POISED FOR THE FUTURE

teejay

TEEJAY LANKA PLC - ANNUAL REPORT 2017/18

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POISED FOR THE FUTURE

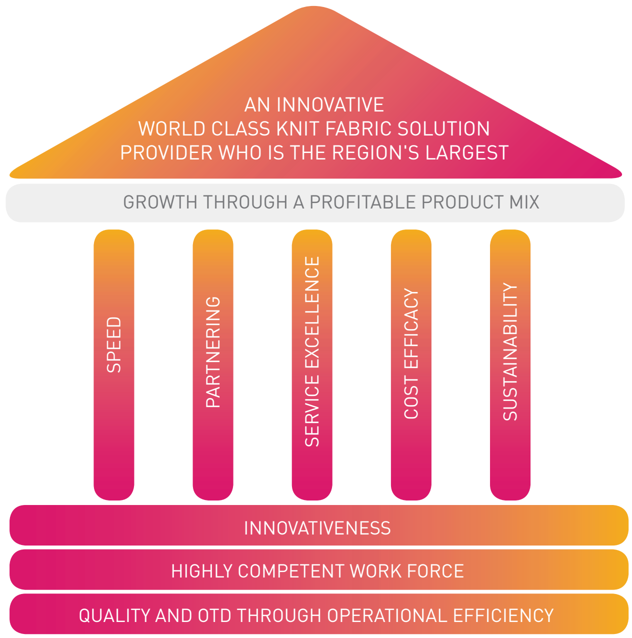
Teejay Lanka is an aggressively expanding company that has grown to have a significant impact on the local fabric manufacturing industry. Over the years, the Company has become a benchmark of quality and value while the characteristics of integrity and sustainability that lie at the heart of our strategies continue to serve us well in the fast changing business environment we work within today.

The difficulties we faced during the previous year continue to impact our bottom line, as the financial results in this report will show. Yet your company remains strong and focused on a strategy of consolidation, designed to deliver stability and growth over the long term. We are also going ahead with our existing plans for expansion, with ongoing investments into technology, talent acquisition and increasing capacity.

This is how we plan to realize our vision to be the region's leading manufacturer for weft-knit fabric solutions, as we go steadily forward; progressive, ambitious and poised for the future.

Content

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 that 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

Winning World Textile Awards

Acquisition of Ocean India Private Ltd

Acquisition of Quenby Lanka Prints (Private) Ltd

2016

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

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

Commercial launch of the first Synthetic Fabric

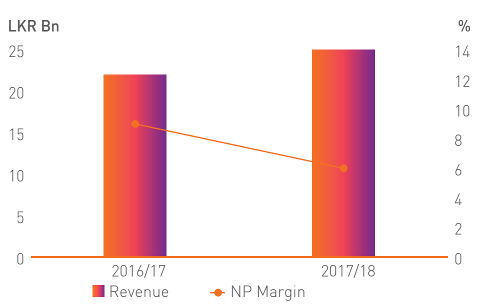
2018

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

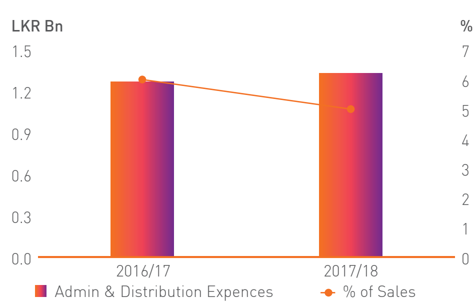
Financial Highlights

All Amounts in Sri Lanka Rupees Thousands	2018	2017	Change %
Operations			
Revenue	24,647,488	22,137,641	11.3%
Profit from operations	1,810,842	1,992,405	(9.1%)
Net finance income	6,874	18,965	(63.8%)
Profit after taxation	1,596,114	1,959,175	(18.5%)
Statement of financial position			
Non current assets	8,437,181	7,788,112	8.3%
Current assets	11,127,755	8,981,687	23.9%
Current liabilities	6,231,060	4,569,094	36.4%
Non current liabilities	1,632,454	1,023,481	59.5%
Capital and reserves	11,701,422	11,177,224	4.7%
Per Share Data (Rs.)			
Earnings per share	2.28	2.81	(18.7%)
Closing market value per share	31.9	37.0	(13.8%)
P/E Ratio	13.98	13.17	6.7%
Net assets per share	16.67	16.00	4.2%
Ratios			
Gross profit margin - %	11.81	13.89	
Net profit margin - %	6.48	8.85	
Return on equity - %	13.95	18.38	
Return on assets - %	8.79	12.34	
Return on capital employed - %	11.48	16.13	
Total Debt:equity - %	13.95	10.14	
Current ratio	1.79	1.97	

REVENUE VS NP MARGIN



ADMIN & DISTRIBUTION EXPENSES



All Amounts in Sri Lanka Rupees Thousands Five Year Financial Summary	2018	2017	2016	2015	2014
Trading Results					
Revenue	24,647,488	22,137,641	17,820,179	13,678,462	12,724,715
Profit before taxation	1,817,716	2,011,370	2,228,947	1,361,544	1,193,087
Current taxation	(221,602)	(52,195)	(58,280)	(29,385)	(40,315)
Profit after taxation	1,596,114	1,959,175	2,170,667	1,332,159	1,152,772
Statement of financial position					
Stated capital	4,056,683	3,942,686	3,853,024	2,849,899	2,797,229
Employee share option scheme	85,505	63,746	42,283	19,473	19,473
Revenue reserve	4,971,882	4,724,786	4,150,852	2,925,111	2,461,922
Hedging reserve	9,673	Nil	Nil	Nil	Nil
Other reserves	2,577,679	2,446,006	2,090,184	1,240,168	1,092,244
	11,701,423	11,177,224	10,136,343	7,034,651	6,370,868
Non current assets	8,437,181	7,788,112	6,710,361	3,415,789	3,107,846
Net current assets	4,896,695	4,412,593	3,998,821	3,865,147	3,457,338
Non current liabilities	(1,632,454)	(1,023,481)	(572,838)	(246,285)	(194,316)
	11,701,423	11,177,224	10,136,344	7,034,651	6,370,868
Key indicators					
Annual growth in turnover %	11.3	24.2	30.3	7.5	16.2
Gross profit margin %	11.8	13.9	16.8	11.9	11.4
Net profit margin %	6.5	8.8	12.2	9.7	9.1
Gearing ratio %	24.2	18.7	8.9	0.3	0.8
Earning per share (lkr)	2.3	2.8	3.2	2.0	1.8
Dividend per share (lkr)	2.0	2.0	1.4	1.3	1.1
Net assets per share at year end (lkr)	16.7	16.0	14.6	10.6	9.7
Dividend pay out %	85.4	71.2	43.2	64.3	61.4
Return on equity %	14.0	18.4	25.3	19.9	19.0
Return on assets %	8.8	12.3	18.3	15.5	14.1

REVENUE

24.6Bn

NET PROFIT

1.6Bn

Chairman's Message

Poised for the future

"Your Company will continue on its journey towards lean manufacturing and focus on the continuous enhancement of the efficacy of its people and processes."

DEAR SHAREHOLDER,

It gives me great pleasure to welcome you to the 7th Annual General Meeting of Teejay Lanka PLC., and to present to you the Annual Report and audited financial statements for the year ending 31st March 2018.

The Group performed well despite a challenging year, once again of one double jeopardy; higher raw material prices on the one hand and minimal opportunity to leverage prices to make up for the higher cost of production, on the other hand. This was due to the price intensity in the fabric market, prices of cotton (which accounts for 65% of raw material costs) in the global market place which continued to escalate during the year due to demand as well as supply factors. However, a resurgence during the second half of the year driven by higher demand helped the Group transform the impacts of the rising costs of raw material to achieve a Net Profit of Rs. 1.6 billion and a Group Revenue growth of 11% to Rs. 24.6 Bn.

Despite the market challenges, the Group continued to implement its strategic priority of capacity expansion. Following the completion of expansion at Teejay India, the year under review saw the completion of the second phase of expansion, thus doubling the capacity at the Indian plant and enabling the Group to be a US Dollar 210 Million per annum Company. The Group is hence able to derive the benefits of considerable economies of scale.

OPERATING ENVIRONMENT

Sri Lanka's exports reached the highest ever, growing by 10.2% mainly driven by industrial exports. Surpassing the US Dollars 5 billion mark for the first time in history, export earnings from textiles and garments, which account for about 44% of total exports, largely contributed to the increase in industrial exports. Despite the decline recorded during the first half of 2017, on a cumulative basis, earnings from textiles and garments exports increased by 3% to exceed US dollars 5 Billion in 2017, reflecting the improved demand from the EU market following the restoration of the GSP+ facility in May 2017, the synchronised growth in advanced countries and the strong institutional and policy support of the Government. In addition, regional integration is expected to strengthen further, through trade and partnership agreements with China and India, which are currently under negotiation. Your Group is buoyant on the new opportunities these agreements would offer. Sri Lanka's industrial production increase during the year, supported by the manufacture of textiles, wearing apparel and leather related products, which grew by 5.7% in 2017 compared to 1.8% growth in 2016, mainly stimulated by the reinstatement of GSP+ during the second half of the year.

Sri Lanka is today one of the most attractive destinations for foreign investment inflows due to many factors. Its geographic positioning and the fact that Sri Lanka is a manufacturer for a large number of the world's leading apparel brands are amongst the most significant. The country thus brims with much potential for new investments for overseas apparel manufacturers. However, several factors also impede the progress of industries in the country. Sri Lanka's competitive labour market continues to challenge the manufacturing industry and it is necessary that solutions and alternatives are found to surmount these impediments.

GOVERNANCE

Corporate governance is about engendering trust and hence, about effective transparent and accountable governance by the management including the Board- the highest governing body. In order to effectively fulfill this responsibility, the Board has a governing structure and a process to monitor its effectiveness. A robust system of internal controls ensures professionalism, integrity and the commitment of the Board of Directors, the Management and employees. The Group's Audit Committee, Remuneration Committee and Nomination Committee, together with the Group Management committee also play a vital role towards this end.

OUTLOOK AND STRATEGY

We recognise the need to keep reinventing our technology and our processes to derive newer and more cost effective ways to meet evolving customer needs and market conditions. Thus, the continuous modernisation of our machinery and reengineering of our process will remain key priorities for the next few years ahead. Following the doubling of capacity in India during the year, the Group will also continue to look to enhance its capacity to enhance the economies of scale. The overall market seems likely to remain competitive in the short to medium term with price swings and a high demand for low cost products which will continue to exert pressure on our selling prices and hence margins. A strategy of driving economies of scale thus remains important.

Synthetics are now being welcomed as evolving technology contributes to their increasing user friendliness, utility and durability. We see tremendous potential to capture new markets and higher margins in this product segment and will build on the Group's success in the first full year of commercial production of Synthetics in 2017.

Today, product innovation and R&D are key value drivers in many industries. At the same time, we are aware that textiles is one of the oldest industries in the world, in which the pace of product innovation is significantly lower than in the technological industries such as mobile phone. However, the need for constant and fast paced innovation to sustain a competitive advantage or thrive in the medium term is becoming increasingly more significant now in the fabric industry, Your Company will continue on 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 whilst increasing the value addition to its products.

Moreover, we expect our focus on technology and expansion as a regional player, to be key solutions to meet the competitive labor market requirements in Sri Lanka, in order to sustain growth and augment our platform for the near to medium term future.

The regain of the GSP+ in July 2017, and the subsequent growth in export demand, 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 offer. In addition, Teejay's market positioning in significant niche markets, along with leading global brands, has been a key success factor in becoming one of Sri Lanka's leading fabric manufacturers. We thus look ahead with renewed vigor.

ACKNOWLEDGEMENT

I would like to convey my gratitude to the Board of Directors, the Management team and all employees for their unstinted support, passion and commitment which continue to augment Teejay's position as a leading regional player in the fabric industry whilst continuing to open new vistas for itself, the industry and the country. I also extend my sincere appreciation to all our customers, investors and other stakeholders who have been true partners in our progress and for whom we create value and strive constantly to enhance that value. You will continue to be our inspiration to keep raising the benchmarks and opening new vistas for your Company.

Finally, I would like to convey my heartfelt appreciation of the contribution made by Mr. Sriyan de Silva Wijeyeratne who provided inspirational leadership to establish a strong foundation for the long term growth of Teejay and took it to new heights. His diversified industry experience across local and multinational corporations influenced a rapid transformation of the company into a regional powerhouse. His exciting journey of five years was nothing short of challenges and celebrations. Some of the celebrations were built around phenomenal achievements that were made under guidance and strength. Merging two different cultures together was not an easy task. Winning Forbes - Asia's 200 Best Under A Billion, World Textile Award recognition, the rebranding process of Teejay as a Group, the commercial launch of the first synthetic fabric and moving higher in LMD rankings are some of the milestones Teejay reached under his leadership.

Wing Tak Bill Lam
Chairman

CEO's Message

Focussed on growth and value

"The talents, passion and commitment of our people will continue to be a cornerstone of our value creation model"

DEAR STAKEHOLDER,

It is my pleasure to share with you our performance, outlook and strategies at the end of an year in which your Company finds itself well "poised" for a future of sustained growth and profitability.

PERFORMANCE

Teejay faced a challenging year mainly owing to escalating prices of cotton – a key raw material in our product. Prices of cotton across the three main supplying nations continue to remain high due to supply as well as demand factors. However, it is remarkable that Teejay was able to transform a first half net profit of Rs. 590 million to a net profit of Rs. 1 billion in the second half. Net Profit for the full financial year was Rs. 1.6 billion whilst the Group's Revenue grew by 11% to Rs. 24.6 billion. The resumption of the GSP+ scheme in July 2017, combined with a surge in our exports to the U.S.A., bolstered by new innovations and strong customer confidence, were key factors which propelled this resurgence in the second half of the year.

Moreover, it is noteworthy that Teejay was able to widen its market portfolio during the year, from a primarily EU and U.S. base, to reach Asian markets as well as strengthen its presence in online channels such as Amazon. Whilst Teejay continued to be the number one supplier in Sri Lanka for brands such as Calvin Klein, Intimissimi and Tezenis, Marks and Spenser and Limited Brands we were also able to diversify our brand portfolio during the year, with the number of key emerging brands increasing; thereby reducing risk and strengthening one of the well balanced portfolios in the industry.

In addition to the stronger export demand, the Group was also able to yield the dividends with a focus on the stringent management of costs through re-engineering and continuous improvement. It was able to control administrative costs and distribution costs to a marginal 4%, well below growth in sales.

Following Teejay's acquisition of the capabilities to manufacture synthetics in 2015, the year under review saw the first full year of commercial production of synthetic fabric, and it did well to utilise 90% of total operational capacity during the year whilst also achieving some breakthrough innovations in synthetics.

The Group continued to expand its capacity by adding new knitting machines at our Sri Lankan plant whilst Teejay India saw the completion of Phase II of its capacity expansion during the year as scheduled.

A SUSTAINABLE MODEL OF VALUE CREATION

A sustainable model which facilitates a Triple Bottom Line focus has also been a key to our ability to sustain market leadership in today's global landscape and in our resilience against challenging industry environments.

Whilst we remain focused on the strategic imperative of technology to sustain and grow profitability, we also stay focused on the indelible value of our Human Capital. The talents, passion and commitment of our people will continue to be a cornerstone of our value creation model and Teejay will continue to invest significantly on talent development. The fact that many in team Teejay has been part of its journey since inception and that their careers have followed the growth path of the Company; and the low attrition rates, are a reflection of the value we place on the relationships with our people.

True to our credo that business is built on relationships, we continue to nurture and deepen our relationships with our direct clients as well as end customers, which include some of the world's leading apparel brands. Our level of engagement and the strength of these relationships continue to be a key factor in our performance.

As a leading manufacturing industry, we are always mindful of the role we can and ought to play in sustaining the environment. Our environmental sustainability initiatives are two pronged; minimising our carbon footprint on one hand and proactively espousing and spearheading environmental causes through green initiatives and wastage control on the other.

In keeping with our Triple Bottom Line model of value creation and the commitment to wider social goals, as well as to enhance the diversity and value of our human capital; the Group made a commitment to increase the female cadre in its entire team.

As much as 80% of our workforce are from neighbouring communities, a fact which facilitates our integration with these communities, not merely through employment generation but through social sustainability and CSR initiatives to uplift their lives. We have also extended this socially integrated model to our Indian manufacturing plant. The ongoing CSR initiatives to establish social win-win programmes and our response at times of natural disasters during the year, are elaborated in the social capital section of this report.

THE FUTURE - WOVEN BY THREADS OF RAPID CHANGE, TECHNOLOGY AND CONSTANT INNOVATION

The apparel industry across the global market space has become a rapidly evolving one, necessitating much shorter lead times. Accordingly, the fabric industry needs to be well-prepared to ensure faster delivery as well as flexibility in the solutions it can offer. Your Company is focused on the continuous improvement of efficiency and delivery capacities, whilst speed continues to be a key competitive advantage. We will remain focussed on the need to be nimble enough to respond to fast-changing market needs, lifestyles, research findings and increasing competition in the global fabric and apparel industry. The Group thus further strengthened its R&D capabilities during the year with a partnership been worked-out with external expertise for fabric innovation.

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

Synthetics is a market which brims with immense growth potential and your Company will look to grow this range.

The highest standards of our products, the quality of our relationships and level of engagement based on an ability and flexibility to offer customised solutions to our many world renowned brands of customers, a constant focus on innovation and execution excellence; combined with a sophisticated management capability have been the cornerstones of Teejay's success, enabling it to become a regional leader in the fabric industry. A continuous focus on enhancing these strengths through our strategic initiatives empowers Teejay to stand poised for the future.

IN CONCLUSION

I would like to express my sincere appreciation to our Chairman and other members of the Board for their expertise, constant support and guidance. I would also like to take the opportunity to express my sincere gratitude to Mr. Sriyan de Silva Wijeyeratne for his visionary leadership which saw several acquisitions and the transformation of a single entity into a Group of companies with a regional presence.His versatility and varied skills helped drive growth and business expansion in competitive conditions by formulating key business strategies in response to multi-dimensional challenges usually common to local and overseas markets. I am thankful to him for the invaluable help and support he extended to me personally, during the transition which was made smooth by the very structured and comprehensive processes. I take this opportunity to wish him success in all his endeavors.

Finally, my heartfelt thanks to the energetic team that makes up Teejay, for their passion, commitment and untiring efforts that continue to drive growth, sustain our leadership in the industry, and propel the Company towards new horizons. A sincere thank you to our direct and indirect customers in Sri Lanka and across the globe, our investors and all other stakeholders for the confidence they have placed in us and the inspiration they provide to innovate and enhance value creation and expand horizons for the Company, the industry and the nation.

Shrihan Perera
CEO

Board of Directors

1. ASHROFF OMAR
   Non – Executive Director
2. HASITHA PREMARATNE
   Non – Executive Director
3. AMITHA GOONERATNE
   Independent Non – Executive Director
4. PROF. MALIK RANASINGHE
   Independent Non-Executive Director
5. WING TAK BILL LAM
   Chairman/Non-Executive Director

WING TAK BILL LAM

Chairman/Non-Executive Director

Mr. Lam was the CEO of Pacific Textiles Holdings Limited. Mr. Lam is responsible for sales and marketing and the formulation of the overall corporate direction and business strategies for the whole Group. He carries an experience of over 43 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.

ASHROFF OMAR

Non – Executive Director

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

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

HASITHA PREMARATNE

Non – Executive Director

Hasitha is the Finance Director/ Group Chief Financial Officer of Brandix Group. He leads the overall Finance Function of the Group and is also responsible for Brandix India Apparel City. He overlooks the Joint Ventures and Investments of the Group and is a Director of many subsidiaries of Brandix Group, including the listed company, Teejay Lanka PLC.

He was formally the Head of Research at HNB Stockbrokers (Pvt) Ltd and possesses plenty of experience in the fields of capital markets, economics, strategic finance, management, research. His lecturing experience spans for 11 years, for CIMA (UK), ACCA (UK) examinations, in Sri Lanka, India, Singapore and Philippines. He was a Board Member of CIMA Sri Lanka during 2016

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

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

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

Board of Directors

AMITHA 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 of The Institute of Chartered Accountants, United Kingdom and Wales and a Fellow 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, 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, which subsequent to a restructure of the Group is now the Holding Company and is listed on the Colombo Stock Exchange. He is the Chairman of Bellvantage (Pvt) Limited, 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, 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 an Alternate Director on the Boards 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 Holdings Limited where he is responsible for Production and formulation of the overall corporate direction and business strategies of the whole Group. Mr. Wan has over 45 years of experience in the textile industry. He obtained a Bachelor of Science Degree in Chemical Engineering from Taiwan National Cheng Kung University.

TOU KIT VAI (Not in the picture)

Non - Executive Director

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

Executive Committee

1. **PUBUDU DE SILVA**
   Deputy CEO - Operations and HR
   Refer page 18

2. **SALMAN NISHTAR**
   Chief Financial Officer
   Refer page 18

3. **RODNEY ARLAND**
   Deputy CEO - Marketing & Business Development, Planning, Supply Chain and Group CSR
   Refer page 18

4. **SANJAYA BASNAYAKE**
   Chief Operating Officer - Production & Engineering
   Refer page 18

5. **SHRIHAN PERERA**
   Chief Executive Officer
   Refer page 18

Group Leadership Team

1. **UPUL NALLAPERUMA**
   General Manager – Teejay India Operations

2. **PUBUDU DE SILVA**
   Deputy CEO - Operations and HR

3. **HEMANTHA MANNAPPERUMA**
   Deputy General Manager - Group Internal Audit

4. **SHRIHAN PERERA**
   Chief Executive Officer

5. **ZU HUA JEFF**
   Senior General Manger - Dyeing and Finishing

6. **JANAKA NANAYAKKARA**
   General Manager - Works HR

7. **PAMODA KARIYAWASAM**
General Manager, Planning and Supply Chain

8. **SALMAN NISHTAR**
Chief Financial Officer

9. **SAMADHI WEERAKOON**
General Manager - European Brands, Corporate Communication and CSR

10. **SANJAYA BASNAYAKE**
Chief Operating Officer - Production & Engineering

11. **RODNEY ARLAND**
Deputy CEO - Marketing & Business Development, Planning, Supply Chain and Group CSR

Executive Committee and Group Leadership Team

SHRIHAN PERERA
Chief Executive Officer

Mr. Perera is the Chief Executive Officer of Teejay Group. Prior to joining Teejay, Mr. Perera has served as the Chief Executive Officer at Brandix Apparel Solutions Limited since 2010 and was responsible for drawing up and implementing strategies across all business units in the intimate apparel SBUs in Sri Lanka and India. He was also a member of the Brandix Apparel Leadership Team since 2014. He previously held positions of Group Financial Controller & Treasurer, Group Accounts Manager and Finance Director at Unilever Sri Lanka while counting overall experience over 26 years both with Engineering and Finance exposure amongst competitive conditions and multi-dimensional challenges.

