teejay

ENDURING BONDS

TEEJAY LANKA PLC | ANNUAL REPORT 2016/17

teejay

We have named our graphic device the Teejay DNA. It is a fluid and dynamic representation of who we are and what we stand for. While the Teejay DNA ensures that our communication is united and easily identifiable, it is a flexible graphic device that can be used in different ways across diverse applications.

ENDURING BONDS

In November 2016, Textured Jersey Lanka PLC was re-branded as Teejay Lanka PLC, a significant step in line with our vision to evolve into a USD 300 Million company by 2020. Our new logo and brand reflect the dynamism and energy of our young and passionate team. This evolution will also be apparent in our plans to invest deeper into digitalisation, R&D, state of the art equipment and carbon neutral products.

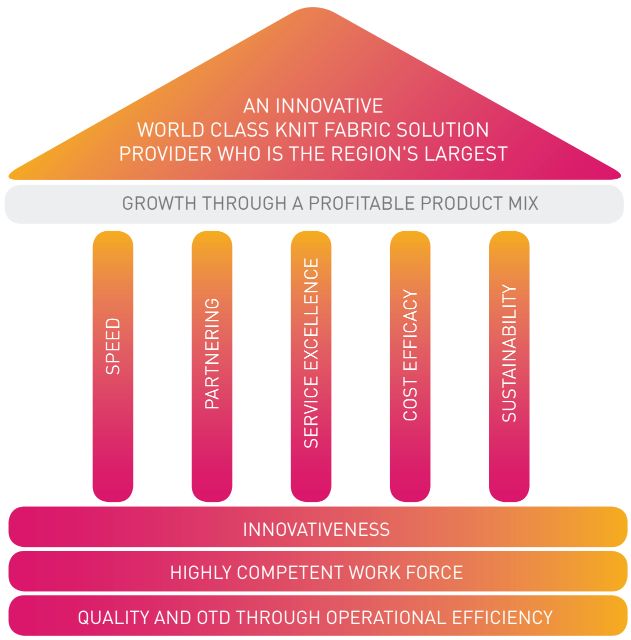
'Enduring Bonds' describes how we're transforming your company by building strong relationships with our customers, suppliers, associates and other stakeholders; the bonds of integrity and creativity that make us who we are today.

We're creating synergies of fabric and fashion, that will endure over time, bringing the spirit, energy and value of the Teejay brand to the thousands of stakeholders, partners and communities we serve.

Contents

INTRODUCTION

Our Philosophy and Direction



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

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

2016

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

Winner of Forbes -Asia's 200 Best Under a Billion Dollar Company

Commercial Launch of the first Synthetic Fabric

SPEED

QUICK TURNAROUND TIMES AND A COMMITMENT TO BEING AHEAD OF DEADLINES ENSURE THAT WE ARE ALWAYS DEPENDABLE IN DELIVERING AN INCOMPARABLE EXPERIENCE TO OUR CUSTOMERS. WE'RE AHEAD OF OUR TIME.


teejay

INNOVATION

TEEJAY OFFERS COMPLETE SOLUTIONS IN DYEING, FINISHING, PRINTING, AND LACE DYEING TOGETHER WITH KNIT SOLUTIONS IN COTTON, COTTON BLENDS, AND SYNTHETIC SOLUTIONS.
WE CONSTANTLY INNOVATE ACROSS OUR PRODUCTS AND PROCESSES, LOOKING FOR NEW PRODUCT DEVELOPMENT AND IMPROVED QUALITY, SERVICE AND SPEED IN ALL THAT WE DO.
OUR INVESTMENTS IN STATE OF THE ART TECHNOLOGY GIVE US THE ADVANTAGE ACROSS OUR INDUSTRY.

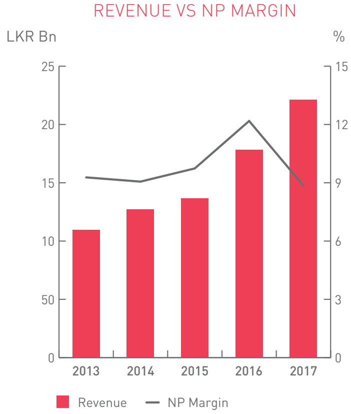
ENVIRONMENTAL RESPONSIBILITY

ETHICAL BUSINESS PRACTICES REMAIN AT THE CORE OF WHAT WE DO. SUSTAINABILITY IS A WAY OF LIFE AT TEEJAY AND ENVIRONMENTAL CONSCIOUSNESS IS INGRAINED INTO THE CONDUCT OF OUR BUSINESS. WE'RE THINKING OF THE FUTURE.

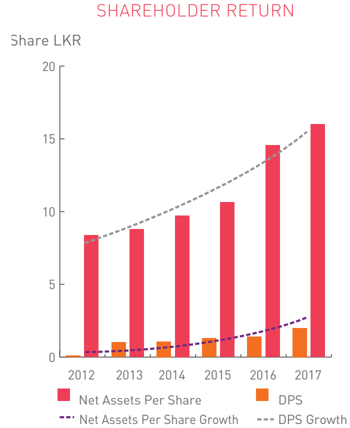
Financial Highlights

All Amounts in Sri Lanka Rupees Thousands	2016	2017	Charge %
Operations			
Turnover	17,820,179	22,137,641	24.2%
Profit from operations	2,167,608	1,992,405	(8.1%)
Net finance income	43,456	18,965	(56.4%)
Profit after taxation	2,170,667	1,959,175	(9.7%)
Statement of Financial Position			
Non current assets	6,710,361	7,897,650	17.7%
Current assets	8,266,947	8,981,687	8.6%
Current liabilities	4,268,127	4,569,094	7.1%
Non current liabilities	572,838	1,133,019	97.8%
Capital and reserves	10,136,343	11,177,224	10.3%
Per Share Data (Rs.)			
Earnings per share	3.24	2.81	(13.3%)
Closing market value per share	31.7	37	16.7%
P/E Ratio	9.78	13.17	34.7%
Net assets per share	14.56	16.00	9.9%
Ratios			
Gross profit margin - %	16.81	13.89	
Net profit margin - %	12.18	8.85	
Return on equity - %	25.28	18.38	
Return on assets - %	18.30	12.30	
Return on capital employed - %	24.00	16.13	
Total debt : equity - %	5.65	10.14	
Current ratio	1.94	1.97	

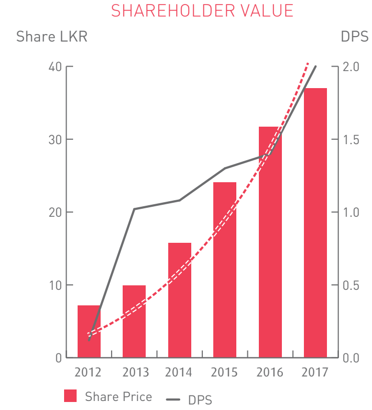
REVENUE VS NP MARGIN



SHAREHOLDER RETURN



SHAREHOLDER VALUE



All Amounts in Sri Lanka Rupees Thousands Five Year Financial Summary	2013	2014	2015	2016	2017
Trading Results					
Turnover	10,951,455	12,724,715	13,678,462	17,820,179	22,137,641
Profit Before Taxation	1,014,333	1,193,087	1,361,544	2,228,947	2,011,370
Current Taxation	1,710	(40,315)	(29,385)	(58,280)	(52,195)
Profit after Taxation	1,016,043	1,152,772	1,332,159	2,170,667	1,959,175
Statement of Financial Position					
Stated Capital	2,797,229	2,797,229	2,849,899	3,853,024	3,942,686
ESOP Fund	-	19,473	19,473	42,283	63,746
Revenue Reserves	2,044,071	2,461,922	2,925,111	4,150,852	4,724,786
Other Reserves	908,971	1,092,244	1,240,168	2,090,184	2,446,003
	5,750,271	6,370,868	7,034,651	10,136,343	11,177,221
Non Current Assets	2,490,879	3,107,846	3,415,789	6,710,361	7,897,650
Net Current Assets	3,382,224	3,457,338	3,865,147	3,998,821	4,412,591
Non Current Liabilities	(122,832)	(194,316)	(246,285)	(572,838)	(1,133,019)
	5,750,271	6,370,868	7,034,651	10,136,344	11,177,221
Key Indicators					
Annual Growth in Turnover %	(11.4)	16.2	7.5	30.3	24.2
Gross Profit Margin %	11.6	11.4	11.9	16.8	13.9
Net Profit Margin %	9.3	9.1	9.7	12.2	8.8
Gearing Ratio %	6.3	0.8	0.3	8.9	18.7
Earning Per Share (LKR)	1.6	1.8	2.0	3.2	2.8
Dividend Per Share (LKR)	1.0	1.1	1.3	1.4	2.0
Net Assets Per Share at year end (LKR)	8.8	9.7	10.6	14.6	16.0
Dividend Pay Out %	65.8	61.4	64.3	43.2	71.2
Return on Equity %	18.1	19.0	19.9	25.3	18.4
Return on Assets %	13.2	14.1	15.5	18.3	12.3

REVENUE

24% Growth
year on year

22Bn

NET PROFIT

Share price has
grown by 17%

2Bn

Chairman's Message

"Cotton prices hiked double digit during H2, and remain at similar levels. But thanks to our previous growth strategies, and cost containment, we remained firmly profitable and reported Profit after tax of Rs.2 Billion."

Q: HOW WOULD YOU DESCRIBE THE GLOBAL BUSINESS AND INDUSTRY ENVIRONMENT DURING THE YEAR?

A : During the year under review, your Company, as well as all fabric manufacturers in Asia, faced a double jeopardy of higher raw material prices on the one hand, and constrained demand growth in key markets on the other hand. A short supply of cotton yarn during the year resulted in a sharp rise in yarn prices, fuelling in turn a sharp rise in costs of production, across markets. At the same time, political changes in the U.S. and slower pace of economic growth in the E.U. during the year, contributed to the lacklustre demand, affording no room for suppliers to transfer a share of the higher costs of production. In Sri Lanka as well, export in Textiles and Apparel remained stagnant for the calendar year 2016 at approximately USD 4.8 Bn due to the global conditions. There was a marginal decline in the US export base compared to a growth in the EU which had an impact on industry as a whole. The loss of GSP+ in 2010 is said to have cost Sri Lanka USD 32 Bn in overall Exports since. Bangladesh enjoys full GSP+ access and has developed an Apparel Industry of over USD 25 Bn per year. Therefore, the recent regaining of the GSP+ through the efforts of many is commendable in the case of Sri Lanka, and the industry can be optimistic about future growth potential.

Q: ...AND TEEJAY'S PERFORMANCE?

A: Teejay's Topline grew the past year by a strong 24%, despite major global uncertainty in most markets. This was driven by a strong Sales engine, and partly due to the timing of our consolidations. Teejay's margins, and that of all other players in the industry, were impacted by these significant challenges during the year. Our profitability, especially our Gross Margins dropped significantly in H2, post the yarn cost hikes, compared with the excellent performance of the previous year. Cotton prices hiked to double digit during H2, and remain at similar levels. But thanks to our previous growth strategies, and cost containment, we remained firmly profitable and reported a Profit after tax of Rs.2 Bn. We also managed to limit the profit slide with full year PAT declining by only 9.7%. I am happy to note that your Company still remained among the top performers in the industry in the region despite these challenges. The strategic initiatives made during the past two years and the Company's well diversified portfolio of key clientele contributed to its resilience amid challenging circumstances.

Half of the Sri Lankan cotton fabric requirement is imported at present. Similarly, almost the entire Synthetic requirement is imported into Sri Lanka. This underlies the portfolio of opportunity that Teejay seeks to tap into, through its local supply chain solution. Your Company took a significant step in launching the manufacture of Synthetic fabric during the year – a product which offers tremendous potential to capture new markets and higher margins. Synthetics are now being welcomed by the customers as an evolving garment form which contributes to their increasing user friendliness, comfort, performance and even lasts longer. The differences between Cotton and Synthetic fabrics are also reducing considerably.

We also launched a process of expansion of our production capacities in India, and Phase I of it was completed during the latter part of the year, providing us with 9 tons of added capacity as we move into FY18.

With the GSP prospects, all initiatives taken during the year and with the comfort of a strong Balance Sheet, Teejay Group has declared a dividend of LKR 2.25 Rupees for the year compared to LKR 1.60 last year. This demonstrates our firm belief in the team's ability to continually deliver sound margins for the business.

Q: WHAT ARE SOME OF TEEJAY'S STRENGTHS WHICH HELPED IT TO WITHSTAND THE IMPACT OF THESE CHALLENGES IN 2016/17?

A: One is the operational efficiencies and cost reductions which we continue to enhance, and a second is Teejay's market positioning. The Company has focused on enhancing operational efficiency and cost reductions as a key strategic imperative. Moreover, it was also the first full year of operation as a Group, since Teejay's strategic acquisition of Ocean India Private Limited (OCI) and Quenby Lanka Prints (Pvt) Ltd which helped in yielding benefits of economies of scale. Teejay's market positioning in key niche markets and with leading global brands, has been a key success factor in becoming one of Sri Lanka's leading fabric manufacturers. I am pleased to share that your Company integrated and unified the identity of all three entities under the very modern, vibrant and dynamic brand logo and name Teejay. We will leverage this synergy and focus on making it the strongest fabric brand in South Asia. Our emphasis on product quality, and delivery Speed, also helps differentiate our products against these challenges. The company is blessed with strong, competent and skilled talent, and they have been navigating the company very credibly through a rough period.

Q: WHAT DOES SUSTAINABILITY MEAN TO THE COMPANY?

A: Social and Environmental sustainability are integrated into our strategies and business.

Environmental impact is and needs to be, a priority area for any manufacturing industry, and is made that much more important in the textile manufacturing industry. At Teejay minimising our Carbon footprint, and any hazardous waste disposals, are integrated into our business model and manufacturing processes, from stage of design to the disposal of manufacturing waste. Environmental concerns are made more urgent today by threats of climate change which loom large. At the same time, most markets and garment industries which cater to international markets, have evolved rapidly to mandate social and environmental responsibility and compliance among their criteria for sourcing new products and suppliers; thus creating a win-win impact on the industry. Most reputed international buyers who partner us also make physical checks and often unsolicited visits, to assess our commitment and compliance and ensure that we continue to practice what we articulate. Enhancing the environment friendliness of our operations and minimizing our Carbon footprint is a continuous process at Teejay. During the year we installed sophisticated equipment into our State-of-the-art Coal Plant to further reduce emissions, and spent over USD 200,000 during the year to reach even higher standards on all our discharge. Our teams partner closely with the BOI, Environmental Authorities, the Wildlife Society, Academia, and other local parties, to undertake numerous activities aimed at furthering these different aspirations. I am pleased to note the tremendous amount of Community work being undertaken by our teams, to support local Schools, Communities, Religious establishments and the likes. They are clearly the inspiration to the entire Seethawaka zone.

We also believe that Governance is indispensable to creating long term value and sustaining profitability. Teejay's Board sets the tone at the top to ensure good governance by promoting professional standards and Corporate values that cascade down to senior management and other employees of the Company at all levels. Moreover, our Board composition which constitutes two independent members whose contribution reflects true commitment to the role expected of an Independent Director.

Chairman's Message

Q: WHAT WOULD YOU SAY ARE THE KEY DRIVERS OF GROWTH INTO THE FUTURE, FOR YOUR COMPANY AND THE INDUSTRY?

A: Product innovation will be important and hence R&D will be a key driver of growth for Companies. Textiles is one of the oldest industries in the world, but is currently undergoing rapid transformation. Concurrently, the need for constant and fast paced innovation to sustain a competitive advantage or even merely survive the immediate term is important although somewhat lower than say Information Technology based Industries. Hence, innovation of how we do rather than what we make is a more urgent imperative in the fabric industry, Your Company will continue its journey towards lean manufacturing and focus on the continuous enhancement of the efficacy of its people and processes, whilst also expanding its capacity as well as product and brand portfolio. Our major expansion in India had us investing over USD 15 Mn in our growth aspiration there. We are very well poised as our Indian manufactured fabric will be GSP+ eligible for Sri Lankan Apparel manufacturers. Our topline growth should see healthy impacts in the next two years as a result. We will also see the full impact of our Synthetic manufacture during the near future.

Sri Lanka continues to struggle with good long-term Energy options. While the debates continue, it is expected that Sri Lanka's Coal based Energy consumption will double to over 40% and even exceed that of Hydro within the next two decades. Teejay Lanka has already invested in one of the most advanced Coal powered plants and is well poised to ride that wave.

We are also conscious that some of these trends will be impacted by the strategies and decisions made by the respective apparel manufacturers in Sri Lanka. In addition, steps being taken by the government to pursue more global agreements similar to GSP, or exclusive agreements with specific countries, could help alter and accelerate the growth momentum of the industry. The comments that Sri Lanka would pursue partnerships with ASEAN, specific Asian nations, the ECTA with India, and even potential trade agreements with Japan, will all open up new avenues for the Industry.

"Our major expansion in India had us investing over USD 15 Mn in our growth aspiration there. We are very well poised as our Indian manufactured Fabric will be GSP+ eligible for Sri Lankan Apparel manufacturers. "

Q: WHAT CHANGES / INITIATIVES OR POLICY MEASURES DO YOU THINK WILL HELP SRI LANKAN INDUSTRIES TO PROGRESS FASTER?

A: Sri Lanka is today one of the most attractive destinations for foreign investment inflows due to many factors. A peaceful political environment and the comparative advantage of its geographic positioning combined with the fact that Sri Lanka is a manufacturer for a large number of the world's leading apparel brands are among the most significant. Sri Lanka thus brims with much potential for new investments for overseas apparel manufacturers. Fiscal reforms, bringing policy clarity and stability and improvements in the ease of doing business, are a few examples of areas which need focus. However, several factors also impede the progress of industries in the country. Sri Lanka's high energy costs for instance, continue to be a challenge which dampens its cost competitiveness for all manufacturing industries. The continued state involvement in many large parts of the economy, with 245 SOE's, may hinder progress towards better liberalisation. Better predictability around tax regimes are essential for investors to be able to focus on the longer term. These issues maybe what is limiting FDI to a mere 1% of GDP. The Sri Lankan road network badly needs an overhaul including the roadways to our factory in Avissawella. Average road speeds are being reduced by one kilometre per hour each year, due to increased traffic congestion. On our part, we remain optimistic about the future prospects of Sri Lanka, and our investment plans continue seamlessly. Our future aspiration is to build a USD 300 Mn enterprise by 2020, and we remain optimistic about the journey.

Q: HOW DO YOU PERCEIVE THE NEAR TERM AND MEDIUM-TERM OUTLOOK?

A: It is encouraging that cotton prices have now begun to stabilize and seems unlikely to rise further in 2017-18, while demand for garments and hence fabric, has also begun to gather momentum.

However, margins in cotton fabric are also likely to remain tight for several months due to both supply and demand conditions in the future. As mentioned, your Company has identified higher growth potential in the Synthetics market.

When Sri Lanka lost the benefit of concessionary trade terms with the discontinuation of GSP+ in August 2010, there was much concern about the sustainability of many garment and fabric manufacturing businesses in the country. However, the industry was able to weather the storm through market positioning and by enhancing internal efficiencies and cost management while progressing towards leaner manufacturing models. The Sri Lankan fabric manufacturing industry today, has a much stronger set of players. The regain of the GSP+ has bolstered the buoyant outlook we have for the next few years ahead. Companies such as Teejay which have equipped themselves well to thrive in adverse market conditions, through a continuous focus on operational efficiency, are thus well poised to harness the myriad new opportunities that the preferential trade concessions would offer. We are possibly the only company who made major investments in capacity expansion, even during times when profitability was challenged. We thus look ahead with renewed vigour and our medium-term outlook is very positive

We also expect the focus on capacity expansion and becoming a regional player supported by Teejay India, to facilitate economies of scale and a solution to some of the higher costs of labour and energy in Sri Lanka. Our new state of the art digital printer will also open up numerous opportunities for engaging with a broader set of customers and fabric types.

Teejay envisions being the best fabric manufacturer in South Asia, and by looking at where it is today, I can say we are well on our journey. Your Company will continue to learn, evolve and expand to capture markets with the highest quality products .

Also maintaining our dynamic corporate culture, with solid values and a strong team which weathered a very turbulent year, we hope to be outperforming competition in the region and continue our good work into the future. I would like to thank the management team and all our employees, on behalf of the Board, for their sacrifice and commitment throughout the year. They remain the pillars on which our success is built.

Managing Director/ CEO's Review

"A significant milestone was the rebranding of the Group bringing the three different companies under one common brand. Our new logo and branding reflect the dynamism and energy of our young and passionate team."

Q: HOW WOULD YOU DESCRIBE THE YEAR GONE BY?

The past year has been an extremely eventful and exciting year with mixed outcomes and major transformations. We have reached pinnacles, and we have seen some valleys as well. Being named among the Best 200 Companies under a Billion in Asia, by Forbes, was a crowning moment for us. During the year we transformed our Company's identity into Teejay, and took major steps to remain more modern and relevant to our Stakeholders. We also battled some of the toughest recent times for the Textile industry, while being picked into the S&P Top 20 Index in Sri Lanka. So we have much to reflect on with passion and satisfaction. Teejay remained among the most profitable in the Industry, despite dropping from the highs of the previous year, due to an inimical industry environment in which the price of the key raw material rose steeply. Dampened demand for apparels in key markets left little room for transfer of the ensuing higher costs borne by the fabric industry. Cotton Yarn accounts for over 60% of Teejay's costs and a sharp 30% rise in average prices of Cotton yarn due to supply constraints impacted our profitability during the year. PAT declined by just under ten percent despite a significant 24% growth in Turnover and a strong order book. However, our Rs. 2 Bn Profit still makes us one of the most profitable companies in the Industry and locally. The PE ratio increased to 13 during the year compared with 9 the previous year, underscoring the Market confidence in our future plans.

The year under review also saw your Company continue to augment its platform for future growth, with the addition of new business lines, new customers, new products and expanding capacities – reflecting our buoyant outlook on opportunities for the industry for the year ahead and beyond

Q: WHAT ARE SOME OF THOSE INITIATIVES AND OTHER MILESTONES DURING THE YEAR?

One of our major transformations was to morph to become a full spectrum fabric supplier, by beginning to provide Synthetic fabric locally. Following the acquisition of the capabilities to manufacture Synthetics - a totally new segment, the year under review saw us launch the commercial production of synthetics for the first time. It is a market which brims with immense growth potential and your Company will look to grow this range. Teejay's primary focus is on the Synthetics category of Polyamite of which we are at present the only manufacturer in Sri Lanka, and we are leveraging global talent to mesh with our local team during this endeavour.

Furthering our footprint as South Asia's largest Mill, we commenced expanding the capacities at Teejay India, in its first year of operations as part of the Teejay Group. Phase I of expansion was completed during the last quarter of the year with the addition of a 9 tons to capacity, while Phase II, which is currently underway and scheduled for completion around September 2017, would expand capacity by a further 10 tons. The full investment in expansion of around USD 15 Mn during times of dropping profitability, demonstrate our confidence in the upward momentum we expect in our business over the next few months.

Moreover, we also invested Rs.108 Mn in a state-of-the-art digital printer for Teejay Prints opening up new vistas for growth through prints.

A significant milestone was the rebranding of the Group bringing the three different companies under one common brand. Our new logo and branding reflect the dynamism and energy of our young and passionate team. A common brand also reflects the very effective and seamless integration of the two entities acquired in the previous year, towards a common objective as one Group. The graphical element of the new branding is a fluid and dynamic representation of who we are and what we stand for which we've termed as Teejay's DNA, and it ensures that our communication is uniform and easily identifiable across different applications. The new brand is also in line with our vision to evolve into a US Dollar 300 Million Company in 2020, and our plans to invest deeper into digitalisation, R&D, state of the art equipment and carbon neutral products. We have identified our brand identity to be a significant intangible capital in our value creation process. Accordingly we began to place a value on the brand by monetising brand Teejay to the Group's subsidiary in India, as practiced by many multinational enterprises.

I am proud to share another significant initiative that we took in keeping with our Triple Bottom Line strategy. Teejay launched the world's first Carbon neutral fabric during the year. Teejay entered into a partnership with the Carbon Consulting Company (CCC) to calculate the product carbon footprint of a selected range of our fabrics and we have been able to completely offset the carbon emissions associated with their production. We have at present brought together one of the leading Apparel Groups in the Island and their client, to quantify, measure and offset carbon emissions associated with a garment produced using a Carbon Neutral fabric from Teejay.

We also initiated several operational changes and re-engineered our processes at all three locations, with the objective of improving productivity, reducing costs, ingraining a culture of commitment to excellence and progressing towards a path of Lean Manufacturing. These would also strengthen our resilience to meet challenges in the future. The success of our efforts was also facilitated by a Bottom Up approach adopted this year, which saw many of the initiatives such as 5S and Kaizen spearheaded and championed by our associates across the Group. Our success in these efforts towards operational excellence also received external recognition during the year, for example the Gold Award for the Best Case Study by the Quality Circle of Vishakapatnam, India and the Silver Award for Best Case Study by the National Conference of Rajpur India. In June 2017, further complementing these efforts, Teejay Lanka's team marked another milestone, receiving Gold and Silver awards at the 'National Convention on Quality & Productivity'. Your Company will continue to make its supply chain and the production process more agile and efficient on a continual basis.

We are also most heartened by the many national and international accolades we received in recognition of our commitment to business excellence and sustainable practices during the year. The Company won the International Dyer & Finisher of the Year award, for the 3rd consecutive year at the World Textile Awards in UK. Among the other awards were the Manufacturing Gold award in the Apparel Textile and Leather products category awarded by the National Chamber of Commerce; and the Gold Awards, for Performance Management, Corporate Governance as well as Local Market research awarded by the National Chamber of Commerce.

