873	163,385
Income not subject to tax	(349,550)	(169,849)	(125,652)
Expenses not deductible for tax purposes	11,393	11,387	1,885
(Over) / under provision for income tax in respect of prior year	(1,189)	48	(1,267)
Net tax effect of unrecognised tax losses for prior years	(837)	Nil	Nil
Recognition of previously unrecognised tax losses	(27,090)	Nil	Nil
Adjustments due to the estimated deferred tax base in previous years	23,574	30,915	(8,966)
Tax charge	58,280	57,374	29,385

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.

The tax charge of the Company for the year represents the income tax on local sales and on interest income.

All other companies within the Group are liable for income tax as per the provisions of tax laws enacted in respective countries tax jurisdictions. Quenby Lanka Prints (Private) Limited is liable to tax at a rate of 12% concessionary rates under the special approval granted by the Department of Inland Revenue to BOI companies who are engaging in the deemed exports.

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

Further information about deferred tax is provided in Note 26.

13 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	
	2016	2016	2015
Profit attributable to equity holders of the Company	2,170,667	1,483,233	1,332,159
Weighted average number of ordinary shares [Note 29(b)]	668,949	668,949	658,957
Basic earnings per share - LKR	3.24	2.22	2.02

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has one category of dilutive potential ordinary shares: share options. For the share options, a calculation is done to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options. A weighted average number of 2,643,009 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	
	2016	2016	2015
Profit attributable to equity holders of the Company	2,170,667	1,483,233	1,332,159
Weighted average number of ordinary shares for diluted earnings per share	671,626	671,626	658,957
Diluted earnings per share - LKR	3.23	2.21	2.02

14 DIVIDEND PER SHARE

	Group		Company			
	2016		2016		2015	
	Per share LKR	LKR	Per share LKR	LKR	Per share LKR	LKR
Declared and paid during the year						
Final Dividend [See note (a) below]	0.80	528,602	0.80	528,602	0.80	528,602
Interim Dividend	0.60	417,570	0.60	417,570	0.50	330,376
Total Dividend	1.40	946,172	1.40	946,172	1.30	858,978

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

14 DIVIDEND PER SHARE (CONTD.)

(a) Previous years' final dividend paid in the current year.

(b) The Company has paid a final dividend of LKR 528,601,972 (USD 3,959,565) representing LKR 0.80 approved by the shareholders at the Annual General Meeting held on 6 August 2015 in respect of the year ended 31 March 2015. Further, the Company declared and paid an interim dividend of LKR 417,569,900 (USD 2,889,765) representing LKR 0.60 per share for the year ended 31 March 2016.

15 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings on Leasehold land	Plant, machinery & equipment installation	Fixtures, fittings & factory equipment	Office equipment	Computer & communication equipment	Motor vehicles	Total
At 1 April 2015							
Cost	1,275,585	4,439,029	589,014	26,610	255,838	17,264	6,603,340
Accumulated depreciation	(231,440)	(3,259,997)	(462,416)	(20,888)	(214,179)	(5,853)	(4,194,773)
Net book amount	1,044,145	1,179,032	126,598	5,722	41,659	11,411	2,408,567
Year ended 31 March 2016							
Opening net book value	1,044,145	1,179,032	126,598	5,722	41,659	11,411	2,408,567
Transfers from capital work-in-progress (Note 16)	239,808	781,023	75,238	2,204	27,647	141	1,126,061
Acquisition of subsidiaries (Note 32)	1,153,876	1,388,330	45,414	25,249	18,766	1,931	2,633,566
Disposals - cost	Nil	(2,407)	(83)	Nil	(101)	Nil	(2,591)
Disposals - accumulated depreciation	Nil	2,407	55	Nil	86	Nil	2,548
Effect of change in foreign exchange rates	214,239	253,610	17,567	2,379	5,957	1,052	494,804
Depreciation charge (Note 8)	(79,260)	(527,379)	(63,643)	(7,534)	(26,138)	(4,777)	(708,731)
Closing net book amount	2,572,808	3,074,616	201,146	28,020	67,876	9,758	5,954,224
At 31 March 2016							
Cost	3,241,938	9,168,550	854,908	181,262	393,103	21,865	13,861,626
Accumulated depreciation	(669,130)	(6,093,934)	(653,762)	(153,242)	(325,227)	(12,107)	(7,907,402)
Net book amount	2,572,808	3,074,616	201,146	28,020	67,876	9,758	5,954,224

15 PROPERTY, PLANT AND EQUIPMENT

Company	Buildings on Leasehold land	Plant, machinery & equipment installation	Fixtures, fittings & factory equipment	Office equipment	Computer & communication equipment	Motor vehicles	Total
At 1 April 2014							
Cost	1,248,343	3,958,992	548,425	23,092	233,910	16,896	6,029,658
Accumulated depreciation	(200,402)	(3,034,430)	(406,457)	(18,968)	(188,904)	(1,505)	(3,850,666)
Net book amount	1,047,941	924,562	141,968	4,124	45,006	15,391	2,178,992
Year ended 31 March 2015							
Opening net book value	1,047,941	924,562	141,968	4,124	45,006	15,391	2,178,992
Transfers from capital work-in-progress (Note 16)	Nil	479,836	28,260	3,006	17,104	Nil	528,206
Disposals - cost	Nil	(92,388)	(89)	(39)	(544)	Nil	(93,060)
Disposals - accumulated depreciation	Nil	83,040	69	28	434	Nil	83,571
Effect of change in foreign exchange rates	22,449	23,863	2,807	114	913	268	50,414
Depreciation charge (Note 8)	(26,245)	(239,881)	(46,417)	(1,511)	(21,254)	(4,248)	(339,556)
Closing net book amount	1,044,145	1,179,032	126,598	5,722	41,659	11,411	2,408,567
At 31 March 2015							
Cost	1,275,585	4,439,029	589,014	26,610	255,838	17,264	6,603,340
Accumulated depreciation	(231,440)	(3,259,997)	(462,416)	(20,888)	(214,179)	(5,853)	(4,194,773)
Net book amount	1,044,145	1,179,032	126,598	5,722	41,659	11,411	2,408,567
Year ended 31 March 2016							
Opening net book value	1,044,145	1,179,032	126,598	5,722	41,659	11,411	2,408,567
Transfers from capital work-in-progress (Note 16)	201,461	737,348	61,764	1,224	17,008	Nil	1,018,805
Disposals - cost	Nil	(2,407)	(83)	Nil	(101)	Nil	(2,591)
Disposals - accumulated depreciation	Nil	2,407	55	Nil	86	Nil	2,548
Effect of change in foreign exchange rates	117,655	145,931	13,859	546	4,064	899	282,954
Depreciation charge (Note 8)	(38,745)	(342,313)	(48,577)	(1,936)	(20,683)	(4,484)	(456,738)
Closing net book amount	1,324,516	1,719,998	153,616	5,556	42,033	7,826	3,253,545
At 31 March 2016							
Cost	1,620,945	5,676,834	715,201	30,652	300,152	19,043	8,362,827
Accumulated depreciation	(296,429)	(3,956,836)	(561,585)	(25,096)	(258,119)	(11,217)	(5,109,282)
Net book amount	1,324,516	1,719,998	153,616	5,556	42,033	7,826	3,253,545

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

15 PROPERTY, PLANT AND EQUIPMENT (CONTD.)

(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 2016 amounted to LKR 3,761,069,811 and LKR 2,817,011,149 (2015 Company - LKR 2,312,298,159) respectively.

