THE ART OF LEADERSHIP

ANNUAL REPORT 2013/14

textured jersey

Textures of Perfection

THE ART OF LEADERSHIP

The Art of Leadership at Textured Jersey Lanka encompasses multiple assortment of ingredients across a canvas destined for iconic esteem. It is an art we have perfected, displaying explicitly that TJL has impressed and inspired both the industry and the corporate sector. We have carved an indelible slate of pioneering initiatives and customer-centric innovations that has placed us on a firm platform within the Textile Industry in Sri Lanka.

Throughout our history, our leadership blueprint has been based on a simple formula; to always have our customers at the very core of our being. It is this formula that has strengthened us and has led us to constantly promote best practices through every decision we make, ensuring that the impact our business has made on each of our stakeholders is a positive one. This ensures that we take the lead as a customer-centric business, with dramatic growth on key customers; and to be the forerunners for innovation, while developing new trends that are set to take over the market and in turn, position the industry as the leader. Our commitment to every aspect of our business and its far reaching effects means that we are the front runners in sustainability; protecting and supporting our precious resources for the future as we drive and pioneer green initiatives which set an example in the industry.

Having firmly positioned ourselves among the LMD Top 50, ranked as one of the best performing on the Colombo Bourse and becoming the mill that has maintained the highest turnover in the country, we know that leadership runs through our veins. We have mastered the Art of Leadership which has made us a benchmarked role model for the industry and the nation. This is how we unfold our story of perfecting this art.

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WE ARE

The Mill with the **Highest Generated Turnover** as of date

The **Only Mill to be positioned among the Top 50 LMD Companies** last year.

The Best Performing Stock by a Fabric Mill for 2013/14.

The **Largest Menswear Supplier** in the region for M&S and Intimissimi

The First to Receive the **ISO 14064-1** in the Region for GHG Emissions

The First Mill to have the Most number of **Sustainable – Environmental Recognitions** in the island both locally and internationally

Winning the Silver Award for the **Best Investor Relations** presented by the Chartered Financial Analysis Society Sri Lanka for 2013.

The First to Initiate CCHP (Combined Cool, Heat and Power) **Plant in the Island**

Financial Highlights

(All amounts in Sri Lankan Rupees Thousands)

	2014	2013	Change %
Operations			
Turnover	**12,724,715**	10,951,455	16.19%
Profit from Operations	**1,054,039**	955,172	10.35%
Net Finance Income	**90,453**	59,161	52.89%
Profit after Taxation	**1,152,772**	1,016,043	13.46%
Balance Sheet			
Non-Current Assets	**3,107,846**	2,490,879	24.77%
Current Assets	**5,327,337**	5,374,857	-0.88%
Current liabilities	**1,869,999**	1,992,633	-6.15%
Non-Current Liabilities	**194,316**	122,832	58.20%
Capital and Reserves	**6,370,868**	5,750,271	10.79%
Per share data (LKR)			
Earnings per Share	**1.76**	1.55	13.55%
Closing Market Value per Share	**15.80**	9.90	59.60%
P/E Ratio	**8.98**	6.38	40.74%
Net Assets per Share	**9.73**	8.78	10.79%
Ratios			
Gross Profit Margin	**11.45%**	11.59%	
Net Profit Margin	**9.06%**	9.28%	
Return on Equity	**19.02%**	18.09%	
Return on Assets	**14.14%**	13.16%	
Return on Capital Employed	**18.17%**	17.27%	
Total Debt : Equity	**0.01**	0.06	
Current Ratio	**2.85**	2.70	

16.19%

REVENUE GROWTH

13.46%

NET PROFIT GROWTH

10.79%

INCREASE IN NET ASSETS

Financial Summary

(All amounts in Sri Lankan Rupees Thousands)