Q: WHAT LIES BEHIND THE SUCCESS OF TEEJAY?

A: At Teejay, our entire team comes together to pull towards a common direction and strategic imperatives, based on our long term and short term aspirations. Customers remain our lifeblood and we are indeed thankful to them not just for their business, but also for their guidance and constant demands which push us continually to reach higher and higher. During the year we invested several million dollars in Plant modernisation and automation, outside of our core expansion. We are installing several new knitting machines in both locations to supplement our outputs. We invested in business Intelligence to ensure we take deep looks at our data and strengthen our analytics. We invested even further in modernizing our coal plant, and our productivity per person is constantly enhanced through technology options.

Managing Director/ CEO's Review

Our Cost control initiatives are also vigorous and carefully monitored.

The Sustainability model which facilitates a Triple Bottom Line focus has been a key factor in our ability to sustain market leadership in today's global landscape and in our resilience during challenging industry environments.

While environmental sustainability is high on our agenda as a manufacturing industry, our success has also been built on 'Enduring Bonds'; between us as a team, with our customers, suppliers, associates and other stakeholders. Our customer portfolio is 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 strengths of these relationships continue to be a key factor in our performance.

Numerous win-win as well as CSR initiatives continue to foster enduring bonds with the local communities in our neighbourhood in Sri Lanka and to continue the socially integrated model followed at our Indian manufacturing plant. These initiatives are presented in the Human Capital report of the ensuing MD&A.

The dynamism, abilities and passion of our team have been key to our success and industry leadership. Training and development of this valuable asset is a high priority at Teejay. The fact that many in team Teejay have been part of its journey since inception and their careers have followed the growth path of the Company, as well as the low attrition rates are also a reflection of the Company's commitment to creating enduring bonds as a corner stone of it sustainable model. We use world class training institutions such as CCL, and many global and local trainers, to nurture our top talent. Overseas posting and job rotation ensures that new experiences and thinking is constantly applied to the job.

We appreciate the very positive relationships we have with numerous Investors and Stock Brokers, who show keen interest in our progress. We strive to be transparent and consistent in our conversations and disclosures, and aspire to meet and exceed the Market expectations that they indicate to us. Having risen within a short duration to be among the top twenty market capitalised listed companies, we take our obligations towards our Investor community, very seriously.

"We also see an increasing demand for Synthetics, with the many positive attributes of this fabric pointing to sustained growth in this category. We expect this growth potential to be augmented by the opening up of new market opportunities by the resumption of the GSP+ in the period ahead."

As a leading manufacturing industry, our environmental sustainability initiatives are two pronged, minimising our carbon footprint proactively espousing and spearheading environmental causes through green initiatives and Wastage Control on the other hand. The year under review also saw your Company obtain ISO 14001 certification, underpinning and endorsing our commitment to the effective environment management of our operations.

In line with our Triple Bottom Line focus, Teejay is a keen supporter of the global initiative of "Zero Discharge of Hazardous Chemicals (ZDHC) by 2020". The global action steps are reflected in our work and include the strengthening of the Chemical management process at Teejay; substituting the hazardous chemicals with more environmental friendly chemicals and establishing a cross functional team from all three entities to drive the Company's progress towards achieving this goal.

Q: WHAT ARE SOME OF THE TRENDS IN THE INDUSTRY THAT WILL IMPACT THE FUTURE?

A: We can see that the industry cycles (the entire value chain) are getting shorter by the day; and global brands prefer to manufacture as late as possible to enable better "Read and React" models. This is seriously challenging the agility of all Supply Chains.

The growing phenomenon of online apparel retailing is another which has amplified the need for shorter supply chains and delivery in smaller quantities, based on unpredicted demand.

These shifts challenge fabric manufacturers to increase the speed of processes, shorten their supply chains and increase the agility and flexibility of their operations to meet these changing market needs. Data analytics are increasingly going to help companies navigate this new world.

We also see an increasing demand for Synthetics, with the many positive attributes of this fabric pointing to sustained growth in this category. We expect this growth potential to be augmented by the opening up of new market opportunities by the resumption of the GSP+ in the period ahead. Environmental consciousness, the rise of non traditional players in the chain such as Amazon, the emergence of newer markets such as China and India, are a few others which will transform the landscape. Unpredictability, such as the case of TPP in Vietnam and so on, make it more challenging for Investors to think long term as well.

Q: ANY CLOSING THOUGHTS, INCLUDING ABOUT THE FUTURE?

A: Our strategic priorities, as enumerated on in the ensuing MD&A and last year, still remain relevant. In the year ahead we will also place greater focus on how we deliver and achieve these strategies with a view to enhancing efficiency to sustain our competitive advantage. Faster response ability and agility will be a key to sustained growth into the future as lead times will continue to become shorter.

An aggressive sales drive will also be a key strategy in tandem with the new opportunities that are expected, with GSP+. We have also identified significant untapped potential and emerging brands in both EU and the United States which we will explore.

Innovation, speed and service levels which your Company as a market leader has leveraged and will continue to enhance as key competitive advantages, will remain as priorities for sustaining growth and leadership in the industry.

Development and acquisition of technology will go hand in hand with our strategic imperatives and continue to be a key to the continuous enhancement and evolution of our processes; to ensure that they are on par with the changing requirements of the industry and that Teejay spearheads the region's fabric market through our initiatives. In this regard, we are fortunate to have a highly competent and experienced Board, and the Management team is constantly grateful for the guidance they provide us. The strategic inputs received from our two key shareholders, Brandix and Pacific, are exceptionally valuable as we navigate this turbulent industry.

Teejay's market positioning and its ability to offer complete solutions in dyeing, finishing, printing and lace dyeing together with knit solutions in Cotton, Cotton blend and Synthetics, equip it with a comparative advantage across the industry and provides an excellent platform to reach new horizons and its goal to be a $300 Million company by 2020. We remain quite excited about the journey ahead, and thank our many stakeholders for their continual partnership.

Board of Directors

From Left to Right ▶

PROF. MALIK RANASINGHE
Independent Non-Executive Director

WING TAK BIL LAM
Chairman/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

Board of Directors

WING TAK BILL LAM
Chairman/Non-Executive Director

Mr. Lam was the CEO of Pacific Textiles Holdings Limited. Mr. Lam was responsible for sales and marketing and the formulation of the overall corporate direction and business strategies for the whole Group. He carries an experience of over 40 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 Teejay Lanka PLC. Prior to joining Teejay, 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 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 its 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 and Chairman of the Advisory Committee on Garments - Export Development Board (EDB). 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 US$ 800 million. 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 Brandix Leadership Team.

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 (ACCAUK), 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. He is the Deputy Chairman, Sampath Bank PLC, Member of the University Grants Commission and Independent Non-Executive Director of Sampath Bank PLC, Access Engineering PLC. TeeJay Lanka PLC, United Motors Lanka PLC and Resus Energy PLC. He is 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 the former Chairman of the Sri Lanka Banks' Association (Guarantee) Ltd. He was also the Managing Director of Commercial Development Company PLC, a Public Quoted Company listed in the CSE and was the Chairman of Commercial Insurance Brokers (Pvt) Limited. He was also nominated to the Board of Sri Lankan Air Lines during 2002–2004 by the Government of Sri Lanka. On his retirement, Mr. Gooneratne, assumed duties as Managing Director of Melstacorp Limited, which was the strategic investment arm of the Distilleries Company of Sri Lanka PLC. 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 PLC which are subsidiary companies of Melstacorp PLC. 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 (Not in the picture)
Non - Executive Director

Mr. Wai Loi Wan, is the Chairman of Pacific Textiles. Mr. Wan is responsible for Production and formulation of the overall Corporate Direction and Business Strategies of the whole group. Mr. Wan has over 44 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 (Not in the picture)
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 38 years of experience in the textile industry. Mr. Tsang obtained a MBA degree 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 Standing

SANJAYA BASNAYAKE
General Manager - Production, Dyeing & Finishing

HAREAN HETTIARACHCHI
Deputy General Manager - Strategic Business Initiatives & IT

ISHAN DE SILVA
General Manager – Sales

HEMANTHA MANNAPPERUMA
Deputy General Manager – Group Internal Audit

ZHU HUA JEFF
Senior General Manager - Dyeing and Finishing

UPUL NALLAPERUMA
General Manager - Teejay India Operations

JANAKA NANYAKKARA
General Manager – Works HR

SALMAN NISHTAR
Chief Financial Officer

From Left to Right Sitting

PAMODA KARIYAWASAM
Deputy General Manager - Finance

RODNEY ARLAND
Chief Operating Officer - Marketing and Business Development

PUBUDU DE SILVA
Chief Operating Officer - Operations

SRIYAN DE SILVA WIJEYERATNE
Managing Director/ Chief Executive Officer

MOIZ REHMANJEE
Chief Operating Officer – Commercial

SAMADHI WEERAKOON
Deputy General Manager - Corporate Communication and CSR

Leadership Team

SRIYAN DE SILVA WIJEYERATNE
Managing Director/ Chief Executive Officer

Mr. Wijeyeratne is the Managing Director/ Chief Executive Officer of Teejay Group. (Refer page 24 for the full profile).

PUBUDU DE SILVA
Chief Operating Officer - Operations

Mr. De Silva has over 27 Years experience in the Apparel and Textile Industry of which 17 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 Teejay Group.

Prior to joining Teejay 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 20 years in the industry of which he has spent 8 years in managerial positions. He joined Teejay in 2001 and is responsible in overlooking marketing, business development and merchandising for Teejay Group. 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.

late JANAKA GAMAGE (Not in the picture)
Chief Operating Officer – Engineering, Planning & Special Projects

Mr. Gamage was responsible for Engineering, Planning and Special Projects for the overall company. He was the former CEO of Teejay Lanka Prints (Pvt) Ltd [Formerly known as Quenby Lanka Prints (Pvt) Ltd] and moved to the company with the acquisition of it. He has been in the Brandix Group for over 12 years as CEO for other business units such as T & S Buttons and A & E Thread. He carried experience of over 19 years including banking, primary dealing and manufacturing. He held a BSc degree in Electrical and Electronic Engineering from the University of Peradeniya and was qualified in CIMA.

MOIZ REHMANJEE
Chief Operating Officer – Commercial

Mr. Rehmanjee has over 19 years experience of which over 12 years has been in Senior Managerial positions in the 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 Teejay 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, Chartered Institute of Management Accountants (UK) and Association of Chartered Certified Accountants (UK). Prior to joining the Company he had held positions 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 27 years in the industry of which he has spent 19 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, Dyeing & Finishing

Mr. Basnayake has total work experience of over 22 years in the industry of which he has spent over 14 years in managerial positions. He is responsible for special projects, 5S & Lean manufacturing and giving technical support to all three Companies in the Group.

Prior to joining the Company, he was a senior executive at Hayley's-MGT Textiles PLC. He has an NDT in Textile & Clothing Technology from the University of Moratuwa, a Diploma in Management from Open University of Sri Lanka, and 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).

He has been assigned to Teejay India in year - for technical assistance and continues his responsibilities as of now while assigned Teejay Lanka Prints as well.

SALMAN NISHTAR

Chief Financial Officer

Mr. Nishtar holds over 11 years of professional experience in the field of Finance.

Following the launch of his career at Ernst & Young Chartered Accountants, Sri Lanka, Mr. Nishtar continued to take up position as Chief Financial Officer at American & Efird Bangladesh and Teejay Lanka PLC. His current role at Teejay Group includes leadership and key responsibilities in the fields of overall financial management, annual strategic planning and working capital management.

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

PAMODA KARIYAWASAM

Deputy General Manager – Finance

Mr. Kariyawasam has over 12 years work experience in the field of Finance of which nine years in apparel/textile industry. He started his career at Unilever Sri Lanka Limited and continued to take up position as Financial Controller at Teejay India Private Limited [Formerly known as Ocean India (Pvt.) Ltd].

Currently he is responsible for the overall management accounting function at Teejay Group which includes Long range strategic planning, annual business planning, inventory management, and 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 Teejay Lanka PLC. She has been in Merchandising and Business Development at Teejay for almost 15 years. Before joining Teejay she was working in advertising field based at Bates Strategic Alliance. She holds a BSc degree in Marketing from University of Jayawardhanapura and MBA from 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 Teejay. 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 Teejay, he worked for Microsoft for almost a decade in different roles;

Leadership Team

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.

ISHAN DE SILVA
General Manager – Sales

Mr. De Silva is the General Manager - Sales and is responsible for managing a Strategic European customer of Teejay Lanka PLC. Prior to joining Teejay Lanka, 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 17 years of experience in the textile and accessory field. He was also attached to Asia Securities, John Keells Stock Brokers and Suntel Ltd in early years of his career spanning over 7 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

HEMANTHA MANNAPPERUMA
Deputy General Manager – Group Internal Audit

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

He has spent over 5 years in Textile Industry as an employee of Teejay. Prior to joining Teejay, Mr Mannapperuma had held Senior Managerial positions in the Cooperative Insurance Company where he held the post of ICT Manager and at Ceylon Tobacco Company where he performed many roles such as Internal Auditor, Master Scheduler, ICT Business Area Manager, Business Excellent Consultant, MRP Program Manager, ERP and Supply Chain Consultant (attached to Advent International, a subsidiary of Ceylon Tobacco) and Business Excellence Delivery Manager during a stint of 12 years.

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

UPUL NALLAPERUMA
General Manager – Teejay India Operations

Mr. Nallaperuma is responsible for overall operations at Teejay India Private Limited since 2013. He joined Teejay (Teejay Lanka) in the year 2002 and counts experienced over 15 years.

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

JANAKA NANYAKKARA
General Manager – Works HR

Mr Nanayakkara heads the Human Resources team at Teejay and holds the designation of General Manager - Works HR. He joined Teejay in April 2017 on retirement from the Sri Lanka Air Force (SLAF) after twenty-nine years of distinguished service. He held the rank of Air Commodore at the time of retirement from the SLAF. He possesses National Diploma in HR from IPM (SL) and a MBA from the Australian Institute of Business.

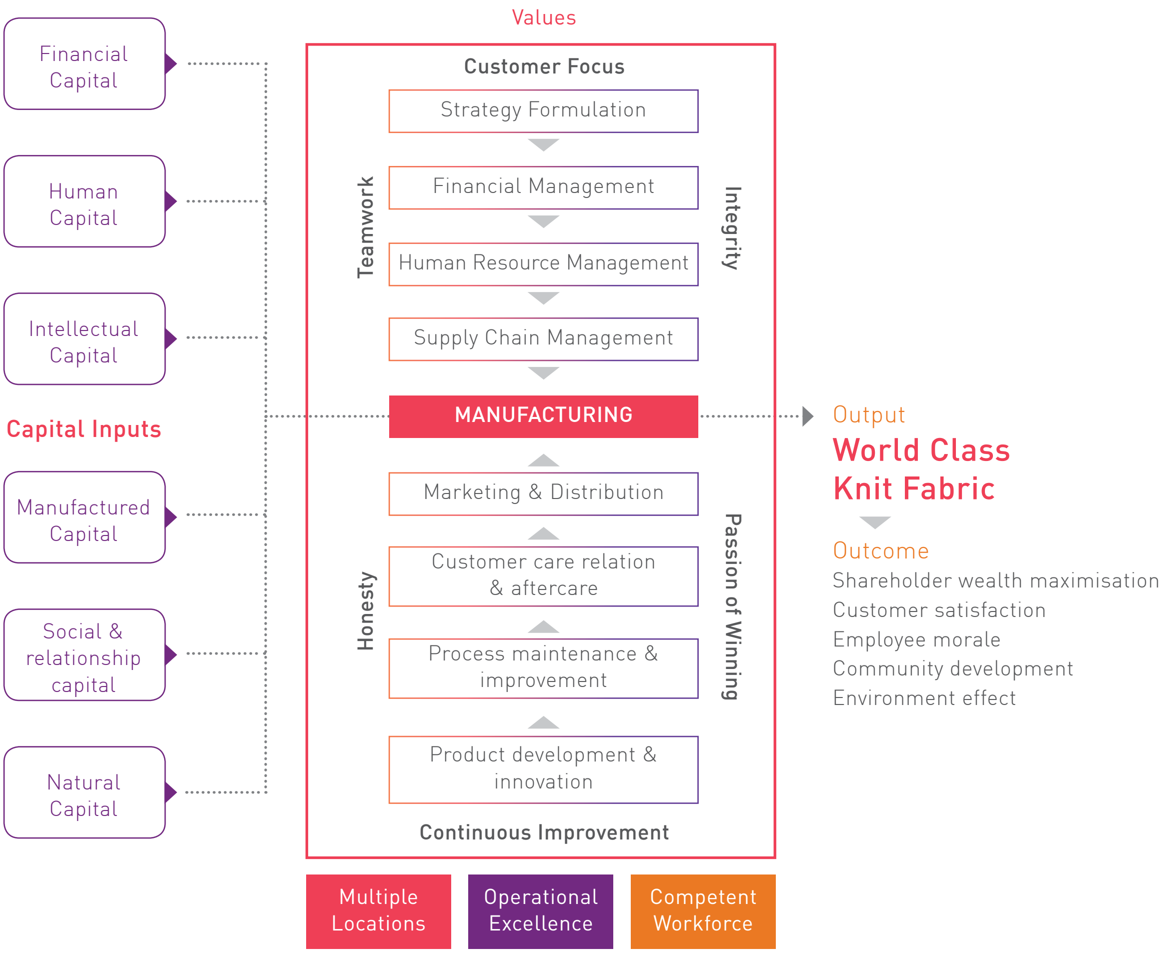
He is an old boy of S Thomas' College Mount Lavinia.

MANAGEMENT DISCUSSION & ANALYSIS

Overview

OUR VALUE CREATION PROCESS

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



As detailed above, the six capital inputs are transformed into one key output - world-class knit fabric, which results in a positive outcome for our key stakeholders, namely shareholders, customers, employees, the community and the environment. Overall, the value creation process is supported by our underlying values of customer focus, integrity, honesty, passion for winning, continuous improvement, and teamwork. Our key pillars, namely our multiple locations, operational excellence and a competent workforce are the strategies through which value is created.

STAKEHOLDER ENGAGEMENT

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

Primary Stakeholders	Level of Engagement	Mode of Engagement	Frequency
Community	To uplift the living standards and provide infrastructure of the main social institutions and protect the environment in the vicinity	CSR Initiatives	Quarterly, plus situation based
Shareholders	Awareness build up and service	AGM	Annual
		Annual Report	Annual
		Quarterly Financial Statements	Quarterly
		Company Website	Online
		CSE Website	Online
		Investor Conference call	Quarterly
		Investor Forums	Annual, Ad hoc
		Investor Meetings	Monthly, Ad hoc
Banks & Financial Institutions	Relationship build up and Information sharing	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, Annual
		Employee Rewards – Reach Live	Bi-annual
		Reach Beyond	Continuous
		The Welfare Shop	Annual
		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 (Service/Quality)	Quarterly
Brands	Service/Relationship Building	Quarterly New Product Presentations	Quarterly
		Customised Brochures	Quarterly
		Innovation Week	Bi-annual
Suppliers	Service/Relationship Building	Supplier Reviews	Monthly
		Supplier Visits	Quarterly

Overview

OUR STRATEGY

In consideration of the strengths and weaknesses of the organisation, and the prevailing risks, opportunities and trends both locally and internationally, the following are the strategies we consider as imperative towards enhancing and creating sustainable value in the years ahead. Based on a Triple Bottom Line approach, the Company's business model is better evaluated through the integrated approach of this report, addressing performance in a wider scope, by not simply referring to financial performance, but also reflecting the social and environmental aspects of value creation.

Key Strategic Imperative	Relevance	Action in 2016/17
Consolidation of 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.	Consolidation of the three companies to create a strong entity with a regional presence. Expansion of capacity to ensure regional growth.
Capacity Expansion	Harnessing benefits of economies of scale.	Launched USD 15 Mn capacity expansion project at Teejay India. Phase I is now completed with an addition of 9 tons to current capacity. Phase II is in progress, targeted to reach completion during the next financial year, with a further 10 tons to be added to capacity. Knitting segment capacity expansion at Teejay Lanka was initiated during the year.
Speed of Delivery	Speed of delivery is becoming increasingly more critical to sustain competitive advantage in an industry with fast turnaround times.	Development of speed models for high volume speciality products – to be implemented for selected brands. Creating speed models for leading global online brands.
Synthetic Project	Offering synthetic solutions from Sri Lanka and the region	The first commercial production of synthetics was launched during the year. Penetration into different synthetic ranges in the current market. Hiring a consultant on synthetic production.
New Product Development	Essential for growth in a fast-changing industry of fashion often led by constant creativity of solutions.	Launched the world's first Carbon Neutral fabric product. Three new exclusive products were launched for CK. Offering syro products for brands.

Key Strategic Imperative	Relevance	Action in 2016/17
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	Penetrated further into the high value range of multiple customers Penetration into the online business.
New Fabric Technology	Lace Dye Smart Textiles	This technology was fully established in India. Smart Textile projects continue to be conducted in partnership with the University of Peradeniya.
Enhancing Energy Efficiency	Energy costs account for a high percentage in the fabric manufacturing industry, and at Teejay Lanka 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 is enabling a cost saving.
Continuing to Strengthen and Leverage Strong Relationships with all our Stakeholders	Partnering with leading international brands who are clients, end customers, our employees and society at large in Sri Lanka, are 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. Teejay 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.

Overview

INDUSTRY ENVIRONMENT

As an organisation whose core business is in the manufacture of fabric, Teejay Lanka PLC is subject to impacts from external forces, including the domestic apparel manufacturers, government, supply chains and foreign retailers. Amid a challenging environment, the Sri Lankan Apparel, textile and leather industry reported a decline of 0.2% in 2016.

The output of the textile subsector grew by 2.6%, fuelled by the increase in domestic market demand, with imports of textiles and textile articles amounting to USD 2.7 Bn in 2016. These imports, available at a lower cost, impact unfavourably on domestic textile manufacturers, thus highlighting the importance of the sub-sector in enhancing capacity and producing value-added textiles, enabling potential efficiencies in cost and lead time. As import substitutes, local fabric manufacturers would be able to leverage on the potential growth of the apparel industry, while enhancing domestic industrial activities and positively contribute towards the country's foreign exchange.

The wearing apparel sector, on the other hand, witnessed a contraction of 2.4% in 2016, attributed to the decline in export demand from the USA and the European Union. However, in spite of the reduction in demand from the traditional markets, a growth in garment exports was experienced during the year from more non-traditional markets such as Canada, China, Australia and the UAE.

With the introduction of the GSP+ facility, the industry's outlook is expected to be more positive in the coming years. The apparel industry has more potential to grow and develop, with the resulting increase in exports to the EU.

The Sri Lankan apparel sector continues to be an attractive destination for high quality products, upholding high ethical practices, with a commitment to international best practices in labour and environmental conservation. Focus on innovation and sustainable practices encompass all aspects of production, supply chain, and human resources. Therefore the country is well-positioned to leverage on its logistics infrastructure, geographical position, skilled workforce and niche position as a high-quality supplier, to become a stronger regional apparel trade hub in the coming years.

HIGHLIGHTS FOR THE YEAR

The year under review recorded an excellent performance in spite of a challenging environment, powered by product innovations, capacity expansion, cost control initiatives, and our ever-growing product portfolio.

- The Teejay Group achieved a net profit of Rs. 2 Bn during the year under review.
- Total revenue grew by 24% during the year, amounting to Rs. 22 Bn.
- The Group underwent rebranding as Teejay, bringing a common branding to all three entities (Teejay Lanka PLC, Teejay Lanka Prints (Pvt) Ltd, Teejay India Pvt Ltd).
- Completed Phase I of capacity expansion at Teejay India, increasing capacity by 9 tons.
- Acquisition of a state-of-the-art printing machine for Teejay Prints, creating new avenues for growth.
- Embarked on the first commercial production of synthetics during the year, signalling immense growth potential.
- The launch of the world's first Carbon Neutral fabric.
- Obtained ISO 14001:2004 certification during the year.
- Received OSHAS certification.
- Dividends proposed per year per share was improved from Rs. 1.60 to Rs. 2.25.
- The Company recorded its highest ever share price since the IPO, reaching Rs. 47.8 during the year.
- The Company was recognised in the Forbes list of Asia's 200 Best Under a Billion.

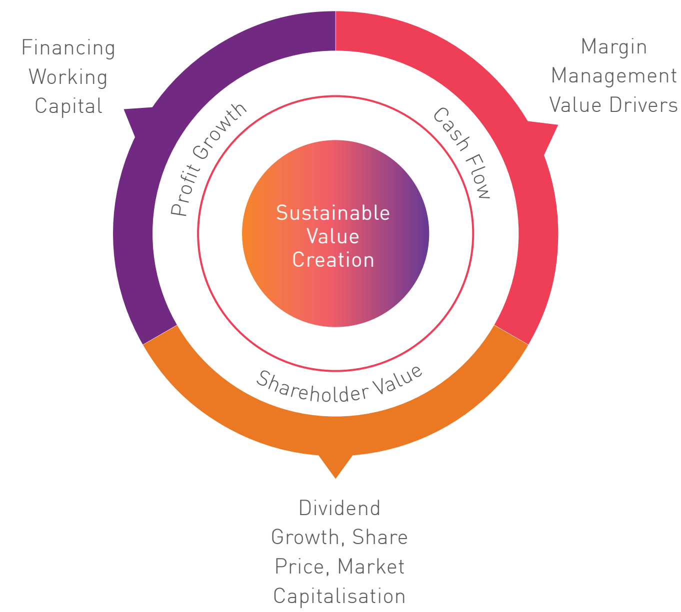
- International Dyer and Finisher of the Year for the third consecutive year (Silver) – awarded by World Textile Awards, UK.
- Awarded Best Green Reporter of Tier 3 in 2016 by the Ministry of Mahaweli Development & Environment.
- Recognised as one of the Top 30 Companies in Sri Lanka by Business Today.
- Bagged 7 awards including 6 Gold awards and 1 Silver award at the National Business Excellence Awards.
- Teejay Prints won the Silver award for Social Dialog and Work Place Cooperation 2016.
- Teejay India was listed under the Top 4 at the Parivarthan Awards - Sustainability Leadership.
- Teejay Lanka PLC was included to the S&P, SL 20 index.
- Teejay Lanka among top 20 Listed companies (Based on Market Capitalisation).