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

PUBUDU DE SILVA
Deputy CEO - Operations and HR

Mr. De Silva has over 28 Years experience in the apparel and textile industry with 18 years directly in manufacturing experience in the textile industry. Currently, he is responsible for the entire manufacturing process including human resources, special projects, engineering and 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 the 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
Deputy CEO - Marketing & Business Development, Planning, Supply Chain and Group CSR

Mr. Arland counts of 21 years experience in the textile industry which includes 12 years of exposure in managerial positions. Having joined Teejay in 2001, he is now responsible for overlooking marketing, business development, merchandising, planning, supply chain, logistics, corporate communication & CSR of the Group.

He holds a Post – Graduate Degree in Marketing and has won an ISO recognition award. He holds a Master's in Business Administration from the University of Anglia Ruskin (UK). He was further trained at the Leadership development programme at the Center of Creative Leadership (CCL) in Singapore. Prior to joining the Company, he was a Senior Merchandiser at Bangkok Phaisarn Textiles.

SANJAYA BASNAYAKE
Chief Operating Officer - Production & Engineering

Mr. Basnayake has total work experience of over 24 years in the industry of which he has spent over 15 years in managerial positions. He is responsible for all the production functions of the entire Group and all the engineering functions including Coal power and heating operation. Prior to joining the Company, he was a senior executive at Hayley's-MGT Textiles PLC. He has an NDT in Textile & Clothing Technology from the University of Moratuwa, a Diploma in Management from Open University of Sri Lanka, and he is a Chartered Member of the Textile Institute International, United Kingdom. He is a Six Sigma Black Belt holder at the United Tractors and Equipment's Ltd in Sri-Lanka and is a member of Leadership Development Program (LDP®) at the Center for Creative Leadership (CCL) in Singapore. He has expertise in technology of dyeing, finishing and knitting and implementation of cost reduction projects. He is a gold medal award winner from the Textile Institute (UK).

SALMAN NISHTAR
Chief Financial Officer

Mr. Nishtar holds over 12 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 on the position of Chief Financial Officer at American & Efird Bangladesh and Teejay Lanka PLC. His current role at Teejay Group includes leadership and key responsibilities in the fields of overall financial management, annual strategic planning and working capital management.

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

ZU HUA JEFF
Senior General Manger - Dyeing and Finishing

Mr. Jeff has a total work experience of over 28 years in the industry of which he has spent 20 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.

SAMADHI WEERAKOON

General Manager - European Brands, Corporate Communication and CSR

Mrs. Weerakoon is responsible for Managing Sales and Marketing function for Strategic European customers and responsible for corporate communications and CSR for the overall Group. She was the former business development manager at Teejay Lanka PLC. She has been in merchandising and business development at Teejay for 16 years. Before joining Teejay, she was working in the advertising field based at Bates Strategic Alliance. She holds a BSc Degree in Marketing from University of Jayawardhanapura and an MBA from Australian Institute of Business.

HEMANTHA MANNAPPERUMA

Deputy General Manager - Group Internal Audit

Mr. Mannapperuma is responsible for the internal audit function of the Teejay Group. He also facilitates the corporate governance and enterprise risk management processes, and contributes to general business management processes of the organization as a member of the leadership team.

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

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

JANAKA NANAYAKKARA

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 a National Diploma in HR from IPM (SL) and an MBA from the Australian Institute of Business.

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

PAMODA KARIYAWASAM

General Manager - Planning and Supply Chain

Mr. Kariyawasam has over 13 years work experience in the fields of Finance, Supply Chain and Planning of which 10 years is in the apparel/textile industry. He started his career at Unilever Sri Lanka Limited and continued to take up position as Deputy General Manager - Finance at Teejay India Private Limited [Formerly known as Ocean India (Pvt.) Ltd].

Currently, he is responsible for the overall supply chain and planning functions of Teejay Group which includes sales and operations planning (S&OP), supply chain management, strategic sourcing and supplier relations. His main skills are in business partnering in transforming businesses where he has played a major role in turning around a 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 Honours (Upper Division) from the University of Colombo.

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 over 16 years of experience in the industry.

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

"In line with our strategic imperatives, the Group completed its capacity expansion at Teejay India thus doubling its capacity during the year; we also expanded capacity in Sri Lanka, bringing the Group's full capacity to 210 Million US Dollars to meet the growth in demand. Our people initiatives focussed on establishing clear career growth plans and succession planning and supporting them to hone their potential and that of the Company"

PUBUDU DE SILVA
Deputy CEO - Operations and HR

"The Group continued to stride ahead on its strategic growth path by diversifying its customer portfolio and expanding into new markets of Asia and Africa, whilst the synthetic fabrics after its first full year of operations, made excellent headway in the market."

RODNEY ARLAND
Deputy CEO - Marketing & Business Development, Planning, Supply Chain and Group CSR

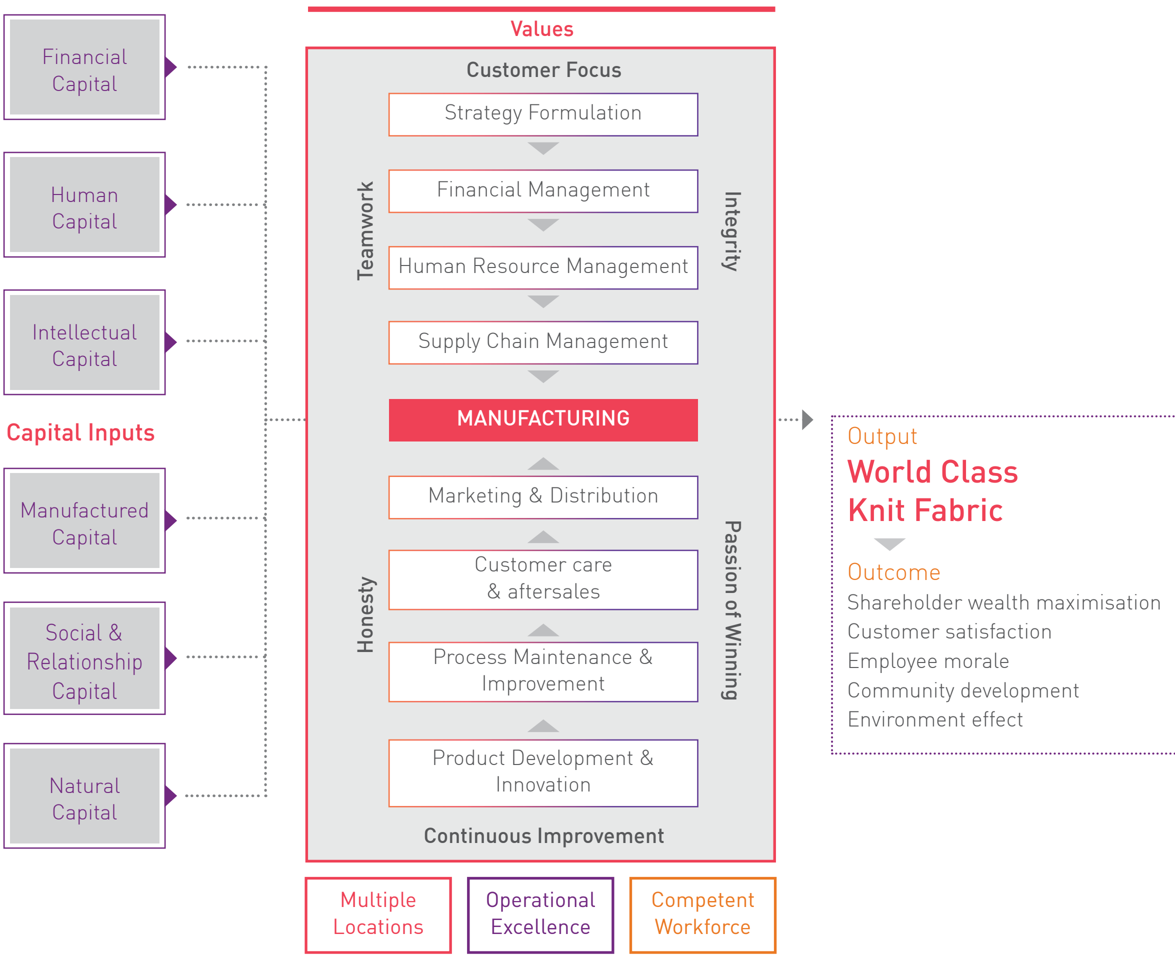
PROGRESSIVE, AMBITIOUS AND QUALITY DRIVEN

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

We are happy to present below our 7th Annual Report in an Integrated format of reporting. Having reviewed the strategic imperatives stated in the last two years, the Group considers them still relevant and vital to create, sustain and enhance value for all our stakeholders, in the context of the strengths and weaknesses of the Company and the opportunities and threats in the business environment. In keeping with Teejay's Triple Bottom line focused business model, the report continues to evaluate its performance in a wider context by including social and environmental dimensions as important elements in its value creation process.

Key Strategic Imperatives	Relevance	Actions in 2017/18
Consolidating of regional presence	To gain access to new markets. The growth opportunities in India. Risk mitigation via geographic diversification of production. Harnessing of different competitive advantages through geographic diversification. As a solution to reduce escalating cost of labour.	Entered new markets in Asia and commenced working with brands and vendors in Africa. Doubled the capacity at Teejay India.
Capacity Expansion	Harnessing benefits of economies of scale.	Doubled the capacity at Teejay India with the completion of Phase II of expansion in September, and the Group reached full capacity levels of sales at US dollars 210 Mn. Increased the knitting capacity by installing new machines at Teejay Lanka manufacturing facility which is operating at optimal capacity at present. Initiatives have been established to create new opportunities to widen the Group's customer portfolio by leveraging the Group's regional footing.
Speed of delivery	Speed of delivery is becoming increasingly more critical to maintain a competitive advantage in an industry with fast turnaround times.	Reduced the dyeing cycle time. Efficiency improvements in the Knitting segment enabled 10% reduction in full cycle. Introduction of self stretch yarn helped reduce the processing time by 15%.
New product development	Essential for growth in a fast changing industry such as fashion which is often led by constant innovation of solutions.	Introduced self stretch yarn. Getting into a partnership with global textile Consultants for our R&D unit to focus on product development

Key Strategic Imperatives	Relevance	Actions in 2017/18
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 customized solutions.	Penetrated into the high value segment of Calvin Klein.
New fabric technology	Synthetic fabrics Smart textiles Others	Commenced the production of Terry/Fleece at Teejay India. Began working in partnership with PVH-Cloud innovation team on future orders for Calvin Klein. Launched layer fabric for Decathlon with natural wicking.
Enhancing energy efficiency	Energy costs account for a high percentage in the fabric manufacturing industry; and at Teejay it is about 8% of our costs. It is also a vital factor as Sri Lanka's competitiveness in manufacturing industries has long been threatened by its high energy costs.	Reduced electricity cost by 10% year-on-year by modernizing machinery.
Continuing to strengthen and leverage strong relationships with all our stakeholders	Partnerships with leading international brands who are clients, end customers, our employees and society at large in Sri Lanka, are a key to sustainable profitability	Order book strengthened to result in a 11% growth year-on-year on the top line. Continued to be the number one supplier in Sri Lanka for brands such as Calvin Klein, Intimissimi and Tezenis, Marks & Spencer and Limited Brands and Sri Lanka's 2nd largest supplier for Decathlon. Working closely with suppliers on RM and product re-engineering.

Overview

INDUSTRY ENVIRONMENT

As a manufacturer of fabric, our key clients include domestic apparel manufacturers and international retailers. Our performance is hence dependent upon the performance of the local and international apparel industry. Sri Lanka's apparel exports to Europe were bolstered by the much awaited reinstatement of the GSP+ scheme in August.

As per the Central Bank (CBSL) statistics based on the Index of Industrial Production (IIP), the manufacturing of wearing apparel grew by 4.7% in 2017, compared with a growth 5.7% in 2016. Increased exports to the European Union (EU), following the restoration of the EU GSP+ facility in May 2017, as well as higher demand from the USA and Canada supported the apparel sector in the second half of the year.

Production of textiles on the other hand, grew by 2% in 2017, lower than the 4% growth reported in 2016 as per CBSL figures. This growth was mainly driven by the enhanced production of finished fabrics and printed fabrics, particularly during the second half of 2017. Meanwhile, a healthy demand for local textiles from the USA, Kenya, Turkey and Vietnam supported this expansion.

Apparel and textile manufacturing is a fast moving dynamic industry. With a variety of factors affecting the success of the industry, productivity enhancement to face price competition, market intelligence for fast responsiveness to rapidly changing customer preferences and product and design developments are some of the decisive factors that can contribute towards the growth in the sector. Growing popularity of online sales platforms and increasing demand for 'fast fashion' have begun to challenge the entire supply chain in terms of speed and flexibility. At the same time, as observed by the CBSL, it augurs well that sustainable manufacturing is gaining prominence in supply chains, from sourcing to product distribution, to make the global value chain more eco-friendly. Despite the decline recorded during the first half of 2017, on a cumulative basis, earnings from textiles and garment exports increased by 3% to reach US dollars 5,032 million in 2017 (as per the CBSL statistics), reflecting the improved demand from the EU following the restoration of the GSP+ facility since May 2017. Accordingly, the continuous increase in garment exports to the EU market during the second half of the year led to a 4% growth (year-on-year), reaching US dollars 1,982 million for the year in 2017, while contributing to around 42% of total garment exports.

COMPANY PERFORMANCE

Highlights in 2017/18:

- Doubled the capacity in India whilst overall Group capacity increased to US Dollars 210 Million
- Initiatives to diversify the portfolio resulted in an increase in the number of key customers who accounted for 90% of our portfolio to six, compared with three the previous year.
- Penetrated into new markets in Asia and Africa.
- In keeping with one of our HR goals, the women in our workforce in different categories increased across all three SBU's.
- Won the CNCI Bronze award and became one of the top 10 achievers.
- Bagged awards for Best Technical Paper and Best Green Video on Green Initiatives at EFC Symposium
- Clinched Gold & Silver for Quality Circle presentations
- Won JASTECA Award for 5S

Teejay achieved a commendable performance in an year which posed several challenges. A significant resurgence in the second half of the year helped counter the adverse impacts of market conditions which prevailed through out the year, enabling the Group to transform a first half net profit of Rs. 590 million to a net profit of Rs 1 billion in the second half, to achieve a net profit of Rs 1.6 billion for the full financial year. Group Revenue grew by 11% to Rs. 24.6 Bn. The resumption in the GSP+ scheme in July; combined with a surge in our exports to the U.S.A. bolstered by new innovations and strong customer confidence, were key factors which propelled this growth in the second half of the year. In addition, the Group's capacity expansion, increased operational efficiencies through product and process innovations and the expansion of its product portfolio also contributed to enhanced profitability and turnover.

One of the significant challenges stemmed from the rising costs of cotton in the global market place - a key component of our product. Cotton prices rose across all three of the world's leading Cotton suppliers, namely, USA, China and India, and the price escalation due to demand as well as supply factors in Sri Lanka's two leading suppliers - India and China, exerted significant pressure on the Group's profit margins. Cotton prices rose in India due to supply constraints caused by a crop decease which destroyed a significant level of India's Cotton harvest , whilst the constantly and rapidly growing demand in China saw its harvest in entirety consumed by its domestic manufacturing industry. Having consumed its domestic production, China also purchased from India during the year.

The impact of escalating costs of raw material was further exacerbated by the prevailing intensity of price competitiveness in the market which restricted the opportunity to capture those costs through price increases. In addition to the price of raw materials, operational challenges at Teejay India, due to the inability of its outsourced suppliers to meet time lines, also had negative impacts on our performance during the year.

STRATEGIC PROGRESS AND OUTLOOK

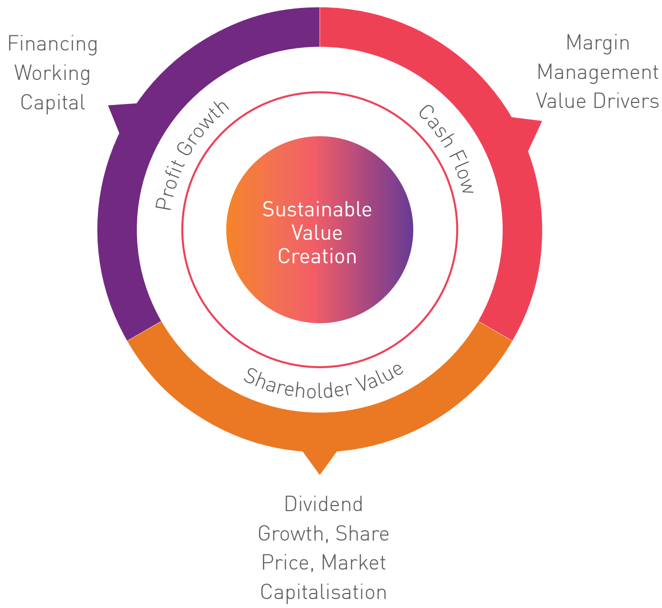
In the context of pressure on profit margins, despite strengthening demand for our products, we continued to focus on the stringent management of costs through innovation and operational efficiencies. As a result, Teejay increased administration costs by 4.7% and contained the growth in distribution cost to a marginal 4.8%, despite the increase in sales of 11%.

Having identified the strategic importance of diversifying our customer portfolio and markets to sustain profitability and growth, the past few years have seen the Company take initiatives to increase its customer base and penetrate into new markets. During the year, it began to widen its markets from a primarily EU and U.S. base to reach Asian and African markets, and strengthened its presence in online markets such as Amazon.com. Moreover, its key customer segment which accounts for 90% of the Group's portfolio in terms of revenue, expanded to six, vis a vis 3 customers in the previous year. Teejay continued to have the most balanced customer portfolio in the industry.

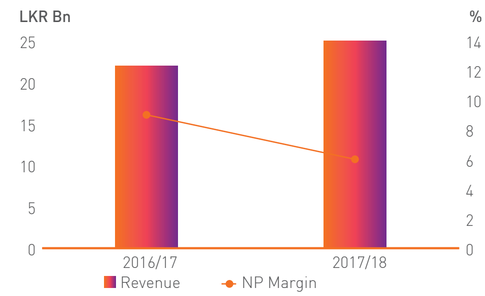
The manufacture of synthetic fabrics which is usually confronted by execution challenges, completed the first full year of manufacture, and achieved excellent results utilizing 90% of the Synthetics capacity, and winning customer confidence during the year.

Since its inception in 2001, your Company has been on a strong and rapid growth trajectory, becoming Sri Lanka's leading knit fabric manufacturer. High product and service standards; focus on innovation and execution excellence; direct relationships with brands and deep customer engagement based on customized solutions; strong customer portfolio based on long term engagement and sophisticated management capability have been the corner stones of Teejay's growth. These key strengths have been further augmented by the several strategic initiatives of the past few years, which have now positioned Teejay as the largest textile manufacturer in the region. It is the only one of its kind in scale and sophistication and Sri Lanka's only multinational mill. These are attributes which augments Teejay's strong growth prospects, as it finds itself well "poised" to move towards new horizons with a target to become a US Dollar 300 Million company.

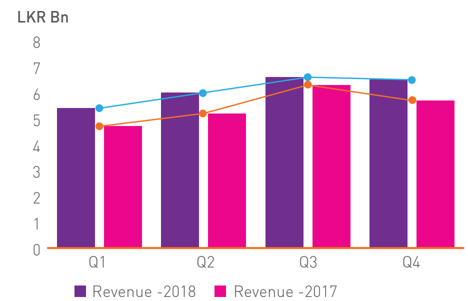
Financial Capital



REVENUE VS NP MARGIN



GROUP REVENUE QUARTERLY



REVENUE

Group Revenue increased by Rs 2.5 Bn for the year, from Rs. 22.1Bn in 2016/17 to Rs.24.6 Bn in 2017/18; in line with the Group's long term plan of reaching a milestone of USD 300Mn. The capacity expansion in India which gave the thrust to the revenue growth was successfully completed by the end of the 3rd quarter of the financial year, contributing to a 11% growth in revenue. Currently, the Group has a built in capacity for a USD 210 Mn revenue per annum as new knitting machines were also added at Teejay Lanka and Teejay India which were key milestones reached during the year. The Group enjoyed high capacity utilisation and a strong order book enabling it to harness the newly expanded capacity and achieve revenue growth during the year. Demand was driven by the reinstatement of GSP+ and growth exports of apparel from Sri Lanka despite the softer demand during the first two quarters of financial amidst lower selling price points.

OPERATING INCOME

Gross Profit

The Group's Gross Profit declined by 5.3% compared to the 2016/17 year decreasing from Rs. 3.1 Bn to Rs. 2.9 Bn. An increase in cotton prices which began in 2016/17 the previous financial year, continued its momentum throughout the current financial year impacting gross margins in 2017/18.

Cotton which was trading at USD 0.68 per pound, increased to USD 0.95 during the last 18 months, having a direct impact on the Group's Gross Profit, and emerged as one of the main diluters of the Group's profitability. Cotton prices are predicted to remain at the current levels in the near future.

Furthermore, due to a slight time lag in completion of capacity expansion in Teejay India, some of the orders that were taken up in anticipation of the new capacity, required to be outsourced, which resulted in cost of failures and inefficiencies such as customer claims and higher air freight costs. However, revenue streams were secured for the future with the capacity expansion.

The softness in demand during the first half of the year also resulted in competitive prices which reduced our GP margins from 13.8% to 11.8% during the financial year.

Moreover, 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.

Operating Profit

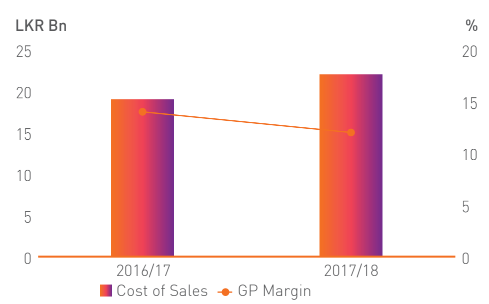
Operating Profit for the year decreased by 9.1% from Rs. 2.0Bn to Rs. 1.8Bn during the year. Distribution expenses and administration expenses increased by 4.8% and 4.7% respectively which were lower than the growth in turnover. The Group adopted stringent cost control measures which were increased to meet the challenges of increased yarn prices whilst it began to derive the efficiencies of scale from capacity expansion during the last quarter of the year. Strategic costs applicable to securing future revenue and margins were not compromised although expenses that were not critical were pruned. Despite the increase in overheads which are bound to increase linearly in tandem with the scale of operations, process efficiencies were contained during the year driven by Teejay Group's philosophy of controlling costs.

Net Profit

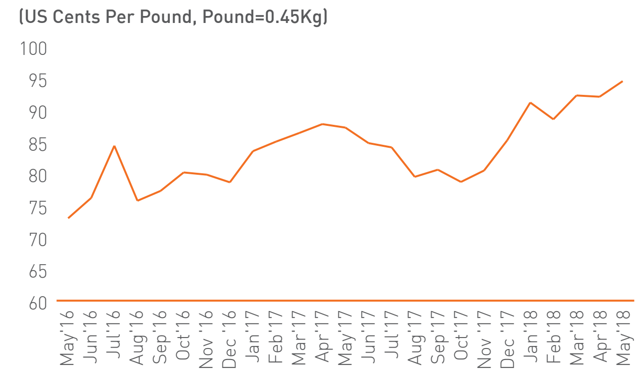
The expiry of the tax holiday for all three entities in the Group increased income taxes from Rs. 52 Mn to Rs. 222 Mn. Teejay Lanka was entitled to a tax holiday for half of the 2016/17 year which expired in September 2017. The Group income tax expense was lower during 2016/17 as the deferred tax assets were recognised due to the tax losses carried forward at Teejay India.