	31 Mar 2010 (Restated)	31 Mar 2011	31 Mar 2012	31 Mar 2013	31 Mar 2014
Trading Results					
Turnover	8,351,690	9,284,583	12,363,531	10,951,455	**12,724,715**
Profit before Taxation	580,362	705,851	661,972	1,014,333	**1,193,087**
Current Taxation	(2,882)	(21,119)	(33,041)	1,710	**(40,315)**
Profit after Taxation	577,480	684,732	628,931	1,016,043	**1,152,772**
Balance Sheet					
Stated Capital	1,597,229	1,597,229	2,797,229	2,797,229	**2,797,229**
Share Option Scheme	Nil	Nil	Nil	Nil	**19,473**
Revenue Reserves	493,184	1,177,916	1,695,425	2,044,071	**2,461,922**
Other Reserves	314,437	194,105	991,335	908,971	**1,092,244**
	2,404,850	2,969,250	5,483,989	5,750,271	**6,370,868**
Non-Current Assets	3,139,790	2,677,212	2,752,474	2,490,879	**3,107,846**
Net Current Assets	940,187	391,564	2,858,358	3,382,224	**3,457,338**
Long Term Deferred Liabilities	(1,675,127)	(99,526)	(126,843)	(122,832)	**(194,316)**
	2,404,850	2,969,250	5,483,989	5,750,271	**6,370,868**
Key Indicators					
Annual Growth in Turnover	16.19%	11.17%	33.16%	-11.42%	**16.19%**
Gross Profit Margin	11.79%	11.73%	10.32%	11.59%	**11.45%**
Net Profit to Turnover	6.91%	7.37%	5.09%	9.28%	**9.06%**
Gearing Ratio	41.06%	3.24%	11.77%	6.26%	**0.82%**
Earnings per Share (LKR)	3.62	1.19	1.00	1.55	**1.76**
Dividends per Share (LKR)	Nil	Nil	0.48	1.24	**1.30**
Net Assets per Share at year end (LKR)	4.18	5.16	8.35	8.78	**9.73**
Dividend Payout	Nil	Nil	47.95%	79.94%	**73.87%**
Return on Equity	26.87%	25.37%	14.88%	18.09%	**19.02%**
Return on Assets	10.07%	10.80%	8.50%	13.16%	**14.14%**

8.98

PER

1.76

EPS (LKR)