The launch of World's First Carbon Neutral Product


Obtaining ISO 14001:2004 Certification

Financial Capital

The Company's financial capital plays a significant role in creating sustainable value for our stakeholders, as shown in the diagram below.

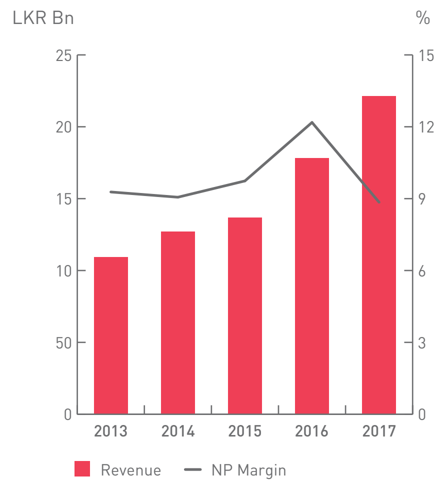


REVENUE

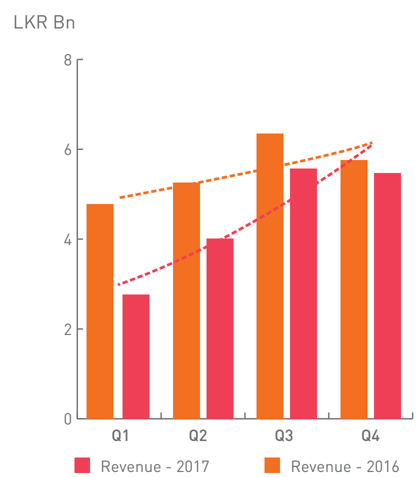
Teejay's top-line continued in its upward trajectory during the financial year 2016/17 with total revenue increasing by 24% year-on-year to Rs. 22.1 Bn. The growth in revenue was driven by multiple factors, namely the acquisitions of Teejay Prints and Teejay India which were fully consolidated during the year, and through the increase in revenue through the sales generated by the Company's synthetic project during the financial year. Consolidation of the two subsidiaries contributed Rs. 6.4 Bn of the year's turnover. Both subsidiaries, since consolidation, functioned at almost full capacity which contributed to the increase in turnover. The revenue was further impacted as a result of softer demand in the market which saw selling prices challenged during the course of the year.

Revenue at Teejay Lanka grew by 11% year-on-year to reach Rs. 15.7 Bn. Revenue on a standalone basis was boosted due to the investments made in synthetic production and operating efficiencies increasing overall output during the year. However, given the state of flux in the global economy at present, strategies and process were also implemented in order to identify better mixes in revenue which would strengthen the order book to continuously improve revenues for the Company. The Company will respond with necessary measures if and when required to ensure sustained growth in profits.

REVENUE VS NP MARGIN



GROUP REVENUE - QUARTERLY



OPERATING INCOME

Gross Profit

The Group's Gross Profit improved by 3% as against the previous year. The increase from Rs. 3.0 Bn to Rs. 3.1 Bn stemmed from the increase in revenue within the Group.

However, the reduction in the Gross Profit margin from 17% to 14% was driven by the increase in cotton yarn prices resulting from the increase in global cotton prices. During the year, the increase in cotton prices neared high double-digit percentiles over a period of 9 months, and these conditions remained unchanged, making cotton the most significant profit dilutor in the second half of the financial year. The cotton prices are envisaged to remain at these high prices leading up to the third quarter of the new financial year.

The competitive market conditions and the unprecedented price swings posed a challenge to the Group in terms of selling prices and margins which trickled down to the Gross Profit margins. In addition, there was an impact to the Gross Profit due to the non-availability of coal during the third quarter.

In addition, with the acceptance of additional lower price and lower margin orders in our preparation for expansion and growth, we experienced a few instances where the cost of failures impacted Gross Profit.

Operating Profit

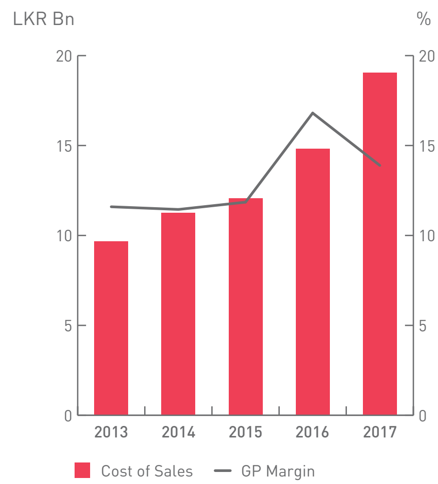
Operating Profit for the year decreased from Rs. 2.2 Bn to Rs. 2.0 Bn, marking a 9% decrease from the previous year. The increase in distribution expenses and administration expenses was mainly attributable to the cost of consolidation of the two subsidiaries. In addition, strategic strengthening of the team in bench strength, an increase in training and development costs and costs applicable to stabilising future revenue contributed to the increase in expenses. We also incurred one off costs in our rebranding exercise, which is non repetitive. Other than the increase in overheads due to consolidation and attracting the relevant talent to the Group, overheads were contained during the year due to the Teejay Group's philosophy of controlling costs.

Net Profit

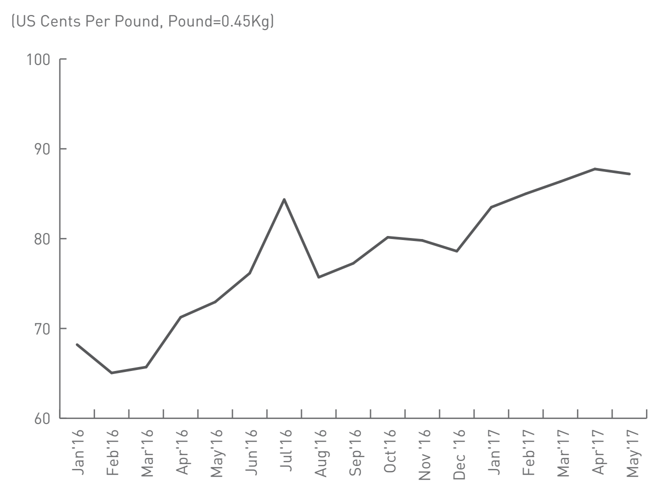
Despite the unprecedented volatility that existed in the market and double digit percentage increases in the price of cotton, the Teejay Group achieved Rs. 2.0 Bn during the year under review, indicating a high single digit reduction in net Profit in comparison to the previous year.

Teejay Lanka saw the end of its tax holiday during the current financial year and as a result, income tax expense for Teejay Lanka increased from Rs 57.4 Mn to Rs 135.4 Mn. Teejay Lanka, in addition to the two subsidiaries are now liable for income tax. The Group income tax saw a reduction however, as the deferred tax assets were recognised due to the tax losses carried forward in the subsidiary companies.

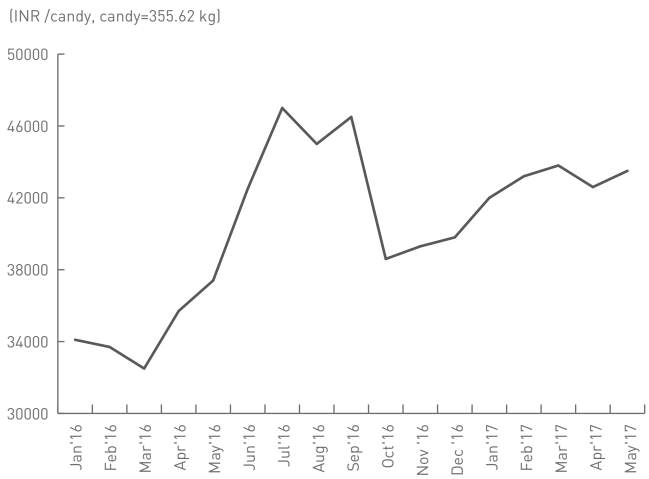
COST OF SALES VS GP MARGIN



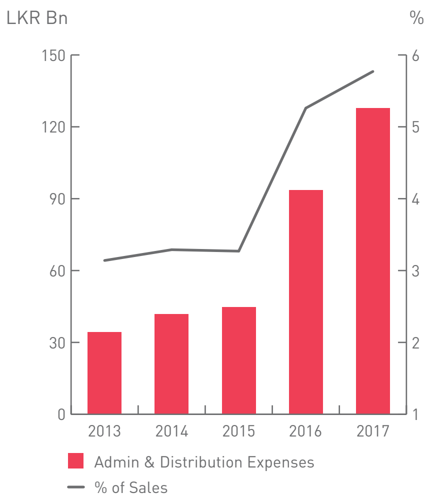
US COTTON PRICES



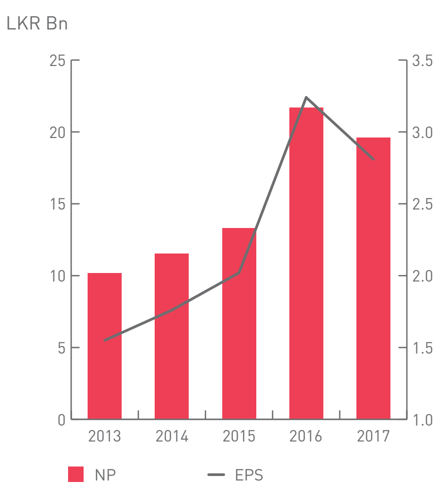
INDIAN COTTON PRICES



ADMIN & DISTRIBUTION EXPENSES



PROFITABILITY



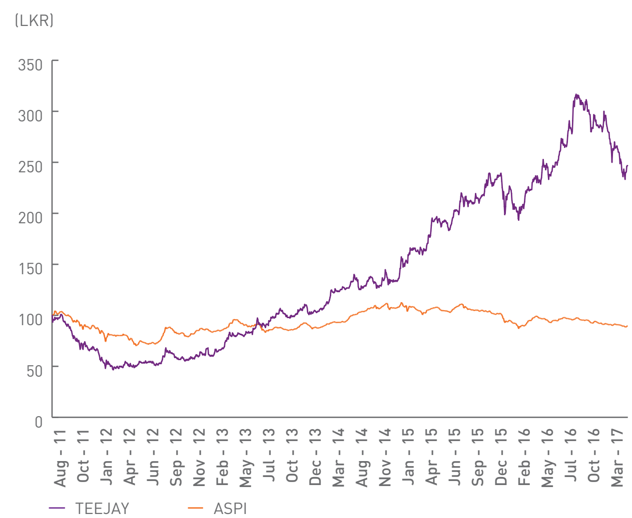
Shareholder Value

The Company recorded its highest ever share price of Rs. 47.8 since the Initial Public Offering during the current financial year, and continued to improve upon proposed dividend payment, increasing the value from Rs. 1.60 to Rs. 2.25 per share. Moreover, the dividend payout ratio of 71.3% is well above the 33.3% minimum payout policy, signifying our commitment to generating value to our valued shareholders.

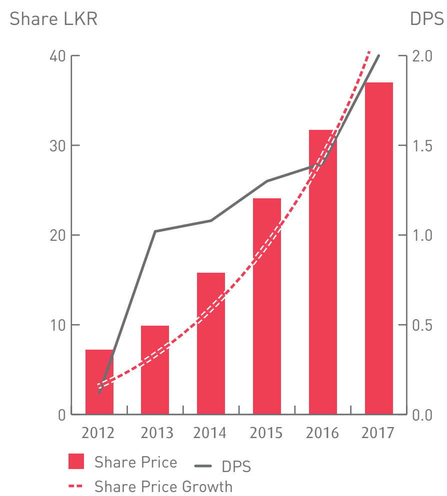
Since Listing	Rs.
Highest Traded Price on 04th Oct 2016	47.8
Lowest Traded Price on 14th Mar 2012	7.0
2016-17 Year	**Rs.**
Highest Traded Price on 04th Oct 2016	47.8
Lowest Traded Price on 01st April 2016	31.8

The dividend yield as at the year-end stood at 5.4%, in addition to the share price appreciation from Rs.31.7 to Rs. 37.0 during the year, reiterating a strong return to shareholders during the Financial year.

SHARE RETURN SINCE IPO



SHAREHOLDER VALUE



WORKING CAPITAL

Working Capital Efficiency

The Company closed the Financial year with a cash balance of Rs. 2.7 Bn due to the efficient utilisation of working capital during the year. The reduction in creditor days was a result of the settlement of an intercompany loan which was prevalent in the previous year. Debtor days saw an increase due to a change in the mix of the customer portfolio during the current year, which will be streamlined in the coming financial year. Despite the cash outflow for the synthetic project and a 43% increase in dividends, the Group closed with a strong balance sheet for the Financial year. This is a result of the close follow-up and monthly monitoring of the inventory days and debtor days, a practice which has been ingrained into Teejay Lanka's management approach from inception.

However, the non-current liabilities saw an increase as the Teejay India expansion was carried out utilising debt. Following rigorous evaluation and assessment, this was deemed the most financially feasible option that is currently available, and therefore the Group decided to carry out its expansions in India via non-current liabilities. As a result, financial costs for the year has increased from Rs. 33.8 Mn to Rs. 70.4 Mn during the Financial year.

Fixed Capital Efficiency

During the current Financial year, Return on Assets saw a decrease from 18.3% to 12.3% year-on-year, and Return on Equity too decreased from 25.3% in the previous year, to 18.4%. With the investments in the synthetics segment and the expansion in Teejay India yet to yield its full potential as the two projects were capitalised mid-year, the two ratios indicate a reduction from the previous year, mirroring the turbulent market conditions that were experienced during this financial year.

RETURN ON ASSETS AND EQUITY

Manufactured Capital

As an organisation whose core business activity is the manufacture of fabric, manufactured capital plays a key role in our value creation process. Therefore during the Financial year, Teejay embarked on a series of capacity expansion projects, with the view of enhancing the manufacturing capabilities of your Company, thus increasing overall productivity.

While we significantly expanded on our manufactured capital through our recent acquisitions, the year under review saw us develop this further, as we commenced expansion of Teejay India during its first year of operations as part of the Group. The last quarter of the year saw the completion of Phase I of this USD 6Mn expansion project, augmenting the current capacity by 10 tons. Phase II of this project is currently underway and is expected to increase capacity by an additional 10 tonnes by the end of the next fiscal year. This project, detailed below, is anticipated to increase capacity for the dyeing and knitting segments of Teejay India's operations.

Phase	Expansion Plan	Status
Phase 01 – 10 tons	2 stenters	Complete
	5 bulk dyeing machines	
	1 compactor & 1 Slitter	
	Compressors, Steam Boiler & Thermic Boiler	
Phase 02 – 10.1 tons	30 knitting machines	Completion in end of Quarter 2
	6 dyeing machines	
	2 stenters	
	Slitter with bio wash	

Teejay Lanka also embarked on a project to increase capacity. With the objective of expanding on the knitting segment, installation of new knitting inspection machines is currently underway, and will be completed in the coming months. Plans are also in place to increase the dyeing and finishing capacity at Teejay Lanka.

A state-of-the-art digital printing machine was acquired by Teejay Prints and installed during the year. The Company is currently progressing with production, with bulk orders in place.

The year 2016/17 marked the successful commercial production of synthetics, with 1.5 tons of fabric produced per day (35,000 metres a week). This is considered a high-growth segment, and with the GSP+ concession being introduced, plans to expand the synthetics segment by another 6 tons are being formulated, and are expected to be implemented in the future.

The table below shows the change in value of our manufacturing capital in comparison to the previous fiscal year:

Change in Value of our Manufacturing Capital				
	2015/16		2016/17	
	Group Rs. '000	TJL Rs. '000	Group Rs. '000	TJL Rs. '000
Plant & Machinery	3,074,616	1,719,998	3,923,394	2,042,103
Buildings	2,572,808	1,324,516	2,585,603	1,339,350
Land	260,920	99,894	253,855	98,852

In order to address the many opportunities for growth we anticipate, your Company continues to look towards enhancing manufactured capital in the future, through further acquisition of new machinery, upgrading existing facilities, and seeking more sustainable methods of manufacturing.

Synthetic Facility

Acquisition of a State-of-the-art digital printing machine to Teejay Prints

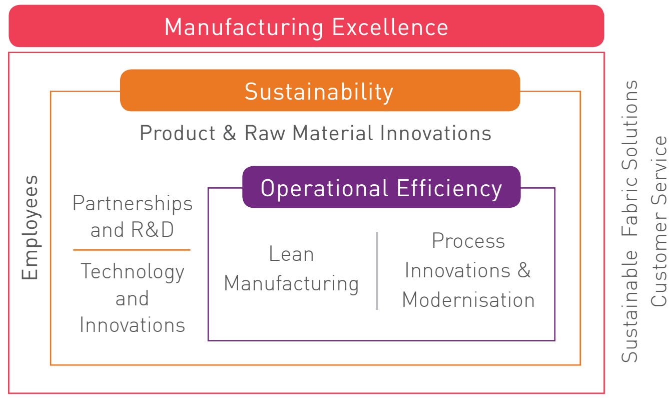
Intellectual Capital

Intellectual capital pertains to the knowledge available within an organisation, and is essential to maintaining a competitive edge over other players. This includes intellectual property, processes and systems, and tacit knowledge, which contribute towards the organisation's value creation process.

A key focus during the year was the rebranding of all three entities of the Group under the brand 'Teejay'. Illustrating the seamless integration of the previously acquired organisations into the Group, the branding also reflects the youth and dynamism of our energetic and passionate team, and our brand DNA with its interwoven strands is testament to our driving force – creating enduring bonds. The brand identifies with our vision to evolve and expand, and our plans to create sustainable value in the years to come. We consider our brand identity to contribute significantly to our intangible capital, and as such have placed a value on the brand by monetizing it to our subsidiary in India.

Textured Jersey announced its change of name to Teejay

On our journey towards manufacturing excellence, our product and process innovations play a key role, as shown in the diagram above. Therefore, during the year, we focused on further improvement in these areas, as discussed in the following pages.



Process Innovation

Processes and systems are integral component of our intellectual capital, and in order to improve efficiency and productivity, the Group adopted the Lean Manufacturing approach, and re-engineered processes in our quest to achieve operational excellence. Starting with 5S, the journey completed its first year during the financial year, and is going forward in the next year with quality circles. These will enhance the awareness levels on cost control, efficiency improvements and productivity among the workforce, driving better margins. In addition, at Teejay Lanka and Teejay India the packing machine process was improved to reduce waiting time, thus increasing productivity.

5S Journey: Launch Ceremony

As a result of these initiatives to reduce cost and improve productivity, single jersey machine efficiency was increased from 73-74% to 85%, while improvements have been made to the colour lab to decrease lead time, and increase accuracy of colour predictions. Similarly, with the concept of Lean Manufacturing, inspection occurs on-line, rather than at each stage, reducing waiting time.

A dedicated team has been formed to further pursue and improve upon the practice of Lean Manufacturing. As part of the efforts towards creating a culture of commitment to excellence, 5S and Kaizen initiatives have also been adopted throughout all levels of the organisation.

Product Innovation

Teejay is currently the only local manufacturer equipped to manufacture synthetic fabric, providing us with an edge over our competitors. We anticipate that in the coming years, technology will significantly impact process improvements, and be a means of improving and sharing business intelligence, thus playing an increasing role in our strategic imperatives. Thus we plan to increase our investment in cutting-edge technology and R&D in order to fuel growth in the future.

Certifications, Awards & Accolades

In recognition of our efforts towards sustainable business practices and operational excellence, your Company received the coveted ISO 14001 Certification for Environmental Management Systems during 2016. The Company has been Fairtrade certified since 2013, and ISO 9001 certified since 2008. In addition, the following awards and accolades were received during the year under review:

International Dyer and Finisher of the Year 2016 – Runner Up (Silver)	World Textile Awards	Teejay Lanka
Forbes : Asia's 200 Best Under a Billion	Forbes	Teejay Lanka
Top 30 on Business Today FY 2015/16 : 27th Position	Business Today	Teejay Lanka
Excellence in Performance Management - Winner / Gold Award	National Chamber of Commerce of SL	Teejay Lanka
Excellence in Corporate Governance - Winner / Gold Award	National Chamber of Commerce of SL	Teejay Lanka
Excellence in Local Market Reach - Winner / Gold Award	National Chamber of Commerce of SL	Teejay Lanka
Excellence in Capacity Building - Winner / Gold Award	National Chamber of Commerce of SL	Teejay Lanka
Excellence in Corporate Social Responsibility - Winner / Gold Award	National Chamber of Commerce of SL	Teejay Lanka
Excellence in Environment Sustainability - Runner Up / Silver Award	National Chamber of Commerce of SL	Teejay Lanka
Manufacturing : Apparel, Textile and Leather Products - Winner / Gold Award	National Chamber of Commerce of SL	Teejay Lanka
The Best Green Reporter of Tier 3 in 2015 (The National Green Reporting System of Sri Lanka)	The Ministry of Mahaweli Development & Environment	Teejay Lanka
Obtained ISO 14001:2004 Certificate	Environment Management System	Teejay Lanka
Got Certified Under OHSAS 18001:2007 Compliance	Occupational Health and Safety Assessment Series	Teejay Lanka
National Award for HR Best Practices 2016 (under category-C)	National Institute of Personal Management (NIPM), Mumbai	Teejay India
Gold Award for QC & PST Case Study	Quality Circle Forum of India (QCFI), Visakhapatnam	Teejay India
Excellent Award for QC & PST Case Study	National Convention on Quality Circles (NCQC), Raipur	Teejay India
Silver Award (2nd Place) for Best Safety Practices 2016 (under category-E)	National Safety Council of India (NSCI), Mumbai	Teejay India
Parivarthan Awards - Sustainability Leadership : Listed under Top 4	Parivarthan Sustainability Leadership Awards 2016	Teejay India
Social Dialogue and Work Place Cooperation 2016 - Silver Award Winner	The Dept. of Labour and Industrial Relations	Teejay Prints

Recognition Under Forbes

Kings of the Night – NBEA 2016 with 7 Awards

Teejay Prints Awarded at SD Awards 2016

NATIONAL INSTITUTE OF PERSONNEL MANAGEMENT
Southend Conclave, Tower Block, 3rd Floor, 1582, Rajdanga Main Road, Kolkata-700 107
Phone : (033) 2441 7254 / 7255, Fax : 91-033-2441 7256
E-mail : info@nipm.in, Website : www.nipm.in

CERTIFICATE OF MERIT

On the auspicious occasion of the 35th Annual National Conference & Exhibition - 2016, National Institute of Personnel Management is pleased to award the

WINNER TROPHY

To

Ocean India Private Limited

as Winner under **Category – 'C'**, in the competition of
National Award for HR Best Practices - 2016

P. C. Panigrahi
Chairman

Somesh Dasgupta
National President

National Award for HR Best Practices 2016 for Teejay India

Brand Re-Launch highlights

Chairman addressing the gathering at the brand Re-Launch

Internal Brand Launch - Teejay Lanka Prints

Internal Brand Launch - Teejay India

Internal Brand Launch - Teejay Lanka

A New Beginning as 'Teejay'

Human Capital

Our human capital drives our success as an entity, and therefore is a key element of our value creation process. As reflected by our brand identity, our team consists largely of youthful, passionate and energetic individuals, brimming with enthusiasm, and a spirit of collaboration. Our brand personality also reflects this, with our underlying traits identified as being committed, approachable, passionate and progressive in our pursuit of excellence.

We place immense value on our human capital, as they are the key factor in our achievement of high levels of product quality, innovative solutions, speed of delivery and the strong relationships we have forged with our customers over the years. Their untiring efforts, knowledge and skills have brought us to where we are today, a leader in the fabric manufacturing industry enjoying a regional presence, in partnership with an internationally renowned clientele.

The Company's objective is to nurture employees that are knowledgeable and socially responsible, with competencies far surpassing global standards. In order to enhance the capabilities of our human capital, our HR Management Process focuses on six primary pillars as shown below.

Employee Engagement

We encourage a culture where professionalism takes precedence over position, with minimum bureaucracy, encouraging flexibility and agility. At Teejay, the concept of the 'open-door' policy is further expanded on to become a 'no-door' policy, encouraging collaboration, dialogue and participation both cross-functionally, and at different levels. As mentioned previously, we have been externally endorsed for our HR practices and achievements during the year. Teejay Prints and Teejay India were awarded Social Dialogue and Work Place Cooperation (Silver) and the National Award for Best HR Practices (Category C) respectively.

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

As mentioned previously in this report, the integration of the three entities during the previous year took place successfully. This seamless integration reflects the confidence placed in us by our employees, in addition to the high levels of employee satisfaction.

Teejay also engages in various team-building measures and initiatives every year, through both formal and informal channels. These include the company newsletter, CSR activities, staff trips, social events, musical shows, sports activities and religious functions. A few key events that took place during the year are shown on the next page.