Despite the temporary setbacks, Teejay Group posted a profit of Rs. 1.6 Bn whilst successfully doubling the capacity in India by USD 50 Million. The last quarter of the year showed a strong performance as the operational challenges eased and performance gathered momentum during the final month of the quarter. With the increased capacity, GSP+ benefits and operational efficiencies, the Group is well poised for growth despite the macro-economic challenges such as global commodity prices.

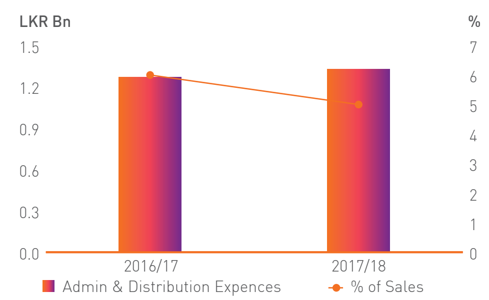
COST OF SALES VS GP MARGIN



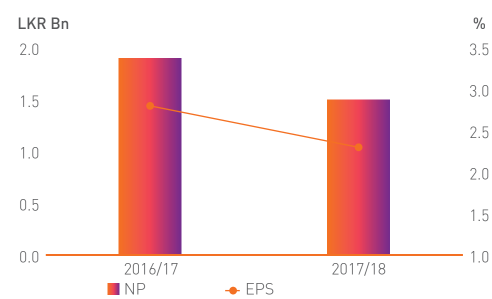
US COTTON PRICE



ADMIN & DISTRIBUTION EXPENSES



PROFITABILITY



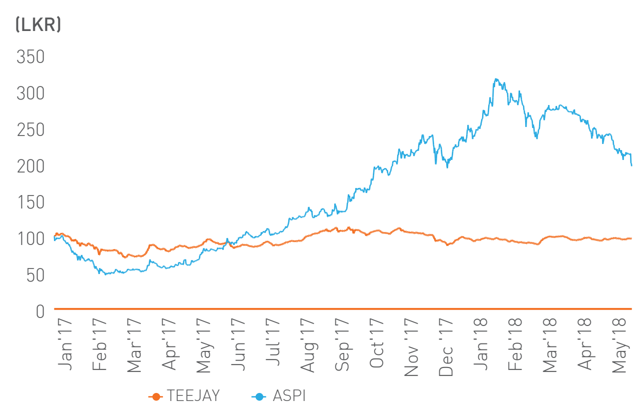
Financial Capital

Shareholder Value

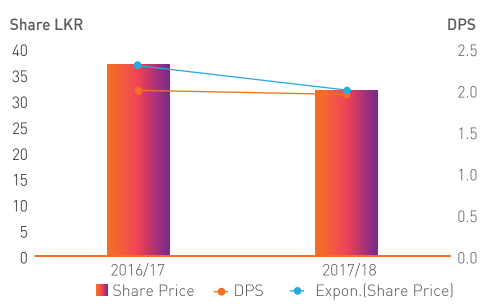
With the lack lustre performance of the ASPI during the year, the Company share price declined marginally during the year as a result of the reduced earnings. However, the outperformance against the ASPI since inception continues with the share price closing at 31.90 at the end of the year. The company continued to maintain its high dividend pay-out ratio with 85.4% being paid out during the current financial year despite the 33.3% dividend pay-out policy signifying our commitment to maximize shareholder returns . The company has paid a dividend of Rs. 1.95 for the year with a dividend yield of 6.1% for the year.

Since Listing	Rs.
Highest Traded Price on 04th Oct 2016	47.8
Lowest Traded Price on 14th Mar 2012	7.0
2017/18 Year	**Rs.**
Highest Traded Price on 17 May 2017	42.5
Lowest Traded Price on 28 March 2018	30.6

SHARE RETURN SINCE IPO



SHAREHOLDER VALUE

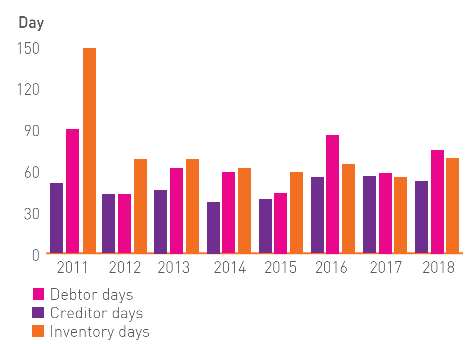


Working Capital Efficiency

The Group closed the financial year with a cash balance of Rs. 3.5 Bn due to the efficient utilisation of working capital during the year. The reduction in debtor days was due to strong control over the collection whilst the net working capital cycle reduced from 53 days to 46 days. Inventory days and creditor days increased in line with the increased capacity. The Group is diligently focused on keeping its working capital lean in order to ensure efficiencies and optimal utilisation of resources. Despite the capacity expansion in India and Sri Lanka, the Group closed with a strong balance sheet for the financial year. It was able to generate Rs 3.1 Bn in cash during the year - a testimony to the Group's success in the stringent control of working capital. 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 since inception.

The non-current liabilities saw an increase as the Teejay India expansion was carried out utilising external borrowing. Following rigorous evaluation and assessment, this was deemed the most financially feasible option. Hence, the Group decided to fund Teejay India via long term bank debt. As a result, financial costs for the year increased from Rs. 70.4 Mn to Rs. 99.4 Mn.

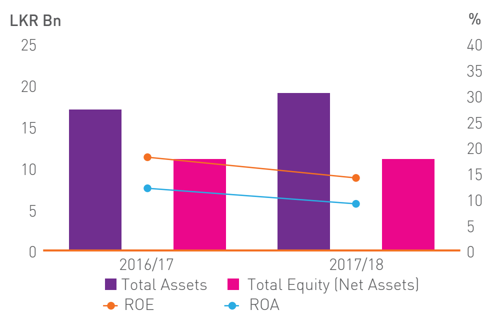
WORKING CAPITAL



FIXED CAPITAL EFFICIENCY

During the current financial year, Return on Assets saw a decrease from 12.35% to 8.79% year-on-year, while Return on Equity also saw a dip from 18.38% in the previous year, to 13.95%. With the investments in Teejay India yet to yield its full potential as the project 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

Expansion in Teejay India

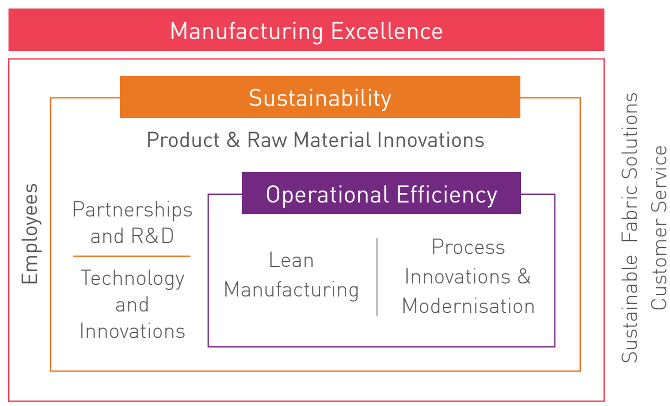
Expansion in Teejay India

As a leading fabric mill in the region, Teejay's manufacturing capital is a critical element of its value and the value creation process. Accordingly, sustaining and enhancing the value of our manufactured capital and increasing their efficiency are also priorities to ensure a growth trajectory amidst the fast-changing requirements of the fabric industry. During the year, the Group enhanced the value of its Manufacturing Capital as presented in table below.

EXPANSION AT TEEJAY INDIA AND TEEJAY LANKA IN 2018 :

The capacity expansion in India encompassed the addition of 30 knitting machines, an automatic dispensing system and a chemical dispensing system, 6 bulk machines, a thermic heater, 2 direct inspection machines, 1 automatic packing machine and a generator amongst others which contributed to capacity being doubled.

The expansion at Teejay Lanka during the year included the addition of 18 knitting machines, 3 dyeing machines, a new compressor and dryer and an Inspection packing machine.



VALUE OF OUR MANUFACTURING CAPITAL AS AT 31ST MARCH 2018

Change in the Value of our Manufactured Capital						
	2015/16		2016/17		2017/18	
	Rs. '000					
	Group	TJL	Group	TJL	Group	TJL
Land	260,920	99,894	253,865	94,558	241,462	91,292
Building	2,572,808	1,324,516	2,585,602	1,339,350	2,652,122	1,309,171
Plant & Machinery	3,074,616	1,719,998	3,923,394	2,042,103	4,324,667	1,842,126

"Great vision without great people is irrelevant."

– Jim Collins, Good to Great

At Teejay, a leading fabric mill in the region which aspires to become a world-class knit fabric solutions provider, we truly believe that reaching our vision to realising our strategies and innovating how we do and what we produce, are all about the passion, talent and commitment of our people and the strengths of our team.

"A motivated, committed and technically competent human capital that will deliver the organisational objectives set out for 2020"

KEY STRATEGIC PRIORITIES OF HRM FOR 2018-20:

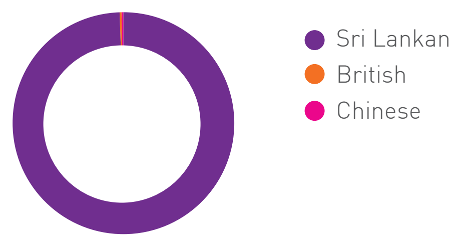
- A comprehensive succession plan with a clear growth strategy for people
- Increase the women cadre at Executive, Staff as well as Associate levels to account for 10% by 2020

Women's Day Celebration in Teejay Lanka and Teejay Prints


Women's Day Celebration in Teejay India

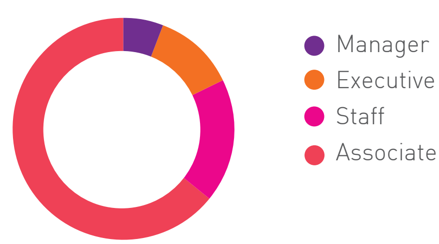
GENDER ANALYSIS

ETHNIC ANALYSIS

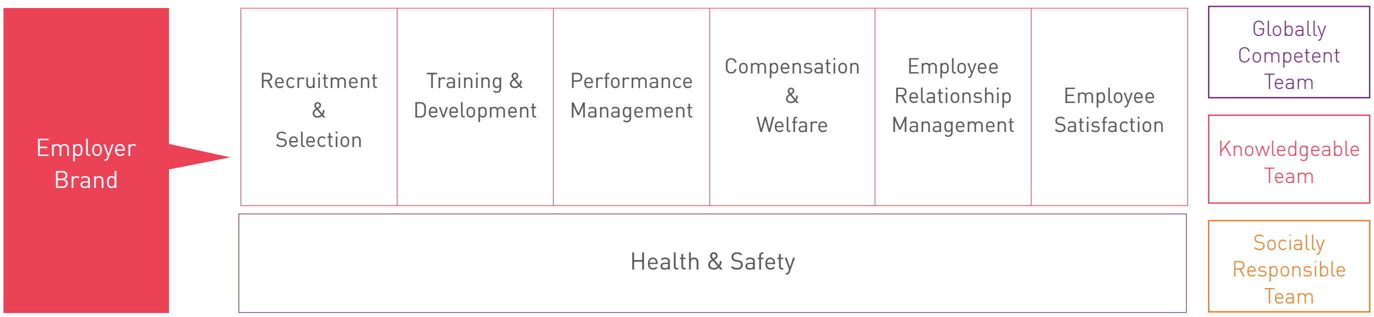


RELIGION ANALYSIS

MANNING HEAD COUNT



Human Capital



OUR DIVERSE WORKFORCE :

Teejay promotes workplace diversity from the point of recruitment: where variety encompasses ethnicity, religion, culture, physical attributes and diverse talents. We believe that diversity enriches the talent pool and we encourage constant innovation through ideas and resources.

Our people philosophy focuses on attracting, developing and building a pool of talented, dynamic and a motivated human resource base with the right competencies to proactively meet our mission & objectives. The very high retention rates (which are well above industry average) and low absenteeism rates are a reflection of employee satisfaction levels.

Group recruitment and selection processes are streamlined to meet evolving business needs, whilst planned training and development initiatives are carried out across the Company to build a talent pool and enable employees to give their best to the organisation.

TRAINING AND DEVELOPMENT :

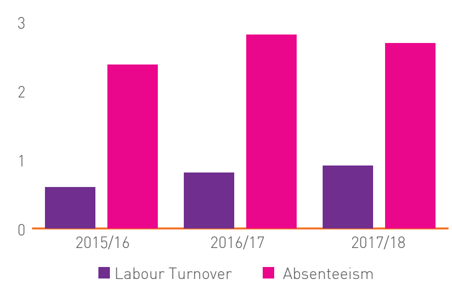
Employees being our most valuable asset, one of our critical strategic imperatives is to enhance the value of that asset. Thus, promoting education, training and a culture of continuous learning remain key focus areas across the Company. The 'Teejay Academy' is the training arm of Teejay which designs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

Training at Teejay begins with the new recruit, who is welcomed to Teejay and is provided an induction and orientation programme conducted by our internal trainers. All recruits follow a structured programme comprising several phases such as an introduction to Teejay's friendly culture, the values and ethics and the respective processes applicable to areas of his or her work. We also believe in "hand-holding" the new entrant until he or she is capable of meeting the required standards for the job whilst each employee is provided a mentor to support his or her transition and career progression.

Training needs are identified and then met through a well-analyzed training needs forecast which provides costs and a time schedule for release of individuals.

We also continued to conduct adventure-based training for the identified high performing executives, under the LEAD program to continue strengthening our talent pool.

LABOUR TURNOVER & ABSENTEEISM



The Company also actively promotes a culture of continuous learning and skill gathering by providing an education loan scheme for executive employees. This loan is provided for career-based education and funds up to 75% of the value of a programme as a soft loan. The progress of individuals who obtain the loan is monitored periodically to ensure that they receive the required academic assistance in their selected programmes until completion. For associates, a special certificate programme was conducted in-house at Teejay in collaboration with the Sri Lanka Institute of Textile and Apparel. A total of 101 were selected to follow the course after a special aptitude test from amongst more than 400 applicants within the Company. Of those selected, 94 participants successfully completed the programme. This same programme is to be conducted in the new financial year as well. Further, the Company also intends to provide opportunity for those who successfully completed the certificate program, to follow a Diploma programme at the same institute in order to enhance their professional capacity.

CCL Training

Service Mantras' - Customer Loyalty Training

Teejay is also distinct in its emphasis of training on soft skills, believing that it is the foundation upon which an individual's potential is based. Thus, training looks at attitudes, and the ability to be a successful team player, to be a more socially responsible citizen and life skills, amongst others. Operational teams are put through team building exercises based on scenarios where they face real life situations, thus honing their skills and synchronising their ability to work as a team.

Being a manufacturing company engaged in specialised and customised solutions, ongoing internal training and on-the-job training are key components of our training agenda. The table below provides a summary of Teejay's investment in training and development over the past four years.

Investment in Training & Development (Group)			
Sri Lankan Rupees Thousands			
2017/18	2016/17	2015/16	2014/15
10,845	13,709	17,910	12,412

2017/18 (Group)		
Total Training Hours	Average Training Hours Per Employee	Total Investment in Training -LKR
21,952	10.03	10,845

Out Bound Training

Competancy Enhancement Training

Human Capital

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

EMPLOYEE ENGAGEMENT & EMPOWERMENT :

The Group encourages a culture with minimum bureaucracy, valuing professionalism over rank or stifling practices. An open-door culture is in fact further expanded at Teejay to a "no door" policy which encourages dialogue and participation across all levels and functions of the Company.

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

The annual Employee Engagement Climate Survey is one of the important mechanisms of engagement through which we obtain valuable input from the Staff and Associate cadre. The Great Place to Work (GPTW) survey is conducted for the Executive cadre. These surveys are conducted annually by external parties and provide valuable input to enhance the workplace environment and living standards of our employees. Each year, the Company aims to achieve a higher rating than the previous year, and reviews of facilities and processes are thus carried out after each review.

Teejay promotes employee camaraderie via many formal as well as informal channels. Some of the informal channels include a newsletter and a year-round calendar of activities such as staff trips and socials involving employees and their families.


Employee Council of 2017/18 with the Management Team

WEAVING THREADS OF INNOVATION :

We believe that reaching the potential of the Company must go hand in hand with nurturing employees to expand their potential. Just as Training and Development is hence a strategic priority, some of the other ways in which we nurture a culture of innovation and encourage and reward our people and hone their potential are given below.

- The high flyers based on their contribution are rewarded monthly and annually and awarded certificates and recognised with their images on the main notice board.

- The annual Teejay awards ceremony, which is known as the Achievers' Awards is held during the second quarter. Employees are appreciated for long service, while meritorious services are appreciated with Achiever of the Year and Department of the year awards.

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

- An employee appreciation scheme which was introduced in 2014/15 continues to encourage a performance based culture where all levels of employees feel appreciated and recognized. The scheme appreciates good work at any time or day at work and rewards a winner from each department as Employee of the Month and culminates in an annual ceremony at year end, which recognises the "Employees of the Year" across all grades of employees and the "Department of the Year".

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

- During the year, the Company commenced a job rotation programme affording employees opportunities to work at one of the three locations as per requirements thus giving them wider exposure and experience of working in an overseas location.

ACHIEVERS' AWARDS 2017/18

Long Service Awards

Special Award - Female Talent

Special Award - Leadership Skills

Department of the Year

Employee of the Year

AIM Winners

Human Capital

ENCOURAGING AND EMPOWERING WOMEN CADRE :

Teejay being a fabric mill, is commonly expected to be a male-dominated operation. However, changes in concept and technology have provided an opportunity for women to enter this frontier. These conceptual and technological initiatives at Teejay have resulted in a significant increase in the interest women possess to enter the arena, thus opening new frontiers in a hitherto male dominated industry. Capacity enhancement of the Group has resulted in the provision of opportunity for women to enter the Executive cadre in the areas of Merchandising, Admin, HR, Engineering, Logistics, and Finance throughout the Group.

OCCUPATIONAL SAFETY & HEALTH :

As a manufacturing industry which deploys human capital as well as machinery and equipment extensively in its value creation process, the safety of human capital receives the highest priority in planning, systems and processes of our operations. We have ensured in-built safety mechanisms in all our processes at all three locations and these include automated early warning and detection systems utilising cutting-edge technology from best-in-class service providers. Teejay aspires to ensure zero accidents, with near misses considered as incidents. Adherence to stringent standards, good housekeeping and constant awareness campaigns are platforms on which we ensure organisational safety. Teejay meets all statutory Health and Safety requirements as well as all customer-based compliance standards of Health and Safety. In addition, during the year under review, employee health checks were conducted, with those that needed special medical attention referred to appropriate consultation, for which the Company provided the necessary financial support.

During the year under review, third party audits were conducted in fire safety, chemical handling and general health standards with all observations cleared within the target period. Teejay is also engaged in enhancing its safety response capacity and 32% of the total cadre has been trained in firefighting as at year end; with a target to ensure that 40% of the cadre is trained by the end of the next financial year.

REACHING BEYOND FOR THE WELFARE OF OUR EMPLOYEES :

Apart from remuneration that is on par with or exceeds industry norms, we also provide uniforms, meals and transport at no cost to all our Associates. Teejay also extends itself with its "Reach Beyond" programme to financially support less privileged employees for their housing, health and educational needs through a very well-organised selection process. During the year under review, the Company reached beyond to 36 employees to help them uplift their living standards and to address other pressing needs. Employees' children up to grade 5 were provided with school books and school bags while children of employees who performed well at the grade 5 scholarship examination were given special gifts. A special welfare gift pack valued at Rs. 3,000 was also presented by the Company for the new year. Teejay also facilitated opportunities for employees to obtain bank loans through private banks and to access hire purchase schemes carried out by reputed financial institutions.

Most of our Staff and Associate employees are from the Sabaragamuwa and Kegalle districts, which during the year were adversely affected by floods and landslides due to heavy rains. Teejay responded rapidly to come to the aid of those affected by establishing a disaster response process to help meet their immediate needs during the time of calamity. Subsequently, the Company provided financial support for temporary relocation, and house repairs, water source rehabilitation and medical assistance in case of disability. Teejay supported ten of its employees who were badly affected during the period.

The Company also maintains a critical illness and death donation fund, with the aim of supporting the employees' loved ones during difficult circumstances.

Fire Training

Celebrating 1st of January with Jayawiru


Emerged Champions in the "A" Division -
Men's at Rasadiya Kusalanaya 2018

Emerged Champions of MCA Divison "A" Cricket Tournament


Annual Excursion 2017


Vesak Celebrations 2017


Teejay Lama Siththaru and Family Day 2017

Executive Gathering 2017

Human Capital


Teejay Blood Donation Program


Financial Assistance for Natural Disaster Victims


Inter Department Volleyball Tournament


Teejay Premier League 2017


Tea Break Sessions


School Bags Distribution to Employee's Children - Teejay India

Intellectual Capital

Value creation and intellectual capital are inter dependent; although varying in significance across different businesses. Being a leader in the fabric manufacturing industry both in Sri Lanka and regionally, Teejay has identified four key intangible capitals as significant in its value creation process, as illustrated and discussed below.

The diagram below depicts the win-win impacts of the cornerstones of our intangible capital; that of brand equity as a leading supplier to world's leading brands, our Knowledge base, R&D and culture of innovation; Processes and Accreditations; and in turn, the reciprocal value addition between processes and systems and those accreditations on the Group's processes and brand reputation.

A culture of innovation for sustainable profitability and growth is a key element of our intellectual capital. During the year Teejay strengthened its innovation and R&D by getting the support and services of a consultant to focus on fabric innovation. The R&D and Innovation at Teejay focused on three key aspects during the year, namely:

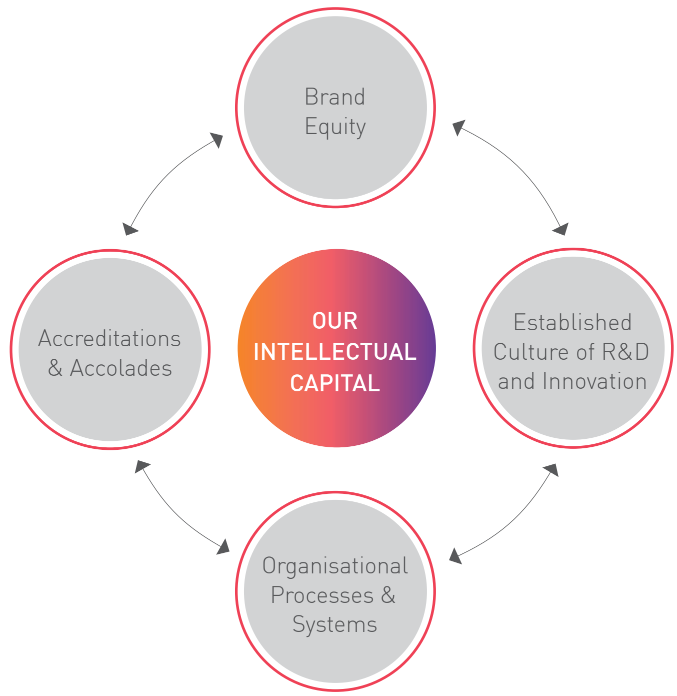
- Innovation
- Product re-engineering for increased profitability
- Product migration

SOME OF OUR PRODUCT & PROCESS INNOVATIONS IN 2017:

- Developed a product with fabric from the polyester yarn of discarded PET bottles - a classic example of product development with a triple bottom line impact as it reduces the environment pollution caused by the thousands of discarded PET bottles, by converting them to a product of value.
- Developed Oxi fresh – a product which has novel antimicrobial properties , which are applied mostly in medical textiles.
- Developed a total of 26 new products for our different clientele.
- Began the Terry/Fleece production at Teejay India
- Made innovations in the synthetics fabric segment,
- Efficiency improvements in knitting led to reductions in energy consumption
- Achieved reduction in the dying cycle
- Developed self-stretch yarn to replace Spandex/Lycra usage, thus bringing down the cost of production.