(b) The 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 2016 are 35,19, 22 and 22 years respectively (Note 28). The subsidiary company, Quenby 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 2016 are 31 and 35 years respectively. The subsidiary company, Ocean India Private Limited, has constructed a building on the land sub leased at Brandix India Apparel City park. The remaining lease period as of 31 March 2016 is 14 years.

(c) Depreciation expense of Group of LKR 665,430,339 and LKR 43,300,729 has been charged to cost of goods sold and administrative expenses respectively. Depreciation expense of the Company of LKR 439,676,718 (2015 - LKR 324,474,036) and LKR 17,061,627 (2015 - LKR 15,082,001) has been charged to cost of goods sold and administrative expenses respectively.

16 CAPITAL WORK-IN-PROGRESS

	Group	Company	
	2016	2016	2015
Balance at beginning of the year	864,434	864,434	779,820
Acquisition of subsidiaries (Note 32)	32,626	Nil	Nil
Expenses incurred	472,474	377,472	610,327
Transferred to property, plant and equipment (Note 15) and [See Note (a) below]	(1,126,061)	(1,018,805)	(528,206)
Effect of change in foreign exchange rates	50,660	48,690	18,082
Transferred to intangible assets (Note 17)	(10,981)	(10,981)	(15,589)
Balance at end of the year [See Note (b) below]	283,152	260,810	864,434

(a) Transferred to property, plant and equipment of Group and Company mainly include the coal power plant capitalisation amounting to LKR 830,645,695.

(b) Capital work-in-progress of Group/Company as at 31 March 2016 mainly comprises of with construction expenses related to Wet Scrubber installation & commissioning at combine heat and power plant amounting to LKR 28,226,630 and Work shop construction cost amounting to LKR 9,959,699, costs incurred on multi fuel power project amounting to LKR 56,518,470 and construction expenses incurred on Synthetic project amounting to LKR 68,846,765.

17 INTANGIBLE ASSETS

This intangible assets wholly consists of goodwill arising on business combination and expenditure incurred on software development by the Company and its subsidiaries.

Group	Goodwill	Software Development	Total
At 1 April 2015			
Cost	Nil	310,043	310,043
Accumulated amortisation	Nil	(257,811)	(257,811)
Net book amount	Nil	52,232	52,232
Year ended 31 March 2016			
Opening net book amount	Nil	52,232	52,232
Acquisition of subsidiaries (Note 32)	Nil	45,211	45,211
Goodwill arising on acquisition of subsidiaries (Note 32)	74,561	Nil	74,561
Transferred from capital work-in-progress (Note 16)	Nil	10,981	10,981
Effect of change in foreign exchange rates	(25,617)	7,875	(17,742)
Amortisation charge (Note 8)	Nil	(31,839)	(31,839)
Closing net book amount	48,944	84,460	133,404
At 31 March 2016			
Cost	48,944	440,059	489,003
Accumulated amortisation	Nil	(355,599)	(355,599)
Net book amount	48,944	84,460	133,404

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

17 INTANGIBLE ASSETS (CONTD)

Company	Software Development	Total
At 1 April 2014		
Cost	287,922	287,922
Accumulated amortisation	(231,207)	(231,207)
Net book amount	56,715	56,715
Year ended 31 March 2015		
Opening net book amount	56,715	56,715
Transferred from capital work-in-progress (Note 16)	15,589	15,589
Effect of change in foreign exchange rates	1,147	1,147
Amortisation charge (Note 8)	(21,219)	(21,219)
Closing net book amount	52,232	52,232
At 31 March 2015		
Cost	310,043	310,043
Accumulated amortisation	(257,811)	(257,811)
Net book amount	52,232	52,232
Year ended 31 March 2016		
Opening net book amount	52,232	52,232
Transferred from capital work-in-progress (Note 16)	10,981	10,981
Effect of change in foreign exchange rates	4,538	4,538
Amortisation charge (Note 8)	(24,619)	(24,619)
Closing net book amount	43,132	43,132
At 31 March 2016		
Cost	353,649	353,649
Accumulated amortisation	(310,517)	(310,517)
Net book amount	43,132	43,132

(a) Amortisation charge amounting to LKR 31,838,796 and LKR 24,619,051 (2015 Company - LKR 21,218,936) relating to the intangible assets 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.

As at 31 March 2016	Group
Quenby Lanka Prints (Private) Limited	12,896
Ocean Mauritius Limited (including Ocean India Private Limited)	61,665
	74,561

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.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

17 INTANGIBLE ASSETS (CONTD)

(b) Impairment tests for goodwill (Contd)

These assumptions have been used for the analysis of each CGU within the operating segment.

Sales volume is the average annual growth rate over the five-year forecast period. It is based on current industry trends and includes long term inflation forecasts for each company in which each business segment operates.

Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on current sales margin levels and sales mix, with adjustments made to reflect the expected future price rises in key raw materials.

Other operating costs are the fixed costs of the CGUs, which do not vary significantly with sales volumes or prices. Management forecasts these cost based on the current structure of the business, adjusting for inflationary increases and these do not reflect any future restructuring or cost saving measures. The amounts disclosed above are the average operating cost for the five year forecast period.

Annual capital expenditure is the expected cash costs of each segment for five-year forecast period.

18 INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	2015
Un quoted investments		
At the beginning of the year	Nil	Nil
Additions (Note 32)	2,499,621	Nil
Effect of change in foreign exchange rates	177,589	Nil
At the end of the year	2,677,210	Nil

(a) Details of the companies incorporated in Sri Lanka, in which the Company had control are set out below:

Name of company	Nature of business activities	Group holding	Company holding
Quenby 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%
Ocean India Private Limited (holding through OML)	Manufacturing of knitted fabrics	100%	Nil

19 FINANCIAL INSTRUMENTS BY CATEGORY

(a) Financial assets - Loans and receivables

	Group	Company	
	2016	2016	2015
Trade receivables (Note 21)	1,141,322	967,337	561,992
Other receivables (excluding statutory receivables and advances)	133,862	22,451	20,876
Amounts due from related companies (Note 21)	1,051,978	622,332	704,296
Cash and cash equivalents (Note 22)	2,923,552	1,625,859	1,914,631
	5,250,714	3,237,979	3,201,795

(b) Financial liabilities - Other financial liabilities at amortised cost

	Group	Company	
	2016	2016	2015
Trade payables (Note 23)	1,237,122	532,550	397,306
Accrued expenses (excluding non financial liabilities)	311,538	209,091	116,440
Other payables (excluding statutory payables and provisions)	240,801	122,127	55,632
Amount due to related companies (Note 23)	1,493,859	901,721	728,691
Borrowing from related companies (Note 24)	848,976	Nil	Nil
Bank overdrafts (Note 24)	48,091	48,091	22,730
	4,180,387	1,813,580	1,320,799

(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:

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

19 FINANCIAL INSTRUMENTS BY CATEGORY (CONTD.)

(c) Credit quality of financial assets (Contd.)