Runner-Up at Rasadiya Volleyball Tournament

Vesak Celebrations at Teejay

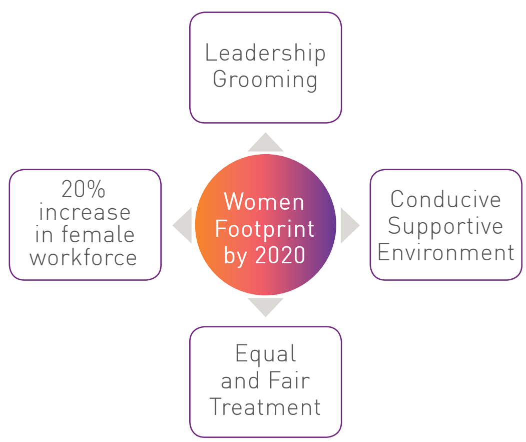
The Annual Excursion: Koggala Long Beach

TJPL 2016

Workplace Diversity

At Teejay, beginning from the point of recruitment, we are committed to creating diversity in the workplace. Our employees encompass all aspects of ethnic, religious, gender, physical and cultural diversity in addition to providing a unique mix of knowledge and skills to the organisation. Your Company believes that a diverse workforce can offer a wider range of talent, with increased capacity for innovative ideas, thus fostering a spirit of growth.

The organisation is also taking measures to increase the number of women in the workforce, in a move to improve diversity. Last year saw the Company launching the 'Women Footprint' initiative for 2020 for the first time, addressing a number of areas material to women in the workplace. Various programmes have been formulated and steps are in place to reach these goals by 2020, with the Company continuously encouraging these initiatives throughout the year.

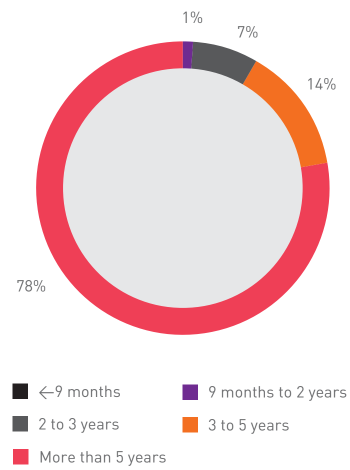


Our high retention rates (which are well above the industry average) and low absenteeism reflect overall employee satisfaction, and is a testament to our continued commitment to the well-being of our staff. We continue to focus on nurturing our talent, by attracting and developing the right mix of knowledge, skills and competencies that would ensure our vision for your Company is achieved. Therefore training and development of staff is a priority across the Group, while recruitment and selection criteria are also influenced by emerging trends and the changing business environment. This enables us to build a pool of talent that would ensure the organisation remains competitive in the years to come.

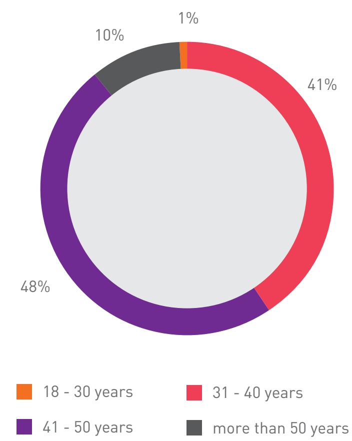
International Women's Day celebrations at Teejay Sri Lanka

International Women's Day celebrations at Teejay India

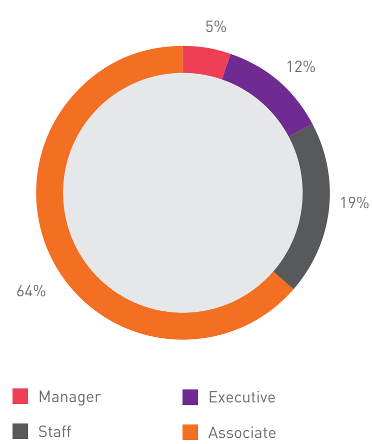
EXPERIENCE BY YEARS

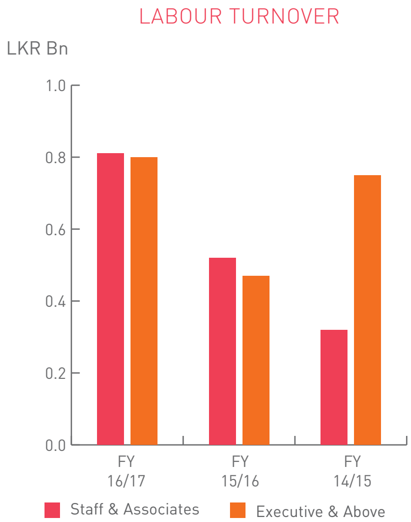


AGE BY YEARS



MANNING HEAD COUNT





Training & Development

At Teejay, we believe in developing the knowledge of our Human Capital, thus we adopt a range of training and development initiatives to develop the knowledge and skills of our workforce. Throughout all levels of the organisation, the Company's key focus areas are in education, training, and fostering a culture of continuous learning.

During the year under review, Teejay partnered with NAITA, providing a year of on-the-job training for youth who profess an interest in the fabric manufacturing industry. During this period, the trainees will be exposed to nearly every aspect of production, and will undergo a wide scope of training. On completion of the training period, successful trainees are absorbed into the permanent workforce.

The 'Teejay Academy', as the training arm of Teejay Lanka, continued to conduct training for all employee categories during the year, with programmes designed and conducted by both in-house and external resource personnel. The training conducted at Teejay Lanka is founded upon three key strategic pillars which form a 'training triangle':

- Technical training and high-level leadership training
- Outward bound training for Associates – adventure-based training to build confidence
- LEAD Programme for Executives and above – high fliers, to build a talent pool

In order to create the optimal mix of talent required for the Company to maintain its competitiveness, Teejay has evaluated and identified 'Top and Critical Talent' (TACT), which guides the entire training and development programme of the organisation. This talent programme which was launched in 2015, continues to enhance the knowledge and skills of the workforce, with nearly 100% of the staff participating in general and specialised training events.

For training and skill improvement in manufacturing, employees are sent overseas to participate in ITMA, a global platform for industry collaboration and exploring new innovative solutions. Taking place every four years, it is considered as the Olympics of the textile and garment technology industry, and is a place where our employees can gather and share knowledge and engage in networking.

We continued our partnership with the Centre for Creative Leadership (CCL) in Singapore during the year under review. Our management personnel travelled to Singapore to participate in the CCL programme this year, while CCL trainers conducted a training programme in Sri Lanka for our executives. As Teejay is primarily concerned with manufacturing specialised/customised solutions, the organisation conducts internal and on-the-job training to enhance and improve employee capabilities. As in the past years we have shown a marked increase in our investment in training and development, the current year also reflects our commitment to develop our human capital. The following table provides a summary of the training investment during 2016/17:

Employee Category	No. of training programmes			Training Hours				No. of participants	Average Training Hours
	External	Inhouse	Inhouse External	External	Inhouse	Inhouse External	Total		
All	8	2	12	1656	48	9118	10822	1158	9.35
Executives & above	5			1133		1678	2811	208	13.51
Non Executives	3	6	5	641			641	950	0.67

Total Training Programmes				
Category	External	Inhouse	Inhouse External	Grand Total
All	8	2	12	22
Executive and above	34		5	39
Non Executive	5			5
Total Training Programmes	47	2	17	66

Excel Training Program by Teejay Academy

Total Training Hours			
Category	External	Inhouse	Inhouse External
All	1656	48	9118
Executive and above	1133		1678
Non Executive	641		
Total Training Hours	3430	48	10796

Outbound Training

LEAD Training programme

A Culture of Innovation

At Teejay we believe in creating an environment where our employees can achieve their full potential, to which end the Company encourages and empowers the workforce to pursue a culture of innovation and collaboration. A few such initiatives are detailed below:

The most note worthy event in the Teejay calendar is Achievers Night where we recognize and salute all those individual workers representing all three categories, the best department who's contribution has been commendable towards achieving company goals during a particular financial year. Employees are selected from staff and associate,executive and manager category. This is the most honored event at Teejay where we recognized our peoples strengths, passion , commitment and their power to innovate the company in its journey of becoming a USD 300 Mn company by 2020.

AIM Scheme: The 'All Ideas Matter' scheme encourages employees to suggest ideas for improvement in any aspect of the business. This mechanism is open to all employees across the Company, and encourages them to contribute towards advancing the firm's growth and development. All ideas are evaluated and recognised every quarter and annually, and any additional income or savings achieved through the implementation of an idea is distributed among the employees. We are inspired and heartened that through these initiatives, much of our growth has been fuelled by our own people.

Reach LIVE (Leadership Innovative Value Added Enterprise) Scheme: This scheme continues to be a key initiative through which we foster a performance-based culture. Introduced in 2014/15, this appreciation scheme rewards the commitment towards excellence practiced by our people, and rewards good work at any time in the workplace. A winner from each department is awarded every month, and at the end of the year, an annual ceremony recognises the 'Employees of the Year' across all levels of the organisation, in addition to awarding the 'Department of the Year'.

Long Service Awards: This scheme, through which we recognise employee commitment and loyalty, rewards those who have served the organisation for over 5 years and 10 years, awarding half a gold sovereign and a gold sovereign to each category respectively.

Appreciation for AIM

Achiever's Night

Recognition for Long Service

Employee Welfare

Apart from providing remuneration on par with or exceeding industry standards, Teejay also provides uniforms, meals and transport at no cost to those at the Associate level. The Company also extends support to our people through the 'Reach Beyond' programme, which provides financial support to the less privileged employees, supporting them in their health, education and housing needs. During the current year, the programme benefited 28 employees, with donations amounting to Rs. 2.74 Mn. In addition to this programme, Teejay Lanka also maintains a critical illness and death donation fund, with the aim of supporting the employees' loved ones during difficult circumstances.

Reach Beyond Beneficiaries

Employee Health and Safety

As an organisation that engages in manufacturing, ensuring employee health and safety is integral to our operations. Acknowledging our efforts in this regard, the Company received the OHSAS 0004 certification in September 2016. It is noteworthy that the number of accidents a year reduced by approximately 33%, with only 6 accidents recorded during the year, in comparison to the 9 that occurred in 2015/16. This is testament to our emphasis on safety in the workplace, achieved through our numerous safety measures and the training programmes conducted during the year, discussed further below:

- The availability of addressable fire alarm systems and fire extinguishers in our premises.
- The availability of addressable fire alarm systems and fire extinguishers in our premises.
- Annual health checks are conducted across the Group for both executive and associate level employees.
- A Safety Committee meets every month to discuss key issues related to organisational safety.
- A Fire Team is in place, consisting of 315 employees, who undergo training throughout the year. The team composition is changed annually, with half of the team being newly trained, thus ensuring that nearly all of the employees in the Company are trained in fire safety measures.
- A team of 110 employees form a First Aid and Rescue team, trained regularly by the Red Cross Association.
- A forklift training team comprising of 55 employees has been established, under guidance of the Institute for Construction Training and Development (ICTAD).
- Annual health checks are conducted across the Group for both executive and associate level employees.
- A Safety Committee meets every month to discuss key issues related to organisational safety.

OHSAS Certification to Teejay

First aid Training

Health Check Programmes for Employees

Forklift Training

Social & Relationship Capital

At Teejay, connections are important to us. Therefore, in our quest to forge greater synergies between fabric and fashion, we continue to build strong, enduring relationships with our customers, suppliers, business partners and the community.

Customers

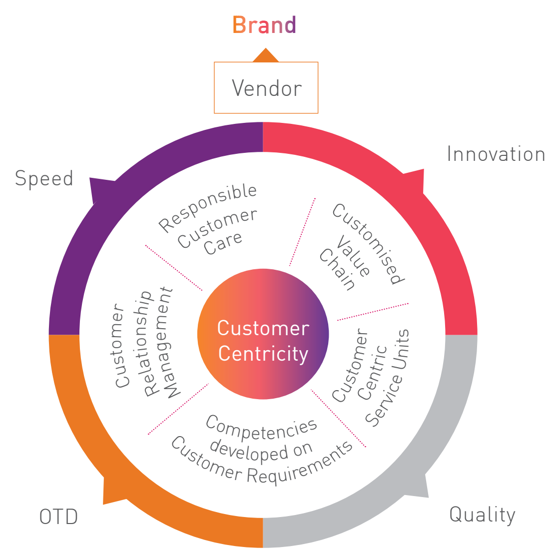
We believe in being warm, open and empathetic towards our customers' needs, partnering closely with them to ensure their success and ours. We strive to treat our customers' businesses as our own, committed to uncovering new possibilities through innovative solutions.

Brand Mix

Currently we partner with globally recognised brands such as Marks & Spencer, Victoria's Secret, Intimissimi, Calvin Klein, Levis, LIDL, Columbia, Polo and Decathlon. As part of our journey to diversify our brand mix, we added GAP and TESCO to our portfolio during the year, with a plan to expand our base further through new European brands and emerging US brands in the future. As a further step towards diversification, we began working in partnership with Uniqlo during the year. In 2016/17 our portfolio displayed significant growth, with the emerging brands displaying a growth of 200% compared to last year due to the surge in Calvin Klein and Decathlon. We anticipate that the PVH and Limited brands will continue to grow in the coming years, bringing more value addition to the portfolio, while Intimissimi and Tezenis, the two Italian brands will continue to play a more significant role. It is expected that the GSP+ concession coming into play will ensure more growth in this area. The Company is also exploring other markets in order to widen our footprint, and is pursuing new avenues for growth through the means of partnering with online platforms.

Customer-centricity

Our philosophy of customer-centricity relies on the key aspects of speed, innovation, on-time-delivery and quality, as shown in the figure below. These are achieved through responsible customer care, customised service, customer relationship management, in addition to our structure and operations, which are tailored to cater to our customers' needs.



With the objective of achieving more focused growth, a foundation was laid to streamline the customer portfolio during the previous financial year. With the necessary measures in place this year, the Company has now embarked on further value addition through a Clusterised Business Unit (CBU) approach, which will be implemented in the next financial year. This would result in the entire value chain's operating structure being based on the CBU approach, including the EU, USA and value brands. This step would allow for more focus towards the customer groups and optimise resource allocation for the different customer propositions, providing a customer-centric approach from top to bottom, rather than a departmental approach.

Product Quality

Maintenance of the highest quality standards in our products ensure high levels of customer satisfaction, and contribute towards forging lasting relationships with our customers. We cater to a wide range of clientele across the globe – therefore throughout the Group, a key focus is on product quality and compliance with international standards.

Community

The Teejay Group engages with the community and strives towards enhancing its well-being throughout the year. We believe in creating sustainable livelihoods, and identify and craft programmes which would enable value creation for the society we impact.

Our CSR initiatives primarily focus on the growth and enhancement of the Textile industry, in addition to neighbouring community development.

Growth and Enhancement of the Textile Industry

Parallel to the sizeable growth of the apparel industry, the textile industry in Sri Lanka should demonstrate growth, creating more value in terms of income and employment. This would in turn position the nation as a total solutions provider in the industry. Teejay has identified that academia plays a key role in this growth, and that as industrialists, it is the Company's responsibility to support the future of the national textile industry.

Therefore Teejay works through knowledge exchange programmes and national forums targeting students and academia, to inspire, grow and enhance the textile industry. As part of this initiative, Teejay signed a MoU with the Sri Lanka Institute of Apparel (SLITA). The partnership will allow for Teejay to share industry-based knowledge and expertise with SLITA, and support them in their efforts to develop textile-related competencies in the Eastern Province, while SLITA would assist Teejay with developing the productivity of products and processes.

In addition, Teejay continued its partnership with the University of Moratuwa, in an effort to support the youth who profess an interest in the textile and apparel industry. The MoU, which was renewed in 2016, has been in place for the past four years, during which we have sponsored the Graduate Fashion Show, and supported all aspects of student project developments.

Signed an MoU with SLITA

Extended the MoU with University of Moratuwa

Neighbouring Community Development

Ensuring the prosperity and improved standard of living in our surrounding community is considered an essential component of our organisation's activities. Therefore we believe in working closely with key institutes in the area such as schools, hospitals and other health-conscious institutions and religious institutes, to develop their infrastructure and support their initiatives. The Group allocates approximately 2% of the year's net profit for such activities, with the ability to channel additional funds when the need arises. We also generate opportunities for employment for youth in the area, thus uplifting the living standards of the neighbouring community.

Social & Relationship Capital

As part of our 'Thirasara Mehevara' initiative, our employees are placed in one of five teams, which submit proposals to the CSR team, in order to regulate and monitor the allocation of resources. Projects occur quarterly, and are assessed for alignment with the organisation's CSR plan prior to approval. In order to ensure project implementation and continuity, leaders are appointed to each team to oversee the team's efforts and achieve project success. The projects are supported by the proceeds from various fund-raising activities conducted by each team during the year.

Signifying our commitment towards enriching the lives of others, in order to support employee engagement, a leave policy is in place with two days paid annual leave allocated towards the furtherance of CSR activities within the Company.

Teejay India provided significant support towards community development in the vicinity during the year. These projects were implemented in collaboration with the industrial park in which it is situated, with the end objective of achieving the development of health and well-being of the neighbouring community.

During the year the following projects were conducted:

- Providing President's College, Avissawella with a state-of-the-art lab and technology centre
- Commenced development of Ihala Thalduwa Kanishta Vidyalaya and Daigala Kanishta Vidyalaya
- Commencing construction for a shrine room at the proposed new temple at Weralupitiya
- Began renovations to the Yahallawatha Garden in Kudagama
- Completed reconstruction of a drinking water well and a common bath well at Kotaharakanda
- Donations were made to the Jayabodhi Viharaya in Ukwaththa and the Sri Vijayarama Viharaya in Manikkawatta
- Financial support was provided to St. Mary's College to build washrooms

Introduced a new CSR Logo

Commencing construction for a Shrine Room at Weralupiitiya

Ongoing development projects at Talduwa Kanishta Vidyalaya

Initiating actions to re-built a common drinking water well in the Vicinity

Supporting Education Program on AIDS

Fund raising activity for CSR by Teejay Employees

Supply Chain

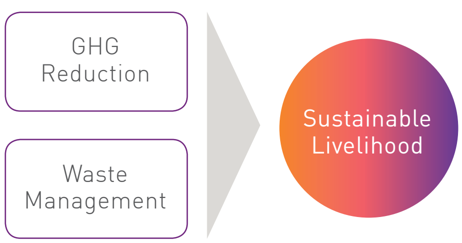
The year under review was challenging, with a double-digit percentage increase in global cotton prices, which impacted the profit margins of the Company. Teejay continues to minimise this impact through its 'made-to-order' system, enabling a leaner supply chain, and allowing for quick turnarounds with minimum levels of inventory. We continue to refrain from hedging against the global prices, and engage closely with our customers to ensure margins against the cotton price fluctuations are maintained.

As yarn is the Company's largest cost component, it is essential that continuous monitoring and assessment of market conditions occur, with a special focus on the major sourcing regions. We have always pursued leaner processes in our journey to create synergy through our long-term growth plans.

In order to address rapid changes in demand, the Company is looking towards restructuring its supply chain. This restructure would enable shorter lead times, and increase the agility of the organisation's supply chain, allowing for greater flexibility in the face of uncertainty. We are seeking to diversify our suppliers while being attentive to product quality, as suppliers are increasingly cutting corners to remain profitable. We are looking to strengthen each aspect of our supply chain, while exploring new possibilities such as establishing proper partnerships with suppliers, coming up with a better model for semi-finished goods, and establishing a focused value chain on the price and quality conversations.

Natural Capital

Our natural capital is essential towards our survival, and provides the resources that support our continuity as an entity. Thus the Company has made a conscious commitment towards the environment through a two-pronged approach – GHG emission control and waste management. In recognition of our efforts in this regard, Teejay was awarded the coveted ISO 14001:2004 Certification for Environmental Management Systems. This is a strict, globally recognised system of procedures, driving a disciplined approach to managing environmental impact, thus creating higher levels of ecological quality. Plans are in place to adopt a web-based platform for this system, creating a paper-less environment, contributing further to the environment.



A significant event that took place during the year under review was the launch of the world's first Carbon Neutral Fabric. This event marked a milestone in sustainable manufacturing.

The Company entered into a partnership with the Carbon Consulting Company to calculate the carbon footprint of a selected range of fabrics, offsetting the emissions from the fabric, raw materials, and production processes leading up to the transportation stage, to create a carbon neutral product. Teejay is now working with Carbon Consulting Company and a leading global brand to extend this initiative to encompass the retail, consumer use and disposal phase of the garment, making the full life cycle of the product carbon neutral.

This initiative has been applauded by many, and Teejay is in talks with a number of top international brands who wish to drive the green initiative across their supply chain.

GHG Emission Control – Our vision by 2020 is to reduce this by 10% from the current level. During the period under review the overall specific CO_2 emission increased by 5% with the introduction of coal as main source of fuel. Teejay intends to reduce this GHG emission by 10% from these levels by 2020 by adopting other GHG control measures such as the use of solar energy, optimising biogas production, effecient use of energy and operation of the turbine.

Waste Management – Utilise waste to keep the environment clean and create a source of income for the communities in the vicinity

The Company is currently in the process of strengthening the chemical management of Teejay. In our vision to achieve zero discharge of hazardous chemicals by 2020, (14 chemical groups) a cross-functional team was formed to work towards this end result. Levels of compliance are monitored, and we are working towards achieving this target by substituting chemicels with environmental friendly subtances.

The improvements made on the synthetics project within the year were managed well within the stipulated levels. There was no additional intake of water as a result of the capacity increase during the year. This was due to the following measures:

- Reduction of dye cycle time
- Reduction of liquor ratio to water through modernisation of machines
- Reduction in chemicals, effluents and water
- Various projects to re-use water

Key Highlights for 2016/17

↓0.3% Specific Water Consumption

↓12.0% Specific Furnace Oil Consumption (Thermic Heaters)

↓21.0% Specific Diesel Consumption

↓1.0% Specific CEB Electricity Consumption (excluding CCHP)

The following message was shared with us by Wildlife & Nature Protection Society of Sri Lanka, with respect to our partnership on the Diyakothakanda project:

The Wildlife & Nature Protection Society of Sri Lanka [WNPS] undertook to ecologically restore the denuded 2 hectare hill slope Diyakothakanda at Dikhena, Badurueliya.

Today a green belt of ½ hectare of luxurious growing plants can be seen at the Diyakothakande site. With the experience gained in the last nine months it is hoped to restore the entire hill slope in the coming years.

WNPS profoundly thanks Teejay Lanka for their support and assistance extended towards this worthy cause.

During the year, thermic heater operations were optimised through measures such as leak detection and more adoption of more efficient burning practices. Teejay's electricity consumption in the production facility declined in comparison to the previous year, due to numerous saving projects and technology upgrades that took place during the year under review. However total specific electricity consumption has increased by 2% including CCHP.

Teejay Lanka signed a MoU with the Wildlife and Nature Protection Society of Sri Lanka during May 2015, for a period of five years. The objective of this partnership was to engage in large reforestation projects, to provide knowledge to our employees, and stimulate the youth to protect flora and fauna via engagements at school-level. Through many supportive initiatives and a further Rs. 1.0 Mn funding as per the terms of the MoU, both parties hope to create a platform enabling the transfer of knowledge and expertise on sustainability, and further national conservation efforts. The first project was initiated in June 2016 at Diyakothakanda, on the border of the Sinharaja reserve, while the second visit to the location took place during the month of November.

The Company continues in its commitment to create awareness about key environmental issues, and take steps to reduce negative impact on the environment as shown through some of the following initiatives that took place during the year.

- Reporting of sustainability performance according to National Green Reporting System, developed based on the Green Reporting Initiatives (GRI) G3 Guidelines and the ISO 26000 standard on guidance for social responsibility.
- The use of a Barrel Washing Station to clean empty chemical barrels to make sure no chemicals traces are left.
- CFL and fluorescent bulbs were sent to Asia Recyclers to recycle during the year.
- Glass Wool was disposed in an environment friendly manner with help of Central Environment Authority.
- During Environment week, 4 projects were carried out to engage with employees and the community, namely the Green Quiz, Inter-Department Awareness Programme, "To Earth with Love" and an Art Competition for school children in the Ruwanwella area.
- Teejay worked with rainforest professionals of Sri Lanka to complete the Dunumala Ella cleanup project sucessfully.

Cleaning Project at Kahanawita Ella by Team Teejay

To Earth with Love' program at Ruwenwella Central

Teejay India Walk on Work Environment Day 2016

'The Best Green Reporter of Tier 3 in 2015' – NGRS

Future plans

Initiatives for the future	
Objective	Project Planned
Waste Management	Sustainable Livelihood programme with community on waste management
	Waste to product initiation
	Utilising effluent treatment waste (sludge) to use as fuel source
Control of GHG Emissions	Control of GHG Emissions Reforestation with WNPS in Diyakothakanda
	Projects with Rainforest Protectors
	Continuation of "To Earth With Love" afforestation program with schools in line with World Environment Day
	Energy conservation to reduce GHG emissions (eg: running the turbine for electricity generation, optimising the use of fuel, improving biogas production, etc)
Other	Thermal and Electrical saving projects (eg: LED, Solar Panel Project, sky light installation etc.)
	Water recycling, reusing and reducing projects
	Zero Discharge of Hazardous Chemical (ZDHC) project
	Further sub-meters for water to have more control
	Promoting renewable energy use among our employees
	Conversion of ISO 14001:2004 to 2015 version

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

The Board of Directors, led by the Chairman, is responsible for good governance at Teejay, 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.

The period under review saw the company focusing on consolidation of processes and resources within the group. The company also underwent a name change. The company managed this process through a cross functional team which ensured various deliverables were achieved. The new corporate brand 'Teejay' was introduced to the stakeholders through a colourful event.

GOVERNANCE STRUCTURE

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

Acts –

Companies Act No. 07 of 2007
Shop and Office Employees Act No 15 of 1954

Factories Ordinance
Wages Board Ordinance

Regulations –

BOI Regulations

Continuous Listing Requirements of the Colombo Stock Exchange

Code of Best Practice on Corporate Governance 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.