ORGANISATIONAL PROCESSES AND SYSTEMS

One of the key factors of the Group's model of value creation in the fabric manufacturing sector in the regions has been its processes with regard to customer service, delivery, customer engagement and social and environmental sustainability, which over the years the Company has fine-tuned to be a key differentiator and an intangible capital for sustained growth. A position of industry leadership that the Group has come to enjoy in a short span of three decades has been sustained by the rigour of the Group's processes and its systems.



Intellectual Capital

ACCREDITATIONS AND ACCOLADES

Reflecting the Group's Triple Bottom Line focus and sustainable practices, the accreditations it has obtained cover a gamut of aspects such as environmental friendliness of our operations to socially responsible practices and production and process quality standards amongst others and these are listed below.

TEEJAY'S ACCREDITATIONS WHICH REFLECT THE COMPANY'S TRIPLE BOTTOM LINE FOCUS AND COMMITMENT TO QUALITY

- Fairtrade certification since 2013
- ISO 9001 certification since 2008
- ISO 14001:2004 since April 2016 converted to ISO14001:2015 during the year under review

ACCOLADES IN 2017

The accolades that the Group has been recognized with and the accreditations it has achieved and continues to seek, bear testimony to the Group's commitment to quality and excellence and are external endorsements of our commitment to excellence.

Gold and Silver Awards for Quality and Productivity for the Quality Circle Presentation	Sri Lanka Association for the Advancement of Quality and Productivity	Teejay Lanka
Sri Lanka Best Employer Brand Awards 2017	Best Employer 2017:2018 | Employer Branding Institute - India	Teejay Lanka
CNCI - Bronze Award : National Level, Extra Large, Manufacturing Category	The Ceylon National Chamber of Industries - CNCI	Teejay Lanka
CNCI - Top 10 Achiever Award Winner	The Ceylon National Chamber of Industries - CNCI	Teejay Lanka
ISO 9001:2008	SGS	Teejay Lanka
Best Technical Paper on Green Initiatives	EFC Symposium 2017	Teejay Lanka
Most Creative Video on Green Initiatives	EFC Symposium 2017	Teejay Lanka
JASTECA Awards 2017 – Taiki Akimoto 5S Awards Competition 2017: Certificate of Compliance	JASTECA Awards 2017	Teejay Lanka
Management System Certificate Social Accountability Management System Standard SA 8000:2014	DNV.GL	Teejay India
Gold Award Winner	17th Chapter Convention of Quality Circles of India on Quality Concepts	Teejay India
Par Excellence Award	National Convention on Quality Concepts 2017 - 31st NCQC	Teejay India

CNCI Bronze Award 2017: National Level, Extra Large Category, Manufacturing Sector

CNCI Top 10 Achiver Award

Clinched Gold & Silver for Quality Circle Presentations

Bagged Awards for Best Technical Paper and Best Green Video on Green Initiatives at EFC Symposium

JASTECA Awards 2017

National Convention on
Quality Concepts

Theme : "Quality Concepts : Creating Value to the Society"

Certificate

Presented to

SHORI - QC TEAM

Teejay India Private Limited

for their case-study presentation in NCQC - 2017

Awarded Par Excellence

CFI

Par Excellence Award at the National Convention on Quality Concepts 2017 - 31st NCQC

Social & Relationship Capital

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

- Thomas Paine

Teejay's Social and Relationship Capital primarily comprises of its Customers, Suppliers and the larger Community which it is part of. It firmly believes in the importance of intreconnection and a reciprocal approach and that the sustainability of its profitability ultimately depends on the sustainability of the communities and environment it is part of.

CUSTOMERS

Teejay's customer portfolio of globally renowned brands :

Online customer portfolio

In line with our key strategic intent, the Company made progress in diversifying its customer portoflio further during the year, for six customers to account for 90% of turnover in comparison to three key customers in 2016. Moreover, it is significant that the Company widened its market portfolio into new markets of Asia and Africa during the year and also created a presence in online channels such as Amazon where it sees significant potential and a model of faster delivery.

LAUNCH OF NEW PRODUCTS

Synthetics, which saw the completion of the first full year of commercial production was well received, winning customer confidence during the year. We see tremendous potential to capture new markets and higher margins in this product segment and will build on the Group's success in 2017. Our focus on innovation and strengthened R&D capacity will see the launch of new products in the future, which will widen our customer offering, enable us to offer customized solutions and diversify our product and market portfolios.

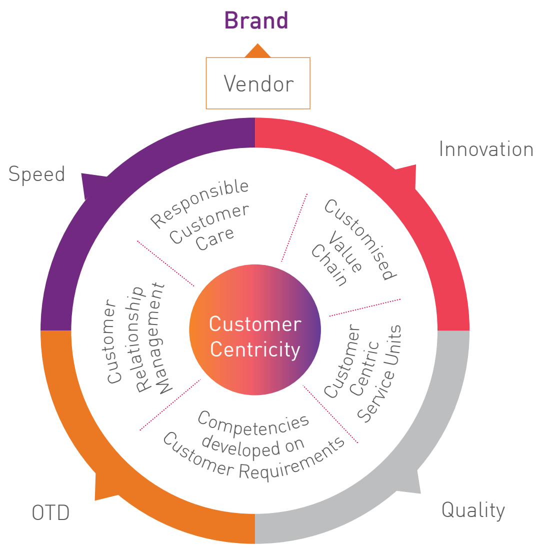
CUSTOMER CENTRICITY

Customer centricity and the depth of our relationships with world renowned brands, are key attributes of Teejay that helped it to consolidate and expand its presence in the U.S. and European markets during the year, and to see a considerable demand growth which was also enhanced by the resumption of the GSP+.

As depicted in diagram below, Teejay's customer centricity is driven by objectives of Speed, Innovation, Quality and OTD which pivots on five key axes, namely, Responsible Customer Care, Customised Value Chain, Customer Centric Service Units, Competencies developed on Customer Requirements and Customer Relationship Management.

The ability to cater to customers through customized solutions is also a key element of our customer centricity.

A corner stone of the strength of our relationship with our customer base and of Teejay's rapid rise to become a regional leader in the fabric industry has been the commitment to the highest quality of products. Our brand portfolio comprising the world's leading apparel brands, stands as testimony to our quality focus in our products. The international accreditations we have sought and will continue to seek are a reflection of the commitment to product quality.



COMMUNITY

Empowering the people in our surrounding communities

One of the key ways in which we support the local economy is through employment generation and recruitment of employees from the area. As much as 95% of our Associates are from the neighborhood. In addition to livelihood creation we also support the local communities in numerous ways such as identifying and helping to meet the needs of schools, hospitals, police stations, temples and other religious institutions in the surroundings spanning a radius of about 10 kms from the factory. In addition the company maintains a solid relationship with the respective youth societies and supports their activities which benefit the people in the area.

Teejay allocates a considerable amount per annum from its annual budget for CSR activities with additional funds channelled upon a needs basis.

Some of the ways in which we uplifted the local communities during the year :

- Commenced development of Ihala Thalduwa Kanishta Vidyalaya and Daigala Kanishta Vidyalaya
- Constructed a shrine room for the proposed new temple at Weralupitiya
- Made 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
- Provided financial support to the Base Hospital of Avissawella
- Provided financial support for renovations to Mary the Mother of the Eucharist Church
- Renovated Gurugalla Kanishta Vidyalaya


Library Opening Ceremony - Daigala Kanishta Vidyalaya


Donated Sports Equipment to Daigala Kanishta Vidyalaya

Social & Relationship Capital

Win-win initiatives for sustained growth

One of Teejay's key social sustainability initiatives has been the establishment of partnerships and collaborative efforts with some of Sri Lanka's leading academic institutions and other industry related government institutions as a win-win for the benefit of the future of the textile industry and thereby to the nation and all its stakeholders. Sri Lanka's textile industry, in comparison to the quantum growth in the Apparel industry has been lagging behind and Teejay has thus identified a vital need that the academia can play in supporting the advancement of the industry. R&D collaborations with the academia would help take the fabric manufacturing industry to new horizons and enhance its global competitiveness, whilst at the same time providing opportunities for university students to acquire new skills and gain industry exposure. Teejay has initiated several knowledge sharing exchange programmes and national forums targeting academia and students. The ongoing initiatives include the following :

- An MOU with the Sri Lanka Institute of Apparel (SLITA)
- An MOU with University of Peradeniya for Smart Textiles
- MOU with the University of Moratuwa


SLITA Training

SUPPLIERS

One of the key challenges to performance during the year came from the escalation of prices of our key raw material- cotton due to supply and demand conditions. Prices thus escalated across all three of the key suppliers to the global market, namely, China, India and the United States. The rising domestic demand by the Chinese textile industry has led to the cotton supply in China being consumed in entirety by China and their demand also extending to India. The Indian supply at the same time also declined due to a disease which incflicted cotton plants and inimical weather which reduced the cotton harvest during the year. Combined with the rising demand, Cotton prices are estimated to remain high in the next financial year. These higher prices of our key raw material which accounts for 65% of our costs continue to exert pressure on our margins. Thus, the Company focused on finding solutions to meeting the pressure on its margins through continuous improvement to make its processes leaner and through better cost management across all parameters. Although cotton price rises is a key concern, we continued to refrain from hedging against global prices and instead engaged closely with our customers to sustain margins.

Natural Capital

As a leading industrial manufacturer, our Green efforts have been two pronged; to reduce our carbon footprint on the one hand and to play an active role in espousing and spearheading environmental causes and protection on the other hand.

As part of our continuous efforts towards environmental preservation and resource reduction, the year under review saw us strengthen our existing sustainable business practices and continue to reduce energy consumption and effluence.

MINIMISING OUR IMPACTS :

Electricity Consumption (2017/18)

17% ↓

Water Consumption (2017/18)

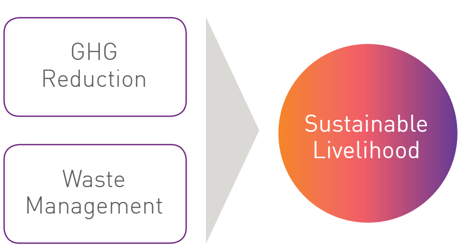
16% ↓

Furnace Oil Consumption (Thermic Heaters)

5% ↓

Accolades in 2017

"Best Technical Paper on Green Initiatives" and "Most Creative Video on Green Initiatives" at Employer Federation Symposium 2017 Sustainable Enterprises - Creating Value



OUR INITIATIVES IN 2017 TOWARDS GREENER FOOTPRINTS:

In our efforts to continuously increase our responsible business practices and transparency with regard to our sustainable commitment, Teejay began using Higg 3.0 - Facility Environmental Module (Higg FEM) at the beginning of 2018. Developed by the Sustainable Apparel Coalition, the Higg Index is a web based suite of tools that enables brands, retailers, and facilities of all sizes; at every stage in their sustainability journey to accurately measure and score their product's sustainability footprint. The Higg Index delivers a holistic overview that empowers businesses to make meaningful improvements that protect the well-being of factory workers, local communities, and the environment. Teejay has successfully completed the self-assessment.

CERTIFICATIONS :

Upgraded the ISO 14001:2004 version to the ISO 14001:2015 version

WATER SAVING

Process re-engineering, increase in production and the introduction of new machines that can recycle water enabled to reduce 16% of the water consumption in our process. Water used in the spray unit was reduced by one third. Hot water recovering enables to reuse significant amount of process water. This has led to a major saving of river water consumption. At the same time, specific effluent discharge has dropped by 15% compared to last year.

ENERGY MANAGEMENT

The Company installed an online energy monitoring system to monitor electricity consumptions by different areas of the factory.

NATIONAL GREEN REPORTING SYSTEM

We reported under Tier 04 covering 21 indicators from 50 indicators of three main areas of Social, Environmental and Economy for the The National Green Reporting System (NGRS) of the Ministry of Mahaweli Development and Environment established in 2011, which enables Companies to report under Tier 1 to Tier 5 levels depending on the number of indicators they cover in their report.

WASTE MANAGEMENT

Teejay complies with waste water guidelines of Zero Discharge of Hazardous Chemical by 2020 for the second consecutive year.

Following the launch of the bio gas generation unit in 2013, the Company continued to harness it to generate bio gas and the methane produced is used for fuel for the canteen whilst employees are encouraged to minimise their food waste.

Natural Capital

Bulbs which are burnt out are provided to a recycler (Asia Recyclers).

All production waste are reused or recycled.

All the chemical barrels and polythene packages are washed before sending it out to ensure that no traces of chemicals are left.

Began to use a sanitary landfilling concept to dispose of waste in the absence of any other alternative.

DRIVING THE EARTH HOUR CAMPAIGN

Teejay continued to give leadership to champion the world 'Earth Hour" in Sri Lanka, for the fifth consecutive year. Our employees worked tirelessly to engage as many people as it could, to spread the message of the urgent need to "Change Climate Change" and how each of us can contribute to do so . Since joining millions of individuals around the world, who participate in the earth hour programme, four years ago Teejay has selected highly populated cities of Ratnapura, Galle, Kurunegala and Awissawella in 2013, 2014, 2015 and 2016 respectively. During the year we held the programme at Pothdenikanda Mahavidyala on 23rd March 2018.

Earth Hour 2018

ESPOUSING ENVIRONMENTAL PROTECTION INITIATIVES

Waste Management is one of the key area of our sustainable practices. While strengthening our internal waste management, we raise awareness amongst the public to adopt sustainable waste management practices. On October 2017, the Company held an awareness campaign on Waste Management and a presentation of awards for "Haritha Nayaka" at the Seethawaka school.

GHG CONTROL

Achieved 4% reduction in GHG Emission (scope 1) through efficient use of resources.

"Green Leaders" Presentation Ceremony

Some of our current and future environmental initiatives:

Objective	Project planned
Waste Management	The manufacture of paving brick using coal ash
	Introducing a sustainable sludge management mechanisms
	Zero Discharge of Hazardous Chemical (ZDHC)
Energy Management and Control of GHG emissions	Introducing an online energy monitoring system
	Reforestation with WNPS in Diyakothakanda (Sinharaja Boarder)
	Continuation of "To Earth with Love" forestation programme with schools in line with World Environment Day
	Thermal and Electrical saving projects (eg: LED, Solar Panel Project, etc)
Water Saving	Spray wash unit water recycling
	Process water reusing
	Further sub meters for water to have more control of consumption
Other	Introducing urban agricultural practices to schools. The first project was initiated in Hanwella Rajasinha college

BOLD, STRONG AND CONFIDENT

GOVERNANCE

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 we strive to ensure that the Company adheres to the highest ethical standards in corporate conduct.

The Board of Directors, led by the Chairman, is responsible for good governance at 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, ensuring adherence to the processes required to meet Corporate Governance Best Practices, individually and as teams with clearly defined roles and responsibilities. The compliance status with statutory requirements is reported quarterly, to the Audit Committee.

Meetings of the Board of Directors (BOD) are held quarterly whilst Committee meetings are also held on the same day on most occasions. The table below provides information on the members of the BOD during 2017/18, 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	4/5
Mohamed Ashroff Omar	28.08.2000	Non-Executive Director	4/4	-	-
Kulatilleke Arthanayake Malik Kumar Ranasinghe	15.04.2011	Independent Non-Executive Director	4/4	Member	5/5
Amitha Lal Gooneratne	15.04.2011	Independent Non-Executive Director	4/4	Chairman	5/5
Hasitha Premaratne	01.08.2012	Non-Executive Director	4/4	-	-
Kang Po Tsang	31.03.2013/resigned 01.07.2017	Non-Executive Director	0/1	-	-
Wai Loi Wan	06.08.2013	Non-Executive Director	0/4	-	-
Sriyan Joseph de Silva Wijeyeratne	01.11.2013	Executive Director	4/4	-	-
Kit Vai Tou	01.07.2017	Non-Executive Director	0/3		

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 and is 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.
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.

Corporate Governance

Corporate Governance Principle	Compliance Status	Teejay Lanka PLC's Compliance
CSE Rule 7.10.1 (a) – INDEPENDENT NON-EXECUTIVE DIRECTORS: Where the constitution of the Board of Directors includes only two Non-Executive Directors in terms of Rule 7.10.1.a above, both such Non-Executive Directors shall be 'independent'. In all other instances, two or 1/3 of Non-Executive Directors appointed to the Board of Directors, whichever is higher shall be 'independent'.	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".
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 assess the performance of the CEO and the leadership team.

Corporate Governance Principle	Compliance Status	Teejay Lanka PLC's Compliance
B: DIRECTORS' REMUNERATION AND 7.10.5. REMUNERATIONS COMMITTEE		
Principle B.1 - REMUNERATION PROCEDURE: Companies should establish a formal and transparent procedure for developing policy on Executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his/her own remuneration. CSE Rule 7.10.5. (a, b, c) - REMUNERATION COMMITTEE: A Listed Entity shall have a Remuneration Committee The Remuneration Committee shall comprise of a minimum of two independent Non-Executive Directors or of Non-Executive Directors a majority of whom shall be independent, whichever shall be higher. The Remuneration Committee shall recommend the remuneration of the Chief Executive Officer and the Executive Directors. The Annual Report should set out; a) Names of Directors comprising the Remuneration Committee b) Statement of Remuneration policy c) Aggregate remuneration paid to Executive & Non-Executive Directors	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.
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

Corporate Governance

Corporate Governance Principle	Compliance Status	Teejay Lanka PLC's Compliance
C: RELATIONS WITH SHAREHOLDERS		
Principle C.1 - CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM): Boards should use the AGM to communicate with shareholders and should encourage their participation.	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 are 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. 29 and 30 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.
CSE Rule 7.10.6. (b) – FUNCTION OF AUDIT COMMITTEE The Committee shall; a. Oversee the preparation, presentation and adequacy of disclosures in the financial statements of a Listed Entity, in accordance with Sri Lanka Accounting Standards. b. Oversee the Entity's compliance with financial reporting requirements, information requirements of the Companies Act and other relevant financial reporting related regulations and requirements. c. Oversee 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.

Corporate Governance

Corporate Governance Principle	Compliance Status	Teejay Lanka PLC's Compliance
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 executive level 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.
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, namely 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.

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

Figure 1 : 10 Step Enterprise Risk Management Model

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 on the next page were identified as having high risk scores.

Enterprise Risk Management

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 eat 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 the 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 (2017-18)

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	28 June 2017	30 Aug. 2017	20 Sept. 2017	06 Nov. 2017	20 Feb. 2018
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 20 September 2017. 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 Report

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 19 July 2018 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 2017-18 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 (2017-18)

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 (2017-18)

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 2017/18 and the members' attendance record is set out in the Conformance Report given below.

Related Party Transactions Review Committee Member	28 June 2017	30 August 2017	06 November 2017	20 February 2018
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.

DECLARATION

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

COMMITTEE EVALUATION

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

Mr. Amitha 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 2018

1. The Board of Directors of Teejay Lanka PLC ("the Company") has pleasure in presenting to the members their report together with the Audited Consolidated Financial Statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2018.

FORMATION

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

   The Company owns 100% of issued stated capital of Teejay Lanka Prints (Private) Limited and Ocean Maurities Limited. Teejay 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 20 July 2018.

NATURE OF THE BUSINESS OF THE COMPANY

3. The nature of the business of the Company and its subsidiaries is given in Note 1 to the financial statements on page 78.

FINANCIAL STATEMENTS

4. The financial statements which include statement of financial positions as at 31 March 2018, 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 2018 are set out on pages 72 to 132. All amounts are stated in Sri Lankan Rupees, unless otherwise stated.

INDEPENDENT AUDITOR'S REPORT

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

ACCOUNTING POLICIES

6. The accounting policies adopted by the Group and the Company have been consistently applied from previous year. The significant accounting policies including any new accounting standards adopted in the preparation of financial statements are given on page 78 to 89.

REVIEW OF BUSINESS

7. The state of affairs of the Group and the Company as at 31 March 2018 and the financial performance for the year ended 31 March 2018 are set out in the statement of financial position and income statement on page 74 and page 72 respectively.

PROPERTY, PLANT AND EQUIPMENT

8. 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

9. 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

10. The Company's interest in subsidiaries as at 31 March 2018 is as follows:

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

DIVIDENDS

11. The Company paid a final dividend of LKR 877,445,725 (USD 5,817,030) representing LKR 1.25 per share approved by the shareholders at the Annual General Meeting held on 30 August 2017 in respect of the year ended 31 March 2017.

    Further, the Company declared and paid an interim dividend of LKR 491,369,606 (USD 3,233,959) representing LKR 0.70 per share for the year ended 31 March 2018.

    The Board of Directors wishes to propose the payment of LKR 0.90 per share as final dividend to the shareholders of the Company for the year ended 31 March 2018, subject to obtaining the approval of the shareholders at the forthcoming Annual General Meeting.

RESERVES

12. Total reserves and their composition are set out in the statement of changes in equity on pages 75 and 76 of the consolidated financial statements.

Annual Report of the Board of Directors

STATED CAPITAL

13. The stated capital of the Company as at 31 March 2018 amounted to LKR 4,056,683,466 (USD 37,571,594) consisting of 701,956,580 ordinary shares.