Trade receivables and amount due from related parties:

	Group	Company	
	2016	2016	2015
Export customers / overseas	320,307	146,322	85,975
Local customers	821,015	821,015	476,017
Related parties	1,043,484	564,988	695,284
	2,184,806	1,532,325	1,257,276

	Group	Company	
	2016	2016	2015
Counterparties without external credit rating:			
Group 1	2,184,806	1,532,325	1,257,276
Group 2	Nil	Nil	Nil
Group 3	Nil	Nil	Nil
Total unimpaired trade and related party receivables	2,184,806	1,532,325	1,257,276

Group 1 – customers/related parties (less than 6 months).
Group 2 – customers/related parties (more than 6 months) with no defaults in the past.
Group 3 – customers/related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Cash and cash equivalents:

	Group	Company	
	2016	2016	2015
AAA	973,663	120,415	136,457
AA+	1,401,489	1,159,492	1,768,760
AA	20,733	20,733	6,873
A+	Nil	Nil	2,041
A-	255,943	54,044	Nil
AA-	792	433	Nil
WD	270,242	270,242	Nil
Cash in hand	690	500	500
	2,923,552	1,625,859	1,914,631

20 INVENTORIES

	Group	Company	
	2016	2016	2015
Raw materials	789,855	601,408	695,453
Work-in-progress	841,250	623,872	560,977
Finished goods	333,721	249,544	171,370
Engineering spares, needles and sinkers	207,760	116,284	126,185
Effluent chemicals, fuel and consumables	191,163	87,734	115,545
Goods in transit	277,039	222,971	291,924
	2,640,788	1,901,813	1,961,454

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

	Group	Company	
	2016	2016	2015
Balance at the beginning of the year	202,023	202,023	189,270
Acquisition of subsidiaries	85,735	Nil	Nil
Effect of change in foreign exchange rates	32,153	25,001	4,266
Provision for slow and non moving inventories (Note 8)	67,427	67,622	8,487
Balance at the end of the year	387,338	294,646	202,023

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(all amounts in Sri Lanka Rupees Thousands)

21 TRADE AND OTHER RECEIVABLES

	Group	Company	
	2016	2016	2015
Current			
Trade receivables - external customers	1,142,333	968,332	562,928
Less - provision for impairment [See Note (a) below]	(1,011)	(995)	(936)
	1,141,322	967,337	561,992
Trade receivable due from related companies [See Note 35 (v) a]	1,046,602	567,936	696,018
Less - provision for impairment [See Note (a) below] and [See Note 35 (v) a]	(3,118)	(2,948)	(734)
	1,043,484	564,988	695,284
Other receivables from related companies [See Note 35 (v) b]	8,494	57,344	9,012
	1,051,978	622,332	704,296
Prepayments	297,702	122,594	119,353
Other receivables [See Note (g) below]	459,386	265,597	158,701
	2,950,388	1,977,860	1,544,342
Less			
Non current portion of lease rentals paid in advance [See note (f) below]	(247,781)	(95,728)	(90,556)
Current portion	2,702,607	1,882,132	1,453,786

(a) The movements on the impairment provision on trade and other receivables are as follows:

	Group	Company	
	2016	2016	2015
Balance at beginning of the year	1,670	1,670	1,993
Acquisition of subsidiaries (Note 32)	1,167	Nil	Nil
Effect of change in foreign exchange rates	330	295	37
Provision / (reversal of provision) for impairment of trade receivables (Note 8)	962	1,978	(360)
Balance at end of the year	4,129	3,943	1,670

As of 31 March 2016, Group and the Company trade receivables from external customers and related companies amounting to LKR 4,128,960 and LKR 3,942,605 (2015 Company - LKR 1,670,394) respectively were impaired. The amount charged / (released) for the provision of the Group and the Company was LKR 961,607 and LKR 1,977,692 for the year ended 31 March 2016 (2015 Company - a reversal of LKR 360,030) respectively. The ageing of these impaired receivables is as follows:

	Group	Company	
	2016	2016	2015
3 to 6 months	2,288	2,102	660
Over 6 months	1,841	1,841	1,010
	4,129	3,943	1,670

(b) Trade receivables from external customers and related companies by credit quality are as follows:

	Group	Company	
	2016	2016	2015
Neither past due nor impaired	1,936,330	1,433,607	1,210,987
Past due but not impaired	248,476	98,718	46,289
Impaired	4,129	3,943	1,670
	2,188,935	1,536,268	1,258,946

(c) Trade receivables from external customers and related companies that are past due but not impaired relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables is as follows:

	Group	Company	
	2016	2016	2015
Amount overdue:			
Up to 3 months	248,476	98,718	46,289
3 months to 6 months	Nil	Nil	Nil
	248,476	98,718	46,289

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

	Group	Company	
	2016	2016	2015
US Dollars	2,450,285	1,829,512	1,436,151
LKR	164,932	148,348	108,191
INR	335,171	Nil	Nil
	2,950,388	1,977,860	1,544,342

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

21 TRADE AND OTHER RECEIVABLES (CONTD.)

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

(f) The non-current portion of prepayments solely consists of the operating lease paid in advance for the lands occupied by the Group and Company. The Group and Company amortise the leasehold lands over the lease period, on a straight line basis. Current portion of prepayments on leasehold lands are included in prepayments under trade and other receivables - current. Reconciliation of the prepaid operating lease is as follows:

	Group	Company	
	2016	2016	2015
At beginning of the year	94,333	94,333	96,008
Acquisition of subsidiaries (Note 32)	154,295	Nil	Nil
Effect of change in foreign exchange rates	22,062	9,477	2,035
Amortisation (Note 8)	(9,770)	(3,916)	(3,710)
At end of the year	260,920	99,894	94,333

Prepaid operating leases can be analysed as follows:

	Group	Company	
	2016	2016	2015
Current (Not later than one year)	13,139	4,166	3,777
Non-current (Later than one year)	247,781	95,728	90,556
	260,920	99,894	94,333

(g) Other receivables of the Group mainly consist of advance tax receivable of LKR 98,186,080, advances to suppliers amounting to LKR 110,219,091, ESC receivables amounting to LKR 140,831,098, electricity and water deposits amounting to LKR 41,658,778 accrued interest income amounting to LKR 7,038,074 and VAT receivables amounting to LKR 4,668,742. Other receivables of the Company mainly consist of advances to suppliers amounting to LKR 99,449,056 (2015 - LKR 30,578,199), ESC receivables amounting to LKR 140,831,098 (2015 - LKR 95,708,472) and VAT receivables amounting to LKR 4,668,742 (2015 - LKR 4,690,501).

(h) As of 31 March 2016, trade receivables of Group LKR 1,936,329,741 and trade receivable of the Company LKR 1,433,607,590 (2015 Company - LKR 1,210,986,954) were fully performing.

(i) The other classes within trade and other receivables do not contain impaired assets.

22 CASH AND CASH EQUIVALENTS

	Group	Company	
	2016	2016	2015
Cash at bank and in hand	967,248	517,343	172,525
Short term bank deposits	1,956,304	1,108,516	1,742,106
	2,923,552	1,625,859	1,914,631

The weighted average effective interest rate of the Group on short term deposits (USD) was 1.50% - 3.25% and short term deposits (INR) was 6.50% - 6.90% and the weighted average effective interest rate of the Company on short term deposits (USD) was 2.15% - 3.25% (year ended 31 March 2015 - 3.65% - 4.00%).