Articles of Association of the Company

ENGAGEMENT

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 2016/17, 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
Wing Tak Bill Lam	03.06.2004	Non-Executive Chairman	4/4	Member	4/6
Mohamed Ashroff Omar	28.08.2000	Non-Executive Director	4/4	-	-
Kulatilleke Arthanayake Malik Kumar Ranasinghe	15.04.2011	Independent Non-Executive Director	3/4	Member	6/6
Amitha Lal Gooneratne	15.04.2011	Independent Non-Executive Director	4/4	Chairman	6/6
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	-	-

During the period under review, the Company complied with the Corporate Governance requirements 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 2013; and Corporate Governance Compliance Reporting Requirements in CSE Listing Rules section 7.10.

Corporate Governance Principle	Compliance Status	Teejay Lanka 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.	Complied	Teejay Lanka PLC is headed by an eight-member Board of Directors which consists of two Independent Non-Executive Directors, four Non-Executive Directors, one Executive Director headed by a Non-Executive Chairman.
A1.1 Frequency of Board Meetings	Complied	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.	Complied	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.	Complied	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.	Complied	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.	Complied	Non-Executive Director (NED) Mr. Amitha Lal Gooneratne, FCA (SL), FCA (England & Wales) and Non-Executive Director (NED) Mr. Hasitha Premaratne, ACCA, FCMA(UK), CGMA and MD/CEO Mr. Sriyan Joseph de Silva Wijeyeratne FCMA(UK), CGMA are professionally qualified accountants.

Corporate Governance

Corporate Governance Principle	Compliance Status	Teejay Lanka PLC's Compliance
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	Complied	The board consists of two Independent Non-Executive Directors and Five Non Independent Non-Executive Directors and one Executive Director who is the CEO.
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'.	Complied	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.	Complied	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 discharge its duties.	Complied	The Board is provided with timely information seven days prior to each board meeting as per items included in the agenda for the meeting. The senior team attending the board meeting will provide any other information requested at the meeting spontaneously.
Principle A.7 - APPOINTMENTS TO THE BOARD: There should be a formal and transparent procedure for the appointment of new Directors to the Board.	Complied	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.	Complied	This is done as per Articles of Association.
Principle A.9 - APPRAISAL OF BOARD PERFORMANCE: Boards should periodically appraise their own performance to ensure that Board responsibilities are satisfactorily discharged.	Complied	Two main shareholders Directors perform this activity on the board members on an annual basis.
Principle A.10 - DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS: Shareholders should be kept advised of relevant details in respect of Directors.	Complied	Shareholders are advised of the relevant qualifications and details of directors. Please refer profile of Board Members in section titled "Board of Directors".

Corporate Governance Principle	Compliance Status	Teejay Lanka PLC's Compliance
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.	Complied	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.	Complied	Key senior members of the Board assesses the performance of the CEO and the leadership team.
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	Complied	The Board consists of a Remuneration Committee which decides on Executive Remuneration packages and related benefits. 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 8 to the financial statements for aggregate remuneration paid to Directors.

Corporate Governance

Corporate Governance Principle	Compliance Status	Teejay Lanka PLC's Compliance
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.	Complied	The Remuneration packages are consistent with market rates. 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.	Complied	The Remuneration Committee Report in this annual report contains a statement on the Remuneration Policy. Details of Board remuneration could be found in Note 8 to the Financial Statements
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.	Complied	Shareholders are engaged well at the AGM by the Board where questions and suggestions are welcome.
Principle C.2 - COMMUNICATION WITH SHAREHOLDERS: The Board should implement effective communication with shareholders.	Complied	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.	Complied	All contingencies and capital commitments for future periods are disclosed in the Notes No. 28 and 29 of Notes 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.	Complied	An assessment of the performance, future prospects and 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.	Complied	The Board facilitates the Enterprise Risk Management process and reviews controls through various processes. The Board shares collective responsibility for controls within the organization's control environment. Board oversight is achieved through the Internal Audit function.

Corporate Governance Principle	Compliance Status	Teejay Lanka 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. 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.	Complied	The BOD, especially the Audit Committee 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 Auditor's 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. Chief Executive Officer, other board members and Chief Financial Officer attend Audit Committee meetings by invitation.

Corporate Governance

Corporate Governance Principle	Compliance Status	Teejay Lanka 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.	Complied	The Audit Committee, which meets the formulation requirements is governed by an Audit Charter. It reviews and ensures that the Company's financial statements comply with financial reporting requirements and information requirements of the Companies Act and the Accounting Standards. It also oversees the Risk Management and internal control system of the organization, engages in continuous review of the scope and results of the audits and the audit process 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.	Complied	Code of Business Conduct and Ethics are available and is followed by the Directors and the management. The employees at executives and above have signed having read the document.
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.	Complied	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.	Complied	All items coming for voting at meetings are notified well with due notice for institutional shareholders to encourage the use of their votes.

Corporate Governance Principle	Compliance Status	Teejay Lanka PLC's Compliance
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.		Key institutional investors are actively involved in appointing members to the board.
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.	Complied	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.	Complied	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 formalized as part of the Company's reporting processes.	Complied	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 (ERM) is the process of understanding and managing risks that an entity faces in the course of working towards achieving its objectives. Teejay 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 Teejay 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, is owned by the Leadership Team, is reviewed by the Audit Committee and other Board members. The 10 Step ERM process practiced annually is given in Figure 1.

Figure 1 : 10 Step Enterprise Risk Management Model

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 prioritize 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 to identify new risks is also carried out quarterly. The risk model is updated with such significant risks if identified. Risk assessments of all major projects undertaken are also carried out in the same manner including subsequent identification of risk mitigation actions and implementation of same.

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

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

Following the implementation of the ERM process, risks falling into risk categories listed below were identified 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 realization 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- RM: Risk of escalating raw material costs that eats into the margins of products
- Energy Cost Escalation Risk: Risk of increasing energy costs, risk of utility generation plant cost escalation
- 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, use of resources 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, etc. due to operational issues, delays or failures in materials, processes or products
- 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 usable or obsolete

The risks identified above are managed perpetually through a system of internal controls. A set of risk mitigation action plans are used to eliminate, reduce or manage the risk. These risk mitigation actions are implemented with guidance of the board and the Leadership team. The Company evaluates the risks quarterly and updates the risk scores where appropriate to arrive at an updated risk profile for the organization. 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.

Audit Committee Report

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

PROCESS

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

Audit Committee facilitates the Enterprise Risk Management process, the formulation of a Risk Based Audit Plan and the implementation of the same. Detailed review of the Risk Model is conducted each year including other risk reduction and management related processes and aspects such as the Business Continuity Plan. All audit reports covering all three sites are presented to the Audit Committee together with Compliance Reports each quarter.

In fulfilling its duties, the Audit Committee evaluates the independence and the performance of Internal and External Auditors. The Audit Committee maintains free and open communication with the Chief Internal Auditor, and the senior management of the company. Audit Committee meets the External Auditors each year to review the Management Report and External Audit Report on the Audited Financial Statements for the year.

COMPOSITION OF THE COMMITTEE

The Audit Committee comprises of three members, two of which are Independent Non-Executive Directors and one Non-Executive Director. One of the Independent Non-Executive directors functions as the Chairman of Audit Committee. There was no change in the Audit Committee during the period under review. Profile of the members of the Audit Committee could be found under the section Board Directors.

MEMBERS OF THE AUDIT COMMITTEE (2016-17)

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

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

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

ENGAGEMENT

The Audit Committee met six times during the year to conduct the business. The attendance of committee members was as given in the table 'Attendance at Audit Committee Meetings' below. The Chief Internal Auditor, The Chief Financial Officer, Cross Functional Team Members, Board Directors participated in Audit Committee meetings by invitation.

Table: Attendance at Audit Committee Meetings

Audit Committee Member	21 June 2016	24 June 2016	16 Aug. 2016	30 Sept. 2016	11 Nov. 2016	13 Feb. 2017
Mr. Amitha Gooneratne	√	√	√	√	√	√
Prof. Malik Ranasinghe	√	√	√	√	√	√
Mr. Wing Tak Bill Lam	-	√	√	-	√	√

INTERNAL AUDIT, ENTERPRISE RISK MANAGEMENT AND COMPLIANCE REPORTING

The Audit Committee reviewed the internal audit findings and the implementation of agreed remedial measures to improve the control environment.

Audit Committee monitors Enterprise Risk Management Process. The committee reviewed the key risks identified in the Risk Assessment report which was developed as part of the Business Continuity Planning process and the remedial actions during a dedicated meeting held at the factory on 30 September 2016. 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.

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

An independent firm of Accountants was engaged to conduct a special inventory review with full coverage of all inventory categories. The Audit Committee reviewed the results of this stock count which was conducted at the end of financial year, which the company undertakes every year.

FINANCIAL REPORTING

The Audit Committee has reviewed and discussed the quarterly and annual financial statements of the company with management and the external auditors prior to publication. The review included the extent of compliance with Sri Lanka Accounting Standards, the appropriateness of its accounting policies and material judgemental matters. For this purpose, the Audit Committee met the External Auditors on 28 June 2017 where they reviewed the items in the Management Letter and the Audited Financial Statements for the period under review. The year under review is the fifth 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 2016-17 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 Human Resources management processes and remuneration policies in order to attract, develop and retain employees with professional, managerial and operational expertise who can assume leadership roles in the organization to achieve strategic and operational objectives.

SCOPE OF REMUNERATION COMMITTEE

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

COMPOSITION

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

MEMBERS OF THE REMUNERATION COMMITTEE (2016-17)

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

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

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

PERFORMANCE APPRAISAL, REMUNERATION AND BENEFITS FOR EMPLOYEES

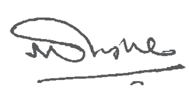
Performance against set goals are evaluated in an annual performance appraisal process. Rewards and recognition are based on performance achieved by each employee. During the year under review, the company improved the process with the implementation of a workflow automated software based performance appraisal system. The remuneration package of employees consists of a fixed component which is made of Basic Salary and Allowances and a variable component which is made of various incentives and annual performance based bonus. The employees enjoy other benefits such as meals, medical insurance, company excursion, common transport, etc.. Key management grade employees also benefit from an ESOS scheme where the company offers shares to employees to promote share ownership as a form of motivation.

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 Note 8 to the financial statements.

CONCLUSION

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



Prof. Malik 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.

MEMBERS OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE (2016-17)

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

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

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

Mr. Sriyan Joseph de Silva Wijeyeratne - Member of the 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 2016/17 and the members' attendance record is set out in the Conformance Report given below.

Related Party Transactions Review Committee Member	24 June 2016	16 August 2016	11 November 2016	13 February 2017
Mr. Amitha Gooneratne	✓	✓	✓	✓
Prof. Malik Ranasinghe	✓	✓	✓	✓
Mr. Hasitha Premaratne	✓	✓	✓	✓
Mr. Sriyan Joseph de Silva Wijeyeratne	✓	✓	✓	✓

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 36 to the Financial Statements.

Related Party Transactions Review Committee Report

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 31 MARCH 2017

The Board of Directors of Teejay Lanka PLC (formerly known as 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 31 March 2017.

FORMATION

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

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

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

The Board of Directors approved these financial statements on 11 July 2017.

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 31 March 2017, the income statements, the statements of comprehensive income, the statements of changes in equity, the cash flow statements and notes to the financial statements of the Group and the Company for the year ended 31 March 2017 are set out on pages 86 to 151. All amounts are stated in United States Dollars, unless otherwise stated.

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 previous year. The significant accounting policies including any new accounting standards adopted in the preparation of financial statements are given on page 92 to 111.

REVIEW OF BUSINESS

The state of affairs of the Group and the Company as at 31 March 2017 and the financial performance for the year ended 31 March 2017 are 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 31 March 2017 is as follows:

Name of the subsidiary	Shareholdings
Teejay Lanka Prints (Private) Limited [formerly known as Quenby Lanka Prints (Private) Limited]	100%
Ocean Mauritius Limited (OML)	100%
Teejay India (Private) Limited (holding through OML) [formerly known as Ocean India (Private) Limited]	100%

DIVIDENDS

The Company paid a final dividend of LKR 698,592,840 (USD 4,776,710) representing LKR 1.00 per share approved by

Annual Report of the Board of Directors

the shareholders at the Annual General Meeting held on 16 August 2016 in respect of the year ended 31 March 2016.

Further, the Company declared and paid an interim dividend of LKR 698,592,840 (USD 4,645,508) representing LKR 1.00 per share for the year ended 31 March 2017.

The Board of Directors wishes to propose the payment of LKR 1.25 per share as final dividend to the shareholders of the Company for the year ended 31 March 2017 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.

STATED CAPITAL

The stated capital of the Company as at 31 March 2017 amounted to LKR 3,942,686,417 (USD 36,813,832) consisting of 698,592,840 ordinary shares.

SHAREHOLDING

As at 31 March 2017, there were 698,592,840 registered shareholders and the twenty largest shareholders of the Company with the corresponding shareholding percentages held are set out as follows:

	Number of shares	% of holding
Brandix Lanka Limited - Number 1 Account	232,198,344	33.24%
Pacific Textured Jersey Holdings Limited	195,926,217	28.05%
HSBC INTL NOM LTD-SSBT first state investments ICVC - Stewart Investors Asia Pacific Fund	49,278,338	7.05%
Citibank Newyork S/A Norges Bank Account 2	20,863,973	2.99%
HSBC Intl Nom Ltd - BBH - Fidelity Funds	14,472,590	2.07%
Melstacorp Limited	12,622,428	1.81%
HSBC Intl Nom Ltd - BBH - Matthews Emerging Asia Fund	9,200,551	1.32%
Mr. L.K.M.Fernando	5,119,300	0.73%
Deutsche Bank AG Singapore - Dss A/C Navis Yield Fund	4,980,903	0.71%
Nuwara Eliya Property Developers (Private) Limited	4,329,343	0.62%
Union Assurance Plc/Account No. 05 (Unit-Linked Life Insurance Fund-Equity Fund)	4,234,849	0.61%
SEB AB - Fim Frontier Fund	4,172,470	0.60%
HSBC Intl Nom Ltd - JPCMB Na - Fidelity Asian Values PLC	4,074,958	0.58%
Deutsche Bank AG -National Equity Fund	4,000,000	0.57%
J.B. Cocoshell (Private) Limited	3,097,942	0.44%
Periceyl (Private) Limited A/C No. 03	2,694,100	0.39%
Mr. A . R . Gunasekara	2,399,700	0.34%
Deutsche Bank AG As Trustee For Namal Acuity Value Fund	2,250,000	0.32%
Mellon Bank N.A-Eaton Vance Trust Co. Collective Inv. Trust for Employee Benefit Plans - Eaton Vance Trust Co./Parametric Structured Emerging Market Equity Fund	2,100,000	0.30%
Mr. M.E.Wickremesinghe	2,065,000	0.30%

As at 31 March 2017 the public shareholding was 38.22% (266,989,056 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 31 March 2017:

Mr Wing Tak Bill Lam - Chairman - Non-Executive

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 31 March 2017.

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. 07 of 2007. The Directors' interests in contracts and proposed contracts with the Company, both direct and indirect, are set out in Note 36 to the financial statements.

DIRECTOR'S REMUNERATION AND OTHER BENEFITS

The remuneration and other benefits of the Directors are given in Note 8 to the financial statements on page 113.

DIRECTOR'S INTEREST IN SHARES

As at 31 March 2017, Mr Hasitha Premaratne and Mr Sriyan Joseph de Silva Wijeyeratne held 40,000 shares and 386,833 shares respectively.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of financial statements of the Group and to Company 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. 07 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 activities of the Company and its subsidiaries in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records. The key financial risks management disclosures are given in Note 3 to the financial statements on pages 104 to 107.

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 & Mauritius and on behalf of employees have been made or accrued for as at date of the statement of financial position.

EMPLOYEE SHARE OPTION SCHEME

Consequent to the shareholders granting approval on 26 November 2015, the Company established an Employee Share Option Scheme for Executive Directors and / or Executives in management positions in the Company

Annual Report of the Board of Directors

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 1 April 2015. During the financial year 2016/17 options were granted to 77 employees conferring them with the right to subscribe to upto 4,625,268.

Out of the options 2,643,007 granted under the ESOS vested in the employees on 27 May 2016, the employees exercised 2,525,239 of the options granted under the ESOS on 28 May 2016 at the exercise price of LKR 33.89 per share. Non exercised options of 117,768 were reallocated to 8 employees at a renewed exercise price of LKR 34.66 based on the board resolution passed on 30 May 2016.

Grant no.2 under the ESOS vested in the employees on 27 May 2017, the employees exercised 3,363,740 of the options granted on 01 June 2017 at an exercise price of Rs.33.89 per share.

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

DONATIONS

The Company has made donations amounting to LKR 1,832,596 during the year ended 31 March 2017 for charitable purposes (2016 - LKR 1,750,355).

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 31 March 2018 will be proposed at the Annual General Meeting.

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

The Directors are satisfied that, based on written representations made by the independent auditors to the Board, the auditors did not have any relationship or any interest with the Company and subsidiaries that would impair their independence.

By Order of the Board

Sriyan Joseph de Silva Wijeyeratne
Chief Executive officer/Managing Director

Hasitha Premaratne
Director

Corporate Services (Private) Limited
Secretaries

11 July 2017

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:

- statements of income and other comprehensive income, which present a true and fair view of the results of the Group and the Company for the year ended 31 March 2017; and
- statement of financial position, which present a true and fair view of the state of affairs of the Group and the Company as at 31 March 2017,

which comply with the requirements of the Act.

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

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

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

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

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

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

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

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

COMPLIANCE REPORT

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

By Order of the Board

Director
Corporate Services (Private) Limited
Secretaries

Independent Auditor's Report

pwc

TO THE SHAREHOLDERS OF TEEJAY LANKA PLC (FORMERLY KNOWN AS TEXTURED JERSEY LANKA PLC)

Report on the Financial Statements

1 We have audited the accompanying financial statements of Teejay Lanka PLC (formerly known as 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 2017, 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 151.

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 2017 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) of the Companies Act, No. 7 of 2007.

PricewaterhouseCoopers

Chartered Accountants
11 July 2017
Colombo

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Partners 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	2017	2016	2017	2016
Revenue	6	22,137,641	17,820,179	15,721,413	14,142,151
Cost of sales		(19,061,926)	(14,825,317)	(13,792,631)	(12,108,474)
Gross profit		3,075,715	2,994,862	1,928,782	2,033,677
Other income - net	7	194,827	109,655	379,602	32,866
Distribution expenses		(132,141)	(123,349)	(107,915)	(105,471)
Administrative expenses		(1,145,996)	(813,560)	(605,093)	(512,874)
Operating profit	8	1,992,405	2,167,608	1,595,376	1,448,198
Non operating income / (losses)	9	Nil	17,883	(3,307)	31,399
Finance income	11	89,412	77,292	60,865	62,822
Finance costs	11	(70,447)	(33,836)	(16,561)	(1,812)
Net finance income	11	18,965	43,456	44,304	61,010
Profit before tax		2,011,370	2,228,947	1,636,373	1,540,607
Income tax expense	12	(52,195)	(58,280)	(135,425)	(57,374)
Profit for the year		1,959,175	2,170,667	1,500,948	1,483,233
Attributable to:					
Equity holders of the parent		1,959,175	2,170,667		
Earnings per share					
Basic earnings per share (LKR)	13 (a)	2.81	3.24	2.15	2.22
Diluted earnings per share (LKR)	13 (b)	2.79	3.23	2.14	2.21

The notes on pages 92 to 151 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**	**2017**	**2016**	**2017**	**2016**
Profit for the year		1,959,175	2,170,667	1,500,948	1,483,233
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of retirement benefit obligations	26	15,348	1,517	20,059	212
Deferred tax attributable to remeasurement of retirement benefit obligations	27	(3,403)	(271)	(2,808)	(26)
Items that may be subsequently reclassified to profit or loss					
Currency translation differences		355,822	850,016	319,156	807,399
Other comprehensive income for the year		367,767	851,262	336,407	807,585
Total comprehensive income for the year		2,326,942	3,021,929	1,837,355	2,290,818
Attributable to:					
Equity holders of the parent		2,326,942	3,021,929		

The notes on pages 92 to 151 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)

		Group		Company	
Year ended 31 March	Note	2017	2016	2017	2016
ASSETS					
Non-current assets					
Property, plant and equipment	15	6,960,885	5,954,224	3,710,806	3,253,545
Capital work-in-progress	16	337,800	283,152	79,724	260,810
Intangible assets	17	65,833	84,460	34,054	43,132
Goodwill	17	50,537	48,944	Nil	Nil
Investments in subsidiaries	18	Nil	Nil	2,764,328	2,677,210
Lease rentals paid in advance	21 (f)	240,306	247,781	94,550	95,728
Deferred tax assets	27	242,289	91,800	Nil	Nil
		7,897,650	6,710,361	6,683,462	6,330,425
Current assets					
Inventories	20	2,877,542	2,640,788	2,041,232	1,901,813
Trade and other receivables	21	3,370,099	2,702,607	2,221,185	1,882,132
Other financial assets	22	1,239,670	1,956,304	992,789	1,108,516
Cash and cash equivalents	23	1,494,376	967,248	906,653	517,343
		8,981,687	8,266,947	6,161,859	5,409,804
Total assets		16,879,337	14,977,308	12,845,321	11,740,229
Equity and liabilities					
Capital and reserves					
Stated capital	30	3,942,686	3,853,024	3,942,686	3,853,024
Exchange equalisation reserve	32	2,446,006	2,090,184	2,366,723	2,047,567
Share option scheme	34	63,746	42,283	63,746	42,283
Retained earnings	31	4,724,786	4,150,852	3,583,371	3,462,358
		11,177,224	10,136,343	9,956,526	9,405,232
Non-current liabilities					
Borrowings	25	567,429	141,680	Nil	Nil
Deferred tax liabilities	27	357,470	240,227	247,932	171,371
Retirement benefit obligations	26	208,120	190,931	171,228	158,673
		1,133,019	572,838	419,160	330,044
Current liabilities					
Trade and other payables	24	3,043,719	3,508,592	1,705,126	1,956,862
Current tax liabilities		6,535	4,148	Nil	Nil
Borrowings	25	1,518,840	755,387	764,509	48,091
		4,569,094	4,268,127	2,469,635	2,004,953
Total liabilities		5,702,113	4,840,965	2,888,795	2,334,997
Total equity and liabilities		16,879,337	14,977,308	12,845,321	11,740,229

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
Chief Executive officer / Managing Director

Hasitha Premaratne
Director

11 July 2017

The notes on pages 92 to 151 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	30	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	34 (a)	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
Balance at 1 April 2016		3,853,024	2,090,184	42,283	4,150,852	10,136,343
Profit for the year		Nil	Nil	Nil	1,959,175	1,959,175
Other comprehensive income for the year		Nil	355,822	Nil	11,945	367,767
Total comprehensive income for the year		Nil	355,822	Nil	1,971,120	2,326,942
Transactions with owners:						
Issue of ordinary shares related to share option scheme	30	89,662	Nil	Nil	Nil	89,662
Final dividend paid - 2015/16	14	Nil	Nil	Nil	(698,593)	(698,593)
Interim dividend paid - 2016/17	14	Nil	Nil	Nil	(698,593)	(698,593)
		Nil	Nil	Nil	(1,397,186)	(1,397,186)
Share option scheme	34 (a)	Nil	Nil	21,463	Nil	21,463
Balance at 31 March 2017		3,942,686	2,446,006	63,746	4,724,786	11,177,224

The notes on pages 92 to 151 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 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 combination	30	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	34 (a)	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
Balance at 1 April 2016		3,853,024	2,047,567	42,283	3,462,358	9,405,232
Profit for the year		Nil	Nil	Nil	1,500,948	1,500,948
Other comprehensive income for the year		Nil	319,156	Nil	17,251	336,407
Total comprehensive income for the year		Nil	319,156	Nil	1,518,199	1,837,355
Transactions with owners:						
Issue of ordinary shares related to share option scheme	30	89,662	Nil	Nil	Nil	89,662
Final dividend paid - 2015/16	14	Nil	Nil	Nil	(698,593)	(698,593)
Interim dividend paid - 2016/17	14	Nil	Nil	Nil	(698,593)	(698,593)
		Nil	Nil	Nil	(1,397,186)	(1,397,186)
Share option scheme	34 (a)	Nil	Nil	21,463	Nil	21,463
Balance at 31 March 2017		3,942,686	2,366,723	63,746	3,583,371	9,956,526

The notes on pages 92 to 151 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**	**2017**	**2016**	**2017**	**2016**
Cash flows from operating activities					
Cash generated from operations	35	1,828,927	3,744,185	1,495,326	2,330,322
Finance income received		86,719	62,598	48,056	39,454
Finance cost paid	11	(70,447)	(33,836)	(16,561)	(1,812)
Retirement benefit obligations paid	26	(18,360)	(4,940)	(7,570)	(4,210)
Tax paid		(128,943)	Nil	Nil	Nil
Net cash generated from operating activities		1,697,896	3,768,007	1,519,251	2,363,754
Cash flows from investing activities					
Acquisition of shares in subsidiaries	33 (a)	Nil	Nil	Nil	(1,496,496)
Payment for acquisition of subsidiaries, net of cash acquired	33 (b)	Nil	(1,281,873)	Nil	Nil
Additions or expenses incurred on capital work-in-progress	16	(1,774,273)	(472,474)	(659,439)	(377,472)
Net decrease / (increase) in investment in financial assets		716,634	(32,679)	115,727	775,802
Proceeds from sale of property, plant and equipment		5,193	41	4,877	41
Net cash used in investing activities		(1,052,446)	(1,786,985)	(538,835)	(1,098,125)
Cash flows from financing activities					
Dividend paid	14	(1,397,186)	(946,172)	(1,397,186)	(946,172)
Settlement of borrowings		(301,812)	(265,488)	Nil	Nil
Proceeds received from bank borrowings		1,534,546	Nil	759,950	Nil
Proceeds received from issue of ordinary shares	30	89,662	Nil	89,662	Nil
Net cash used in financing activities		(74,790)	(1,211,660)	(547,574)	(946,172)
Net increase in cash and cash equivalents		570,660	769,362	432,842	319,457
Cash and cash equivalents at beginning of year		919,157	149,795	469,252	149,795
Cash and cash equivalents at end of year	23	1,489,817	919,157	902,094	469,252

The notes on pages 92 to 151 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

Teejay Lanka PLC (formerly known as 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, Seethawaka Export Processing Zone, Avissawella. The Company carries on the business of manufacturing and selling of weft knit fabrics.