SHAREHOLDING

14. As at 31 March 2018, there were 8,357 registered shareholders and the twenty largest shareholders of the Company with the corresponding shareholding percentages held are set out as follows:

	Number of shares	% of holding
Brandix Lanka Limited - Number 1 Account	232,198,344	33.08%
Pacific Textured Jersey Holdings Limited	195,926,217	27.91%
HSBC Intl Nom Ltd - BBH - Fidelity Funds	26,627,473	3.79%
BNYMSANV Re - First State Investments ICVC - Stewart Investors Asia Pacific Fund	22,191,021	3.16%
Citibank Newyork S/A Norges Bank Account 2	21,003,973	2.99%
HSBC Intl Nom Limited - BBH - Matthews Emerging Asia Fund	18,872,680	2.69%
Melstacorp PLC	12,622,428	1.80%
HSBC Intl Nom Ltd - JPCMB NA - Fidelity Asian Values PLC	11,182,630	1.59%
Bnymsanv Re - CF Ruffer Investment Funds: CF Ruffer Pacific Fund	8,000,000	1.14%
Union Assurance PLC / Account No. 05 (Unit - Linked Life Insurance Fund-Equity Fund)	5,723,542	0.82%
Mr. L.K.M.Fernando	5,119,300	0.73%
HSBC Intl Nom Limited - State Street Luxembourg C/O SSBT - Alliance bernstein Next 50 Emerging Markets (Master) Fund Sicav - Sif S.C.Sp	5,104,720	0.73%
SEB AB - Fim Frontier Fund	4,172,470	0.59%
Deutsche Bank AG - National Equity Fund	4,000,000	0.57%
East India Holding (Private) Limited	3,955,425	0.56%
J.B. Cocoshell (Private) Limited	3,085,361	0.44%
Union Assurance PLC No - 01 A/C	2,782,495	0.40%
Periceyl (Private) Limited A/C No. 03	2,694,100	0.38%
Nuwara Eliya Property Developers (Private) Limited	2,285,200	0.33%
Deutsche Bank AG As Trustee For Namal Acuity Value Fund	2,250,000	0.32%

The Public shareholding of the Company as at 31 March 2018 was 38.62% comprising 8,343 shareholders and a float adjusted market capitalization of LKR 8,647,950,635. In terms of rule 7.13.1 (b) of the listing rules of the CSE, the Company qualifies under option 5 of the minimum public holding requirement.

DIRECTORS

15. 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 2018:

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

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

Mr Mohamed Ashroff Omar - *Non-Executive Director*

Mr Wai Loi Wan - *Non-Executive Director*

Mr Hasitha Premaratne - *Non-Executive Director*

Mr Amitha Lal Gooneratne - *Independent Non-Executive Director*

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

Mr. Kit Vai Tou - *Non-Executive Director*

Mr. Kang Po Tsang resigned from the Board with effect from 1 July 2017. The Board wishes to place on record the Company's sincere appreciation of the services rendered by Mr. Kang Po Tsang during his tenure in office.

All Directors except for Mr. Kit Vai Tou, who have been appointed to the Board with effect from 1 July 2017, held office for the whole of the year ended 31 March 2018.

Subsequent to the financial year end, Mr Sriyan Joseph de Silva Wijeyeratne, Managing Director / Chief Executive Officer (CEO) of the Company resigned from the Board with effect from 3 July 2018. The Board wishes to place on record the Company's sincere appreciation of the services rendered by Mr Sriyan Joseph de Silva Wijeyeratne during his tenure in office. On 1 May 2018, Mr. Shrihan Perera was appointed as Chief Executive Officer (CEO) of Company.

DIRECTOR'S INTEREST IN TRANSACTIONS

16. The Directors of the Company have made general disclosures provided for in section 192 (2) of the Companies Act No. 07 of 2007. The Directors' interests in contracts and proposed contracts with the Company, both direct and indirect, are set out in Note 37 to the financial statements.

DIRECTOR'S REMUNERATION AND OTHER BENEFITS

17. The remuneration and other benefits of the Directors are given in Note 8 to the financial statements on page 99.

DIRECTOR'S INTEREST IN SHARES

18. As at 31 March 2018, Mr Hasitha Premaratne and Mr Sriyan Joseph de Silva Wijeyeratne held 40,000 shares and 826,333 shares respectively.

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

    The statement of Directors' responsibility for financial reporting is given in page 68.

INTEREST REGISTER

20. The Interest Register is maintained by the Company as per the Companies Act No. 07 of 2007. All Directors have made declarations as provided for in Section 192 (2) of the Companies Act No. 07 of 2007. The related entries were made in the Interest Register during the year under review.

RISK MANAGEMENT

21. The Board has instituted an effective and comprehensive system of internal controls covering financial, operations, compliance control and risk management required to carry on the business activities of the Company and its subsidiaries in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records. The key financial risks management disclosures are given in Note 3 to the financial statements on pages 90 to 95.

CORPORATE GOVERNANCE

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

STATUTORY PAYMENTS

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

EMPLOYEE SHARE OPTION SCHEME

24. Consequent to the shareholders granting approval on 26 November 2015, the Company established an Employee Share Option Scheme (ESOS) for Executive Directors and /or Executives in management positions in the Company as may be decided by the Board or a Board committee appointed by the Board. This scheme was established on the recommendation of the Board having taken into consideration the benefits that will accrue to the Company by employees involved in the management of the Company participating in the equity of the Company and thereby in the profits of the Company. The maximum number of shares that can be issued to eligible employees under the ESOS is 27,090,851 shares representing 4.1% of the issued shares of the Company as at 1 April 2015.

Annual Report of the Board of Directors

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 1 June 2017 at an exercise price of Rs. 33.89 per share.

Grant No. 3 and 4 under the ESOS vested in the employees was not exercised by the employees at the end of 2017/18.

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

ENVIRONMENTAL PROTECTION

25. After making adequate enquiries from management, the Directors are satisfied that the Company and its subsidiaries operate in a manner that minimises the detrimental effects on the environment and provides products and services that have a beneficial effect on the customers and the communities within which the Company and its subsidiaries operates.

DONATIONS

26. The Company has made donations amounting to LKR 1,073,316 during the year ended 31 March 2018 for charitable purposes (2017 - LKR 1,832,596).

GOING CONCERN

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

EVENTS AFTER THE END OF REPORTING PERIOD

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

INDEPENDENT AUDITORS

29. The Audit Committee of the Company has recommended the re-appointment of Messrs PricewaterhouseCoopers, Chartered Accountants, as the auditors of the Company and a resolution relating to their re-appointment and authorising the Directors to fix their remuneration and to audit the financial statements for the accounting year ending 31 March 2019 will be proposed at the Annual General Meeting.

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

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

By Order of the Board

Mohamed Ashroff Omar
Director

Hasitha Premaratne
Director

Corporate Services (Private) Limited
Secretaries

FOCUSED, STABLE AND PURPOSEFUL

FINANCIAL STATEMENTS

Statement of the Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the financial statements of the Group and the Company, is set out in the following statement. The responsibility of the independent Auditors, in relation to the financial statements, prepared in accordance with the provisions of the Companies Act, No. 07 of 2007 [" the Act"], is set out in the Independent Auditor's Report on pages 69 to 71.

The financial statements comprise the:

- 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 2018; 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 2018,

which comply with the requirements of the Act.

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

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

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

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

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

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

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

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

COMPLIANCE REPORT

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

By Order of the Board

Director
Corporate Services (Private) Limited
Secretaries

Independent Auditor's Report

pwc

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

Our Opinion

In our opinion, the financial statements of Teejay Lanka PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group") give a true and fair view of the financial position of the Company and the Group as at 31 March 2018, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

What we have audited

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

- the statement of financial position as at 31 March 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

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

Key audit matters

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

The Company and Group:

Key audit matter	How our audit addressed the Key audit matter
Provision for inventories The Company and Group had net inventories of LKR 2,817,003,700 and LKR 4,091,206,996 respectively as at 31 March 2018, which comprised raw materials, work in progress, finished goods, engineering spares and consumables as disclosed in Note 20 to the financial statements. The total inventories represented approximately 20% and 21% of the Company's and Group's total assets respectively. The Company and Group estimates the provision for slow moving and obsolete inventory of raw materials, work in progress and finished goods based on the inventory residence period and sales performance of individual stock categories and makes specific provisions by individual stock categories. The Company and Group also write down the value of such inventories based on the Net Realisable Value (NRV) of individual or group of inventories. Further, the provision for all slow and non-moving inventories of engineering spares and consumables are based on the inventory days and specific identification of inventories through verification by management. We focused on this area as the estimation for provisioning involve a high level of management judgement which could in turn result in measurement uncertainty and possibility for management bias.	We evaluated the significant assumptions and methodologies applied by management to identify and provide for slow moving and obsolete inventory categories. We compared the residence period and provisioning percentages used by management in the current year to those applied in prior years and checked the reasonableness of provisioning basis using our understanding of industry practices. Further, we reviewed the year to year movement in provision for each category of inventory considering subsequent write offs, reversals on re-use and disposals. We also compared the cost of inventories as at 31 March 2018 to their net realisable value subsequent to year end. We performed a recalculation of the inventory provision made to a individual inventory categories based on the system generated inventory ageing report, for which system reliance was places. Further, we checked for damaged and obsolete inventory, if any, that were physically identifiable during stock count observation. Based on the procedures performed above, we consider management's judgement and estimates in providing for slow moving and obsolete inventory to be reasonable and adequate.

Independent Auditor's Report

Other information

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

CHARTERED ACCOUNTANTS

CA Sri Lanka membership number - 1795
Colombo Sri Lanka

20 July 2018

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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	2018	2017	2018	2017
Revenue	6	24,647,488	22,137,641	15,911,022	15,721,413
Cost of sales		(21,736,289)	(19,061,926)	(14,201,758)	(13,792,631)
Gross profit		2,911,199	3,075,715	1,709,264	1,928,782
Other income - net	7	237,537	194,827	608,862	379,602
Distribution expenses		(138,423)	(132,141)	(106,280)	(107,915)
Administrative expenses		(1,199,471)	(1,145,996)	(635,534)	(605,093)
Operating profit	8	1,810,842	1,992,405	1,576,312	1,595,376
Non operating losses	9	Nil	Nil	Nil	(3,307)
Finance income	11	106,297	89,412	110,342	60,865
Finance costs	11	(99,423)	(70,447)	(12,870)	(16,561)
Net finance income	11	6,874	18,965	97,472	44,304
Profit before tax		1,817,716	2,011,370	1,673,784	1,636,373
Income tax expense	12	(221,602)	(52,195)	(144,969)	(135,425)
Profit for the year		1,596,114	1,959,175	1,528,815	1,500,948
Attributable to:					
Equity holders of the parent		1,596,114	1,959,175		
Earnings per share					
Basic earnings per share (LKR)	13 (a)	2.28	2.81	2.18	2.15
Diluted earnings per share (LKR)	13 (b)	2.25	2.79	2.16	2.14

The notes on pages 78 to 132 form an integral part of these financial statements
Independent auditor's report is set out on pages 69 to 71

Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
Year ended 31 March	Note	2018	2017	2018	2017
Profit for the year		1,596,114	1,959,175	1,528,815	1,500,948
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of retirement benefit obligations	27	24,795	15,348	31,427	20,059
Deferred tax attributable to remeasurement of retirement benefit obligations	28	(4,997)	(3,403)	(4,400)	(2,808)
		19,798	11,945	27,027	17,251
Items that may be subsequently reclassified to profit or loss					
Cash flow hedges		9,673	Nil	9,673	Nil
Currency translation differences		131,673	355,822	116,890	319,156
		141,346	355,822	126,563	319,156
Other comprehensive income for the year		161,144	367,767	153,590	336,407
Total comprehensive income for the year		1,757,258	2,326,942	1,682,405	1,837,355
Attributable to:					
Equity holders of the parent		1,757,258	2,326,942		

The notes on pages 78 to 132 form an integral part of these financial statements
Independent auditor's report is set out on pages 69 to 71

Statement of Financial Position

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
As at 31 March	Note	2018	2017	2018	2017
ASSETS					
Non-current assets					
Property, plant and equipment	15	7,534,180	6,960,885	3,549,403	3,710,806
Capital work-in-progress	16	444,541	337,800	349,528	79,724
Intangible assets	17	54,458	65,833	33,029	34,054
Goodwill	17	51,112	50,537	Nil	Nil
Investments in subsidiaries	18	Nil	Nil	2,666,214	2,764,328
Lease rentals paid in advance	21 (f)	227,820	240,306	86,941	90,256
Deferred tax assets	28	125,070	132,751	Nil	Nil
		8,437,181	7,788,112	6,685,115	6,679,168
Current assets					
Inventories	20	4,091,207	2,877,542	2,817,004	2,041,232
Trade and other receivables	21	3,494,456	3,370,099	2,149,360	2,225,479
Other financial assets	22	789,378	1,239,670	620,214	992,789
Derivative financial instruments	23	9,817	Nil	9,817	Nil
Cash and cash equivalents	24	2,742,897	1,494,376	2,126,727	906,653
		11,127,755	8,981,687	7,723,122	6,166,153
Total assets		19,564,936	16,769,799	14,408,237	12,845,321
Equity and liabilities					
Capital and reserves					
Stated capital	31	4,056,683	3,942,686	4,056,683	3,942,686
Hedging reserve	32	9,673	Nil	9,673	Nil
Exchange equalisation reserve	33	2,577,679	2,446,006	2,483,613	2,366,723
Share option scheme	35	85,505	63,746	85,505	63,746
Retained earnings	34	4,971,882	4,724,786	3,770,397	3,583,371
		11,701,422	11,177,224	10,405,871	9,956,526
Non-current liabilities					
Borrowings	26	1,106,784	567,429	Nil	Nil
Deferred tax liabilities	28	318,004	247,932	276,106	247,932
Retirement benefit obligations	27	207,666	208,120	171,132	171,228
		1,632,454	1,023,481	447,238	419,160
Current liabilities					
Trade and other payables	25	4,486,958	3,043,719	2,780,269	1,705,126
Current tax liabilities		14,647	6,535	Nil	Nil
Borrowings	26	1,729,455	1,518,840	774,859	764,509
		6,231,060	4,569,094	3,555,128	2,469,635
Total liabilities		7,863,514	5,592,575	4,002,366	2,888,795
Total equity and liabilities		19,564,936	16,769,799	14,408,237	12,845,321

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

Salman Nishtar
Chief Financial Officer

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

Mohamed Ashroff Omar
Director

Hasitha Premaratne
Director

20 July 2018

The notes on pages 78 to 132 form an integral part of these financial statements
Independent auditor's report is set out on page 69 to 71

Statement of Changes in Equity - Group

(all amounts in Sri Lanka Rupees Thousands)

	Note	Stated capital	Exchange equalisation reserve	Heding Reserve	Share option scheme	Retained earnings	Total
Balance at 1 April 2016		3,853,024	2,090,184	Nil	42,283	4,150,852	10,136,343
Profit for the year		Nil	Nil	Nil	Nil	1,959,175	1,959,175
Other comprehensive income for the year		Nil	355,822	Nil	Nil	11,945	367,767
Total comprehensive income for the year		Nil	355,822	Nil	Nil	1,971,120	2,326,942
Transactions with owners:							
Issue of ordinary shares related to share option scheme	31	89,662	Nil	Nil	Nil	Nil	89,662
Final dividend paid - 2015/16	14	Nil	Nil	Nil	Nil	(698,593)	(698,593)
Interim dividend paid - 2016/17	14	Nil	Nil	Nil	Nil	(698,593)	(698,593)
		Nil	Nil	Nil	Nil	(1,397,186)	(1,397,186)
Share option scheme	35 (a)	Nil	Nil	Nil	21,463	Nil	21,463
Balance at 31 March 2017		3,942,686	2,446,006	Nil	63,746	4,724,786	11,177,224
Balance at 1 April 2017		3,942,686	2,446,006	Nil	63,746	4,724,786	11,177,224
Profit for the year		Nil	Nil	Nil	Nil	1,596,114	1,596,114
Other comprehensive income for the year		Nil	131,673	9,673	Nil	19,798	161,144
Total comprehensive income for the year		Nil	131,673	9,673	Nil	1,615,912	1,757,258
Transactions with owners:							
Issue of ordinary shares related to share option scheme	31	113,997	Nil	Nil	Nil	Nil	113,997
Final dividend paid - 2016/17	14	Nil	Nil	Nil	Nil	(877,446)	(877,446)
Interim dividend paid - 2017/18	14	Nil	Nil	Nil	Nil	(491,370)	(491,370)
		Nil	Nil	Nil	Nil	(1,368,816)	(1,368,816)
Share option scheme	35 (a)	Nil	Nil	Nil	21,759	Nil	21,759
Balance at 31 March 2018		4,056,683	2,577,679	9,673	85,505	4,971,882	11,701,422

The notes on pages 78 to 132 form an integral part of these financial statements
Independent auditor's report is set out on pages 69 to 71

Statement of Changes in Equity - Company

(all amounts in Sri Lanka Rupees Thousands)

	Note	Stated capital	Exchange equalisation reserve	Heding Reserve	Share option scheme	Retained earnings	Total
Balance at 1 April 2016		3,853,024	2,047,567	Nil	42,283	3,462,358	9,405,232
Profit for the year		Nil	Nil	Nil	Nil	1,500,948	1,500,948
Other comprehensive income for the year		Nil	319,156	Nil	Nil	17,251	336,407
Total comprehensive income for the year		Nil	319,156	Nil	Nil	1,518,199	1,837,355
Transactions with owners:							
Issue of ordinary shares related to share option scheme	31	89,662	Nil	Nil	Nil	Nil	89,662
Final dividend paid - 2015/16	14	Nil	Nil	Nil	Nil	(698,593)	(698,593)
Interim dividend paid - 2016/17	14	Nil	Nil	Nil	Nil	(698,593)	(698,593)
		Nil	Nil	Nil	Nil	(1,397,186)	(1,397,186)
Share option scheme	35 (a)	Nil	Nil	Nil	21,463	Nil	21,463
Balance at 31 March 2017		3,942,686	2,366,723	Nil	63,746	3,583,371	9,956,526
Balance at 1 April 2017		3,942,686	2,366,723	Nil	63,746	3,583,371	9,956,526
Profit for the year		Nil	Nil	Nil	Nil	1,528,815	1,528,815
Other comprehensive income for the year		Nil	116,890	9,673	Nil	27,027	153,590
Total comprehensive income for the year		Nil	116,890	9,673	Nil	1,555,842	1,682,405
Transactions with owners:							
Issue of ordinary shares related to share option scheme	31	113,997	Nil	Nil	Nil	Nil	113,997
Final dividend paid - 2016/17	14	Nil	Nil	Nil	Nil	(877,446)	(877,446)
Interim dividend paid - 2017/18	14	Nil	Nil	Nil	Nil	(491,370)	(491,370)
		Nil	Nil	Nil	Nil	(1,368,816)	(1,368,816)
Share option scheme	35 (a)	Nil	Nil	Nil	21,759	Nil	21,759
Balance at 31 March 2018		4,056,683	2,483,613	9,673	85,505	3,770,397	10,405,871

The notes on pages 78 to 132 form an integral part of these financial statements
Independent auditor's report is set out on pages 69 to 71

Statement of Cash Flows

(all amounts in Sri Lanka Rupees Thousands)

		Group		Company	
Year ended 31 March	Note	2018	2017	2018	2017
Cash flows from operating activities					
Cash generated from operations	36	3,111,271	1,828,926	2,382,010	1,495,325
Finance income received		65,133	86,719	38,400	48,056
Finance cost paid	11	(99,423)	(70,447)	(12,870)	(16,561)
Retirement benefit obligations paid	27	(35,887)	(18,360)	(10,174)	(7,569)
Tax paid		(30,711)	(128,943)	Nil	Nil
Net cash generated from operating activities		3,010,383	1,697,895	2,397,366	1,519,251
Cash flows from investing activities					
Additions or expenses incurred on capital work-in-progress	16	(1,673,005)	(1,774,273)	(599,688)	(659,439)
Net increase in investment in financial assets		450,292	716,634	372,575	115,727
Proceeds from sale of property, plant and equipment		Nil	5,194	Nil	4,877
Proceeds from repurchase of shares by a subsidiary	18 (c)	Nil	Nil	302,940	Nil
Net cash generated / (used in) from investing activities		(1,222,713)	(1,052,445)	75,827	(538,835)
Cash flows from financing activities					
Dividend paid	14	(1,368,816)	(1,397,186)	(1,368,816)	(1,397,186)
Settlement of borrowings		(43,380)	(301,812)	Nil	Nil
Proceeds received from bank borrowings		757,350	1,534,546	Nil	759,950
Proceeds received from issue of ordinary shares	31	113,997	89,662	113,997	89,662
Net cash used in financing activities		(540,849)	(74,790)	(1,254,819)	(547,574)
Net increase in cash and cash equivalents		1,246,821	570,660	1,218,374	432,842
Cash and cash equivalents at beginning of year		1,489,817	919,157	902,094	469,252
Cash and cash equivalents at end of year	24	2,736,638	1,489,817	2,120,468	902,094

The notes on pages 78 to 132 form an integral part of these financial statements
Independent auditor's report is set out on pages 69 to 71

Notes to the Financial Statements

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

1 GENERAL INFORMATION

Teejay Lanka PLC is a public limited company incorporated in Sri Lanka on 12 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 20th July 2018.

The Company owns 100% of issued stated capital of Teejay Lanka Prints (Private) Limited and Ocean Mauritius Limited. Teejay India (Private) Limited is a fully owned subsidiary of Ocean Mauritius Limited. The Company is the ultimate parent of the Group. The details of subsidiaries are given under Note 18 to these financial statements respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with the Sri Lanka Accounting Standards (LKASs / SLFRSs) adopted by the Institute of Chartered Accountants of Sri Lanka. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 BASIS OF PREPARATION

The financial statements of the 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 Company's and the Group's financial statements are disclosed in Note 4 to the financial statements.

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Company

The following standards and interpretations were adopted for the first time to financial reporting periods commencing on or after 1 January 2017:

(i) Amendments to LKAS 7 - Disclosure Initiative. An entities will be required to explain changes in their liabilities arising from financing activities. This includes changes arising from cash flows (eg: drawdowns and repayments of borrowings) and non-cash changes such as acquisitions, disposals, accretion of interest and unrealised exchange differences. Changes in financial assets must be included in this disclosure if the cash flows were, or will be, included in cash flows from financing activities. This could be the case, for example, for assets that hedge liabilities arising from financing liabilities.

Entities may include changes in other items as part of this disclosure, for example by providing a 'net debt' reconciliation. However, in this case the changes in the other items must be disclosed separately from the changes in liabilities arising from financing activities.

(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 2018 reporting periods have not been early adopted by the Company. The Company is yet to assess the impact of these new standards that are set out below.

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

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

Classification of debt assets will be driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. A debt instrument is measured at amortised cost if: a) the objective of the business model is to hold the financial asset for the collection of the contractual cash flows, and b) the contractual cash flows under the instrument solely represent payments of principal and interest.

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

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

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

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

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

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

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

   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,

(ii)SLFRS 15 Revenue from contracts with customers and associated amendments to various other standards

SLFRS 15 will replace LKAS 18 which covers contracts for goods and services and LKAS 11 which covers construction contracts.

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

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

i. identify contracts with customers

ii. identify the separate performance obligation

iii. determine the transaction price of the contract

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

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

Key changes to current practice are:

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

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

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

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

v. There are also increased disclosures.

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

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.

(iii) SLFRS 16 Leases

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

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

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

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under SLFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The standard is effective for annual periods beginning on or after 1 January 2019 with earlier adoption permitted if SLFRS 15, 'Revenue from Contracts with Customers', is also adopted.

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

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

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

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

Entities can choose to apply the interpretation:

i. retrospectively for each period presented

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

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

The amendment is effective for the annual periods beginning on or after 1 January 2018.