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

	Group	Company	
	2016	2016	2015
Cash and bank balances	2,923,552	1,625,859	1,914,631
Bank overdrafts (Note 24)	(48,091)	(48,091)	(22,730)
	2,875,461	1,577,768	1,891,901

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

23 TRADE AND OTHER PAYABLES

	Group	Company	
	2016	2016	2015
Trade payables	1,237,122	532,550	397,306
Amounts due to related companies [Note 35 (vi)]	1,493,859	901,721	728,691
Accrued expenses [See Note (a) below]	507,939	373,191	245,651
Other payables	269,672	149,400	70,346
	3,508,592	1,956,862	1,441,994

(a) Accrued expenses of the Group mainly consists of accrued employee bonus of LKR 249,013,235, electricity expenses of LKR 28,232,224, accrued salaries of LKR 6,536,416 and air freight expenses of LKR 38,559,334. Accrued expenses of the Company mainly consists of accrued employee bonus of LKR 166,384,870 (2015 - LKR 131,616,530), electricity expenses of LKR 25,170,022 (2015 - LKR 35,597,788) and air freight expenses of LKR 38,559,334 (2015 - LKR 17,420,430).

24 BORROWINGS

	Group	Company	
	2016	2016	2015
Current			
Bank overdrafts	48,091	48,091	22,730
Borrowing from related companies [Note 35 (vii)]	707,296	Nil	Nil
	755,387	48,091	22,730
Non-current			
Borrowing from related companies [Note 35 (vii)]	141,680	Nil	Nil
Total borrowings	897,067	48,091	22,730

The maturity of non-current bank borrowings are as follows:

	Group	Company	
	2016	2016	2015
Between 1 and 2 years	141,680	Nil	Nil

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

	Group	Company	
	2016	2016	2015
Total borrowings:			
- at fixed rates	848,976	Nil	Nil
- at floating rate	48,091	48,091	22,730
	897,067	48,091	22,730
Weighted average effective interest rates:			
- Borrowings from related companies (USD)	4%-5.75%	N/A	N/A
- Bank overdrafts	LIBOR+2%	LIBOR+2%	LIBOR+1.25%

The carrying amounts and fair value of the non-current borrowings of the Group is as follows:

	Group - 2016	
	Carrying value	Fair value
	141,680	141,680
	141,680	141,680

The fair value of current borrowings equals their carrying amount as the impact of discounting is not significant. The fair values are based on cash flows discounted using a rate based on borrowing rate of 5%.

The bank overdrafts of the Group/Company as at 31 March 2016 and 2015 represent book overdrawn situations. Borrowings from related companies are unsecured.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

25 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY

	Group	Company	
	2016	**2016**	**2015**
Statement of financial position obligations for:			
Gratuity benefits	190,931	158,673	131,969
Statement of comprehensive income charge:			
Gratuity benefits	33,226	31,126	25,360
Other comprehensive income:			
Remeasurement (gains) / losses	(1,517)	(212)	11,354

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

	Group	Company	
	2016	**2016**	**2015**
At the beginning of the year	131,969	131,969	98,389
Acquisition of subsidiaries (Note 32)	31,504	Nill	Nill
Current service cost	17,876	17,929	14,921
Interest cost	15,350	13,197	10,439
Remeasurement (gains) / losses	(1,517)	(212)	11,354
Effect of change in foreign exchange rates	689	Nill	Nill
Benefits paid	(4,940)	(4,210)	(3,134)
At the end of the year	190,931	158,673	131,969

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

	Group	Company	
	2016	**2016**	**2015**
Current service cost	17,876	17,929	14,921
Interest cost	15,350	13,197	10,439
Total included in employee benefit expense (Note 10)	33,226	31,126	25,360

As stated in paragraph 2.20 (a) under summary of significant accounting policies, an actuarial valuation of the Company defined benefit obligations was carried out by an independent actuary, Messers Piyal S Goonetilleke and Associates, using the Projected Unit Credit method to calculate the liability for gratuity as at 31 March 2016. Quenby Lanka Prints (Private) Limited, a subsidiary of the Company, actuarially valued its defined benefit obligation using the Projected Unit Credit Method. An actuarial valuation of the Ocean India Private Limited defined benefit obligations was carried out by an independent actuary, KVY Sastry MA HA (London), using the Projected Unit Credit method to calculate the liability for gratuity as at 31 March 2016. The provision for gratuity is not externally funded.

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

		Group	Company	
		2016	2016	2015
Discount rate		8% -10%	10%	10%
Future salary increases	- non executive staff	7.5% - 10% p.a	10% p.a	10% p.a
	- executive staff	7.5% - 10% p.a	10% p.a	10% p.a
Staff turnover factor	- non executive staff	Age-related	Age-related	Age-related
	- executive staff	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 7.73% - 13%	Increase by 8.93% - 16%
Future salary increase	1%	Increase by 9.02% - 16%	Decrease by 7.93% - 14%
Staff turnover factor	1%	Decrease by 1.20% - 5%	Increase by 0.29% - 5%

Company	Impact on retirement benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease by 13%	Increase by 16%
Future salary increase	1%	Increase by 16%	Decrease by 14%
Staff turnover factor	1%	Decrease by 5%	Increase by 5%

The above sensitivity analysis 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.

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(all amounts in Sri Lanka Rupees Thousands)

25 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY (CONTD.)

(e) Maturity profile of the retirement benefit obligations:

The weighted average duration of the defined benefit obligation of Group and Company is 23.5 years and 18.8 years respectively. The expected maturity analysis of undiscounted retirement obligation:

	Group	Company	
	2016	**2016**	**2015**
Less than 1 year	10,561	6,054	3,013
Between 1 – 2 years	5,784	3,963	6,054
Between 2 – 5 years	34,500	30,142	28,467
Over 5 years	269,085	195,137	157,721
Total	319,930	235,296	195,255

26 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 12% 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	
	2016	**2016**	**2015**
At the beginning of the year	114,316	114,316	95,927
Charged to statement of comprehensive income (Note 12)	20,759	42,611	17,402
Effect of changes in foreign exchange rates	13,081	14,418	2,349
Tax charged / (release) relating to components of other comprehensive income (Note 12)	271	26	(1,362)
At end of the year	148,427	171,371	114,316

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	
	2016	2016	2015
Deferred tax assets:			
- Deferred tax assets to be recovered after more than 12 months	(91,800)	(47,253)	(37,493)
Deferred tax liabilities:			
- Deferred tax liabilities to be recovered after more than 12 months	205,253	198,376	139,652
- Deferred tax liabilities to be recovered within 12 months	34,974	20,248	12,157
	240,227	218,624	151,809
Deferred tax liabilities (net)	148,427	171,371	114,316

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	Accelerated tax depreciation	Total
Deferred tax liabilities		
At 1 April 2015	151,809	151,809
Acquisition of subsidiaries	14,520	14,520
Charged to income statement	53,724	53,724
Effect of changes in foreign exchange rates	20,174	20,174
At 31 March 2016	240,227	240,227

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(all amounts in Sri Lanka Rupees Thousands)

26 DEFERRED INCOME TAX LIABILITIES (CONTD.)

	Retirement benefit obligations	Provision for impairment of inventory	Provision for impairment of trade receivables	Tax losses	Total
Deferred tax assets					
At 1 April 2015	(15,837)	(21,456)	(200)	Nil	(37,493)
Acquisition of subsidiaries (Note 32)	(2,673)	Nil	Nil	(11,847)	(14,520)
(Credited)/charged to income statement	(1,804)	(4,099)	28	(27,090)	(32,965)
Credited directly to other comprehensive income	271	Nil	Nil	Nil	271
Effect of changes in foreign exchange rates	(1,949)	(2,464)	(18)	(2,662)	(7,093)
At 31 March 2016	(21,991)	(28,019)	(190)	(41,599)	(91,800)