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

These financial statements have been approved for issue by the Board of Directors on 11 July 2017.

The Company owns 100% of issued stated capital of Teejay Lanka Prints (Private) Limited [formerly known as Quenby Lanka Prints (Private) Limited] and Ocean Mauritius Limited. Teejay India Private Limited [formerly known as Ocean India Private Limited] is a fully owned subsidiary of Ocean Mauritius Limited and considered to be a sub subsidiary of the Company. The Company is the ultimate parent of the Group. The details of subsidiaries and details of acquisitions are given under Notes 18 and 33 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 Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). These financial statements have been prepared under the historical cost convention except for financial assets and financial liabilities which are measured at fair value. The preparation of financial statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's and the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Group's and the Company's financial statements are disclosed in note 4 to the financial statements.

The financial statements are prepared and presented in United States Dollars (US$), in accordance with and comply with Sri Lanka Accounting Standards and the conversion to Sri Lanka Rupees is performed in accordance with the recommendations made in the Sri Lanka Accounting Standard (LKAS) 21; The Effects of Changes in Foreign Exchange Rates. The procedures followed are as follows:

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

(b) Income and expenses for each income statement (including comparatives) are translated at the exchange rates existing at the dates of the transactions or a rate that approximates the actual exchange rates; and

(c) All resulting exchange differences are recognised in other comprehensive income.

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

2.2 Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2016:

(i) SLFRS 7, 'Financial Instruments: Disclosures', provide specific guidance for transferred financial assets to help management to determine whether the terms of a servicing arrangement constitute 'continuing involvement' and, therefore, whether the asset qualifies for derecognition. It further clarifies that the additional disclosures relating to the offsetting of financial assets and financial liabilities only need to be included in interim reports if required by LKAS 34 'Interim Financial Reporting.

(ii) SLFRS 10, 'Consolidated Financial Statements' and LKAS 28, 'Investments in Associates and Joint Ventures', clarify the accounting treatment for sales or contribution of assets between an investor and its associates or joint ventures. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitutes a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interest in the associate or joint venture. SLFRS 10 further clarifies that it does not intend to address accounting for the sale or contribution of assets by an investor in a joint operation. This amendments apply prospectively.

(iii) LKAS 1, 'Presentation of Financial Statements', amendments is made in the context of the IASB's Disclosure Initiative, which explores how financial statement disclosures can be improved. LKAS 1 provide clarifications on a number of issues, including: materiality, disaggregation and subtotals, notes to the financial statements and OCI arising from investments accounted for under the equity method. According to the transitional provisions, the disclosures in LKAS 8 regarding the adoption of new standards/ accounting policies are not required for these amendments.

(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 2017 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) Amendments to LKAS 7 'Statement of Cash Flows – Disclosure Initiative' introduce an additional disclosure on changes in liabilities arising from financing activities. The amendments to the standard are effective for accounting periods beginning on or after 1 January 2017.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 March 2017 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:

(ii) Amendments to SLFRS 2 'Share Based Payments– clarifies the treatment of vesting and non-vesting conditions and accounting for a modification of a share -based payment transaction that changes its classification from cash -settled to equity –settled. The amendments to the standard are effective for accounting periods beginning on or after 1 January 2018. Earlier application is permitted.

(iii) Amendments to LKAS 12 'Income Taxes - Recognition of deferred tax assets for unrealised losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value. In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences. The amendments to the standard are effective for accounting periods beginning on or after 1 January 2017.

(iv) SLFRS 9 'Financial Instruments', retains but simplifies the mixed measurement model in LKAS 39 'Financial Instruments: Recognition and Measurement' and establishes a single model that has only three primary classification categories for financial assets: amortised cost, fair value through profit or loss and fair value through Other Comprehensive Income ("OCI") for certain financial assets that are debt instruments.

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. All other debt and equity instruments, including investments in complex debt instruments and equity investments, must be recognised at fair value. All fair value movements on financial assets are taken through the profit or loss, except for equity investments that are not held for trading, which may be recorded in the profit or loss or in reserves without subsequent recycling to the profit or loss.

For financial liabilities, the standard retains most of the LKAS 39 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the profit or loss, unless this creates an accounting mismatch.

The new hedge accounting rules align hedge accounting more closely with common risk management practices. As a general rule, it will be easier to apply hedge accounting going forward. Further, SLFRS 9 introduces a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in LKAS 39. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

SLFRS 9 also introduces expanded disclosure requirements and a change in presentation .The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted.

(v) SLFRS 15 'Revenue from contracts with customers' replaces LKAS 18 'Revenue' and LKAS 11 'Construction contracts' and related interpretations. The core principle in SLFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services. A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and Any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised If they are not at significant risk of reversal.
- The point at which revenue is able to be recognised May shift: some revenue which is currently recognised at a point in time at the end of a contract May have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to Name a few.

- As with Any new standard, There are also increased disclosures.

The standard is effective for accounting periods beginning on or after 1 January 2018. Entities will have a choice of full retrospective application, or prospective application with additional disclosures and earlier application is permitted.

(vi) SLFRS 16, 'Leases' supersedes LKAS 17 'Leases' and the related interpretations. Under SLFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

SLFRS 16 eliminates the classification of leases by the lessee as either finance leases (on statement of financial position) or operating leases (off statement of financial position). SLFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases. The right-of-use asset is depreciated in accordance with the principle in LKAS 16 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in the income statement.

For lessors, SLFRS 16 retains most of the requirements in LKAS 17. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently. The standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted if SLFRS 15 'Revenue from Contracts with Customers' has also been applied.

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

Notes to the Financial Statements

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

equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

2.3.1.2 Disposal of subsidiaries

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

2.3.2 Financial period

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

2.4 Segment reporting

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

2.5 Foreign currency translation

(a) Functional and presentation currency

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

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

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

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

Financial statements of the Company 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 is stated at historical cost less depreciation.

(a) Cost

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

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

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

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

(b) Depreciation

Depreciation is calculated using the straight line method to allocate the cost of each asset, to their residual values over their estimated useful lives commencing from the date of acquisition, date available for use or date of commencement of use. On disposal of assets depreciation is calculated exclusive of the date on which disposal takes place.

The estimated useful lives of property, plant and equipment are as follows:

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

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

(c) Borrowing costs

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

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

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

(d) Impairment of property, plant and equipment

The carrying value of property, plant and equipment is reviewed for impairment either annually or when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognised in the income statement.

2.7 Intangible assets

(a) Goodwill

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

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the 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

Notes to the Financial Statements

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

disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software

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

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

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

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

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

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

2.8 Investments

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

2.9 Impairment of non-financial assets

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

2.10 Accounting for leases by the lessee

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

2.11 Financial assets

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.

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 (Notes 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 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 a 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.

Notes to the Financial Statements

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

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.

2.20 Employee benefits

(a) Defined benefit plan - Gratuity

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

Notes to the Financial Statements

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

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

(b) Defined contribution plans

For defined contribution plans, such as the Employees' Provident Fund and Employees' Trust Fund, the Company and its local subsidiary contributes 12% and 3% respectively, of the employees' basic or consolidated wage or salary. For defined contribution plan, the Provident Fund, the overseas subsidiary, Teejay India Private Limited [formerly known as 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(c) 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 scheme, 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 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.

Notes to the Financial Statements

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

2.27 Comparatives

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

- Short term deposits with original maturity of more than 3 months but less than one year which were previously reported under cash and cash equivalents are now shown under other financial assets.

- Statutory receivables which were previously reported under other receivables are now shown separately under trade and other receivables.

- Statutory payables which were previously reported under accrued expenses and other payables are now shown separately under trade and other payables.

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

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

Risk	Exposure arising from	Measurement	Management
Market risk - foreign exchange	Future commercial transactions not denominated in United States Dollars (USD)	Cash flow forecasting Sensitivity analysis	Monitoring market on an ongoing basis and booking of forward contracts when required
Market risk - interest rate	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 Credit ratings	Not applicable
Credit risk	Cash and cash equivalents, short term deposits and trade and other receivables	Age analysis	Diversification of short term bank deposits, credit limits and credit monitoring
Liquidity risk	Trade and other liabilities and borrowings	Rolling cash flow forecast	Availability of committed credit facilities and adequate cash and cash equivalents with the Company and its subsidiaries

(a) Market risk

(i) Foreign exchange risk

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

Sensitivity analysis

At 31 March 2017, if LKR had strengthened by 1% against USD in the financial year, profit after tax would have been decreased by LKR 48,039,731 The analysis assumes that all other variables, in particular interest rates, remain constant.

At 31 March 2017, if INR had strengthened by 1% against USD in the financial year, profit after tax would have been decreased by LKR 8,334,617 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 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's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk.

(iii) Price risk

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

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

(iv) Cash flow and fair value interest rate risk

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

(b) Credit risk

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

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

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

(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

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

3 FINANCIAL RISK MANAGEMENT (CONTD.)

3.1 Financial risk factors (Contd.)

(c) Liquidity risk (Contd.)

Group

As at 31 March 2017	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 2 years	Total
Liabilities				
Bank overdrafts (Note 25)	4,559	Nil	Nil	4,559
Amounts due to related companies (Note 24)	794,985	32,735	Nil	827,720
Trade and other payables (excluding statutory liabilities)	2,082,262	40,907	Nil	2,123,169
Borrowings (Note 25)	Nil	1,514,281	567,429	2,081,710
Total liabilities	2,881,806	1,587,923	567,429	5,037,158

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 25)	48,091	Nil	Nil	48,091
Amounts due to related companies (Note 24)	775,457	718,402	Nil	1,493,859
Trade and other payables (excluding statutory liabilities)	1,491,652	494,210	Nil	1,985,862
Borrowings (Note 25)	34,592	672,704	141,680	848,976
Total liabilities	2,349,792	1,885,316	141,680	4,376,788

Company

As at 31 March 2017	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 2 years	Total
Liabilities				
Bank overdrafts (Note 25)	4,559	Nil	Nil	4,559
Amounts due to related companies (Note 24)	697,524	14,193	Nil	711,717
Trade and other payables (excluding statutory liabilities)	946,535	7,670	Nil	954,205
Bank borrowings (Note 25)	759,950	Nil	Nil	759,950
Total liabilities	2,408,568	21,863	Nil	2,430,431

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 25)	48,091	Nil	Nil	48,091
Amounts due to related companies (Note 24)	901,002	718	Nil	901,720
Trade and other payables (excluding statutory liabilities)	1,000,065	27,531	Nil	1,027,596
Total liabilities	1,949,158	28,249	Nil	1,977,407

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	
	2017	2016
Total borrowings (Note 25)	2,086,269	897,067
Less: Cash and cash equivalents and short term deposits	(2,734,046)	(2,923,552)
Net debt	N/A	N/A
Total equity	11,177,224	10,136,343
Total capital	11,177,224	10,136,343
Gearing ratio	N/A	N/A

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

Notes to the Financial Statements

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

4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

4.1 Critical accounting estimates and assumptions

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

(a) Impairment assessment of goodwill

The Group tests goodwill for impairment annually in accordance with its accounting policy stated in Note 2.7 to the financial statements and whenever events or change in circumstances indicate that this is necessary within the financial year. The recoverable amounts of cash-generating units have been determined based on Value In Use (VIU) calculations. These calculations require the use of estimates and are disclosed in Note 17 to the financial statements.

(b) 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 26.

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	
	2017	2016
Textile manufacturing		
- Sri Lanka	2,068,935	1,962,393
- India	444,680	585,411
	2,513,615	2,547,804
Fabric printing		
- Sri Lanka	345,015	309,358
- India	97,000	78,669
	442,015	388,027
Total adjusted EBITDA	2,955,630	2,935,831

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

	Group	
	2017	2016
Total adjusted EBITDA	2,955,630	2,935,831
Depreciation	(914,823)	(708,731)
Amortisation of intangible assets	(33,624)	(31,839)
Amortisation of lease rentals paid in advance	(14,778)	(9,770)
Net finance income	18,965	43,456
Profit before income tax from continuing operations	2,011,370	2,228,947

Notes to the Financial Statements

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

5 SEGMENT INFORMATION (CONTD.)

(c) Segment assets

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

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

	Group	
As at 31 March	2017 Segment assets	2016 Segment assets
Textile manufacturing		
- Sri Lanka	12,845,320	11,740,230
- India	9,431,821	9,521,803
Fabric printing - Sri Lanka	1,185,787	879,287
Total segment assets	23,462,928	22,141,320
Inter segment eliminations	(6,825,880)	(7,255,812)
Unallocated:		
Deferred tax assets	242,289	91,800
Total assets as per the statement of financial position	16,879,337	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	2017 Segment assets	2016 Segment assets
Textile manufacturing		
- Sri Lanka	1,876,353	2,115,535
- India	1,600,384	1,619,184
Fabric printing - Sri Lanka	171,572	154,075
Total segment assets	3,648,309	3,888,794
Inter segment eliminations	(389,935)	(185,123)
Unallocated:		
Deferred tax assets	357,470	240,227
Borrowings	2,086,269	897,067
Total liabilities as per the statement of financial position	5,702,113	4,840,965

6 REVENUE

The Group and the Company derives following types of revenue:

Year ended 31 March	Group 2017	Group 2016	Company 2017	Company 2016
Textile sector	20,207,408	16,416,493	15,721,413	14,142,151
Printing sector	1,930,233	1,403,686	Nil	Nil
Total revenue from continuing operations	22,137,641	17,820,179	15,721,413	14,142,151

(a) Segment revenue

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

Year ended 31 March 2017	Total segment revenue	Inter segment revenue	Revenue from external customers
Revenue			
Textile manufacturing			
- Sri Lanka	15,721,412	(721,222)	15,000,190
- India	6,299,415	(1,092,197)	5,207,218
Fabric printing - Sri Lanka	1,635,246	(320,921)	1,314,325
Fabric printing - India	615,908	Nil	615,908
Total segment revenue	24,271,981	(2,134,340)	22,137,641

Year ended 31 March 2016	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

Notes to the Financial Statements

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

6 REVENUE (CONTD.)

(b) Recognising revenue from major business activities

Textile sector

Timing of recognition:

The Group manufactures and sells of weft knit fabrics to foreign markets as well as to the local exporters. Sales are recognised 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 obsolesce 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 obsolesce 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

	Group		Company	
	2017	2016	2017	2016
Scrap sales	141,453	81,795	64,058	30,924
Screen cost recovery	42,230	27,862	Nil	Nil
Royalty income [See note (a) below]	Nil	Nil	276,622	Nil
Net loss on disposal of property, plant and equipment	(7,330)	(2)	(7,646)	(2)
Dividend income [Note 36 (vii)]	Nil	Nil	24,170	1,944
Insurance claimed received [See note (b) below]	18,474	Nil	18,474	Nil
Steam coal cost recovery [Note 36 (vi)]	Nil	Nil	3,924	Nil
	194,827	109,655	379,602	32,866

(a) Royalty income of LKR 276,622,386 (2016 - LKR Nil) solely consists of royalty received from Teejay India Private Limited [formerly known as Ocean India Private Limited] for the year ended 31 March 2017 [Note 36 (v)].

(b) Insurance claim received solely consists of insurance recovery of LKR 18,473,750 (2016 - LKR Nil) for loss incurred due to a fire occurred at coal power plant of the Company.

8 RESULTS FROM OPERATING ACTIVITIES

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

	Group		Company	
	2017	2016	2017	2016
Directors' emoluments	50,999	34,628	50,999	34,628
Auditors' remuneration - audit	8,474	8,431	1,734	1,926
- non audit	1,000	398	850	196
	9,474	8,829	2,584	2,122
Depreciation (Note 15)	914,823	708,731	476,735	456,738
(Reversal of provision) / provision for slow and non moving inventories (Note 20)	(63,429)	67,427	(54,890)	67,622
Provision for impairment of trade receivables [Note 21(a)]	2,791	962	2,713	1,978
Amortisation of intangible assets (Note 17)	33,624	31,839	23,032	24,619
Amortisation of lease rentals paid in advance [Note 21 (f)]	14,778	9,770	4,175	3,916
Repair and maintenance expenditure	254,485	247,984	171,783	180,264
Reversal of previously written off ESC	Nil	(14,763)	Nil	(12,338)
Employee benefit expense (Note 10)	1,760,767	1,441,766	1,313,261	1,188,801

9 NON OPERATING INCOME / (LOSSES)

	Group		Company	
	2017	2016	2017	2016
Management consultancy income [Note 36 (iv)]	Nil	42,949	17,291	59,919
Withholding Tax (WHT) on consultancy fee	Nil	(1,051)	Nil	Nil
Cost incurred in relation to Consultants	Nil	(28,520)	(20,598)	(28,520)
Net management consultancy (expense) / income [See Note (a) below]	Nil	13,378	(3,307)	31,399
Overseas Fabric printing technical support services fee	Nil	4,505	Nil	Nil
	Nil	17,883	(3,307)	31,399

(a) Management consultancy income of the Group in previous year consisted of management consultancy income received from Teejay India Private Limited [formerly known as Ocean India Private Limited] and Ocean Mauritius Limited prior to acquisition net of costs incurred in relation to provision of management consultancy income. Management consultancy income of the Company consists of management consultancy income received from Teejay India Private Limited [formerly known as Ocean India Private Limited] of LKR 17,291,430 (2016 - LKR 16,218,540) and Ocean Mauritius Limited of LKR Nil (2016 - LKR 43,700,232).

Notes to the Financial Statements

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

10 EMPLOYEE BENEFIT EXPENSE

	Group		Company	
	2017	2016	2017	2016
Salaries, wages and other fringe benefits	1,535,788	1,286,740	1,150,376	1,046,424
Defined contribution plans	154,562	98,990	101,239	88,441
Retirement benefit obligations (Note 26)	48,954	33,226	40,183	31,126
Share options granted to directors and employees [Note 34 (b)]	21,463	22,810	21,463	22,810
	1,760,767	1,441,766	1,313,261	1,188,801
Average number of persons employed by the Group and the Company during the year - full time	2,144	2,103	1,149	1,164

11 NET FINANCE INCOME

	Group		Company	
	2017	2016	2017	2016
Finance income:				
Net foreign transaction and translation gains	2,693	14,694	1,538	13,260
Interest income on short term deposits	86,719	62,598	59,327	49,562
Total finance income	89,412	77,292	60,865	62,822
Finance costs:				
Interest expense				
- bank overdrafts	(4,489)	(1,842)	(4,425)	(1,812)
- short term bank borrowings	(26,868)	(4,919)	(12,136)	Nil
- related company borrowings [Note 36 (x)]	(33,617)	(27,075)	Nil	Nil
- long term bank borrowings	(5,473)	Nil	Nil	Nil
Total finance cost	(70,447)	(33,836)	(16,561)	(1,812)
Net finance income	18,965	43,456	44,304	61,010

12 INCOME TAX EXPENSE

	Group 2017	Group 2016	Company 2017	Company 2016
Current income tax:				
Current income tax on profits for the year	220,306	125,348	70,109	14,715
Minimum Alternative Tax credit entitlement	(128,943)	(86,638)	Nil	Nil
(Over) / under provision for income tax in respect of prior years	(1,428)	(1,189)	(898)	48
Withholding tax on dividend	2,686	Nil	Nil	Nil
Total current tax:	92,621	37,521	69,211	14,763
Deferred tax:				
(Reversal) / Origination of temporary differences (Note 27)	(40,426)	20,759	66,214	42,611
Income tax expense	52,195	58,280	135,425	57,374
Deferred tax charged to other comprehensive Income (Note 27)	3,403	271	2,808	26
Income tax charged to statement of comprehensive income	55,598	58,551	138,233	57,400

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 2017	Group 2016	Company 2017	Company 2016
Profit before tax	2,011,370	2,228,947	1,636,373	1,540,607
Tax calculated at effective tax rate of Group 14%, Company 12% (2016 - 12%)	278,780	401,979	196,365	184,873
Income not subject to tax	(145,790)	(349,550)	(98,469)	(169,849)
Expenses not deductible for tax purposes	2,488	11,393	2,452	11,387
(Over) / under provision for income tax in respect of prior years	(1,428)	(1,189)	(898)	48
Net tax effect of unrecognised tax losses for prior years	(73,097)	(837)	35,975	Nil
Recognition of previously unrecognised tax losses	(11,444)	(27,090)	Nil	Nil
Adjustments due to the change of estimated deferred tax base in previous years	Nil	23,574	Nil	30,915
Withholding tax on intercompany dividend	2,686	Nil	Nil	Nil
Tax charge	52,195	58,280	135,425	57,374

Notes to the Financial Statements

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

12 INCOME TAX EXPENSE (CONTD.)

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

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

Teejay Lanka PLC [formerly known as Textured Jersey Lanka PLC] is liable to tax with effective from 12 September 2016 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.

Teejay Lanka Prints (Private) Limited [formerly known as 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.

Teejay India Private Limited [formerly known as 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 liabilities for the year ended 31 March 2017.

Further information about deferred tax is provided in Note 27.

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	
	2017	2016	2017	2016
Profit attributable to equity holders of the Company	1,959,175	2,170,667	1,500,948	1,483,233
Weighted average number of ordinary shares [Note 30(b)]	698,151	668,949	698,151	668,949
Basic earnings per share - LKR	2.81	3.24	2.15	2.22

(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 4,000,855 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	
	2017	2016	2017	2016
Profit attributable to equity holders of the Company	1,959,175	2,170,667	1,500,948	1,483,233
Weighted average number of ordinary shares for diluted earnings per share	702,151	671,626	702,151	671,626
Diluted earnings per share - LKR	2.79	3.23	2.14	2.21

14 DIVIDEND PER SHARE

	Group and Company			
	2017		2016	
	Per share LKR	LKR	Per share LKR	LKR
Declared and paid during the year				
Final Dividend [See note (a) below]	1.00	698,593	0.80	528,602
Interim Dividend [See note (b) below]	1.00	698,593	0.60	417,570
Total Dividend	2.00	1,397,186	1.40	946,172

(a) The Company has paid a final dividend of LKR 698,592,840 (USD 4,776,710) representing LKR 1.00 approved by the shareholders at the Annual General Meeting held on 6 August 2016 in respect of the year ended 31 March 2016.

(b) The Company declared and paid an interim dividend of LKR 698,592,840 (USD 4,645,508) representing LKR 1.00 per share for the year ended 31 March 2017.

Notes to the Financial Statements

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

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 33)	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)
- 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
Year ended 31 March 2017							
Opening net book value	2,572,808	3,074,616	201,146	28,020	67,876	9,758	5,954,224
Transfers from capital work-in-progress (Note 16)	47,150	1,406,362	198,912	3,090	51,445	10,295	1,717,254
Disposals - cost	Nil	(383,827)	(64,670)	(10,140)	(49,641)	Nil	(508,278)
- accumulated depreciation	Nil	371,665	64,370	10,102	49,617	Nil	495,754
Adjustments - cost	431	5,112	(830)	524	91	(7)	5,321
- accumulated depreciation	187	(4,538)	167	(455)	(152)	3	(4,788)
Effect of change in foreign exchange rates	81,761	120,740	10,001	666	2,616	437	216,221
Depreciation charge (Note 8)	(116,735)	(666,736)	(76,394)	(11,790)	(37,080)	(6,088)	(914,823)
Closing net book amount	2,585,602	3,923,394	332,702	20,017	84,772	14,398	6,960,885
At 31 March 2017							
Cost	3,396,367	10,523,753	1,019,932	180,450	407,844	33,158	15,561,504
Accumulated depreciation	(810,765)	(6,600,359)	(687,230)	(160,433)	(323,062)	(18,760)	(8,600,619)
Net book amount	2,585,602	3,923,394	332,702	20,017	84,772	14,398	6,960,885

Company

	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)	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)
- 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
Year ended 31 March 2017							
Opening net book value	1,324,516	1,719,998	153,616	5,556	42,033	7,826	3,253,545
Transfers from capital work-in-progress (Note 16)	15,418	624,776	172,323	1,511	16,906	Nil	830,934
Disposals - cost	Nil	(340,002)	(60,186)	(5,193)	(44,504)	Nil	(449,885)
- accumulated depreciation	Nil	327,840	59,886	5,155	44,481	Nil	437,362
Effect of change in foreign exchange rates	42,319	63,325	8,450	163	1,209	119	115,585
Depreciation charge (Note 8)	(42,903)	(353,834)	(50,629)	(2,131)	(22,458)	(4,780)	(476,735)
Closing net book amount	1,339,350	2,042,103	283,460	5,061	37,667	3,165	3,710,806
At 31 March 2017							
Cost	1,689,548	6,154,430	853,799	27,863	281,536	19,663	9,026,839
Accumulated depreciation	(350,198)	(4,112,327)	(570,339)	(22,802)	(243,869)	(16,498)	(5,316,033)
Net book amount	1,339,350	2,042,103	283,460	5,061	37,667	3,165	3,710,806

Notes to the Financial Statements

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

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 2017 amounted to LKR 4,101,693,638 and LKR 2,992,322,884 respectively (2016 Group - LKR 3,761,069,811 and Company - LKR 2,817,011,149).