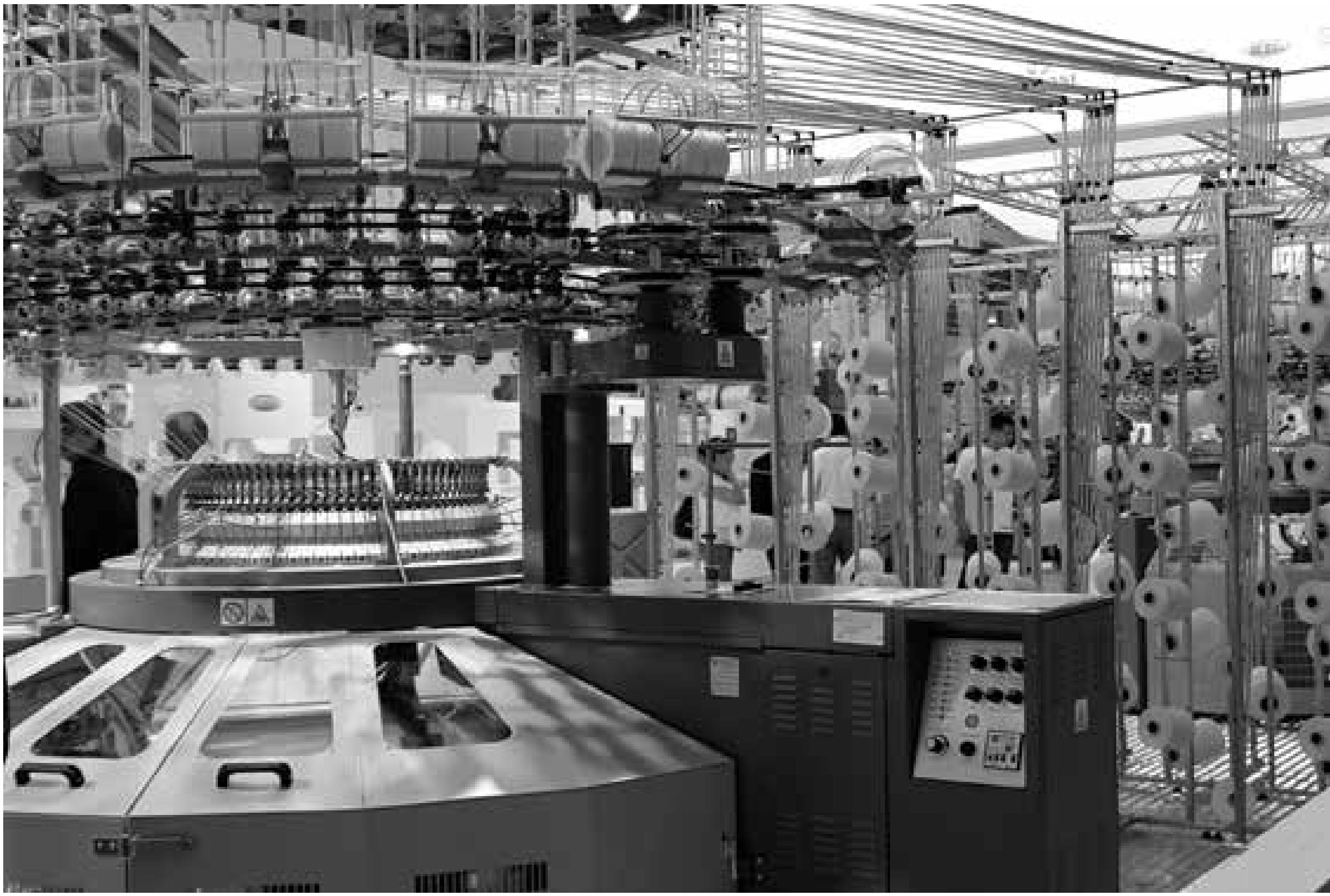
19.02%

ROE

The Art of Leadership - TJL's Journey

A legacy to emulate; a foundation to build on; a history to be proud of; the TJL story is one which has evolved since late 1960's, pioneering chapters to firmly establish itself as a leader. With its roots in the UK as part of a textile company, the emphasis on pioneering best practices, infusing innovation, emphasis on quality and standards and becoming a benchmarked leader has been a constant. This intensity continued through the decades, through the formal commencement of operations as Textured Jersey Holdings Limited in 1968, the transferring of its competencies and expertise into Sri Lanka in 2001, a technical ownership change in 2004 to Pacific Textile Holdings, one of the largest customised knitted fabric manufacturers in the world and into this current highly competitive milieu.

Quoted on the Colombo Bourse since 2011, today TJL stands firmly entrenched as a leader, having notched honours and accolades over its thirteen year history in Sri Lanka to reassert its climb to the zenith. Its formidable presence on the main board of the Colombo Stock Exchange as one of the best performing shares vouches for its financial fundamentals, consistent quantitative growth and the strong fillip the Company gained through its two main shareholders, leaders in the industry Pacific Textile Holdings and Sri Lanka's largest apparel exporter, Brandix Lanka. The Company remains firm as an undisputed leader in Weft Knit Manufacturing, having continually innovated trends for the global industry, operating in an ultra modern technologically driven sophisticated textile facility that goes beyond conformance with global standards.



In a quest for regional leadership, TJL is journeying towards becoming the '*Top of Mind Brand in South Asia*'. This journey is being chartered strategically, drawing on the past and learning from the present to map the future. Building on the high skill base whose competencies will be constantly developed, TJL will continue to also develop its uncompromising quality culture, infusing global best practices to strengthen the five pillars that champion its eventual goal. These pillars, innovativeness, partnering, customer centricity, cost efficacy and sustainability, form the canvass for TJL to spread its leadership palette into maintaining consistent profitability through a premium product mix, taking the art of leadership into the next realm.

It is the leading textile manufacturing mill to enter the honor roll of the LMD 100, placing it at 49 among the top listed companies in Sri Lanka, among the top best performing shares for 2013/14 on the Colombo Stock Exchange and the only textile manufacturing mill reaching the milestone of the highest turnover in the island.

This therefore is the TJL story; the story of leadership that focuses on a vision and delves into every facet to ensure its execution. This is the path it has now chartered, but it is also a path that TJL intends to forge into being bigger and better, where leadership becomes not just an amulet for the industry in Sri Lanka, but an icon for the region, constructed on a solid foundation, strong fundamentals and most of all, an unrelenting need to grow, perform and do what's right!

SPEARHEADING EXCELLENCE

TJL ACHIEVEMENTS ARE THE RESULT OF A STRONG AND DYNAMIC TEAM THAT HAS BEEN LED BY VISIONARY AND INSPIRATIONAL LEADERS WHO STEER THE COMPANY IN THE RIGHT DIRECTION. THEIR GUIDANCE AND STRATEGY HAVE BEEN AN ESSENTIAL ELEMENT IN ITS STORY OF SUCCESS.

Chairman's Message

"Given its regional expansion plans and immediate investments in capacity, modernisation, product capability and energy efficiency, coupled with TJL's proven capability to deliver results, I'm very confident that TJL will be able to continue to deliver strong value to shareholders in the coming financial year and onwards as well."