Company

	Accelerated tax depreciation	Total
Deferred tax liabilities		
At 1 April 2014	125,242	125,242
Effect of change in foreign exchange rates	3,108	3,108
Charged to income statement	23,459	23,459
At 31 March 2015	151,809	151,809
Effect of change in foreign exchange rates	18,626	18,626
Charged to income statement	48,189	48,189
At 31 March 2016	218,624	218,624

	Retirement benefit obligations	Provision for impairment of inventory	Provision for impairment trade receivables	Total
Deferred tax assets				
At 1 April 2014	(11,806)	(17,270)	(239)	(29,315)
(Credited) / charged to income statement	(2,350)	(3,750)	43	(6,057)
Effect of change in foreign exchange rates	(319)	(436)	(4)	(759)
Credited directly to other comprehensive income	(1,362)	Nil	Nil	(1,362)
At 31 March 2015	(15,837)	(21,456)	(200)	(37,493)
(Credited) / charged to income statement	(1,507)	(4,099)	28	(5,578)
Effect of change in foreign exchange rates	(1,723)	(2,465)	(20)	(4,208)
Charged directly to other comprehensive income	26	Nil	Nil	26
At 31 March 2016	(19,041)	(28,020)	(192)	(47,253)

27 CONTINGENCIES

There were no material contingent liabilities against the Company outstanding as at the financial position date.

Ocean India Private Limited, a fully owned subsidiary of the Company incorporated in India, has been issued with tax assessments by the Department of Income Tax in India amounting to LKR 106,620,787, LKR 688,935,008 and LKR 287,946,899 for the years of assessment 2009/10, 2010/11 and 2011/12 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 231,221,760. The Company has appealed against these assessments in the Income Tax Appellate Tribunal (ITAT) and hearing of appeals are yet to fixed. No provision has been recognised in the financial statements as at 31 March 2016 pending the outcome of the appeals made.

Other than above, there were no material contingent liabilities against the Group outstanding as at the statement of financial position date.

28 COMMITMENTS

Operating lease commitments

The Company obtained a land consisting of 18.18 acres on a 50 year lease for which the Company has a commitment to pay an annual fee of LKR 566,720 per acre, to the Board of Investment as lease rent. Further, the Company obtained another block of land on a 30 year lease during the financial year ended 31 December 2006 in order to construct residential facilities for the employees for which the Company has an additional commitment to pay an annual fee of LKR 1,450 per acre, on 3.063 acres.

Further, the Company obtained another 2 blocks of land on a 30 year lease on 23 March 2007 in order to facilitate the expansion of production capacity, for which the Company is committed to pay an annual fee of LKR 566,720 per acre, on 12.13 acres.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

28 COMMITMENTS (CONTD.)

Operating lease commitments (CONTD.)

Quenby Lanka Prints (Private) Limited, a subsidiary company, obtained a land consisting of 2.9 acres on a 50 year lease for which it has a commitment to pay an annual fee of LKR 147,200 per acre, to the Board of Investment as lease rent. Further, Quenby Lanka Prints (Private) Limited obtained another block of land on a 30 year lease during the financial year ended 31 December 2003 in order to facilitate the expansion of production capacity for which it has an annual commitment to pay a fee of LKR 404,800 per acre, on 1.50 acres.

Ocean India Private Limited, a subsidiary company, obtained a land consisting of 30 acres on a 23 year sub-lease for which it has a commitment to pay an annual fee of LKR 407,632 per acre, to Brandix India Apparel City Private Limited, a related company, as lease rent.

The future aggregate minimum lease payments under cancellable operating leases are as follows:

	Group	Company	
	2016	2016	2015
No later than one year	30,440	17,177	15,573
Later than one year and no later than five years	121,761	68,709	62,291
Later than five years	615,015	426,032	401,809
	767,216	511,918	479,673

Capital commitments

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

	Group	Company	
	2016	2016	2015
Property, plant and equipment	309,791	309,791	Nil

29 STATED CAPITAL

	No. of Shares	Amount (LKR '000)
At 31 March 2014	655,002,440	2,797,229
Issue of shares related to Employee Share Option Scheme [Note 33 (c)]	5,750,025	52,670
At 31 March 2015	660,752,465	2,849,899
Issue of new shares related to business combination [Note 32 (a)]	35,197,368	1,003,125
At 31 March 2016	695,949,833	3,853,024

(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.

30 RETAINED EARNINGS

	Group	Company
At 1 April 2014		2,461,922
Profit for the year		1,332,159
Remeasurement of retirement benefit obligations		(11,354)
Deferred tax attributable to remeasurement of retirement benefit obligations		1,362
Dividends (Note 14)		(858,978)
At 31 March 2015		2,925,111
At 1 April 2015	2,925,111	2,925,111
Profit for the year	2,170,667	1,483,233
Remeasurement of retirement benefit obligations	1,517	212
Deferred tax attributable to remeasurement of retirement benefit obligations	(271)	(26)
Dividends (Note 14)	(946,172)	(946,172)
At 31 March 2016	4,150,852	3,462,358

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

31 EXCHANGE EQUALISATION RESERVE

The exchange equalisation reserve at the statement on 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.

32 BUSINESS COMBINATIONS

(a) Summary of acquisitions

On 1 June 2015 and 15 September 2015 the parent entity acquired the 100% of the stated capital of Quenby Lanka Prints (Private) Limited and Ocean Mauritius Limited respectively. Further, Ocean India Private Limited is the fully own subsidiary of Ocean Mauritius Limited.

As a result of these acquisitions, the Group is expected to increase its presence in the industry. It also expects to reduce cost through economies of scale. The goodwill of LKR 74,561,495 arising from the acquisitions is attributable to the acquired customer base and economies of scale expected from combining the operations. None of the goodwill recognised is expected to be deductible for income tax purposes.

The following table summarises the consideration paid for acquisitions, the fair value of assets acquired and liabilities assumed at the acquisition date.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	QLP	OML	Total
Cash paid	477,996	1,018,500	1,496,496
Ordinary shares issued (35,197,368 ordinary shares) [Note 29]	Nil	1,003,125	1,003,125
Total purchase consideration transferred	477,996	2,021,625	2,499,621

Recognised amounts of identifiable assets acquired and liabilities assumed.

	QLP	OML	Total
Property plant and equipments	341,416	2,292,150	2,633,566
Capital work in progress	13,002	19,624	32,626
Intangible assets	15,804	29,407	45,211
Lease rentals paid in advance	6,321	147,974	154,295
Cash and cash equivalent	25,052	192,345	217,397
Trade and other receivables	145,833	689,911	835,744
Inventories	85,859	857,312	943,171
	633,287	4,228,723	4,862,010
Trade and other payables	(107,234)	(1,252,098)	(1,359,332)
Bank overdraft	(2,774)	Nil	(2,774)
Borrowings	(34,999)	(1,008,341)	(1,043,340)
Retirement benefit obligations	(23,180)	(8,324)	(31,504)
	(168,187)	(2,268,763)	(2,436,950)
Total identifiable net assets fair value	465,100	1,959,960	2,425,060
Purchase consideration	477,996	2,021,625	2,499,621
Goodwill arising on acquisition	12,896	61,665	74,561

The fair value of the 35,197,368 shares issued as part of the consideration paid for Ocean Mauritius Limited was based on the share price on 6 August 2016 of LKR 28.50 per share.

QLP- Quenby Lanka Prints (Private) Limited

OML- Ocean Mauritius Limited including Ocean India Private Limited

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purpose.