(b) The Company has constructed nine buildings on four plots of lands leased from the Board of Investment of Sri Lanka at Seethawaka Export Processing Zone. The remaining lease periods as of 31 March 2017 are 34,18, 21 and 21 years respectively (Note 29). The subsidiary company, Teejay Lanka Prints (Private) Limited [formerly known as (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 Export Processing Zone. The remaining lease periods as of 31 March 2017 are 30 and 34 years respectively. The subsidiary company, Teejay India Private Limited [formerly known as 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 2017 is 13 years.

(c) Depreciation expense of Group of LKR 810,082,066 (2016 - LKR 665,430,339) and LKR 104,742,024 (2016 - LKR 43,300,729) has been charged to cost of goods sold and administrative expenses respectively. Depreciation expense of the Company of LKR 457,008,061 (2016 - LKR 439,676,718) and LKR 19,727,827 (2016 - LKR 17,061,627) has been charged to cost of goods sold and administrative expenses respectively.

16 CAPITAL WORK-IN-PROGRESS

	Group		Company	
	2017	2016	2017	2016
Balance at beginning of the year	283,152	864,434	260,810	864,434
Expenses incurred	1,774,273	472,474	659,439	377,472
Acquisition of subsidiaries (Note 33)	Nil	32,626	Nil	Nil
Transferred to property, plant and equipment (Note 15) and [See Note (a) below]	(1,717,255)	(1,126,061)	(830,934)	(1,018,805)
Effect of change in foreign exchange rates	10,470	50,660	3,249	48,690
Transferred to intangible assets (Note17)	(12,840)	(10,981)	(12,840)	(10,981)
Balance at end of the year [See Note (b) below]	337,800	283,152	79,724	260,810

(a) Transferred to property, plant and equipment of Group mainly include the Synthetic project capitalisation amounting to LKR 530,518,955.

(b) Capital work-in-progress of Group as at 31 March 2017 mainly comprises of construction expenses related to on going capacity expansion project at Teejay India Private Limited (formerly known as Ocean India Private Limited)

17 INTANGIBLE ASSETS

Group

	Goodwill	Computer Software	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
Transferred from capital work-in-progress (Note 16)	Nil	10,981	10,981
Acquisition of subsidiaries (Note 33)	Nil	45,211	45,211
Goodwill arising on acquisition of subsidiaries (Note 33)	74,561	Nil	74,561
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
Year ended 31 March 2017			
Opening net book amount	48,944	84,460	133,404
Transferred from capital work-in-progress (Note 16)	Nil	12,840	12,840
Effect of change in foreign exchange rates	1,593	2,157	3,750
Amortisation charge (Note 8)	Nil	(33,624)	(33,624)
Closing net book amount	50,537	65,833	116,370
At 31 March 2017			
Cost	50,537	467,583	518,120
Accumulated amortisation	Nil	(401,750)	(401,750)
Net book amount	50,537	65,833	116,370

Notes to the Financial Statements

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

17 INTANGIBLE ASSETS (CONTD.)

Company

	Computer Software	Total
At 1 April 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
Year ended 31 March 2017		
Opening net book amount	43,132	43,132
Transferred from capital work-in-progress (Note 16)	12,840	12,840
Effect of change in foreign exchange rates	1,114	1,114
Amortisation charge (Note 8)	(23,032)	(23,032)
Closing net book amount	34,054	34,054
At 31 March 2017		
Cost	378,362	378,362
Accumulated amortisation	(344,308)	(344,308)
Net book amount	34,054	34,054

(a) Amortisation charge amounting to LKR 33,624,146 (2016 Group - LKR 31,838,796) and LKR 23,031,741 (2016 Company - LKR 24,619,051) relating to the computer software of Group and the Company respectively are included in cost of sales.

(b) Impairment tests for goodwill

Management reviews the business performance based on geography and type of business. Goodwill is monitored by management at the level of the operating segments identified in Note 5.

Summary of the goodwill allocation is presented below.

	Group	
As at 31 March	2017	2016
Teejay Lanka Prints (Private) Limited [formerly known as Quenby Lanka Prints (Private) Limited]	12,896	12,896
Ocean Mauritius Limited [including Teejay India Private Limited (formerly known as Ocean India Private Limited)]	61,665	61,665
	74,561	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.

For each of the CGUs with significant amount of goodwill the key assumptions, long term growth rate and discount rate used in the value-in-use calculations are as follows.

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

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

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

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

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

Notes to the Financial Statements

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

18 INVESTMENTS IN SUBSIDIARIES

	Company	
	2017	2016
Unquoted investments		
At the beginning of the year	2,677,210	Nil
Additions	Nil	2,499,621
Effect of change in foreign exchange rates	87,118	177,589
At the end of the year	2,764,328	2,677,210

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

Name of company	Nature of business activities	Group holding	Company holding
Teejay Lanka Prints (Private) Limited [formerly known as Quenby Lanka (Private) Limited]	Rotary screen printing of knitted and woven fabrics	100%	100%

(b) Details of the companies incorporated outside Sri Lanka, in which the Group / Company had control directly / indirectly are set out below:

Name of company	Nature of business activities	Group holding	Company holding
Ocean Mauritius Limited (OML)	Investment holding	100%	100%
Teejay India Private Limited [formerly known as 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	
	2017	2016	2017	2016
Trade receivables (Note 21)	1,546,503	1,141,322	1,241,539	967,337
Other receivables (excluding statutory receivables and advances)	157,023	133,862	22,110	22,451
Amounts due from related companies (Note 21)	1,124,443	1,051,978	718,712	622,332
Other financial assets (Note 22)	1,239,670	1,956,304	992,789	1,108,516
Cash and cash equivalents (Note 23)	1,494,376	967,248	906,653	517,343
	5,562,015	5,250,714	3,881,803	3,237,979

(b) Financial liabilities - Other financial liabilities

	Group		Company	
	2017	2016	2017	2016
Trade payables (Note 24)	1,576,659	1,237,122	556,928	532,550
Accrued expenses (Note 24)	413,489	507,939	289,223	373,191
Other payables (excluding statutory payables)	133,021	240,801	108,054	121,854
Amount due to related companies (Note 24)	827,720	1,493,859	711,717	901,721
Borrowings from related companies (Note 25)	547,164	848,976	Nil	Nil
Short-term bank borrowings (Note 25)	967,117	Nil	759,950	Nil
Long-term bank borrowings (Note 25)	567,429	Nil	Nil	Nil
Bank overdrafts (Note 25)	4,559	48,091	4,559	48,091
	5,037,158	4,376,788	2,430,431	1,977,407

(c) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired and past due but not impaired can be assessed by historical information about counterparty default rates of trade and related party receivables or external credit rating with reference to financial institutions:

Trade receivables and amount due from related parties:

	Group		Company	
	2017	2016	2017	2016
Export customers / overseas	466,905	320,307	161,942	146,322
Local customers	1,079,598	821,015	1,079,598	821,015
Related parties	1,109,908	1,043,484	395,717	564,988
	2,656,411	2,184,806	1,637,257	1,532,325

Counterparties without external credit rating:

	Group		Company	
	2017	2016	2017	2016
Group 1	2,656,411	2,184,806	1,637,257	1,532,325
Group 2	Nil	Nil	Nil	Nil
Group 3	Nil	Nil	Nil	Nil
Total unimpaired trade and related party receivables	2,656,411	2,184,806	1,637,257	1,532,325

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.

Notes to the Financial Statements

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

19 FINANCIAL INSTRUMENTS BY CATEGORY (CONTD.)

Cash and cash equivalents:

	Group		Company	
	2017	2016	2017	2016
AAA	282,534	288,303	163,275	120,415
AA+	301,429	130,545	92,619	50,976
AA	17,345	20,733	17,346	20,733
A+	445	Nil	445	Nil
A-	423,489	255,943	164,491	54,044
AA-	468,344	792	467,977	433
WD	Nil	270,242	Nil	270,242
Cash in hand	790	690	500	500
	1,494,376	967,248	906,653	517,343

Other financial assets

	Group		Company	
	2017	2016	2017	2016
AAA	Nil	685,360	Nil	Nil
AA+	1,011,685	1,270,944	764,804	1,108,516
AA-	227,985	Nil	227,985	Nil
	1,239,670	1,956,304	992,789	1,108,516

20 INVENTORIES

	Group		Company	
	2017	2016	2017	2016
Raw materials	1,052,082	789,855	797,329	601,408
Work-in-progress	830,000	841,250	541,799	623,872
Finished goods	357,857	333,721	291,694	249,544
Engineering spares, needles and sinkers	243,939	207,760	140,062	116,284
Effluent chemicals, fuel and consumables	136,362	191,163	34,846	87,734
Goods in transit	257,302	277,039	235,502	222,971
	2,877,542	2,640,788	2,041,232	1,901,813

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

	Group		Company	
	2017	2016	2017	2016
Balance at the beginning of the year	387,338	202,023	294,646	202,023
Acquisition of subsidiaries	Nil	85,735	Nil	Nil
Effect of change in foreign exchange rates	10,802	32,153	8,029	25,001
(Reversal of provision) / provision for slow and non moving inventories (Note 8)	(63,429)	67,427	(54,890)	67,622
Balance at the end of the year	334,711	387,338	247,785	294,646

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
Current				
Trade receivables - external customers	1,553,636	1,142,333	1,248,400	968,332
Less - provision for impairment [See Note (a) below]	(7,133)	(1,011)	(6,861)	(995)
	1,546,503	1,141,322	1,241,539	967,337
Trade receivable due from related companies [See Note 36 (viii) a]	1,109,908	1,046,602	395,718	567,936
Less - provision for impairment [See Note (a) below] and [See Note 36 (viii) a]	Nil	(3,118)	Nil	(2,948)
	1,109,908	1,043,484	395,718	564,988
Other receivables from related companies [See Note 36 (viii) b]	14,535	8,494	322,994	57,344
	1,124,443	1,051,978	718,712	622,332
Prepayments	293,818	297,702	126,918	122,594
Other receivables [See Note (g) below]	253,721	219,038	64,280	117,249
Statutory receivables [See Note (j) below]	391,920	240,348	164,286	148,348
	3,610,405	2,950,388	2,315,735	1,977,860
Less				
Non current portion of lease rentals paid in advance [See note (f) below]	(240,306)	(247,781)	(94,550)	(95,728)
Current portion	3,370,099	2,702,607	2,221,185	1,882,132

Notes to the Financial Statements

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

21 TRADE AND OTHER RECEIVABLES (CONTD.)

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

	Group		Company	
	2017	2016	2017	2016
Balance at beginning of the year	4,129	1,670	3,943	1,670
Acquisition of subsidiaries	Nil	1,167	Nil	Nil
Effect of change in foreign exchange rates	213	330	205	295
Provision for impairment of trade receivables (Note 8)	2,791	962	2,713	1,978
Balance at end of the year	7,133	4,129	6,861	3,943

As of 31 March 2017, Group and the Company trade receivables from external customers and related companies amounting to LKR 7,133,347 (2016 Group - LKR 4,128,960) and LKR 6,860,677 (2016 Company - LKR 3,942,605) respectively were impaired. The amount charged / (released) for the provision of the Group and the Company was LKR 2,790,719 and LKR 2,712,685 for the year ended 31 March 2017 (2016 Group and Company - charges of LKR 961,607 and of LKR 1,977,692) respectively. The ageing of these impaired receivables is as follows:

	Group		Company	
	2017	2016	2017	2016
3 to 6 months	3,889	2,288	3,658	2,102
Over 6 months	3,244	1,841	3,203	1,841
	7,133	4,129	6,861	3,943

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

	Group		Company	
	2017	2016	2017	2016
Neither past due nor impaired	2,313,833	1,936,330	1,306,626	1,433,607
Past due but not impaired	342,578	248,476	330,631	98,718
Impaired	7,133	4,129	6,861	3,943
	2,663,544	2,188,935	1,644,118	1,536,268

(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	
	2017	2016	2017	2016
Amount overdue:				
Up to 3 months	342,578	248,476	330,631	98,718
3 months to 6 months	Nil	Nil	Nil	Nil
	342,578	248,476	330,631	98,718

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

	Group		Company	
	2017	2016	2017	2016
US Dollars	2,860,197	2,450,285	2,115,644	1,829,512
LKR	206,661	164,932	192,168	148,348
Euro	7,923	Nil	7,923	Nil
INR	535,624	335,171	Nil	Nil
	3,610,405	2,950,388	2,315,735	1,977,860

(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	
	2017	2016	2017	2016
At beginning of the year	260,920	94,333	99,894	94,333
Acquisition of subsidiaries (Note 33)	Nil	154,295	Nil	Nil
Amortisation (Note 8)	(14,778)	(9,770)	(4,175)	(3,916)
Effect of change in foreign exchange rates	10,002	22,062	3,133	9,477
Adjustment	(2,289)	Nil	Nil	Nil
At end of the year	253,855	260,920	98,852	99,894

Prepaid operating leases can be analysed as follows:

	Group		Company	
	2017	2016	2017	2016
Current (Not later than one year)	13,549	13,139	4,302	4,166
Non-current (Later than one year)	240,306	247,781	94,550	95,728
	253,855	260,920	98,852	99,894

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

21 TRADE AND OTHER RECEIVABLES (CONTD.)

(g) Other receivables of the Group mainly consist of advances to suppliers amounting to LKR 65,902,256 (2016 - LKR 110,219,091), electricity and water deposits amounting to LKR 53,505,040 (2016 - LKR 41,658,778) and accrued interest income amounting to LKR 3,362,475 (2016 - LKR 7,038,074). Other receivables of the Company mainly consist of advances to suppliers amounting to LKR 40,996,111 (2016 - LKR 99,449,056) and festival advances amounting to LKR 11,907,505 (2016 - LKR 11,694,598).

(h) As of 31 March 2017, trade receivables of Group LKR 2,313,832,628 (2016 Group - LKR 1,936,329,741) and trade receivable of the Company LKR 1,306,625,808 (2016 Company - LKR 1,433,607,590) were fully performing.

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

(j) Statutory receivables of the Group mainly consist of advance tax recoverable of LKR 227,601,529. (2016 - LKR 98,186,080), ESC receivables amounting to LKR 156,774,037 (2016 - LKR 140,831,098) and VAT receivables amounting to LKR 4,280,190 (2016 - LKR 4,668,742). Statutory receivables of the Company mainly consist of ESC recoverable amounting to LKR 156,774,037 (2016 - LKR 140,831,098), VAT receivables amounting to LKR 4,247,969 (2016 - LKR 4,668,742) and WHT receivable amounting to LKR 3,246,745 (2016 - LKR 2,848,026).

22 OTHER FINANCIAL ASSETS

	Group		Company	
	2017	2016	2017	2016
Short term deposits	1,239,670	1,956,305	992,789	1,108,516

The weighted average effective interest rate of the Group on short term deposits (USD) was 3.50% - 4.15% (year ended 31 March 2016 - 1.50% - 3.25%) and short term deposits (INR) was 5.00% - 6.50%. (year ended 31 March 2016 - 6.50% - 6.90%) and the weighted average effective interest rate of the Company on short term deposits (USD) was 3.50% - 4.15% (year ended 31 March 2016 - 2.15% - 3.25%).

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	2016	2017	2016
Cash at bank and in hand	1,494,376	967,248	906,653	517,343

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

	Group		Company	
	2017	2016	2017	2016
Cash and bank balances	1,494,376	967,248	906,653	517,343
Bank overdrafts (Note 25)	(4,559)	(48,091)	(4,559)	(48,091)
	1,489,817	919,157	902,094	469,252

24 TRADE AND OTHER PAYABLES

	Group 2017	Group 2016	Company 2017	Company 2016
Trade payables	1,576,659	1,237,122	556,928	532,550
Amounts due to related companies [Note 36 (ix)]	827,720	1,493,859	711,717	901,721
Accrued expenses [See Note (a) below]	413,489	507,939	289,223	373,191
Other payables	133,021	240,801	108,054	121,854
Statutory payables [See Note (b) below]	92,830	28,871	39,204	27,546
	3,043,719	3,508,592	1,705,126	1,956,862

(a) Accrued expenses of the Group mainly consists of accrued employee bonus of LKR 188,077,746 (2016 - LKR 249,013,235), electricity expenses of LKR 28,465,751 (2016 - LKR 28,232,224), accrued salaries of LKR 7,711,061 (2016 - LKR 6,536,416), air freight expenses of LKR 18,138,791 and bulk discount of LKR 70,138,673 (2016 - LKR 38,559,334). Accrued expenses of the Company mainly consists of accrued employee bonus of LKR 98,845,481 (2016 - LKR 166,384,870), electricity expenses of LKR 25,279,737 (2016 - LKR 25,170,022), air freight expenses of LKR 15,441,728 (2016 - LKR 38,559,334) and bulk discount of LKR 42,020,523 (2016 - LKR 10,479,757).

(b) Statutory payables of the Group mainly consist of ESC payable of LKR 21,098,644 (2016 - LKR 10,238,938), EPF payable of LKR 21,594,131 (2016 - LKR 18,237,197) and PAYE payable of LKR 4,101,602 (2016 - LKR 3,809,094). Statutory payables of the Company mainly consist of ESC payable of LKR 21,098,644 (2016 - LKR 10,238,938), EPF payable of LKR 13,276,478 (2016 - LKR 11,632,186) and PAYE payable of LKR 3,538,023 (2016 - LKR 3,423,430).

25 BORROWINGS

	Group 2017	Group 2016	Company 2017	Company 2016
Current				
Bank overdrafts	4,559	48,091	4,559	48,091
Short-term bank borrowings	967,117	Nil	759,950	Nil
Borrowing from related companies [Note 36 (x)]	547,164	707,296	Nil	Nil
	1,518,840	755,387	764,509	48,091
Non-current				
Borrowing from related companies [Note 36 (x)]	Nil	141,680	Nil	Nil
Long-term bank borrowings	567,429	Nil	Nil	Nil
Total borrowings	2,086,269	897,067	764,509	48,091

Notes to the Financial Statements

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

25 BORROWINGS (CONTD.)

The maturity of non-current related company borrowing is as follows:

	Group		Company	
	2017	2016	2017	2016
Between 1 and 2 years	567,429	141,680	Nil	Nil

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

	Group		Company	
	2017	2016	2017	2016
Total borrowings:				
- at fixed rates	547,164	848,976	Nil	Nil
- at floating rate	1,539,105	48,091	764,509	48,091
	2,086,269	897,067	764,509	48,091
Weighted average effective interest rates:				
- Borrowings from related companies (USD)	5%	4%- 5.75%	N/A	N/A
- Bank borrowings	LIBOR + 1.35%-2.25%	N/A	LIBOR + 1.35%	N/A
- Bank overdrafts	LIBOR + 1.25%	LIBOR + 2%	LIBOR + 1.25%	LIBOR + 2%

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

	Group		Company	
	Carrying amount	Fair value	Carrying amount	Fair value
	567,429	567,429	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 2017 and 2016 represent book overdrawn situations. Borrowings from related companies are unsecured.

Bank borrownigs of Teejay Lanka PLC (formerly known as Textured Jersey Lanka PLC) and Teejay Lanka Prints (Private) Limited [formerly known as Quenby Lanka Prints (Private) Limited] are on a clean basis. Packing credit facility from banks granted to Teejay India Private Limited [formerly known as Ocean India Private Limited] is secured by;

a) First charge on current assets of the Company; and

b) Second pari passu charge on fixed assets of the Comapny

26 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY

	Group		Company	
	2017	2016	2017	2016
Statement of financial position obligations for:				
Gratuity benefits	208,120	190,931	171,228	158,673
Statement of comprehensive income charge:				
Gratuity benefits	48,954	33,226	40,183	31,126
Other comprehensive income:				
Remeasurement gains	(15,348)	(1,517)	(20,059)	(212)

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

	Group		Company	
	2017	2016	2017	2016
At the beginning of the year	190,931	131,969	158,673	131,969
Transfers from payable	2,541	Nil	Nil	Nil
Acquisition of subsidiaries (Note 33)	Nil	32,504	Nil	Nil
Current service cost	27,931	17,876	22,321	17,929
Interest cost	21,023	15,350	17,862	13,197
Remeasurement gains	(15,348)	(1,517)	(20,059)	(212)
Benefits paid	(18,360)	(4,940)	(7,570)	(4,210)
Effect of change in foreign exchange rates	(598)	689	1	Nil
At the end of the year	208,120	190,931	171,228	158,673

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

	Group		Company	
	2017	2016	2017	2016
Current service cost	27,931	17,876	22,321	17,929
Interest cost	21,023	15,350	17,862	13,197
Total included in employee benefit expense (Note 10)	48,954	33,226	40,183	31,126

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 2017. Teejay Lanka Prints (Private) Limited [formerly known as 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 Teejay India Private Limited [formerly known as 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 2017. The provision for gratuity is not externally funded.

Notes to the Financial Statements

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

26 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY (CONTD.)

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

	Group		Company	
	2017	2016	2017	2016
Discount rate	8.00% - 12.00%	8.00% - 10.00%	12.00%	10.00%
Future salary increases - non executive staff	10% p.a	7.5%-10% p.a	10% p.a	10% p.a
- executive staff	10% p.a	7.5%-10% p.a	10% p.a	10% p.a
Staff turnover factor - non executive staff	Age-related	Age-related	Age-related	Age-related
- executive staff	Age-related	Age-related	Age-related	Age-related

In addition to the above, demographic assumptions such as mortality, disability and retirement age were considered for the actuarial valuation. GA 1983 Mortality Table was taken as the basis for the mortality assumption.

(d) The sensitivity of the gratuity to changes in the weighted principal assumptions is:

Group

		Impact on retirement benefit obligations	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease by 8.14%- 11%	Increase by 9.34% - 11%
Future salary increase	1%	Increase by 9.22%- 12%	Decrease by 8.18% - 12%
Staff turnover factor	1%	Decrease by 2%	Increase by 2%

Company

		Impact on retirement benefit obligations	
	Change in assumption	Increase in assumption	Decrease in assumption
Discount rate	1%	Decrease by 11%	Increase by 11%
Future salary increase	1%	Increase by 12%	Decrease by 12%
Staff turnover factor	1%	Decrease by 2%	Increase by 2%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the retirement benefit obligations to significant actuarial assumptions the same method (present value of the retirement benefit obligations calculated with the projected unit credit method at the end of the reporting period) has been applied.

(e) Maturity profile of the retirement benefit obligations:

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

	Group		Company	
	2017	2016	2017	2016
Less than 1 year	8,161	10,561	4,859	6,054
Between 1 – 2 years	16,006	5,784	14,225	3,963
Between 2 – 5 years	34,154	34,500	29,408	30,142
Over 5 years	565,615	269,085	456,148	195,137
Total	623,936	319,930	504,640	235,296

27 DEFERRED INCOME TAX LIABILITIES

Deferred income taxes are calculated on all temporary differences under the liability method and are measured using a tax rate of 14% applicable on profit on the expiry of the tax exemption period in 2016. The movement on the deferred income tax account is as follows:

	Group		Company	
	2017	2016	2017	2016
At the beginning of the year	148,427	114,316	171,371	114,316
Charged to statement of comprehensive income (Note 12)	(40,426)	20,759	66,214	42,611
Effect of change in foreign exchange rates	3,777	13,081	7,539	14,418
Tax charged relating to components of other comprehensive income (Note 12)	3,403	271	2,808	26
At end of the year	115,181	148,427	247,932	171,371

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	
	2017	2016	2017	2016
Deferred tax assets:				
- Deferred tax assets to be recovered after more than 12 months	(242,289)	(91,800)	(71,900)	(47,253)
Deferred tax liabilities:				
- Deferred tax liabilities to be recovered aftermore than 12 months	225,541	205,253	216,287	198,376
- Deferred tax liabilities to be recovered within 12 months	131,929	34,974	103,545	20,248
	357,470	240,227	319,832	218,624
Deferred tax liabilities (net)	115,181	148,427	247,932	171,371

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

27 DEFERRED INCOME TAX LIABILITIES (CONTD.)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group

Deferred tax liabilities	Accelerated tax depreciation	Total
At 1 April 2015	151,809	151,809
Acquisition of subsidiaries	14,520	14,520
Charged to income statement	53,724	53,724
Effect of change in foreign exchange rates	20,174	20,174
At 31 March 2016	240,227	240,227
Charged to income statement	106,401	106,401
Effect of change in foreign exchange rates	10,842	10,842
At 31 March 2017	357,470	357,470

Deferred tax assets	Retirement benefit obligations	Provision for impairment of inventory	Provision for impairment trade receivables	Tax losses	Provision for bonus	Total
At 1 April 2015	(15,837)	(21,456)	(200)	Nil	Nil	(37,493)
Acquisition of subsidiaries	(2,673)	Nil	Nil	(11,847)	Nil	(14,520)
(Credited) / charged to income statement	(1,804)	(4,099)	28	(27,090)	Nil	(32,965)
Effect of change in foreign exchange rates	(1,948)	(2,464)	(19)	(2,662)	Nil	(9,041)
Charged directly to other comprehensive income	271	Nil	Nil	Nil	Nil	271
At 31 March 2016	(21,991)	(28,019)	(191)	(41,599)	Nil	(91,800)
Credited to income statement	(7,934)	(9,055)	(779)	(113,176)	(15,884)	(146,828)
Effect of change in foreign exchange rates	(844)	(1,170)	(29)	(4,569)	(452)	(7,064)
Charged directly to other comprehensive income	3,403	Nil	Nil	Nil	Nil	3,403
At 31 March 2017	(27,366)	(38,244)	(999)	(159,344)	(16,336)	(242,289)

Company

Deferred tax liabilities	Accelerated tax depreciation	Total
At 1 April 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
Effect of change in foreign exchange rates	9,712	9,712
Charged to income statement	91,496	91,496
At 31 March 2017	319,832	319,832

Deferred tax assets	Retirement benefit obligations	Provision for impairment of inventory	Provision for impairment trade receivables	Provision for bonus	Total
At 1 April 2015	(15,837)	(21,456)	(200)	Nil	(37,493)
(Credited) / charged to income statement	(1,507)	(4,099)	28	Nil	(5,578)
Effect of change in foreign exchange rates	(1,723)	(2,465)	(20)	Nil	(4,208)
Charged directly to other comprehensive income	26	Nil	Nil	Nil	26
At 31 March 2016	(19,041)	(28,020)	(192)	Nil	(48,753)
Credited to income statement	(7,001)	(4,083)	(742)	(13,456)	(25,282)
Effect of change in foreign exchange rates	(738)	(1,027)	(26)	(382)	(2,173)
Charged directly to other comprehensive income	2,808	Nil	Nil	Nil	2,808
At 31 March 2017	(23,972)	(33,130)	(960)	(13,838)	(71,900)

Notes to the Financial Statements

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

28 CONTINGENCIES

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

Teejay India Private Limited [formerly known as 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 112,836,464, LKR 729,098,462 and LKR 302.102,924, LKR 116,701,722 for the years of assessment 2009/10, 2010/11, 2011/12 and 2012/13 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 436,316,781. The Company has appealed against these assessments in the Disputed Resolution Panel/Income Tax Appellate Tribunal (ITAT) and hearing of appeals are yet to fixed except assessment year 2009/10. Assessment 2009/10 hearing was held before the ITAT and the Appeal Court redirected the case to transfer pricing officer in favour of the Company. No provision has been recognised in the financial statements as at 31 March 2017 pending the outcome of the appeals made.