Chairman's Message contd.

During the year under review, Textured Jersey Lanka PLC (TJL) encountered both opportunities and challenges in its external environment. TJL's strong ability to adapt and respond to these changes made it possible for the company to notch up another record-breaking financial performance for the year ended 31 March 2014. Therefore, I am very pleased to present the annual report for this year, a year in which TJL was able to clearly showcase its unequivocal leadership in weft-knit fabric solutions in Sri Lanka and push its annual net profit to an all-time high of LKR 1.15 Bn, up 13.46% year on year. This was achieved on the back of a milestone of LKR 12.72 Bn in annual revenue, which helped TJL to post earnings per share of LKR 1.76.

The impressive financial performance enabled us to declare a strong interim dividend of LKR 0.50 and propose a final dividend of LKR 0.80 per share, bringing the total dividend for the year to LKR 1.30 per share – a very generous 73.87% payout of annual net profits, and well above our dividend payout policy of 33.33% of net profit.

Innovation, effective working capital management, an unrelenting focus on delivering process efficiencies, and a strong order book built on customer and product diversification all helped TJL achieve its landmark performance. Further, with a strong balance sheet containing almost zero debt and a noteworthy cash reserve of LKR 2.12 Bn as at 31 March 2014, TJL is well placed to launch itself into the next phase of its journey.

Sector Performance and Markets

During calendar year 2013, TJL's main geographic markets the United States and Europe showed a pickup in demand compared to the previous year, though Europe gained ground at a slower pace. Exceptionally cold winter in the United States during the Q4 of FY 2013/14, had an adverse impact on retail sales but we are already seeing signs of a recovery.

Sri Lanka's apparel exports reached US$ 4.26 Bn during calendar year 2013, up 13% year on year, helped considerably by the rebound seen in the US and European markets. This double-digit growth can be attributed primarily to a 20.2% increase in knit apparel exports, while woven apparel exports gained 5.1% during the same period. As indicated above, however, the Q4 FY2013/14 slowdown due to declining retail sales in the US did have some impact on the apparel industry during the early part of calendar year 2014.

Nevertheless, our customer strategy and proactive reaction to changes in the market allowed us to record an impressive revenue growth of 16.19% for FY 2013/14 and maintain a strong order book with a diverse customer base, including our main customers Victoria's Secret (VS), Intimissimi, Marks & Spencer (M&S) and Dim Apparels, as well as other emerging brands such as Calvin Klein, FILA, Express, Etc.

This year, Intimissimi contributed strongly to our portfolio, led by our entrance to new product categories. Further, TJL was able to become the largest contributor to M&S's PLAN A sustainability product initiatives from the region. The collaborative efforts of our supply chain, pioneered the speed proposition for VS business and it remains a strong value addition. Innovation continued to drive our foray into emerging brands, which also showed impressive growth this year.

Strategic Initiatives

To enable the company's medium-term growth while equipping it with the capabilities necessary for sustained growth in the long run, we launched a few key strategic initiatives in the year under review.

We commenced the construction of a multi-fuel boiler and power plant at the beginning of the financial year. This project will produce TJL's total steam requirement, reducing its dependence on furnace oil to a minimum, and generate 1 MW of electricity reducing the current dependence on the national grid. It will also reduce the energy required for air conditioning through heat absorption technology. While we were able to make significant progress towards the completion of this project in the year under review, we have been compelled to extend the timelines set for the commissioning of the project to the Q2 of FY 2014/15. We have opted to take this additional time to ensure the highest environment and quality standards at our new facility nevertheless, we are confident that we will be able to deliver substantial savings to TJL's energy costs.

We commenced and completed a project, investing approximately US$ 4 Mn during the year, to address TJL's immediate capacity constraints, modernise its plant, and also add to the range of fabric finishes the company can produce. This project will add approximately 12% to TJL's current capacity, while increasing productivity and efficiencies.

During the year, we took our first pioneering step offshore, signing a two-year technical and management consultancy contract with Ocean India Private Limited at an annual fee of US $780,000. With this contract, TJL became the first fabric mill in Sri Lanka to conduct consultancy services to a foreign mill. This opens opportunities for TJL to provide dual location solutions to our wide customer portfolio, while also sharing knowledge and competencies with the value chain in the region.