(i) Acquired receivables

The fair value of acquired trade receivables is LKR 835,944,281. The gross contractual amount for trade receivable due is LKR 835,944,281 of which LKR Nil is expected to be uncollectible.

(ii) Revenue and profit contributions

The acquired businesses contributed revenues of LKR 3,603,586,214 and net profit of LKR 673,628,261 to the Group for the period from 1 June 2015, date of acquisition of Quenby Lanka Prints (Private) Limited, and 15 September 2015, date of acquisition of Ocean Mauritius Limited, to 31 March 2016.

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

32 BUSINESS COMBINATIONS (CONTD.)

(a) Summary of acquisitions (Contd.)

If the acquisition had occurred on 1 April 2015 consolidated pro-forma revenue and profit for the year ended 31 March 2016 would have been LKR 19,221,689,341 and LKR 2,235,076,382 respectively. These amounts have been calculated using the subsidiary's results and adjusting them for:

- differences in the accounting policies between the Group and the subsidiaries; and

- the additional depreciation and amortisation that would have been charged assuming the fair values of 2015, together with the consequential tax effects.

(b) Purchase consideration - cash outflow

	2016
Out flow of cash to acquire subsidiary, net of cash acquired	
Cash consideration	1,496,496
Less : Balance acquired	
Cash	217,397
Bank overdraft	(2,774)
	214,623
Net outflow of cash - investing activities	1,281,873

Acquisition-related costs

Acquisition-related costs of LKR 1,691,580 that were not directly attributable to the issue of shares are included in other expenses in profit or loss and in operating cash flows in the statement of cash flows.

33 SHARE-BASED PAYMENTS

The Employee Share Option Plan ('ESOP') is designed to provide long-term incentives for executive directors and executive management personnel to deliver long-term shareholder returns. Under the plan, participants are granted options which only vest if certain performance standards are met. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of options that will vest depends on Company's total return to shareholders, including share price growth, dividends and capital returns, ranking within a peer group of companies that are listed on the Colombo Stock Exchange over a three year period. Once vested, the options remain exercisable for a period of two months.

The exercise price of options is based on the weighted average price at which the Company's shares are traded on the Colombo Stock Exchange, taking into consideration all share transactions of such shares during the thirty Market days immediately preceding the date on which share options are granted to eligible employees under the ESOP.

Set out bellow are summaries of options granted under the plan:

	2016		2015	
	Average exercise price as per share option	No of options ('000)	Average exercise price as per share option	No of options ('000)
At the beginning of the year	**Nil**	**Nil**	9.16	5,750
Granted	**33.89**	**13,215**	Nil	Nil
Exercised [see note (c) bellow]	**Nil**	**Nil**	(9.16)	(5,750)
At the end of year	**33.89**	**13,215**	Nil	Nil
Vested and exercisable at 31 March 2016	**33.89**	**2,643**	Nil	Nil

No options expired during the periods covered by the above tables.

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 2016	Share options 31 March 2015
27 November 2015	4 months	27 May 2016	33.89	2,643,009	Nil
27 November 2015	16 months	27 May 2017	33.89	3,964,514	Nil
27 November 2015	28 months	27 May 2018	33.89	6,607,524	Nil
				13,215,047	Nil
Weighted average remaining contractual life of options outstanding at end of period				1.46 years	Nil

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

33 SHARE-BASED PAYMENTS (CONTD.)

(a) Fair value of options granted

The fair value of the option amounting to LKR 22,810,228 (USD 158,185) [2015 - 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.

The model inputs for options granted during the year ended 31 March 2016 included:

(a)	exercise price:	LKR 33.89
(b)	grant date:	27 November 2015
(c)	share price at grant date:	LKR 34.80
(d)	expected price volatility of the Company's shares:	19.48%
(e)	expected dividend yield:	4.04
(f)	risk-free interest rate:	6.88%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information.

(b) Expenses arising from share-based payment transactions

	Group	Company	
	2016	2016	2015
Options issued under employee share option plan (Note 10)	22,810	22,810	Nil

(c) All the outstanding options relevant to the Employee Share Option Scheme which was announced during 2013/14 were exercised during 2014/15 resulting in 5,750,025 shares being issued at a weighted average price of LKR 9.16 amounting to LKR 52,670,229 (USD 403,541). The related weighted average share price at the time of exercising was LKR 20.30 per share.

34 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	Group	Company	
	2016	**2016**	**2015**
Profit before tax	2,228,947	1,540,607	1,361,544
Adjustments for:			
Depreciation (Note 15)	708,731	456,738	339,556
Amortisation of intangible assets (Note 17)	31,839	24,619	21,219
Amortisation of lease rentals paid in advance [Note 21 (f)]	9,770	3,916	3,710
Provision for non or slow moving of inventories (Note 20)	67,427	67,622	8,487
Provision/(reversal of provision) for impairment of trade receivables [Note 21 (a)]	962	1,978	(360)
Reversal of previously written off ESC (Note 8)	(14,763)	(12,338)	(11,983)
Interest income (Note 11)	(62,598)	(49,562)	(61,538)
Interest expense (Note 11)	33,836	1,812	3,206
Effect of change in foreign exchange rates	194,268	116,016	78,683
Loss on disposal of property, plant and equipment (Note 7)	2	2	9,366
Share based payment (Note 10)	22,810	22,810	Nil
Retirement benefit obligations (Note 25)	33,226	31,126	25,360
			-
Changes in working capital:			-
- inventories	445,846	178,862	(45,424)
- trade and other receivables	(174,433)	(266,722)	(172,481)
- trade and other payables	399,894	344,940	(376,099)
Cash generated from operations	3,925,704	2,462,426	1,183,246

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

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	Sriyan Joseph de Silva Wijeyeratne	Mohamed Ashroff Omar	Wai Loi Wan	Kang Po Tsang	Hasitha Premaratne	Amitha Lal Gooneratne	Malik Kumar Ranasinghe
Pacific Textiles Limited	✓	-	-	-	✓	-	-	-
Pacific Overseas Textiles Macao Commercial Offshore Limited	-	-	-	✓	-	-	-	-
Brandix Lanka Limited	-	-	✓	-	-	-	-	-
Brandix Apparel Limited	-	-	✓	-	-	-	-	-
Quenby Lanka Prints (Private) Limited	-	✓	✓	-	-	✓	-	-
Ocean India Private Limited	-	-	✓	-	-	✓	-	-
Ocean Mauritius Limited	-	-	✓	-	-	✓	-	-
Ocean Lanka (Private) Limited	-	-	-	-	-	✓	-	-
Brandix i3 (Private) Limited	-	-	✓	-	-	-	-	-

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

(i) Sale of goods and services:

	Group	Company	
	2016	**2016**	**2015**
Sale of goods:			
Brandix Apparel Limited	9,278,916	6,100,792	6,072,407
Quenby Lanka Prints (Private) Limited	Nil	552,502	202,814
Ocean India Private Limited	Nil	28,092	34,032
	9,278,916	6,681,386	6,309,253

(ii) Purchase of goods and services:

	Group	Company	
	2016	2016	2015
Pacific Textiles Limited	953,191	853,177	1,084,203
Pacific Overseas Textiles Macao Commercial Offshore Limited	3,126,394	3,126,394	3,446,648
Quenby Lanka Prints (Private) Limited	Nil	405,730	237,310
Ocean India Private Limited	Nil	856,850	513,571
Ocean Lanka (Private) Limited	3,644	3,644	9,736
	4,083,229	5,245,795	5,291,468