(v) IFRIC 23, 'Uncertainty over income tax treatments'

This IFRIC clarifies how the recognition and measurement requirements of LKAS 12 'Income taxes', are applied where there is uncertainty over income tax treatments.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. For example, a decision to claim a deduction for a specific expense or not to include a specific item of income in a tax return is an uncertain tax treatment if its acceptability is uncertain under tax law. IFRIC 23 applies to all aspects of income tax accounting where there is an uncertainty regarding the treatment of an item, including taxable profit or loss, the tax bases of assets and liabilities, tax losses and credits and tax rates.

The amendment is effective for the annual periods beginning on or after 1 January 2019.

2.3 CONSOLIDATION

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

2.3.1 Subsidiaries

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

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

Acquisition related costs are expensed as incurred.

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

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

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

2.3.1.1 Changes in ownership interests in subsidiaries without change of control

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

2.3.1.2 Disposal of subsidiaries

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

2.3.2 Financial period

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

Notes to the Financial Statements

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

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 Group and 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 exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement except when deferred in other comprehensive income as qualifying cash flow hedges.

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

2.6 PROPERTY, PLANT AND EQUIPMENT

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

(a) Cost

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

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

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

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

(b) Depreciation

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

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

Buildings on leasehold land	23 to 50 years
Plant, machinery & equipment installation	3 to 10 years
Fixtures, fittings & factory equipment	4 to 8 years

Office equipment	5 years
Computer & communication equipment	3 to 4 years
Motor vehicles	4 years

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

(c) Borrowing costs

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

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

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

(d) Impairment of property, plant and equipment

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

2.7 INTANGIBLE ASSETS

(a) Goodwill

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

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Computer software

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

Costs associated with maintaining computer software programmed are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the 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.

Notes to the Financial Statements

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

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

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

2.8 INVESTMENTS

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

2.9 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

2.10 ACCOUNTING FOR LEASES BY THE LESSEE

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

2.11 FINANCIAL ASSETS

2.11.1.1 Classification

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

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets as trade and other receivables except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 2.14 and 2.15).

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.

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

2.11.2.2 Subsequent measurement

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

2.11.2.3 Derecognition

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

2.11.3 Offsetting financial instruments

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

2.12 DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The group also documents its assessment, both at hedge inception and on an on going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

2.12.1 Cash flow hedge

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

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

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

2.13 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the Weighted Average Cost (WAC) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.14 TRADE AND OTHER RECEIVABLES

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

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

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

2.15 CASH AND CASH EQUIVALENTS

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand, deposits held at call with banks, net of bank overdrafts. In the statement of financial position, bank overdrafts are included in borrowings in current liabilities.

2.16 STATED CAPITAL

The ordinary shares are classified as equity.

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

2.17 TRADE AND OTHER PAYABLES

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

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

2.18 BORROWINGS

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

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

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

2.19 BORROWING COSTS

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

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

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

2.20 PROVISIONS

Provisions are recognised when the Group has a present legal or constructive obligations as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be small.

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

2.21 EMPLOYEE BENEFITS

(a) Defined benefit plan - Gratuity

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

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

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

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

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 27 to the financial statements.

(b) Defined contribution plans

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

(c) Short term employee benefits

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

2.22 CURRENT AND DEFERRED INCOME TAX

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

(a) Current taxes

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other

Notes to the Financial Statements

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

comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

(b) Deferred income taxes

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

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

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the differed income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.23 REVENUE RECOGNITION

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.

2.24 EXPENDITURE RECOGNITION

(a) Operating expenses

The expenses are recognised on an accrual basis. All expenses incurred in the ordinary course of business and in maintaining property, plant and equipment in a state of efficiency is charged against income in arriving at the profit for the period.

(b) Net financing costs

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

All interest and other costs incurred in connection with borrowings except for the acquisition or construction of qualifying assets as noted in 2.6(c) are expensed as incurred as part of net financing costs.

2.25 EXCEPTIONAL ITEMS

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

2.26 DIVIDEND DISTRIBUTION

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

2.27 SHARE BASED PAYMENTS

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

- including any market performance conditions (for example, an entity's share price); and

- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

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

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

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

3 FINANCIAL RISK MANAGEMENT

3.1 FINANCIAL RISK FACTORS

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

Risk	Exposure arising from	Measurement	Management
Market risk - foreign exchange	Future commercial transactions not denominated in United States Dollars (USD)	Cash flow forecasting Sensitivity analysis	Monitoring market on an ongoing basis and booking of forward contracts when required
Market risk - interest rate	Borrowings and investments	Sensitivity analysis	Not applicable
Market risk - Security prices	The Company or its subsidiary 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

Notes to the Financial Statements

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

(a) Derivatives

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

Risk	2018	2017
Group and Company		
Forward foreign exchange contracts – cash flow hedges	9,817	Nil

(i) Classification of derivatives

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

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

(ii) Fair value measurement

For information about the methods and assumptions used in determining the fair value of derivatives are set out in Note 23.

(b) Market risk

(i) Foreign exchange risk

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

Sensitivity analysis

At 31 March 2018, if LKR had strengthened by 1% against USD in the financial year, profit after tax would have been decreased by LKR 49,381,189 The analysis assumes that all other variables, in particular interest rates, remain constant.

At 31 March 2018, if INR had strengthened by 1% against USD in the financial year, profit after tax would have been decreased by LKR 12,206,210 The analysis assumes that all other variables, in particular interest rates, remain constant.

(ii) Interest rate risk

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

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

(iii) Price risk

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

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

(iv) Cash flow and fair value interest rate risk

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

(c) Credit risk

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

The maximum risk positions of financial assets which are generally subject to credit risk are equal to their carrying amounts as described in Notes 21,22, 23 and 24.

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

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

(d) Liquidity risk

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

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

Notes to the Financial Statements

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

3.1 FINANCIAL RISK FACTORS (CONTD.)

(d) Liquidity risk (Contd)

Group As at 31 March 2018	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 2 years	Total
Liabilities				
Bank overdrafts (Note 26)	6,259	Nil	Nil	6,259
Amounts due to related companies (Note 25)	1,057,283	51,628	Nil	1,108,911
Trade and other payables (excluding statutory liabilities) (Note 25)	3,300,731	8,681	Nil	3,309,412
Borrowings (Note 26)	1,507,988	215,208	1,106,784	2,829,980
Total liabilities	5,872,261	275,517	1,106,784	7,254,562

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 26)	4,559	Nil	Nil	4,559
Amounts due to related companies (Note 25)	794,985	32,735	Nil	827,720
Trade and other payables (excluding statutory liabilities) (Note 25)	2,082,262	40,907	Nil	2,123,169
Borrowings (Note 26)	Nil	1,514,281	567,429	2,081,710
Total liabilities	2,881,806	1,587,923	567,429	5,037,158

Company As at 31 March 2018	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 2 years	Total
Liabilities				
Bank overdrafts (Note 26)	6,259	Nil	Nil	6,259
Amounts due to related companies (Note 25)	1,050,829	6,975	Nil	1,057,804
Trade and other payables (excluding statutory liabilities) (Note 25)	1,668,964	8,681	Nil	1,677,645
Bank borrowings (Note 26)	768,600	Nil	Nil	768,600
Total liabilities	3,494,652	15,656	Nil	3,510,308

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 26)	4,559	Nil	Nil	4,559
Amounts due to related companies (Note 25)	697,524	14,193	Nil	711,717
Trade and other payables (excluding statutory liabilities) Note 25)	946,535	7,670	Nil	954,205
Bank borrowings (Note 26)	759,950	Nil	Nil	759,950
Total liabilities	2,408,568	21,863	Nil	2,430,431

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	
	2018	2017
Total borrowings (Note 26)	2,836,239	2,086,269
Less: Cash and cash equivalents and short term deposits	(3,532,275)	(2,734,046)
Net debt	N/A	N/A
Total equity	11,701,422	11,177,224
Total capital	11,701,422	11,177,224
Gearing ratio	N/A	N/A

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

Notes to the Financial Statements

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

3.3 COMPARATIVES

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

- In the statement of financial position of the Group, deferred tax of the Group previously shown without taking into consideration the offsetting of the balances within the same tax jurisdiction, is now shown as offsetting of the balances within the same tax jurisdiction.

- Current portion of the lease rentals paid in advance of the Company previously shown in the non-current assets, is now shown in the current assets.

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

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 the 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) 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 27.

4.2 CRITICAL JUDGEMENTS IN APPLYING THE ENTITY'S ACCOUNTING POLICIES

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

5 SEGMENT INFORMATION

(a) Description of segments and principal activities

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

1: Textile manufacturing - Sri Lanka and India:

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

2: Fabric printing - Sri Lanka:

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

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

(b) Adjusted EBITDA

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

	Group	
	2018	2017
Textile manufacturing		
- Sri Lanka	1,924,810	2,068,935
- India	450,914	444,680
	2,375,724	2,513,615
Fabric printing		
- Sri Lanka	443,508	345,015
- India	101,982	97,000
	545,490	442,015
Total adjusted EBITDA	2,921,214	2,955,630

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

	Group	
	2018	2017
Total adjusted EBITDA	2,921,214	2,955,630
Depreciation	(1,064,514)	(914,823)
Amortisation	(30,789)	(33,624)
Amortisation of lease rentals paid in advance	(15,069)	(14,778)
Net finance income	6,874	18,965
Profit before income tax from continuing operations	1,817,716	2,011,370

Notes to the Financial Statements

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

5 SEGMENT INFORMATION (CONTD)

(c) Segment assets

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

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

As at 31 March	Group	
	2018 Segment assets	2017 Segment assets
Textile manufacturing		
- Sri Lanka	14,408,236	12,845,320
- India	11,529,988	9,431,821
Fabric printing - Sri Lanka	1,276,031	1,185,787
Total segment assets	27,214,255	23,462,928
Inter segment eliminations	(7,774,389)	(6,825,880)
Unallocated:		
Deferred tax assets	125,070	132,751
Total assets as per the statement of financial position	19,564,936	16,769,799

(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.

As at 31 March	Group	
	2018 Segment liabilities	2017 Segment liabilities
Textile manufacturing		
- Sri Lanka	3,726,258	2,640,862
- India	4,186,823	2,922,144
Fabric printing - Sri Lanka	214,805	171,572
Total segment liabilities	8,127,886	5,734,578
Inter segment eliminations	(582,376)	(389,935)
Unallocated:		
Deferred tax liabilities	318,004	247,932
Total liabilities as per the statement of financial position	7,863,514	5,592,575

6 REVENUE

The Group and the Company derives following types of revenue:

Year ended 31 March	Group		Company	
	2018	2017	2018	2017
Textile sector	22,270,880	20,207,408	15,911,022	15,721,413
Printing sector	2,376,608	1,930,233	Nil	Nil
Total revenue from continuing operations	24,647,488	22,137,641	15,911,022	15,721,413

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

Year ended 31 March 2017	Total segment revenue	Inter segment revenue	Revenue from external customers
Revenue			
Textile manufacturing			
- Sri Lanka	15,721,413	(721,222)	15,000,191
- India	6,299,415	(1,092,197)	5,207,218
Fabric printing			
- Sri Lanka	1,635,246	(320,922)	1,314,324
- India	615,908	Nil	615,908
Total segment revenue	24,271,982	(2,134,341)	22,137,641

Notes to the Financial Statements

(In the notes all amounts are shown in Sri Lankan 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	
Year ended 31 March	2018	2017	2018	2017
Scrap sales	159,223	141,453	50,161	64,058
Screen cost recovery	45,475	42,230	Nil	Nil
Royalty income [See Note (a) below]	Nil	Nil	368,984	276,622
Net loss on disposals of property, plant and equipment	(1,419)	(7,330)	(1,419)	(7,646)
Dividend income [Note 37 (vii)]	Nil	Nil	12,032	24,170
Gain on repurchase of shares by subsidiary company [Note 18 (c)]	Nil	Nil	175,258	Nil
Insurance claim received [See Note (b) below]	Nil	18,474	Nil	18,474
Other income	34,258	Nil	Nil	Nil
Steam coal cost recovery	Nil	Nil	3,846	3,924
	237,537	194,827	608,862	379,602

(a) Royalty income of LKR 368,984,101 (2017 - LKR 276,622,386) solely consists of royalty received from Teejay India (Private) Limited for the year ended 31 March 2018 [Note 37 (v)].

(b) Insurance claim received in the previous year solely consists of insurance recovery of LKR 18,473,750 for the 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	
	2018	2017	2018	2017
Directors' emoluments	41,991	50,999	41,991	50,999
Auditors' remuneration - audit	8,577	8,474	1,444	1,734
- non audit	1,163	1,000	917	850
	9,740	9,474	2,361	2,584
Depreciation (Note 15)	1,064,514	914,823	515,125	476,735
Provision / (reversal of provision) for slow and non moving inventories (Note 20)	93,150	(63,429)	81,119	(54,890)
(Reversal of provision) / provision for impairment of trade receivables [Note 21(a)]	(5,317)	2,791	(5,521)	2,713
Amortisation of intangible assets (Note 17)	30,789	33,624	20,235	23,032
Amortisation of lease rentals paid in advance [Note 21 (f)]	15,069	14,778	4,279	4,175
Repair and maintenance expenditure	242,997	254,485	170,508	171,783
Employee benefit expense (Note 10)	1,883,920	1,760,767	1,420,109	1,313,261

9 NON OPERATING LOSSES

	Group		Company	
	2018	2017	2018	2017
Management consultancy income [Note 37 (iv)]	Nil	Nil	Nil	17,291
Cost incurred in relation to Consultants	Nil	Nil	Nil	(20,598)
	Nil	Nil	Nil	(3,307)

a) Management consultancy income of the Company in previous year consist of management consultancy income received from Teejay India (Private) Limited amounting to LKR 17,291,430.

Notes to the Financial Statements

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

10 EMPLOYEE BENEFIT EXPENSE

	Group		Company	
	2018	2017	2018	2017
Salaries, wages and other fringe benefits	1,636,491	1,535,788	1,243,846	1,150,376
Defined contribution plans	165,261	154,562	112,999	101,239
Retirement benefit obligations (Note 27)	60,409	48,954	41,505	40,183
Share options granted to Directors and Employees [Note 35 (b)]	21,759	21,463	21,759	21,463
	1,883,920	1,760,767	1,420,109	1,313,261
Average number of persons employed by the Group and the Company during the year - full time	2,338	2,144	1,172	1,149

11 NET FINANCE INCOME

	Group		Company	
	2018	2017	2018	2017
Finance income:				
Net foreign transaction and translation gains	41,164	2,693	71,942	1,538
Interest income on short term deposits	65,133	86,719	38,400	59,327
Total finance income	106,297	89,412	110,342	60,865
Finance costs:				
Interest expense				
- bank overdrafts	(897)	(4,489)	(872)	(4,425)
- short term bank borrowings	(21,576)	(26,868)	(11,998)	(12,136)
- related company borrowings [Note 37 (x)]	(27,643)	(33,617)	Nil	Nil
- long term bank borrowings	(49,307)	(5,473)	Nil	Nil
Total finance cost	(99,423)	(70,447)	(12,870)	(16,561)
Net finance income	6,874	18,965	97,472	44,304

12 INCOME TAX EXPENSE

	Group		Company	
	2018	2017	2018	2017
Current income tax:				
Current income tax on profits for the year	181,729	220,306	125,474	70,109
Minimum alternative tax credit entitlement	(30,711)	(128,943)	Nil	Nil
Over provision for income tax in respect of prior years	(1,079)	(1,428)	(1,086)	(898)
Withholding tax on intercompany dividend	1,337	2,686	Nil	Nil
Total current tax:	151,276	92,621	124,388	69,211
Deferred tax:				
Origination / (reversal) of temporary differences (Note 28)	70,326	(40,426)	20,581	66,214
Income tax expense	221,602	52,195	144,969	135,425
Deferred tax charged to other comprehensive income (Note 28)	4,997	3,403	4,400	2,808
Income tax charged to statement of comprehensive income	226,599	55,598	149,369	138,233

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 the Company as follows:

	Group		Company	
	2018	2017	2018	2017
Profit before tax	1,817,716	2,011,370	1,673,784	1,636,373
Tax calculated at effective tax rate of Group 13%, Company 12% (2017 - 14%)	236,001	278,780	200,854	196,365
Income not subject to tax	(40,502)	(145,790)	(48,336)	(98,469)
Expenses not deductible for tax purposes	1,794	2,488	1,638	2,452
(Over) / Under provision for income tax in respect of prior years	(1,079)	(1,428)	(1,086)	(898)
Net tax effect of unrecognised tax losses for prior years	34,085	(73,097)	Nil	Nil
Recognition of previously unrecognised tax losses	(13,754)	(11,444)	Nil	Nil
Adjustments due to the change of estimated deferred tax base in previous years	3,720	Nil	(8,101)	35,975
Withholding tax on intercompany dividend	1,337	2,686	Nil	Nil
Tax charge	221,602	52,195	144,969	135,425

Notes to the Financial Statements

(In the notes all amounts are shown in Sri Lankan 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 the 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 is liable to tax with effective from 12 September 2016 at a concessionary tax rate of 12% under the special approval granted by the Department of Inland Revenue to BOI companies who are engaging in the deemed exports.

Teejay Lanka Prints (Private) Limited is liable to tax at a concessionary tax rate of 12% under the special approval granted by the Department of Inland Revenue to BOI companies who are engaging in the deemed exports.

Teejay India (Private) Limited is a unit established in Special Economic Zone in Andhra Pradesh, India and eligible for deduction of hundred percent of profits and gains derived for a period of five consecutive assessment years beginning with the assessment year in which the Company commenced its operations and fifty percent of profits and gains derived for the next five consecutive assessment years. In view of available deduction and brought forward tax losses, no provision is required for current tax liabilities for the year ended 31 March 2018.

Further information about deferred tax is provided in Note 28.

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	
	2018	2017	2018	2017
Profit attributable to equity holders of the Company	1,596,114	1,959,175	1,528,815	1,500,948
Weighted average number of ordinary shares [Note 31 (b)]	701,394	698,591	701,394	698,591
Basic earnings per share - LKR	2.28	2.81	2.18	2.15

(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 6,689,304 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	
	2018	2017	2018	2017
Profit attributable to equity holders of the Company	1,596,114	1,959,175	1,528,815	1,500,948
Weighted average number of ordinary shares for diluted earnings per share	708,083	702,151	708,083	702,151
Diluted earnings per share - LKR	2.25	2.79	2.16	2.14

14 DIVIDEND PER SHARE

	Group and Company			
	2018		2017	
	Per share LKR	LKR	Per share LKR	LKR
Declared and paid during the year				
Final Dividend [See note (a) below]	1.25	877,446	1.00	698,593
Interim Dividend [See note (b) below]	0.70	491,370	1.00	698,593
Total Dividend	1.95	1,368,816	2.00	1,397,186

(a) The Company has paid a final dividend of LKR 877,445,725 representing LKR 1.25 approved by the shareholders at the Annual General Meeting held on 30 August 2017 in respect of the year ended 31 March 2017.

(b) The Company declared and paid an interim dividend of LKR 491,369,606 representing LKR 0.70 per share for the year ended 31 March 2018.

Notes to the Financial Statements

(In the notes all amounts are shown in Sri Lankan 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 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
Year ended 31 March 2018							
Opening net book value	2,585,602	3,923,394	332,702	20,017	84,772	14,398	6,960,885
Transfers from capital work-in-progress (Note 16)	159,001	1,166,805	138,531	9,066	79,370	Nil	1,552,773
Disposals - cost	Nil	(23,083)	Nil	Nil	(7,723)	Nil	(30,806)
- accumulated depreciation	Nil	22,622	Nil	Nil	6,766	Nil	29,388
Adjustments - cost	Nil	124	(338)	238	125	(154)	(5)
- accumulated depreciation	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Effect of change in foreign exchange rates	29,972	49,877	4,809	224	1,515	62	86,459
Depreciation charge (Note 8)	(122,453)	(815,072)	(69,354)	(9,551)	(41,431)	(6,653)	(1,064,514)
Closing net book amount	2,652,122	4,324,667	406,350	19,994	123,394	7,653	7,534,180
At 31 March 2018							
Cost	3,596,387	11,804,375	1,171,787	191,946	485,324	33,379	17,283,198
Accumulated depreciation	(944,265)	(7,479,708)	(765,437)	(171,952)	(361,930)	(25,726)	(9,749,018)
Net book amount	2,652,122	4,324,667	406,350	19,994	123,394	7,653	7,534,180

Company	Buildings on leasehold land	Plant, machinery & equipment installation	Fixtures, fittings & factory equipment	Office equipment	Computer & communication equipment	Motor vehicles	Total
At 1 April 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
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
Year ended 31 March 2018							
Opening net book value	1,339,350	2,042,103	283,460	5,061	37,667	3,165	3,710,806
Transfers from capital work-in-progress (Note 16)	Nil	175,320	99,812	623	40,130	Nil	315,885
Disposals - cost	Nil	(4,021)	Nil	Nil	(7,723)	Nil	(11,744)
- accumulated depreciation	Nil	3,560	Nil	Nil	6,766	Nil	10,326
Effect of change in foreign exchange rates	14,580	19,976	3,970	37	703	(11)	39,255
Depreciation charge (Note 8)	(44,759)	(394,812)	(49,761)	(2,009)	(20,630)	(3,154)	(515,125)
Closing net book amount	1,309,171	1,842,126	337,481	3,712	56,913	Nil	3,549,403
At 31 March 2018							
Cost	1,708,779	6,398,325	964,812	28,813	317,628	19,887	9,438,244
Accumulated depreciation	(399,608)	(4,556,199)	(627,331)	(25,100)	(260,716)	(19,887)	(5,888,841)
Net book amount	1,309,171	1,842,126	337,481	3,713	56,912	Nil	3,549,403

(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 2018 amounted to LKR 5,277,978,967 and LKR 4,032,601,630 respectively (2017 Group - LKR 4,101,693,638 and Company - LKR 2,992,322,884).

(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 2018 are 33,17, 20 and 20 years respectively (Note 30). The subsidiary company, Teejay Lanka Prints (Private) Limited, has constructed two buildings on two plots of lands leased from the Board of Investment of Sri Lanka at Seethawaka Export Processing Zone. The remaining lease periods as of 31 March 2018 are 29 and 33 years respectively. The subsidiary company, Teejay India (Private) Limited, has constructed a building on a land sub leased at Brandix India Apparel City park. The remaining lease period as of 31 March 2018 is 12 years.

(c) Depreciation expense of Group of LKR 946,093,798 (2017 - LKR 810,081,066) and LKR 118,420,458 (2017 - LKR 104,742,024) has been charged to cost of goods sold and administrative expenses respectively. Depreciation expense of the Company of LKR 494,969,728 (2017 - LKR 457,009,061) and LKR 20,155,053 (2017 - LKR 19,725,827) has been charged to cost of goods sold and administrative expenses respectively.