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

29 COMMITMENTS

Operating lease commitments

The Company obtained a land consisting of 18.18 acres on a 50 year lease for which the Company has a commitment to pay an annual fee of LKR 585,162 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 585,162 per acre, on 12.130 acres.

Teejay Lanka Prints (Private) Limited [formerly known as 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 151,990 per acre, to the Board of Investment as lease rent. Further, Teejay Lanka Prints (Private) Limited [formerly known as 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 381,205 per acre, on 1.50 acres.

Teejay India Private Limited [formerly known as 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 420,895 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	
	2017	2016	2017	2016
No later than one year	31,431	30,440	17,736	17,177
Later than one year and no later than five years	125,723	121,761	70,945	68,709
Later than five years	603,598	615,015	422,160	426,032
	760,752	767,216	510,841	511,918

Capital commitments

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

	Group		Company	
	2017	2016	2017	2016
Property, plant and equipment	640,710	309,791	Nil	309,791

30 STATED CAPITAL

	No. of Shares	Amount (LKR)
At 31 March 2015	660,752,465	2,849,899
Issue of new shares related to business combination [Note 33 (a)]	35,197,368	1,003,125
At 31 March 2016	695,949,833	3,853,024
Issue of shares related to Employee Share Option Scheme [Note 34 (c)]	2,643,007	89,662
At 31 March 2017	698,592,840	3,942,686

(a) All issued shares are fully paid.

(b) For the purpose of calculation of Basic and diluted earnings per share, the weighted average number of shares have been considered based on the date of issue of shares.

(c) Information relating to the share based payments, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note 34.

Notes to the Financial Statements

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

31 RETAINED EARNINGS

	Group	Company
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
At 1 April 2016	4,150,852	3,462,358
Profit for the year	1,959,175	1,500,948
Remeasurement of retirement benefit obligations	15,348	20,059
Deferred tax attributable to remeasurement of retirement benefit obligations	(3,403)	(2,808)
Dividends (Note 14)	(1,397,186)	(1,397,186)
At 31 March 2017	4,724,786	3,583,371

32 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.

33 BUSINESS COMBINATIONS

(a) Summary of acquisitions in previous year

On 1 June 2015 and 15 September 2015 the parent entity acquired the 100% of the stated capital of Teejay Lanka Prints (Private) Limited (formerly known as Quenby Lanka Prints (Private) Limited) and Ocean Mauritius Limited respectively. Further, Teejay India Private Limited [formerly known as 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. Goodwill recognised is not 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:

	TJP	OML	Total
Cash paid	477,996	1,018,500	1,496,496
Ordinary shares issued (35,197,368 ordinary shares) [Note 30]	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.

	TJP	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 equivalents	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.

TJP - Teejay Lanka Prints (Private) Limited [formerly known as Quenby Lanka Prints (Private) Limited]

OML - Ocean Mauritius Limited including Teejay India Private Limited [formerly known as 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.

Notes to the Financial Statements

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

33 BUSINESS COMBINATIONS (CONTD.)

(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 (paid to Ernst & Young Chartered Accountants for the valuation assignment) 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 for the year ended 31 March 2016.

34 SHARE-BASED PAYMENTS

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

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

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

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

	2017		2016	
	Average exercise price as per share option	No of options (thousands)	Average exercise price as per share option	No of options (thousands)
At the beginning of the year	33.89	13,215	Nil	Nil
Granted	33.89	4,625	33.89	13,215
Exercised [see Note (c) below]	33.92	(2,643)	Nil	Nil
At the end of year	33.88	15,197	33.89	13,215
Vested and exercisable at 31 March	33.89	3,965	33.89	2,643

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 2017	Share options 31 March 2016
27 November 2015	4 months	27 May 2016	33.89	Nil	2,643,009
27 November 2015	16 months	27 May 2017	33.89	3,964,514	3,964,514
27 November 2015	28 months	27 May 2018	33.89	6,607,524	6,607,524
01 May 2016	36 months	27 May 2019	33.89	4,625,268	Nil
				15,197,306	13,215,047

Weighted average remaining contractual life of options outstanding at end of period	1.20 years	1.46 years

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

34 SHARE-BASED PAYMENTS (CONTD.)

(a) Fair value of options granted

The fair value of the option amounting to LKR 21,462,934 (USD 148,025) [2016 - LKR 22,810,228 (USD 158,185)] 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 2017 included:

(a) exercise price:	LKR 33.89
(b) grant date:	1 May 2016
(c) share price at grant date:	LKR 34.50
(d) expected price volatility of the Company's shares:	18.71%
(e) expected dividend yield:	4.69%
(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	
	2017	2016	2017	2016
Options issued under employee share option scheme (Note 10)	21,463	22,810	21,463	22,810

(c) All the outstanding options relevant to the Employee Share Option Scheme which was announced during 2015/16 were exercised during 2016/17 resulting in 2,643,007 shares being issued at a weighted average price of LKR 33.92 amounting to LKR 89,662,189 (USD 615,050) (Note 30). The related weighted average share price at the time of exercising was 34.99 per share.

35 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2017	2016	2017	2016
Profit before tax	2,011,370	2,228,947	1,636,373	1,540,607
Adjustments for:				
Depreciation (Note 15)	914,823	708,731	476,735	456,738
Amortisation of intangible assets (Note 17)	33,624	31,839	23,032	24,619
Amortisation of lease rentals paid in advance [Note 21 (f)]	14,778	9,770	4,175	3,916
(Reversal of provision) / provision for non or slow moving of inventories (Note 20)	(63,429)	67,427	(54,890)	67,622
Provision for impairment of trade receivables [Note 21 (a)]	2,791	962	2,713	1,978
Reversal of previously written off ESC (Note 8)	Nil	(14,763)	Nil	(12,338)
Interest income (Note 11)	(86,719)	(62,598)	(59,327)	(49,562)
Interest expense (Note 11)	70,447	33,836	16,561	1,812
Effect of change in foreign exchange rates	122,049	12,749	47,710	(16,088)
Loss on disposal of property, plant and equipment (Note 7)	7,330	2	7,646	2
Share based payment (Note 10)	21,463	22,810	21,463	22,810
Retirement benefit obligations (Note 26)	48,954	33,226	40,183	31,126
Changes in working capital:				
- inventories	(173,325)	445,846	(84,529)	178,862
- trade and other receivables	(671,606)	(174,433)	(330,783)	(266,722)
- trade and other payables	(423,623)	399,834	(251,736)	344,940
Cash generated from operations	1,828,927	3,744,185	1,495,326	2,330,322

Notes to the Financial Statements

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

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

The directors of the Company are also directors of following companies with which the Company had transactions in the ordinary course of business during the year.

	Wing Tak Bill Lam	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	-	-	X	-	-	-	-	-
Brandix Apparel Limited	-	-	X	-	-	-	-	-
Teejay Lanka Prints (Private) Limited [formerly known as Quenby Lanka Prints (Private) Limited]	-	X	X	-	-	X	-	-
Teejay India Private Limited [formerly known as Ocean India Private Limited]	-	X	X	-	-	X	-	-
Ocean Mauritius Limited	-	X	X	-	-	X	-	-
Ocean Lanka (Private) Limited	-	-	-	-	-	X	-	-
Brandix i3 (Private) Limited	-	-	X	-	-	-	-	-

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

(i) Sale of goods and services:

	Group		Company	
	2017	2016	2017	2016
Sale of goods:				
Brandix Apparel Limited	10,383,965	9,278,916	4,951,807	6,100,792
Teejay Lanka Prints (Private) Limited [formerly known as Quenby Lanka Prints (Private) Limited]	Nil	Nil	721,222	552,502
Teejay India Private Limited [formerly known as Ocean India Private Limited]	Nil	Nil	104,588	28,092
Brandix Textile Limited	39,835	Nil	Nil	Nil
	10,423,800	9,278,916	5,777,617	6,681,386

(ii) Purchase of goods and services:

	Group		Company	
	2017	2016	2017	2016
Pacific Textiles Limited	1,361,838	953,191	1,196,759	853,177
Pacific Overseas Textiles Macao Commercial Offshore Limited	2,423,804	3,126,394	2,423,804	3,126,394
Teejay Lanka Prints (Private) Limited [formerly known as Quenby Lanka Prints (Private) Limited]	Nil	Nil	335,513	405,730
Teejay India Private Limited [formerly known as Ocean India Private Limited]	Nil	Nil	1,092,281	856,850
Ocean Lanka (Private) Limited	Nil	26,288	Nil	3,644
	3,785,642	4,105,873	5,048,357	5,245,795

(iii) Purchase of administrative and other services:

	Group		Company	
	2017	2016	2017	2016
Pacific Textiles Limited	10,845	22,535	10,845	22,535
Brandix Apparel Limited	878	4,606	Nil	4,606
Teejay India Private Limited [formerly known as Ocean India Private Limited]	Nil	Nil	Nil	977
Brandix i3 (Private) Limited	13,185	Nil	9,653	Nil
Brandix Apparel Solutions Limited	37	Nil	Nil	Nil
Brandix Apparel India Private Limited	16,431	Nil	Nil	Nli
	41,376	27,141	20,498	28,118

(iv) Consultancy fees received / receivable for technical and other support services provided by the Company (Note 9):

	Group		Company	
	2017	2016	2017	2016
Teejay India Private Limited [formerly known as Ocean India Private Limited]	Nil	5,406	17,291	16,219
Ocean Mauritius Limited	Nil	37,543	Nil	43,700
	Nil	42,949	17,291	59,919

Notes to the Financial Statements

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

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

(v) Royalty income received (Note 7)

	Group		Company	
	2017	2016	2017	2016
Teejay India Private Limited [formerly known as Ocean India Private Limited]	Nil	Nil	276,622	Nil

(vi) Steam coal cost recovery (Note 7)

	Group		Company	
	2017	2016	2017	2016
Teejay Lanka Prints (Private) Limited [formerly known as Quenby Lanka Prints (Private) Limited]	Nil	Nil	3,924	Nil

(vii) Dividend received (Note 7)

	Group		Company	
	2017	2016	2017	2016
Teejay Lanka Prints (Private) Limited [formerly known as Quenby Lanka Prints (Private) Limited]	Nil	Nil	24,170	Nil

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

(viii) Receivables from related parties:

	Group		Company	
	2017	2016	2017	2016
(a) Trade receivables				
Brandix Apparel Limited	1,109,883	1,042,021	362,835	565,944
Brandix Apparel Solutions Limited	Nil	759	Nil	759
Brandix Textile Limited	Nil	3,822	Nil	Nil
Teejay Lanka Prints (Private) Limited [formerly known as Quenby Lanka Prints (Private) Limited]	Nil	Nil	12,353	1,233
Teejay India Private Limited [formerly known as Ocean India Private Limited]	Nil	Nil	20,530	Nil
Quantum Clothing India (Pvt) Ltd	25	Nil	Nil	Nil
	1,109,908	1,046,602	395,718	567,936
Less - provision for impairment of amounts due from related companies	Nil	(3,118)	Nil	(2,948)
	1,109,908	1,043,484	395,718	564,988

	Group		Company	
	2017	2016	2017	2016
(b) Other receivables				
Brandix Lanka Limited	Nil	5,754	Nil	5,754
Brandix Apparel Limited	3,965	Nil	3,965	Nil
Brandix i3 (Private) Limited	Nil	15	Nil	15
Brandix Apparel Solutions Limited	2,468	Nil	2,468	Nil
Pacific Textiles Limited	6,663	Nil	6,663	Nil
Adhishtan Investments India (Private) Limited	1,439	2,725	Nil	Nil
Ocean Mauritius Limited	Nil	Nil	Nil	49,515
Teejay Lanka Prints (Private) Limited [formerly known as Quenby Lanka Prints (Private) Limited]	Nil	Nil	17,082	2,060
Teejay India Private Limited [formerly known as Ocean India Private Limited]	Nil	Nil	292,816	Nil
	14,535	8,494	322,994	57,344

(ix) Payables to related parties:

	Group		Company	
	2017	2016	2017	2016
Pacific Textiles Limited	74,371	14,840	41,386	8,999
Pacific Overseas Textiles Macao Commercial Offshore Limited	630,797	816,309	630,797	816,309
Teejay India Private Limited [formerly known as Ocean India Private Limited]	Nil	Nil	Nil	76,413
Brandix Lanka Limited	40,571	272,375	18,137	Nil
Brandix Apparel Limited	829	125,172	Nil	Nil
Brandix International Limited	19,468	164,890	Nil	Nil
Brandix Textile Limited	20,234	Nil	20,234	Nil
Brandix Mauritius Holdings Limited	Nil	86,169	Nil	Nil
Brandix i3 (Private) Limited	1,818	2,503	1,163	Nil
Brandix India Apparel City Private Limited	13,943	11,077	Nil	Nil
Brandix Apparel India Limited	25,689	524	Nil	Nil
	827,720	1,493,859	711,717	901,721

Notes to the Financial Statements

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

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

(x) Borrowings from related companies:

	Group		Company	
	2017	2016	2017	2016
Brandix International Limited	547,164	729,376	Nil	Nil
Brandix Mauritius Holdings Limited	Nil	119,600	Nil	Nil
	547,164	848,976	Nil	Nil

The movement on the related party borrowings is as follows:

	Group		Company	
	2017	2016	2017	2016
At the beginning of the year	848,976	829,058	Nil	Nil
Settlement during the year	(320,335)	(61,686)	Nil	Nil
Effect of change in foreign exchange rates	18,523	81,604	Nil	Nil
At end of the year	547,164	848,976	Nil	Nil

Finance costs for the borrowings from Brandix International Limited and Brandix Mauritius Holdings Limited amounted to LKR 31,891,309 (2016 - LKR 24,409,180) and LKR 1,726,187 (2016 - LKR 2,665,524) respectively (Note 11).

(xi) 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	
	2017	2016	2017	2016
Salaries and other benefits	232,588	118,634	232,588	118,634
Post-employment benefits	8,017	3,529	8,017	3,529
Share based payments	10,628	8,072	10,628	8,072
	251,233	130,235	251,233	130,235

(xii) Share based payments:

The Company has offered an Employee Share Option Scheme ("ESOS") to the executive directors and executive management personnel for a quantum of 0.7% of the issued shares as at 1 April 2015. The ESOS 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 will be 28 March 2019 with an expiration date of 27 May 2019. 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 ESOS (Note 34).

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

Number of Grants under the ESOS	Date of Grant	Vesting period	Exercise period	Date of allotment and issue	Number of shares	Percentage of shares underlying each grant
No. 04	1 May 2016	36 months	28 March 2019 - 27 May 2019	28 May 2019	4,625,268	0.7%
					4,625,268	0.7%

37 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.

Shareholding Information

1.SHAREHOLDERS

	Residents			Non- Residents			Total		
Number of Shares held	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%	No. of Share holders	No. of Shares	%
1 - 1,000	5,016	2,257,581	0.32	13	6,837	0.00	5,029	2,264,418	0.32
1,001 - 5,000	1,868	5,157,089	0.74	10	34,897	0.00	1,878	5,191,986	0.74
5,001 - 10,000	614	4,935,219	0.71	14	124,647	0.02	628	5,059,866	0.72
10,001 - 50,000	626	14,635,230	2.09	18	480,542	0.07	644	15,115,772	2.16
50,001 - 100,000	139	10,416,659	1.49	7	617,814	0.09	146	11,034,473	1.58
100,001 - 500,000	136	28,238,187	4.04	11	2,598,467	0.37	147	30,836,654	4.41
500,001 - 1,000,000	28	20,134,110	2.88	3	2,024,108	0.29	31	22,158,218	3.17
Over 1,000,000	26	296,586,258	42.45	12	310,345,195	44.42	38	606,931,453	86.88
Total	8,453	382,360,333	54.73	88	316,232,507	45.27	8,541	698,592,840	100.00

	31 March 2017			31 March 2016		
Categories of Shareholders	Share holders	No. of shares	%	Share holders	No. of shares	%
Individuals	8,204	85,562,103	12.25	8,864	90,910,825	13.06
Institutions	337	613,030,737	87.75	338	605,039,008	86.94
Total	8,541	698,592,840	100.00	9,202	695,949,833	100.00

2. SHARE TRADING INFORMATION

	2016/17		2015/16	
Highest	47.80	4-Oct-2016	36.30	05-Jan-16 & 23-Nov-15
Lowest	31.80	1-Apr-2016	24.10	01-Apr-15
Closing	37.00		31.70	
No. of transactions	22,508		36,188	
No. of shares traded	382,448,012		289,058,216	
Value of shares traded (Rs.)	12,443,765,592		8,625,234,121	

3. TOP 20 SHAREHOLDER LIST AS AT 31.03.2017

	Name	31 March 2017 No. of Share	31 March 2017 %	31 March 2016 No. of Share	31 March 2016 %
1	Brandix Lanka Ltd-Number 1 Account	232,198,344	33.24	232,198,344	33.36
2	Pacific Textured Jersey Holdings Limited	195,926,217	28.05	195,926,217	28.15
3	HSBC Intl Nom Ltd-Ssbt-First State Investments ICVC-Stewart Investors Asia Pacific Fund	49,278,338	7.05	49,278,338	7.08
4	Citibank Newyork S/A Norges Bank Account 2	20,863,973	2.99	16,657,693	2.39
5	HSBC Intl Nom Ltd - BBH - Fidelity Funds	14,472,590	2.07	-	-
6	Melstacorp PLC	12,622,428	1.81	12,622,428	1.81
7	HSBC Intl Nom Ltd-BBH-Matthews Emerging Asia Fund	9,200,551	1.32	-	-
8	Mr. L.K.M.Fernando	5,119,300	0.73	-	-
9	Deutsche Bank AG Singapore-Dss A/C Navis Yield Fund	4,980,903	0.71	15,134,460	2.17
10	Nuwara Eliya Property Developers (Pvt) Ltd	4,329,343	0.62	4,329,343	0.62
11	Union Assurance PLC/Account No. 05 (Unit-Linked Life Insurance Fund-Equity Fund)	4,234,849	0.61	-	-
12	SEB AB-Fim Frontier Fund	4,172,470	0.60	-	-
13	HSBC Intl Nom Ltd-JPMBC Na-Fidelity Asian Values PLC	4,074,958	0.58	-	-
14	Deutsche Bank Ag-National Equity Fund	4,000,000	0.57	4,000,000	0.57
15	J.B. Cocoshell (Pvt) Ltd	3,097,942	0.44	5,733,424	0.82
16	Periceyl (Private) Limited A/C No. 03	2,694,100	0.39	2,694,100	0.39
17	Mr. A.R.Gunasekara	2,399,700	0.34	2,252,700	0.32
18	Deutsche Bank AG As Trustee For Namal Acuity Value Fund	2,250,000	0.32	-	-
19	Mellon Bank N.A-Eaton Vance Trust Co. Collective Inv. Trust For Empolyee Benefit Plans-Eaton Vance Trust Co./Parametric Structured Emerging Mkt. Equity Fund	2,100,000	0.30	-	-
20	Mr. M.E.Wickremesinghe	2,065,000	0.30	-	-

Shareholding Information

4.DIRECTOR SHAREHOLDING

Director's Shareholding	31 March 2017 No. of Share	31 March 2017 %	31 March 2016 No. of Share	31 March 2016 %
Wing Tak Bill Lam	-	-	-	-
Kang Po Tsang	-	-	-	-
Mohamed Ashroff Omar	-	-	-	-
Wai Loi Wan	-	-	-	-
Kulatilleke Arthanayake Malik Kumar Ranasinghe	-	-	-	-
Sriyan Joseph de Silva Wijeyeratne	386,833	0.06	-	-
Amitha Lal Gooneratne	-	-	-	-
M.A.Hasitha Premaratne	40,000	0.01	40,000	0.01
	426,833	0.07	40,000	0.01

5.PUBLIC SHAREHOLDING

	31 March 2017	31 March 2016
No.of shares	266,989,056	265,438,713
	38.22%	38.14%

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Teejay Lanka PLC will be held at 10.00 a.m. on 30 August 2017 at the auditorium, The Institute of Chartered Accountants of Sri Lanka, 30A, Malalasekera Mawatha, Colombo 07, for the following purposes:

AGENDA

1. To receive and consider the Annual Report of the Board and the Financial Statements of the Company for the financial year ended 31 March 2017 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 1.25 per share for the financial year ended 31 March 2017 as recommended by the Board.

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

   ### Special Resolution

   IT IS HEREBY RESOLVED THAT article 27 (2) of the Articles of Association of the Company be amended by replacing So long as Pacific and Brandix hold shares in the Company, Pacific shall be entitled to appoint three (3) Directors with Two (2) Directors and Brandix.shall be entitled to appoint two (2) Directors with Three (3) Directors and the sentence to read as follows.

   " So long as Pacific and Brandix hold shares in the Company, Pacific shall be entitled to appoint two (2) Directors and Brandix shall be entitled to appoint three (3) Directors" .

5. To authorize Directors to determine contributions to charities.

By order of the Board
CORPORATE SERVICES (PRIVATE) LIMITED
Secretaries
TEEJAY LANKA PLC

At Colombo, on this 04th day of August 2017.

Note:

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

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

Notes

teejay

Notes

Form of Proxy

*I/We..of
....

Being a shareholder/shareholders of Teejay Lanka PLC do hereby appoint

1.	Mr Wing Tak Bill Lam	or failing him,
2.	Mr Sriyan Joseph de Silva Wijeyeratne	or failing him,
3.	Mr Mohamed Ashroff Omar	or failing him,
4.	Mr Hasitha Premaratne	or failing him,
5.	Mr. Kit Vai Tou	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 speak/vote for me/us and my/our behalf at the Annual General Meeting of the Company to be held at the auditorium, The Institute of Chartered Accountants of Sri Lanka, 30A Malalasekera Mawatha, Colombo 07 on 30 August 2017 at 10.00 a.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 2017 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 1.25 per share for the financial Year ended 31 March 2017 as recommended by the Board.		
4.	To pass the Special Resolution to amend article 27 (2) of the Articles of Association of the company		
5.	To authorize the Directors to determine contributions to charities		

Signed this .... day of 2017

....
Signature/s

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

Form of Proxy

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name, address and sign in the space provided. Please fill in the date of signature.

2. Please return the completed Form of Proxy to the Company after crossing out one or the other of the alternative words indicated by the asterisks on the body of the Form and by indicating with an 'X' in the space provided against each resolution, the manner in which you wish your vote to be cast.

3. A Member entitled to attend and vote at the meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him.

4. In the case of a Corporate Member, the Form must be completed under its Common Seal, or signed by its attorney or by an officer on behalf of the corporation. The Company may, but shall not be bound to require evidence of the authority of any such attorney or officer.

5. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by the Articles of Association.

6. The completed Form of Proxy should be deposited at the Registered Office of the Company, Block D8 – D14, Seethawaka Export Processing Zone, Avissawella not less than forty eight (48) hours before the appointed time for meeting

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

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

Corporate Information

NAME
Teejay Lanka PLC

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

COMPANY REGISTRATION NO.
PV 7617 PB/PQ

STOCK EXCHANGE LISTING
The issued Ordinary Shares of the Company was listed on the Main Board of the Colombo Stock Exchange of Sri Lanka on 09 August 2011.

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

DIRECTORS
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 (Resigned w.e.f. 1 July 2017)
Mr. Wai Loi Wan
Mr. Kit Vai Tou (Appointed w.e.f. 1 July 2017)

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
Sriyan Joseph de Silva Wijeyeratne
Salman Nishtar
Teejay Lanka PLC

Designed & produced by
emagewise
Digital Plates & Printing by Aitken Spence Printing & Packaging (Pvt) Ltd
Photography by Danush De Costa

Teejay Lanka PLC
Block D8-D14,
Seethawaka Export Processing Zone
Avissawella, Sri Lanka
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