(iii) Purchase of administrative and other services:

	Group	Company	
	2016	2016	2015
Pacific Textiles Limited	22,535	22,535	28,698
Brandix Lanka Limited	Nil	Nil	9,526
Brandix Apparel Limited	4,606	4,606	Nil
Ocean India Private Limited	Nil	977	Nil
	27,141	28,118	38,224

(iv) Consultancy fees received / receivable for technical and other support services provided by the Company:

	Group	Company	
	2016	2016	2015
Ocean India Private Limited	5,406	16,219	39,542
Ocean Mauritius Limited	37,543	43,700	85,378
	42,949	59,919	124,920

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

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

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

(v) Receivables from related parties:

	Group	Company	
	2016	2016	2015
(a) Trade receivables			
Brandix Apparel Limited	1,042,021	565,944	641,601
Brandix Apparel Solutions Limited	759	759	Nil
Brandix Textile Limited	3,822	Nil	Nil
Quenby Lanka Prints (Private) Limited	Nil	1,233	Nil
Ocean India Private Limited	Nil	Nil	54,417
	1,046,602	567,936	696,018
Less - provision for impairment of amounts due from related companies	(3,118)	(2,948)	(734)
	1,043,484	564,988	695,284

Provision for impairment of amounts due from related companies has been made in respect of Brandix Apparel Limited amounting to LKR 2,973,281 and Brandix Textiles Limited amounting to LKR 144,719 .

	Group	Company	
	2016	2016	2015
(b) Other receivables			
Brandix Lanka Limited	5,754	5,754	5,980
Brandix i3 (Private) Limited	15	15	Nil
Adhishtan Investments India (Private) Limited	2,725	Nil	Nil
Ocean Mauritius Limited	Nil	49,515	3,032
Quenby Lanka Prints (Private) Limited	Nil	2,060	Nil
	8,494	57,344	9,012

(vi) Payables to related parties:

	Group	Company	
	2016	2016	2015
Pacific Textiles Limited	14,840	8,999	121,952
Pacific Overseas Textiles Macao Commercial Offshore Limited	816,309	816,309	604,248
Ocean India Private Limited	Nil	76,413	Nil
Quenby Lanka Prints (Private) Limited	Nil	Nil	2,491
Brandix Lanka Limited	272,375	Nil	Nil
Brandix Apparel Limited	125,172	Nil	Nil
Brandix International Limited	164,890	Nil	Nil
Brandix Mauritius Holdings Limited	86,169	Nil	Nil
Brandix i3 (Private) Limited	2,503	Nil	Nil
Brandix India Apparel City Private Limited	11,077	Nil	Nil
Brandix Apparel India Limited	524	Nil	Nil
	1,493,859	901,721	728,691

(vii) Borrowings from related companies:

	Group	Company	
	2016	2016	2015
Brandix International Limited	729,376	Nil	Nil
Brandix Mauritius Holdings Limited	119,600	Nil	Nil
	848,976	Nil	Nil

Finance costs for the borrowings from Brandix International Limited and Brandix Mauritius Holdings Limited amounted to LKR 24,409,180 and LKR 2,665,524 respectively.

(viii) 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	
	2016	2016	2015
Salaries and other benefits	118,634	118,634	95,597
Post-employment benefits	3,529	3,529	3,028
Share based payments	8,072	8,072	Nil
	130,235	130,235	98,625

Notes to the Financial Statements

(all amounts in Sri Lanka Rupees Thousands)

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

(ix) Share based payments:

The Company has offered an Employee Share Option Plan ("ESOP") to the executive directors and executive management personnel for a quantum of 2% of the issued shares as at 1 April 2015. The ESOP will be in the form of options with an exercise price of LKR 33.89 per share and the earliest exercise date for the options was 28 March 2016 with an expiration date of 27 May 2018. A special resolution was passed on 26 November 2015 by the shareholders approving the same. The Company was not required to provide, directly or indirectly, any financial assistance in respect of the said ESOP (Note 33).

The terms of the Employee Share Option Scheme ("ESOP") were as follows:

Number of Grants under the ESOP	Date of Grant	Vesting period	Exercise period	Date of allotment and issue	Number of shares	Percentage of shares underlying each grant
No 01	27 November 2015	4 months	28 March 2016 - 27 May 2016	28 May 2016	2,643,009	0.4%
No 02	27 November 2015	16 months	28 March 2017 - 27 May 2017	28 May 2017	3,964,514	0.6%
No 03	27 November 2015	28 months	28 March 2018 - 27 May 2018	28 May 2018	6,607,524	1.0%
					13,215,047	2.0%

36 EVENTS AFTER THE END OF REPORTING PERIOD

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

Shareholder Information

1. SHAREHOLDERS

	Residents			Non- Residents			Total		
Number of Shares held	No of Share holders	No. of Shares	%	No of Share holders	No.of Shares	%	No.of Share holders	No.of Shares	%
1-1,000	5,176	2,483,709	0.36	15	7,667	0.00	5,191	2,491,376	0.36
1,001-5,000	2,118	5,923,061	0.85	9	37,200	0.01	2,127	5,960,261	0.86
5,001-10,000	721	5,805,055	0.83	13	122,500	0.02	734	5,927,555	0.85
10,001-50,000	750	17,963,931	2.58	18	428,306	0.06	768	18,392,237	2.64
50,001-100,000	140	10,735,910	1.54	7	653,508	0.09	147	11,389,418	1.63
100,001-500,000	159	33,183,133	4.77	6	2,132,825	0.31	165	35,315,958	5.08
500,001-1,000,000	36	26,541,684	3.81	3	2,287,399	0.33	39	28,829,083	4.14
Over 1,000,000	25	306,372,202	44.02	6	281,271,743	40.42	31	587,643,945	84.44
Total	9,125	409,008,685	58.76	77	286,941,148	41.24	9,202	695,949,833	100.00

	31 March 2016			31 March 2015		
Categories of Shareholders	No. of Share holders	No.of shares	%	No. of Share holders	No.of shares	%
Individuals	8,864	90,910,825	13.06	8,118	104,567,261	15.83
Institutions	338	605,039,008	86.94	272	556,185,204	84.17
Total	9,202	695,949,833	100.00	8,390	660,752,465	100.00

2. SHARE TRADING INFORMATION FROM 1 APRIL 2014 TO 31 MARCH 2016

	2015/16		2014/15	
Highest	36.30	05-Jan-16 & 23-Nov-15	25.10	13-Feb-15
Lowest	24.10	01-Apr-15	15.80	1-Apr-14
Closing	31.70		24.10	31-Mar-15
No. of transactions	36,188		30,914	
No. of shares traded	289,058,216		194,504,677	
Value of shares traded (Rs.)	8,625,234,121		3,996,250,764	