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

16 CAPITAL WORK-IN-PROGRESS

	Group		Company	
	2018	2017	2018	2017
Balance at beginning of the year	337,800	283,152	79,724	260,810
Expenses incurred	1,673,005	1,774,273	599,688	659,439
Transferred to property, plant and equipment (Note 15) and [See Note (a) below]	(1,552,773)	(1,717,254)	(315,885)	(830,934)
Transferred to intangible assets (Note17)	(18,843)	(12,840)	(18,843)	(12,840)
Effect of change in foreign exchange rates	5,352	10,469	4,844	3,249
Balance at end of the year [See Note (b) below]	444,541	337,800	349,528	79,724

(a) Transferred to property, plant and equipment of Group and Company mainly include the Synthetic project capitalisation amounting to LKR 247,178,532 and capacity expansion project capitalisation amounting to LKR 1,237,603,409

(b) Capital work-in-progress of Group as at 31 March 2018 mainly comprises of construction expenses related to an on going capacity expansion project at Teejay India (Private) Limited amounting to LKR 92,459,813.

17 INTANGIBLE ASSETS

Group	Goodwill	Computer software	Total
At 1 April 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
Year ended 31 March 2018			
Opening net book amount	50,537	65,833	116,370
Transferred from capital work-in-progress (Note 16)	Nil	18,843	18,843
Effect of change in foreign exchange rates	575	571	1,146
Amortisation charge (Note 8)	Nil	(30,789)	(30,789)
Closing net book amount	51,112	54,458	105,570
At 31 March 2018			
Cost	51,112	492,028	543,140
Accumulated amortisation	Nil	(437,570)	(437,570)
Net book amount	51,112	54,458	105,570

Notes to the Financial Statements

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

17 INTANGIBLE ASSETS (CONTD.)

Company	Computer software	Total
At 1 April 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
Year ended 31 March 2018		
Opening net book amount	34,054	34,054
Transferred from capital work-in-progress (Note 16)	18,843	18,843
Effect of change in foreign exchange rates	367	367
Amortisation charge (Note 8)	(20,235)	(20,235)
Closing net book amount	33,029	33,029
At 31 March 2018		
Cost	401,791	401,791
Accumulated amortisation	(368,762)	(368,762)
Net book amount	33,029	33,029

(a) Amortisation charge amounting to LKR 30,789,458 (2017 Group - LKR 33,624,146) and LKR 20,235,180 (2017 Company - LKR 23,031,741) relating to the computer software of the Group and the Company respectively are included in cost of sales.

(b) Impairment tests for goodwill

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

Summary of the goodwill allocation is presented below.

As at 31 March	Group 2018	Group 2017
Teejay Lanka Prints (Private) Limited	12,896	12,896
Ocean Mauritius Limited (Including Teejay 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.

18 INVESTMENTS IN SUBSIDIARIES

	Company 2018	Company 2017
Unquoted investments		
At the beginning of the year	2,764,328	2,677,210
Repurchase of shares by subsidiary [See Note (c) below]	(127,682)	Nil
Effect of change in foreign exchange rates	29,568	87,118
At the end of the year	2,666,214	2,764,328

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

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

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

18 INVESTMENTS IN SUBSIDIARIES (CONTD)

(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	Investment holding	100%	100%
Teejay India (Private) Limited (holding through (OML))	Manufacturing of knitted fabrics	100%	Nil

(c) Teejay Lanka Prints (Private) Limited repurchased 6,168,446 ordinary shares issued at a value of LKR 127,682,091 from Teejay Lanka PLC on 20 March 2018 for a consideration of LKR 302,940,000 resulting in a gain of LKR 175,257,909 recognised during the year ended 31 March 2018 (Note 7).

19 FINANCIAL INSTRUMENTS BY CATEGORY

(a) Financial assets - Loans and receivables

	Group		Company	
	2018	2017	2018	2017
Trade receivables (Note 21)	1,826,802	1,546,503	1,244,986	1,241,539
Other receivables				
(excluding statutory receivables and advances)	178,622	157,023	1,552	22,110
Amounts due from related companies (Note 21)	926,030	1,124,443	690,089	718,712
Other financial assets (Note 22)	789,378	1,239,670	620,214	992,789
Derivative financial instruments (Note 23)	9,817	Nil	9,817	Nil
Cash and cash equivalents (Note 24)	2,742,897	1,494,376	2,126,727	906,653
	6,473,546	5,562,015	4,693,385	3,881,803

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

	Group		Company	
	2018	2017	2018	2017
Trade payables (Note 25)	2,735,111	1,576,659	1,238,204	556,928
Accrued expenses (Note 25)	427,711	413,489	323,451	289,223
Other payables				
(excluding statutory payables)	146,590	133,021	115,990	108,054
Amount due to related companies (Note 25)	1,108,911	827,720	1,057,804	711,717
Borrowings from related companies (Note 26)	553,392	547,164	Nil	Nil
Short-term bank borrowings (Note 26)	1,169,804	967,117	768,600	759,950
Long-term bank borrowings (Note 26)	1,106,784	567,429	Nil	Nil
Bank overdrafts (Note 26)	6,259	4,559	6,259	4,559
	7,254,562	5,037,158	3,510,308	2,430,431

(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	
	2018	**2017**	**2018**	**2017**
Export customers / overseas	839,095	466,905	257,734	161,942
Local customers	987,707	1,079,598	987,252	1,079,598
Related parties	891,822	1,109,908	271,675	395,717
	2,718,624	2,656,411	1,516,661	1,637,257

Counterparties without external credit rating:

	Group		Company	
	2018	**2017**	**2018**	**2017**
Group 1	2,718,624	2,656,411	1,516,661	1,637,257
Group 2	Nil	Nil	Nil	Nil
Group 3	Nil	Nil	Nil	Nil
Total unimpaired trade and related party receivables	2,718,624	2,656,411	1,516,661	1,637,257

Group 1 – customers/related parties (less than 6 months).

Group 2 – customers/related parties (more than 6 months) with no defaults in the past.

Group 3 – customers/related parties (more than 6 months) with some defaults in the past. All defaults were fully recovered.

Cash and cash equivalents:

	Group		Company	
	2018	**2017**	**2018**	**2017**
AAA	495,504	282,534	193,289	163,275
AA+	291,417	301,429	114,350	92,619
AA	12,962	17,346	12,962	17,346
AA-	1,628,232	468,344	1,628,232	467,977
A+	Nil	445	Nil	445
A-	313,464	423,488	177,394	164,491
Cash in hand	1,318	790	500	500
	2,742,897	1,494,376	2,126,727	906,653

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

19 FINANCIAL INSTRUMENTS BY CATEGORY (CONTD)

Other financial assets

	Group		Company	
	2018	**2017**	**2018**	**2017**
AA+	789,378	1,011,685	620,214	764,804
AA-	Nil	227,985	Nil	227,985
	789,378	1,239,670	620,214	992,789

20 INVENTORIES

	Group		Company	
	2018	**2017**	**2018**	**2017**
Raw materials	1,641,866	1,052,082	1,112,418	797,329
Work-in-progress	986,579	830,000	632,854	541,799
Finished goods	615,730	357,857	485,582	291,694
Engineering spares, needles and sinkers	261,343	243,939	155,647	140,062
Effluent chemicals, fuel and consumables	179,561	136,362	34,816	34,846
Goods in transit	406,128	257,302	395,687	235,502
	4,091,207	2,877,542	2,817,004	2,041,232

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
Balance at the beginning of the year	334,711	387,338	247,785	294,646
Effect of change in foreign exchange rates	5,194	10,802	4,025	8,029
Provision / (Reversal of provision) for slow and non moving inventories (Note 8)	93,150	(63,429)	81,119	(54,890)
Balance at the end of the year	433,055	334,711	332,929	247,785

21 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
Current				
Trade receivables - external customers	1,828,078	1,553,636	1,245,866	1,248,400
Less - provision for impairment [See Note (a) below]	(1,276)	(7,133)	(880)	(6,861)
	1,826,802	1,546,503	1,244,986	1,241,539
Trade receivable due from related companies [See Note 37 (viii) a]	892,364	1,109,908	272,131	395,718
Less - provision for impairment [See Note (a) below] and [See Note 37 (viii) a]	(542)	Nil	(456)	Nil
	891,822	1,109,908	271,675	395,718
Other receivables from related companies [See Note 37 (viii) b]	34,208	14,535	418,414	322,994
	926,030	1,124,443	690,089	718,712
Prepayments	177,267	293,818	132,545	126,918
Other receivables [See Note (g) below]	406,398	253,721	44,628	64,280
Statutory receivables [See Note (j) below]	385,779	391,920	124,053	164,286
	3,722,276	3,610,405	2,236,301	2,315,735
Less				
Non current portion of lease rentals paid in advance [See note (f) below]	(227,820)	(240,306)	(86,941)	(90,256)
Current portion	3,494,456	3,370,099	2,149,360	2,225,479

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

	Group		Company	
	2018	2017	2018	2017
Balance at beginning of the year	7,133	4,129	6,861	3,943
Effect of change in foreign exchange rates	2	213	(4)	205
Provision/(Reversal of provision) for impairment of trade receivables (Note 8)	(5,317)	2,791	(5,521)	2,713
Balance at end of the year	1,818	7,133	1,336	6,861

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21 TRADE AND OTHER RECEIVABLES (CONTD)

As of 31 March 2018, Group and the Company trade receivables from external customers and related companies amounting to LKR 1,818,200 (2017 Group - LKR 7,133,347) and LKR 1,335,519 (2017 Company - LKR 6,860,677) respectively were impaired. The amounts released from provision of the Group and the Company were LKR 5,317,354 and LKR 5,521,233 for the year ended 31 March 2018 (2017 Group and Company - charges of LKR 2,790,719 and of LKR 2,712,685) respectively. The ageing of these impaired receivables is as follows:

	Group		Company	
	2018	2017	2018	2017
3 to 6 months	1,622	3,889	1,336	3,658
Over 6 months	196	3,244	Nil	3,203
	1,818	7,133	1,336	6,861

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

	Group		Company	
	2018	2017	2018	2017
Neither past due nor impaired	2,359,447	2,313,832	1,225,560	1,306,626
Past due but not impaired	359,177	342,579	291,101	330,631
Impaired	1,818	7,133	1,336	6,861
	2,720,442	2,663,544	1,517,997	1,644,118

(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	
	2018	2017	2018	2017
Amount overdue:				
Up to 3 months	359,177	342,578	291,101	330,631
	359,177	342,578	291,101	330,631

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

	Group		Company	
	2018	2017	2018	2017
US Dollars	2,995,369	2,860,198	2,046,253	2,115,645
LKR	201,002	206,661	182,523	192,168
Euro	7,525	7,922	7,525	7,922
INR	518,380	535,624	Nil	Nil
	3,722,276	3,610,405	2,236,301	2,315,735

(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 rentals is as follows:

	Group		Company	
	2018	2017	2018	2017
At beginning of the year	253,865	260,921	94,558	95,736
Adjustment	Nil	(338)	Nil	Nil
Effect of change in foreign exchange rates	2,666	8,060	1,013	2,997
Amortisation (Note 8)	(15,069)	(14,778)	(4,279)	(4,175)
At end of the year	241,462	253,865	91,292	94,558

Prepaid operating leases can be analysed as follows:

	Group		Company	
	2018	2017	2018	2017
Current (Not later than one year)	13,642	13,559	4,351	4,302
Non-current (Later than one year)	227,820	240,306	86,941	90,256
	241,462	253,865	91,292	94,558

(g) Other receivables of the Group mainly consist of advances to suppliers amounting to LKR 76,966,835 (2017 - LKR 65,902,256), electricity and water deposits amounting to LKR 60,842,991 (2017 - LKR 53,505,040) and accrued interest income amounting to LKR 3,541,863 (2017 - LKR 3,362,475). Other receivables of the Company mainly consist of advances to suppliers amounting to LKR 41,384,652 (2017 - LKR 40,996,111) and festival advances amounting to LKR 1,617,288 (2017 - LKR 11,907,505).

(h) As of 31 March 2018, trade receivables of the Group LKR 2,359,447,179 (2017 - LKR 2,313,832,228) and trade receivable of the Company LKR 1,225,560,062 (2017 - LKR 1,306,625,808) 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 254,655,165 (2017 - LKR 227,601,529), ESC receivables amounting to LKR 106,863,531 (2017 - LKR 156,774,037) and VAT receivables amounting to LKR 5,128,868 (2017 - LKR 4,280,190). Statutory receivables of the Company mainly consist of ESC recoverable amounting to LKR 106,863,531 (2017 - LKR 156,774,037), VAT receivables amounting to LKR 4,762,399 (2017 - LKR 4,247,513) and WHT receivable amounting to LKR 3,483,449 (2017 - LKR 3,246,745).

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22 OTHER FINANCIAL ASSETS

	Group		Company	
	2018	2017	2018	2017
Short term deposits	789,378	1,239,670	620,214	992,789

The weighted average effective interest rate of the Group on short term deposits (USD) was 3.50% - 4.15% (year ended 31 March 2017 - 3.50% - 4.15%) and short term deposits (INR) was 4.50% - 6.69% (year ended 31 March 2017 - 5.00% - 6.50%) and the weighted average effective interest rate of the Company on short term deposits (USD) was 3.50% - 4.15% (year ended 31 March 2017 - 3.50% - 4.15%).

23 DERIVATIVE FINANCIAL INSTRUMENTS

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Group				
Forward foreign exchange contracts	9,817	Nil	Nil	Nil
Company				
Forward foreign exchange contracts	9,817	Nil	Nil	Nil

Forward foreign exchange contracts classified as a current asset or liability if the remaining maturity is not more than 12 months.

The notional principal amount of the outstanding forward foreign exchange contracts as at 31 March 2018 were LKR 1,637,118,000.

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	2018	2017	2018	2017
Cash at bank and in hand	2,742,897	1,494,376	2,126,727	906,653

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

	Group		Company	
	2018	2017	2018	2017
Cash and bank balances	2,742,897	1,494,376	2,126,727	906,653
Bank overdrafts (Note 26)	(6,259)	(4,559)	(6,259)	(4,559)
	2,736,638	1,489,817	2,120,468	902,094

25 TRADE AND OTHER PAYABLES

	Group		Company	
	2018	2017	2018	2017
Trade payables	2,735,111	1,576,659	1,238,204	556,928
Amounts due to related companies [Note 37 (ix)]	1,108,911	827,720	1,057,804	711,717
Accrued expenses [See Note (a) below]	427,711	413,489	323,451	289,223
Other payables	146,590	133,021	115,990	108,054
Statutory payables [See Note (b) below]	68,635	92,830	44,820	39,204
	4,486,958	3,043,719	2,780,269	1,705,126

(a) Accrued expenses of the Group mainly consists of accrued employee bonus of LKR 154,307,979 (2017 - LKR 188,077,746), electricity expenses of LKR 32,814,608 (2017 - LKR 28,465,751), accrued salaries of LKR 8,708,084 (2017 - LKR 7,711,061), air freight expenses of LKR 30,162,938 (2017 - LKR 18,138,791) and bulk discount of LKR 46,807,586 (2017 - LKR 18,138,791 and LKR 70,138,673). Accrued expenses of the Company mainly consists of accrued employee bonus of LKR 76,911,189 (2017 - LKR 98,845,481), electricity expenses of LKR 29,361,596 (2017 - LKR 25,279,737), air freight expenses of LKR 26,491,951 (2017 - LKR 14,352,112) and bulk discount of LKR 46,807,586 (2017 - LKR 42,020,523).

(b) Statutory payables of the Group mainly consist of ESC payable of LKR 21,351,093 (2017 - LKR 19,882,724), EPF payable of LKR 17,349,147 (2017 - LKR 20,074,231) and PAYE payable of LKR 5,317,943 (2017 - LKR 4,101,602). Statutory payables of the Company mainly consist of ESC payable of LKR 21,351,093 (2017 - LKR 21,098,644), EPF payable of LKR 8,016,805 (2017 - LKR 13,276,478) and PAYE payable of LKR 4,041,453 (2017 - LKR 3,538,023).

26 BORROWINGS

	Group		Company	
	2018	2017	2018	2017
Current				
Bank overdrafts	6,259	4,559	6,259	4,559
Short-term bank borrowings	1,169,804	967,117	768,600	759,950
Borrowing from related companies [Note 37 (x)]	553,392	547,164	Nil	Nil
	1,729,455	1,518,840	774,859	764,509
Non-current				
Long-term bank borrowings	1,106,784	567,429	Nil	Nil
	1,106,784	567,429	Nil	Nil
Total borrowings	2,836,239	2,086,269	774,859	764,509

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26 BORROWINGS (CONTD)

	Group		Company	
	2018	2017	2018	2017
Between 1 - 2 years	368,928	567,429	Nil	Nil
Between 2 - 5 years	737,856	Nil	Nil	Nil
	1,106,784	567,429	Nil	Nil

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

	Group		Company	
	2018	2017	2018	2017
Total borrowings:				
- at fixed rates	553,392	547,164	Nil	Nil
- at floating rate	2,282,847	1,539,105	774,859	764,509
	2,836,239	2,086,269	774,859	764,509

Weighted average effective interest rates:

- Borrowings from related companies (USD)	5%	5%	N/A	N/A
- Bank borrowings	LIBOR + 1.35% - 2.25%	LIBOR + 1.35% - 2.25%	LIBOR + 1.35%	LIBOR + 1.35%
- Bank overdrafts	LIBOR + 1.25%	LIBOR + 1.25%	LIBOR + 1.25%	LIBOR + 1.25%

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

	Group			
	2018		2017	
	Carrying amount	Fair value	Carrying amount	Fair value
	1,106,784	1,106,784	567,429	567,429

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 2018 and 2017 represent book overdrawn situations. Borrowings from related companies are unsecured.

Bank borrowings of Teejay Lanka PLC and Teejay Lanka Prints (Private) Limited are on a clean basis. Packing credit facility from banks granted to Teejay India (Private) Limited is secured by;

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

b) Second pari passu charge on fixed assets of the Company.

27 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY

	Group		Company	
	2018	2017	2018	2017
Statement of financial position obligations for:				
Gratuity benefits	207,666	208,120	171,132	171,228
Statement of comprehensive income charge:				
Gratuity benefits	60,409	48,954	41,505	40,183
Other comprehensive income:				
Remeasurement gains	(24,795)	(15,348)	(31,427)	(20,059)

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

	Group		Company	
	2018	2017	2018	2017
At the beginning of the year	208,120	190,931	171,228	158,673
Transfers from payable	Nil	2,541	Nil	Nil
Current service cost	36,664	27,931	20,958	22,321
Interest cost	23,745	21,023	20,547	17,862
Remeasurement gains	(24,795)	(15,348)	(31,427)	(20,059)
Benefits paid	(35,887)	(18,360)	(10,174)	(7,569)
Exchange translation gains	(181)	(598)	Nil	Nil
At the end of the year	207,666	208,120	171,132	171,228

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

	Group		Company	
	2018	2017	2018	2017
Current service cost	36,664	27,931	20,958	22,321
Interest cost	23,745	21,023	20,547	17,862
Total included in employee benefit expense (Note 10)	60,409	48,954	41,505	40,183

As stated in paragraph 2.21 (a) under summary of significant accounting policies, an actuarial valuation of the Company defined benefit obligations was carried out by an independent actuary, Messers Piyal S Goonetilleke and Associates, using the Projected Unit Credit method to calculate the liability for gratuity as at 31 March 2018. Teejay Lanka Prints (Private) Limited, a subsidiary of the Company, actuarially valued its defined benefit obligations using the Projected Unit Credit Method. An actuarial valuation of the Teejay India (Private) Limited defined benefit obligations was carried out by an independent actuary, KVY Sastry MA HA (London), using the Projected Unit Credit method to calculate the liability for gratuity as at 31 March 2018. The provision for gratuity is not externally funded.

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27 RETIREMENT BENEFIT OBLIGATIONS - GRATUITY (CONTD)

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

		Group		Company	
		2018	2017	2018	2017
Discount rate		7.50% - 10.6%	8% - 12%	10.60%	12%
Future salary increases	- non executive staff	7.50% p.a	10% p.a	7.50% p.a	10% p.a
	- executive staff	7.50% p.a	10% p.a	7.50% 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:

	Impact on retirement benefit obligations		
	Change in assumption	Increase in assumption	Decrease in assumption
Group			
Discount rate	1%	Decrease by 4.98% - 11%	Increase by 5.55% - 13%
Future salary increase	1%	Increase by 5.88% - 14%	Decrease by 5.40% - 12%
Staff turnover factor	1%	Decrease by 0.83% - 2%	Increase by 0.89% - 2%
Company			
Discount rate	1%	Decrease by 11%	Increase by 12%
Future salary increase	1%	Increase by 13%	Decrease by 11%
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	
	2018	2017	2018	2017
Less than 1 year	18,017	8,161	14,189	4,859
Between 1 – 2 years	30,812	16,006	26,246	14,225
Between 2 – 5 years	144,741	34,154	121,907	29,408
Over 5 years	418,605	565,615	308,638	456,148
Total	612,175	623,936	470,980	504,640

28 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	
	2018	2017	2018	2017
At the beginning of the year	115,181	148,427	247,932	171,372
Charged /(credited) to statement of comprehensive income (Note 12)	70,326	(40,426)	20,581	66,214
Tax charged relating to components of other comprehensive income (Note 12)	4,997	3,403	4,400	2,808
Effect of change in foreign exchange rates	2,430	3,777	3,193	7,538
At end of the year	192,934	115,181	276,106	247,932

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

	Group		Company	
	2018	2017	2018	2017
Deferred tax assets	(125,070)	(132,751)	(79,142)	(71,901)
Deferred tax liabilities	318,004	247,932	355,248	319,833
Deferred tax liabilities (net)	192,934	115,181	276,106	247,932

Notes to the Financial Statements

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

28 DEFERRED INCOME TAX LIABILITIES (CONTD)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	2018	2017	2018	2017
Deferred tax assets:				
- Deferred tax assets to be recovered after more than 12 months	(204,212)	(242,288)	(79,142)	(71,901)
Deferred tax liabilities:				
- Deferred tax liabilities to be recovered within 12 months	145,410	131,929	115,011	103,545
- Deferred tax liabilities to be recovered after more than 12 months	251,736	225,540	240,237	216,288
	397,146	357,469	355,248	319,833
Deferred tax liabilities (net)	192,934	115,181	276,106	247,932

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 2016	240,227	240,227
Charged to income statement	106,401	106,401
Effect of change in foreign exchange rates	10,841	10,841
At 31 March 2017	357,469	357,469
Charged to income statement	35,087	35,087
Effect of change in foreign exchange rates	4,590	4,590
At 31 March 2018	397,146	397,146

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 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)
Charged directly to other comprehensive income	3,403	Nil	Nil	Nil	Nil	3,403
Effect of change in foreign exchange rates	(844)	(1,170)	(29)	(4,569)	(452)	(7,064)
At 31 March 2017	(27,366)	(38,244)	(999)	(159,344)	(16,336)	(242,289)
Credited /(charged) to income statement	(3,780)	(16,823)	739	50,912	4,191	35,239
Charged directly to other comprehensive income	4,997	Nil	Nil	Nil	Nil	4,997
Effect of change in foreign exchange rates	(293)	(685)	Nil	(1,058)	(123)	(2,159)
At 31 March 2018	(26,442)	(55,752)	(260)	(109,490)	(12,268)	(204,212)

Company

Deferred tax liabilities	Accelerated tax depreciation	Total
At 1 April 2016	218,623	218,623
Charged to income statement	91,495	91,495
Effect of change in foreign exchange rates	9,714	9,714
At 31 March 2017	319,832	319,832
Charged to income statement	31,310	31,310
Effect of change in foreign exchange rates	4,106	4,106
At 31 March 2018	355,248	355,248

Deferred tax assets	Retirement benefit obligations	Provision for impairment of inventory	Provision for impairment trade receivables	Provision for bonus	Total
At 1 April 2016	(19,041)	(28,019)	(191)	Nil	(47,251)
Credited to income statement	(7,001)	(4,083)	(742)	(13,456)	(25,282)
Charged directly to other comprehensive income	2,808	Nil	Nil	Nil	2,808
Effect of change in foreign exchange rates	(738)	(1,028)	(27)	(382)	(2,175)
At 31 March 2017	(23,972)	(33,130)	(960)	(13,838)	(71,900)
Charged/(Credited) to income statement	(4,118)	(11,016)	767	3,637	(10,730)
Charged directly to other comprehensive income	4,400	Nil	Nil	Nil	4,400
Effect of change in foreign exchange rates	(268)	(541)	Nil	(103)	(912)
At 31 March 2018	(23,958)	(44,687)	(193)	(10,304)	(79,142)

29 CONTINGENCIES

Teejay 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 112,986,813, LKR 735,113,943, LKR 304,595,411 and LKR 526,308,381 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 581,070,055. 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 and assessment year 2012/13. Assessment year 2009/10 hearing was held before the ITAT and the Appeal Court redirected the case to transfer pricing officer in favour of the Company, and for assessment year 2012/13 order was closed in favour of Company with nil adjustment. No provision has been recognised in the financial statements as at 31 March 2018 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.