Shareholder Information

3. TOP 20 SHAREHOLDER LIST AS AT 31.03.2016

		31 March 2016		31 March 2015	
	NAME	No. of Shares	%	No. of Shares	%
1	Brandix Lanka Limited	232,198,344	33.36	197,000,976	29.81
2	Pacific Textured Jersey Holdings Limited	195,926,217	28.15	262,001,464	39.65
3	HSBC INTL NOM LTD-SSBT-National Westminister Bank PLC as depositary of first state Asia Pacific fund a sub fund of first state investments ICVC	49,278,338	7.08	-	-
4	Citibank Newyork S/A Norges Bank Account 2	16,657,693	2.39	2,724,998	0.41
5	Deutsche Bank Ag Singapore-Dss A/C Navis Yield Fund	15,134,460	2.17	11,132,219	1.68
6	Melstacorp Limited	12,622,428	1.81	12,622,428	1.91
7	Sri Lanka Insurance Corporation Limited - Life Fund	11,000,000	1.58	-	-
8	J.B. Cocoshell (Private) Limited	5,733,424	0.82	10,752,536	1.63
9	Addision Private Limited	4,619,300	0.66	-	-
10	Nuwara Eliya Property Developers (Private) Limited	4,329,343	0.62	-	-
11	Deutsche Bank Ag - National Equity Fund	4,000,000	0.57	-	-
12	Employees Trust Fund Board	2,859,886	0.41	2,679,251	0.41
13	Periceyl (Private) Limited A/C No 03	2,694,100	0.39	2,694,100	0.41
14	Mellon Bank N.A-Acadian Frontier Markets Equity Fund	2,575,035	0.37	1,595,892	0.24
15	Mr. A.R.Gunasekara	2,252,700	0.32	1,960,700	0.3
16	Ms. O.D.Gunewardene	2,252,000	0.32	2,000,000	0.3
17	MCSEN Range (Private) Limited	2,031,400	0.29	2,031,400	0.31
	Nawaloka Piling (Private) Limited	2,031,400	0.29	2,031,400	0.31
18	South Asian Investment (Private) Limited	2,026,000	0.29	2,131,400	0.32
19	Asian Alliance Insurance PLC - A/C 02 (Life Fund)	1,743,000	0.25	2,291,130	0.35
20	Caceis Bank Luxembourg - Intereffekt Investments Funds N.V	1,700,000	0.24	-	-

4. CHANGES IN SHAREHOLDING OF DIRECTORS

	31-Mar-16		31-Mar-15	
Director's Shareholding	No of Shares	%	No of Shares	%
Mr. Wing Tak Bill Lam	-	-	-	-
Mr. Sriyan Joseph de Silva Wijeyeratne	-	-	-	-
Mr. Mohamed Ashroff Omar	-	-	-	-
Mr. Wai Loi Wan	-	-	-	-
Mr. Kang Po Tsang	-	-	-	-
Mr. Hasitha Premaratne	40,000	0.01	40,000	0.01
Mr. Amitha Lal Gooneratne	-	-	-	-
Prof. Malik Kumar Ranasinghe	-	-	-	-

5. PUBLIC SHAREHOLDING

As at 31 March	2016	2015
Number of Shares	265,438,713	199,349,868
%	38.14%	30.17%

Corporate Information

NAME
Textured Jersey 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 09 August 2011.

REGISTERED OFFICE
Block D8 – D14, Seethawaka
International Industrial Park,
Avissawella

DIRECTOR
Mr. Wing Tak Bill Lam – *Chairman*

Mr. Sriyan Joseph de Silva Wijeyeratne – *Managing Director / CEO*

Mr. Mohamed Ashroff Omar

Mr. Hasitha Premaratne

Mr. Amitha Gooneratne

Prof. Malik Ranasinghe

Mr. Kang Po Tsang

Mr. Wai Loi Wan

SECRETARIES
Corporate Services (Private) Limited
216, de Saram Place,
Colombo 10.
Sri Lanka.

AUDITORS
PricewaterhouseCoopers,
Chartered Accountants

ATTORNEYS
F J & G de Saram
Attorneys-at-Law
216, de Saram Place,
Colombo 10.
Sri Lanka

BANKERS
Bank of Ceylon
Commercial Bank of Ceylon PLC
The Hongkong and Shanghai Banking Corporation
Standard Chartered Bank
People's Bank
Deutsche Bank AG

INVESTOR RELATIONS
Moiz Rehmanjee
Salman Nishtar
Textured Jersey Lanka PLC

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Textured Jersey Lanka PLC will be held at 2.00 p.m. on 16 August 2016 at the auditorium, The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekara Mawatha, Colombo 7. for the following purposes:

AGENDA

1. To receive and consider the Annual Report of the Board and the Financial Statements of the Company for the financial year ended 31 March 2016 together with the Report of the Auditors thereon.

2. To re-appoint Messrs. PricewaterhouseCoopers, Chartered Accountants, as the Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the ensuing year.

3. To declare a final dividend of LKR 1.00 per share for the financial year ended 31 March 2016 as recommended by the Board.

4. To consider and if thought fit to pass the following as a Special Resolution

WHEREAS the Board of Directors of the Company are desirous of changing the name of the Company on the basis of having a single name for the group of companies, which include the two newly acquired companies.

IT IS HEREBY RESOLVED THAT pursuant to the approval granted by the Registrar General of Companies, the name of the Company be and is hereby changed from "Textured Jersey Lanka PLC" to "Teejay Lanka PLC.

5. To authorize Directors to determine contributions to charities.

By order of the Board

CORPORATE SERVICES (PRIVATE) LIMITED

Secretaries
TEXTURED JERSEY LANKA PLC

At Colombo, on this 22nd day of July, 2016.

Note:

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

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

Form of Proxy

*I/We ....

....of...

Being a shareholder/shareholders of Textured Jersey Lanka PLC do hereby appoint

1.	Mr. Wing Tak Bill Lam	or failing him,
2.	Mr. Sriyan de Silva Wijeyeratne	or failing him,
3.	Mr. Mohamed Ashroff Omar	or failing him,
4.	Mr. Hasitha Premaratne	or failing him,
5.	Mr. Kang Po Tsang	or failing him,
6.	Mr. Wai Loi Wan	or failing him,
7.	Mr. Amitha Lal Gooneratne	or failing him,
8.	Prof. Kulatilleke Arthanayake Malik Kumar Ranasinghe	or failing him,

....of

....

as *my/our Proxy to attend and vote at the Annual General Meeting of the Company to be held at at the auditorium, The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekara Mawatha, Colombo 7. on 16 August 2016 at 2.00 p.m. and at any adjournment thereof.

	For	Against
1. To receive and consider the Annual Report of the Board and the Financial Statements of the Company For the financial year ended 31 March 2016 together with the Report of the Auditors thereon.		
2. To re-appoint Messrs. PricewaterhouseCoopers as the auditors of The Company and to audit the financial statements for the ensuing Year and authorize the Directors to fix their remuneration.		
3. To declare a final dividend of LKR 1.00 per share for the financial year ended 31 March 2016 as recommended by the Board.		
4. To pass the Special Resolution – to change the name of the company		
5. To authorize the Directors to determine contributions to charities		

Signed this .... Day of 2016

....

Signature/s

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

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name, address and sign in the space provided. Please fill in the date of signature.
2. Please return the completed Form of Proxy to the Company after crossing out one or the other of the alternative words indicated by the asterisks on the body of the Form and by indicating with an 'X' in the space provided against each resolution, the manner in which you wish your vote to be cast.
3. A Member entitled to attend and vote 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 International Industrial Park, Avissawella not less than forty eight (48) hours before the appointed time for meeting
7. If there is any doubt as to the manner in which the proxy should vote by reason of the manner in which instructions in 2 above have been carried out, the proxy holder will vote as she/he thinks fit.
8. A shareholder appointing a proxy (other than a director of the Company) to attend the meeting should indicate the proxy holder's National Identity Card (NIC) number on the Form of Proxy and should instruct the proxy holder to bring his/her National Identity Card to the Meeting.

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www.texturedjersey.com