Notes to the Financial Statements

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

30 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 591,822 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 591,822 per acre, on 12.130 acres.

Teejay Lanka Prints (Private) Limited, a subsidiary company, obtained a land consisting of 2.9 acres on a 50 year lease for which it has a commitment to pay an annual fee of LKR 153,720 per acre, to the Board of Investment as lease rent. Further, Teejay Lanka Prints (Private) Limited obtained another block of land on a 30 year lease during the financial year ended 31 December 2003 in order to facilitate the expansion of production capacity for which it has an annual commitment to pay a fee of LKR 422,730 per acre, on 1.50 acres.

Teejay India (Private) Limited, a subsidiary company, obtained a land consisting of 30 acres on a 23 year sub-lease for which it has a commitment to pay an annual fee of LKR 424,800 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	
	2018	2017	2018	2017
No later than one year	27,434	31,431	13,583	17,736
Later than one year and no later than five years	109,735	125,723	54,333	70,945
Later than five years	518,409	603,598	362,607	422,160
	655,578	760,752	430,523	510,841

Capital commitments

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

	Group		Company	
	2018	2017	2018	2017
Property, plant and equipment	132,949	640,710	Nil	Nil

31 STATED CAPITAL

	No. of Shares	Amount (LKR)
At 1 April 2016	695,949,833	3,853,024
Issue of shares related to Employee Share Option Scheme [Note 35 (c)]	2,643,007	89,662
At 31 March 2017	698,592,840	3,942,686
Issue of shares related to Employee Share Option Scheme [Note 35 (c)]	3,363,740	113,997
At 31 March 2018	701,956,580	4,056,683

(a) All issued shares are fully paid.

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

(c) Information relating to the share based payments, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note 35.

32 HEDGING RESERVE

	Group	Company
At 1 April 2017	Nil	Nil
Fair value gain	9,673	9,673
At 31 March 2018	9,673	9,673

33 EXCHANGE EQUALISATION RESERVE

The exchange equalisation reserve at the statement of financial position date represents all exchange differences resulting from the translation of assets, liabilities, income, expenses and equity items as explained in Note 2.1 to the accounting policies.

34 RETAINED EARNINGS

	Group	Company
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
At 1 April 2017	4,724,786	3,583,371
Profit for the year	1,596,114	1,528,815
Remeasurement of retirement benefit obligations	24,795	31,427
Deferred tax attributable to remeasurement of retirement benefit obligations	(4,997)	(4,400)
Dividends (Note 14)	(1,368,816)	(1,368,816)
At 31 March 2018	4,971,882	3,770,397

Notes to the Financial Statements

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

35 SHARE-BASED PAYMENTS

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

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

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

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

	2018		2017	
	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	33.67	15,197	33.89	13,215
Granted	Nil	Nil	33.21	4,625
Exercised [see Note (c) below]	33.89	(3,364)	33.92	(2,643)
Expired [see Note (c) below]	33.89	(600)	Nil	Nil
At the end of year	33.82	11,233	33.67	15,197
Vested and exercisable at 31 March	33.89	6,608	33.89	3,965

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

Grant Date	Vesting period	Expiry date	Exercise price LKR	Share options 31 March 2018	Share options 31 March 2017
27 November 2015	16 months	27 May 2017	33.89	Nil	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	33.21	4,625,268	4,625,268
				11,232,792	15,197,306
Weighted average remaining contractual life of options outstanding at end of period				0.57 years	1.20 years

(a) Fair value of options granted

The fair value of the options amounting to LKR 21,759,249 (USD 143,653) [2017 - LKR 21,462,934 (USD 148,025)] 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.

No options were granted during the year ended 31 March 2018.

(b) Expenses arising from share-based payment transactions

	Group		Company	
	2018	2017	2018	2017
Options issued under employee share option plan (Note 10)	21,759	21,463	21,759	21,463

(c) Out of 3,964,514 outstanding options relevant to the Employee Share Option Scheme which was announced during 2015/16 were exercised during 2017/18 resulting in 3,363,740 shares being issued at a weighted average price of LKR 33.89 amounting to LKR 113,997,149 (USD 790,549) and balance 600,774 shares amounting to LKR 20,360,231 (USD 141,194) were expired as the options were not exercised by the employees. The related weighted average share price at the time of exercising was LKR 40.97 per share.

(d) Revision of options

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 was in the form of options with an exercise price of LKR 33.89 per share. A special resolution was passed on 26 November 2015 by the shareholders approving the same.

However, the Company has revised the date of share options due to be granted on 1 May 2017 under the above ESOP to 02 April 2018 by way of a special resolution passed on 14 March 2018.

36 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	Group		Company	
	2018	2017	2018	2017
Profit before tax	1,817,716	2,011,370	1,673,784	1,636,373
Adjustments for:				
Depreciation (Note 15)	1,064,514	914,823	515,125	476,735
Amortisation of intangible assets (Note 17)	30,789	33,624	20,235	23,032
Amortisation of lease rentals paid in advance [Note 21 (f)]	15,069	14,778	4,279	4,175
Provision / (reversal of provision) for non or slow moving of inventories (Note 20)	93,150	(63,429)	81,119	(54,890)
Provision for impairment of trade receivables [Note 21 (a)]	(5,317)	2,791	(5,521)	2,713
Interest income (Note 11)	(65,133)	(86,719)	(38,400)	(59,327)
Interest expense (Note 11)	99,423	70,447	12,870	16,561
Loss on disposal of property, plant and equipment (Note 7)	1,419	7,330	1,419	7,646
Effect of change in foreign exchange rates	7,696	122,049	30,354	47,710
Gain on repurchase of shares by subsidiary company (Note 7)	Nil	Nil	(175,258)	Nil
Share based payment (Note 10)	21,759	21,463	21,759	21,463
Retirement benefit obligations (Note 27)	60,409	48,954	41,505	40,183
Changes in working capital:				
- inventories	(1,256,776)	(173,326)	(822,640)	(84,530)
- trade and other receivables	48,777	(671,606)	18,902	(330,783)
- trade and other payables	1,275,330	(423,623)	1,040,282	(251,736)
Cash generated from operations	3,111,271	1,828,926	2,382,010	1,495,325

Notes to the Financial Statements

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

37 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	Kit Vai TOU	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	-	X	X	-	-	X	-	-
Teejay India (Private) Limited	-	X	X	-	-	X	-	-
Ocean Mauritius Limited	-	X	X	-	-	X	-	-
Ocean Lanka (Private) Limited	-	-	-	-	-	X	-	-
Fortude (Private) Limited (Formaly known as Brandix i3 (Private) Limited)	-	-	X	-	-	-	-	-
Brandix Apparel Solution Limited	-	-	X	-	-	-	-	-
Brandix India Private Limited	-	-	X	-	-	-	-	-
Brandix India Apparel City Private Limited	-	-	X	-	-	-	-	-
Adhishtan Investments India (Private) Limited	-	-	X	-	-	-	-	-
Brandix Textiles Limited	-	-	X	-	-	-	-	-

(i) Sale of goods and services:

	Group		Company	
	2018	2017	2018	2017
Sale of goods:				
Brandix Apparel Limited	10,232,411	10,383,965	3,182,005	4,951,807
Teejay Lanka Prints (Private) Limited	Nil	Nil	1,055,848	721,222
Teejay India (Private) Limited	Nil	Nil	140,095	104,588
Brandix Textiles Limited	15,771	39,835	15,771	Nil
	10,248,182	10,423,800	4,393,719	5,777,617

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

(ii) Purchase of goods and services:

	Group		Company	
	2018	2017	2018	2017
Pacific Textiles Limited	612,792	1,361,838	554,960	1,196,759
Pacific Overseas Textiles Macao Commercial Offshore Limited	2,785,655	2,423,804	2,785,655	2,423,804
Teejay Lanka Prints (Private) Limited	Nil	Nil	531,799	335,513
Teejay India (Private) Limited	Nil	Nil	1,020,041	1,092,281
	3,398,447	3,785,642	4,892,455	5,048,357

(iii) Purchase of administrative and other services:

	Group		Company	
	2018	2017	2018	2017
Pacific Textiles Limited	11,348	10,845	11,348	10,845
Brandix Lanka Limited	79,829	Nil	24,788	Nil
Brandix Textiles Limited	Nil	Nil	3,932	Nil
Fortude (Private) Limited (Formaly known as Brandix i3 (Private) Limited)	5,968	13,185	Nil	9,653
Brandix Apparel Limited	4,861	878	Nil	Nil
Brandix Apparel Solutions Limited	8	37	Nil	Nil
Brandix Apparel India (Private) Limited	1,706	Nil	Nil	Nil
Brandix India Apparel City (Private) Limited	199,691	16,431	Nil	Nil
Adhishtan Investments India (Private) Limited	13,823	Nil	Nil	Nil
	317,234	41,376	40,068	20,498

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

	Group		Company	
	2018	2017	2018	2017
Teejay India (Private) Limited	Nil	Nil	Nil	17,291

(v) Royalty income received (Note 7)

	Group		Company	
	2018	2017	2018	2017
Teejay India (Private) Limited	Nil	Nil	368,984	276,622

Notes to the Financial Statements

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

(vi) Steam coal sales

	Group		Company	
	2018	2017	2018	2017
Teejay Lanka Prints (Private) Limited	Nil	Nil	35,421	16,823

(vii) Dividend received (Note 7)

	Group		Company	
	2018	2017	2018	2017
Teejay Lanka Prints (Private) Limited	Nil	Nil	12,032	24,170

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

(viii) Receivables from related parties:

	Group		Company	
	2018	2017	2018	2017
(a) Trade receivables				
Brandix Apparel Limited	892,364	1,109,883	223,179	362,835
Brandix Apparel Solutions Limited	Nil	Nil	Nil	Nil
Brandix Textiles Limited	Nil	Nil	Nil	Nil
Teejay Lanka Prints (Private) Limited	Nil	Nil	48,952	12,353
Teejay India (Private) Limited	Nil	Nil	Nil	20,530
Quantum Clothing India (Private) Limited	Nil	25	Nil	Nil
	892,364	1,109,908	272,131	395,718
Less - provision for impairment of amounts due from related companies	(542)	Nil	(456)	Nil
	891,822	1,109,908	271,675	395,718

	Group		Company	
	2018	2017	2018	2017
(b) Other receivables				
Brandix Textiles Limited	438	Nil	438	Nil
Brandix Apparel Limited	1,347	3,965	1,347	3,965
Brandix Apparel Solutions Limited	1,276	2,468	Nil	2,468
Pacific Textiles Limited	Nil	6,663	Nil	6,663
Adhishtan Investments India (Private) Limited	3,331	1,439	Nil	Nil
Brandix India Apparel City (Private) Limited	27,816	Nil	Nil	Nil
Teejay Lanka Prints (Private) Limited	Nil	Nil	Nil	17,082
Teejay India (Private) Limited	Nil	Nil	416,629	292,816
	34,208	14,535	418,414	322,994

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

(ix) Payables to related parties:

	Group		Company	
	2018	2017	2018	2017
Pacific Textiles Limited	70,557	74,371	60,309	41,386
Pacific Overseas Textiles Macao Commercial Offshore Limited	957,988	630,797	957,988	630,797
Teejay India (Private) Limited	Nil	Nil	36,813	Nil
Brandix Lanka Limited	13,714	40,571	2,694	18,137
Brandix Apparel Limited	541	829	Nil	Nil
Brandix International Limited	39,781	19,468	Nil	Nil
Brandix Textile Limited	Nil	20,234	Nil	20,234
Fortude (Private) Limited (Formaly known as Brandix i3 (Private) Limited)	Nil	1,818	Nil	1,163
Adhishtan Investments India (Private) Limited	16	Nil	Nil	Nil
Brandix Apparel Solutions Limited	8	Nil	Nil	Nil
Brandix India Apparel City (Private) Limited	24,461	13,943	Nil	Nil
Brandix Apparel India Limited	1,845	25,689	Nil	Nil
	1,108,911	827,720	1,057,804	711,717

(x) Borrowings from related companies:

	Group		Company	
	2018	2017	2018	2017
Brandix International Limited	553,392	547,164	Nil	Nil
	553,392	547,164	Nil	Nil

Movement on the related party borrowings

	Group		Company	
	2018	2017	2018	2017
At the beginning of the year	547,164	848,976	Nil	Nil
Settlements during the year	Nil	(320,335)	Nil	Nil
Effect of change in foreign exchange rates	6,228	18,523	Nil	Nil
At the end of the year	553,392	547,164	Nil	Nil

Finance costs for the borrowings from Brandix International Limited amounted to LKR 27,643,275 (2017 - LKR 33,617,309) (Note 11).

Notes to the Financial Statements

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

(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	
	2018	2017	2018	2017
Salaries and other benefits	198,746	232,588	198,746	232,588
Post-employment benefits	6,797	8,017	6,797	8,017
Share based payments	10,718	10,628	10,718	10,628
	216,261	251,233	216,261	251,233

38 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 Shareholders	No. of Shares	%	No of Shareholders	No.of Shares	%	No.of Shareholders	No.of Shares	%
1-1,000	4,986	2,162,898	0.31	14	6,787	0.00	5,000	2,169,685	0.31
1,001-5,000	1,836	5,041,265	0.72	9	30,380	0.00	1,845	5,071,645	0.72
5,001-10,000	560	4,395,604	0.63	15	131,147	0.02	575	4,526,751	0.64
10,001-50,000	599	14,089,417	2.01	14	340,292	0.05	613	14,429,709	2.06
50,001-100,000	119	8,901,255	1.27	1	100,000	0.01	120	9,001,255	1.28
100,001-500,000	132	27,699,341	3.95	9	2,536,970	0.36	141	30,236,311	4.31
500,001-1,000,000	24	18,543,220	2.64	1	505,001	0.07	25	19,048,221	2.71
Over 1,000,000	24	296,194,394	42.20	14	321,278,609	45.77	38	617,473,003	87.96
Total	8,280	377,027,394	53.71	77	324,929,186	46.29	8,357	701,956,580	100.00

	31st March 2018			31st March 2017		
Categories of Shareholders	Share holders	No.of shares	%	Share holders	No.of shares	%
Individuals	8,037	75,891,708	10.81	8,204	85,562,103	12.25
Institutions	320	626,064,872	89.19	337	613,030,737	87.75
Total	8,357	701,956,580	100.00	8,541	698,592,840	100.00

2. SHARE TRADING INFORMATION

	2017/18		2016/17	
Highest	42.50	17-May-2017	47.80	4-Oct-2016
Lowest	30.60	28-Mar-2018	31.80	1-Apr-2016
Closing	31.90		37.00	
No.of transactions	12,426		22,508	
No.of shares traded	81,953,479		382,488,012	
Value of shares traded (Rs.)	3,148,567,814		12,443,765,592	

Shareholding Information

3. TOP 20 SHAREHOLDER LIST AS AT 31 MARCH

		2018		2017	
	Name	No of Share	%	No of Share	%
1	Brandix Lanka Ltd-Number 1 Account	232,198,344	33.08	232,198,344	33.24
2	Pacific Textured Jersey Holdings Limited	195,926,217	27.91	195,926,217	28.05
3	HSBC Intl Nom Ltd - BBH - Fidelity Funds	26,627,473	3.79	14,472,590	2.07
4	BNYSMANY Re-First State Investments ICVC-Stewart Investors Asia Pacific Fund	22,191,021	3.16	-	-
5	Citibank Newyork S/A Norges Bank Account 2	21,003,973	2.99	20,863,973	2.99
6	HSBC Intl Nom Ltd-BBH-Matthews Emerging Asia Fund	18,872,680	2.69	9,200,551	1.32
7	Melstacorp PLC	12,622,428	1.80	12,622,428	1.81
8	HSBC Intl Nom Ltd-JPCMB Na-Fidelity Asian Values PLC	11,182,630	1.59	4,074,958	0.58
9	BNYSMANY Re-Cf Ruffer Investment Funds : Cf Ruffer Pacific Fund	8,000,000	1.14	-	-
10	Union Assurance PLC/Account No. 05 (Unit-Linked Life Insurance Fund-Equity Fund)	5,723,542	0.82	4,234,849	0.61
11	Mr. L.K.M.Fernando	5,119,300	0.73	5,119,300	0.73
12	HSBC Intl Nom Ltd-State Street Luxembourg C/O SSBT-Alliancebernstein Next 50 Emerging Markets (Master) Fund Sicav-Sif S.C.Sp.	5,104,720	0.73	-	-
13	SEB AB-Fim Frontier Fund	4,172,470	0.59	4,172,470	0.60
14	Deutsche Bank Ag-National Equity Fund	4,000,000	0.57	4,000,000	0.57
15	East India Holding (Pvt) Ltd	3,955,425	0.56	-	-
16	J.B. Cocoshell (Pvt) Ltd	3,085,361	0.44	3,097,942	0.44
17	Union Assurance PLC No-01 A/C	2,782,495	0.40	-	-
18	Periceyl (Private) Limited A/C No. 03	2,694,100	0.38	2,694,100	0.39
19	Nuwara Eliya Property Developers (Pvt) Ltd	2,285,200	0.33	4,329,343	0.62
20	Deutsche Bank AG As Trustee For Namal Acuity Value Fund	2,250,000	0.32	2,250,000	0.32

4. DIRECTOR SHAREHOLDING

Director's Shareholding	31 March 2018		31 March 2017	
	No. of Share	%	No. of Share	%
Wing Tak Bill Lam	-		-	
Kang Po Tsang	-		-	
Mohamed Ashroff Omar	-		-	
Wai Loi Wan	-		-	
Kulatilleke Arthanayake Malik Kumar Ranasinghe	-		-	
Sriyan Joseph de Silva Wijeyeratne	826,333	0.12	386,833	0.06
Amitha Lal Gooneratne	-	-	-	-
M.A.Hasitha Premaratne	40,000	0.01	40,000	0.01
	866,333	0.13	426,833	0.07

5. PUBLIC SHAREHOLDING

	31 March 2018	31 March 2017
No.of shares	271,118,670	266,989,056
	38.62%	38.22%

6 FLOAT ADJUSTED MARKET CAPITALIZATION

The public holding of the company as at 31 March 2018 was 38.62% comprising 8,343 shareholders and a float adjusted market capitalization of LKR 8,647,950,635.15. In terms of Rule 7.13.1(b) of the Listing Rules of the CSE, the company qualifies under option 5 of the minimum public holding requirement.

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Teejay Lanka PLC will be held at 2.30 p.m. on 16 August 2018 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 2018 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 0.90 per share for the financial year ended 31 March 2018 as recommended by the Board.

4. To authorize Directors to determine contributions to charities.

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

At Colombo, on this 24th day of July 2018.

Note:

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

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

Notes

Notes

Form of Proxy

*I/We.. of

....

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

1.	Mr. Wing Tak Bill Lam	or failing him,
2.	Mr. Mohamed Ashroff Omar	or failing him,
3.	Mr. Hasitha Premaratne	or failing him,
4.	Mr. Kit Vai Tou	or failing him,
5.	Mr. Wai Loi Wan	or failing him,
6.	Mr. Amitha Lal Gooneratne	or failing him,
7.	Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe	or failing him,

.... of

....

as *my/our Proxy to attend and vote/speak at the Annual General Meeting of the Company to be held at the auditorium, The Institute of Chartered Accountants of Sri Lanka, 30A Malalasekera Mawatha, Colombo 07 on 16 August 2018 at 2.30 p.m and at any adjournment thereof.

		For	Against
1.	To receive and consider the Annual Report of the Board and the Financial Statements of the Company for the financial year ended 31 March 2018 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 0.90 per share for the financial year ended 31 March 2018 as recommended by the Board.		
4.	To authorize the Directors to determine contributions to charities.		

Signed this .... day of 2018

....

Signature/s

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

INSTRUCTIONS AS TO COMPLETION

1. Kindly perfect the Form of Proxy after filling in legibly your full name, address and sign in the space provided. Please fill in the date of signature.
2. Please return the completed Form of Proxy to the Company after crossing out one or the other of the alternative words indicated by the asterisks on the body of the Form and by indicating with an 'X' in the space provided against each resolution, the manner in which you wish your vote to be cast.
3. A Member entitled to attend and vote/speak at the meeting is entitled to appoint a Proxy who need not be a member, to attend and vote instead of him.
4. In the case of a Corporate Member, the Form must be completed under its Common Seal, or signed by its attorney or by an officer on behalf of the corporation. The Company may, but shall not be bound to require evidence of the authority of any such attorney or officer.
5. If the Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by the Articles of Association.
6. The completed Form of Proxy should be deposited at the Registered Office of the Company, Block D8 – D14, Seethawaka Export Processing Zone, Avissawella not less than forty eight (48) hours before the appointed time for the meeting.
7. If there is any doubt as to the manner in which the proxy should vote by reason of the manner in which instructions in 2 above have been carried out, the proxy holder will vote as she/he thinks fit.
8. A shareholder appointing a proxy (other than a director of the Company) to attend the meeting should indicate the proxy holder's National Identity Card (NIC) number on the Form of Proxy and should instruct the proxy holder to bring his/her National Identity Card to the Meeting.

Corporate Information

NAME
Teejay Lanka PLC

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

COMPANY REGISTRATION NO.
PV 7617 PB/PQ

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

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

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

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

AUDITORS
PricewaterhouseCoopers,
Chartered Accountants

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

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

INVESTOR RELATIONS
Shrihan Perera
Salman Nishtar
Teejay Lanka PLC

Designed & produced by
emagewise
Digital Plates & Printing by Printage (Pvt) Ltd

Teejay Lanka PLC
Block D8-D14,
Seethawaka Export Processing Zone
Avissawella, Sri Lanka
www.teejay.com