Recognition of Sustainability

The year has seen TJL pioneer some unique initiatives, not only in servicing our customers, but also in our green endeavors. Given that sustainability is well entrenched within our business strategy, TJL has striven to constantly set benchmarks for the industry and thereby raise the status of Sri Lanka as a green apparel destination.

Being crowned the National Winner at the Energy Globe Awards 2014 further entrenched our commitment to sustainability ventures. We continued to amass accolades, winning the Gold Award in the Textile Category at the National Green Awards 2013 in recognition of our initiatives for greener productivity.

Outlook and Expansion Plans

We believe that the experience and exposure gained through the consultancy arrangement with Ocean India will further enhance the depth of knowledge and capabilities needed to fine-tune our regional expansion plans, and help ensure sustainable value creation for our shareholders. Each of the initiatives we have implemented, whether in collaborative partnerships, people development, green focus, capacity expansion, customer centricity or innovation, are designed to create sustainable shareholder value.

Looking in to the future, given our regional expansion plans and immediate investments in capacity, modernisation, product capability and energy efficiency, coupled with TJL's proven capability to deliver results, I am very confident that TJL will continue to deliver strong value to shareholders in the coming financial year and onwards as well.

In Appreciation

It is indeed with great pleasure that I welcome our new Managing Director/CEO, Sriyan de Silva Wijeyeratne, who took up appointment at TJL in November 2013. His extensive experience spanning two decades in multiple industries will strengthen capability of TJL's management team. Our continuous focus on people development is aimed at preparing for the next phase of growth.

My appreciation is extended to the Board of Directors for continuing to help me steer this company into new trajectory and to each of our stakeholders who have been immensely supportive of our strategic journey. Thank you to each of you.

Wing Tak Bill Lam
Chairman

30 June 2014

CEO/Managing Director's Message

"Your Company is now one of the Top 50 Listed Companies as per the LMD listing, has Preferred Supplier Status with many of the global fashion brands, won the Gold Award at the National Green Awards, was the country award winner at the Energy Globe Awards and has earned its place among Sri Lanka's Most Respected Entities."

CEO/Managing Director's Message contd.

Changing lanes from the fast paced and Innovative IT Industry and from leading Microsoft, to take on the role of CEO at Textured Jersey Lanka PLC, has been an exciting journey for me. While it certainly has been a step into the unknown, one does feel proud to be part of the industry which is undoubtedly the flagship success story of Sri Lanka and I have been made welcome by a dynamic and very competent team at TJL. Although the nature of industries do differ, fundamentals across all business have much in common and this has enabled me to rapidly settle into this fashionable new world.

TJL has seen a year of solid consolidation and demonstrated that it has the capability and resilience to deliver sound business performance, even amidst very challenging market conditions, especially in the US Markets. Our top line grew by 16.19 % despite the strong pressures on price reduction and costs from different customer segments. This undermines the value our customers place on our innovation capabilities and our ability to consistently deliver higher quality fabric at the desired times and locations. A disciplined approach towards our cost management and prudent spending ensured that our profits increased by LKR 137 Mn (13.46%).

This has not simply been a year of strong financial performance. Your Company is now one of the Top 50 Listed Companies as per the LMD listing, has Preferred Supplier Status with many of the global fashion brands, won the Gold Award at the National Green Awards, was the country award winner at the Energy Globe Awards and has earned its place among Sri Lanka's Most Respected Entities. These are just a few accolades we collated during the year. These are also ample demonstrations of customer and market acceptance for TJL as the clear leader within the fabric domain. We are thankful to all our customers and partners and humbled by these milestones, which would only serve to fuel our passion to serve our stakeholders even better in the future.

During the past year, Team TJL also took time to focus on its future direction and decide on the key pillars which would be the bedrock of its future strategic thrust.

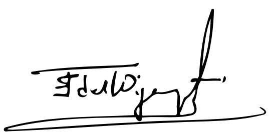
Buoyed by the recently installed capacity expansion, and the investment in an ultra-modern multi fuel boiler, TJL is well poised to push towards higher growth and enhanced returns for our shareholders.

We have also stepped up our investment in human capital to ensure we have a tightly knit team of high performing individuals who will take TJL through to its next major wave of growth. Technology and innovation will help transform our value proposition towards our customers.

I would venture to say that the next few years will certainly be exciting times for TJL, as we plan to lead the industry towards new frontiers and harvest the fruits of these initiatives. Our management foray into overseas mills is also providing the team a wealth of experience which will benefit our future footprint.

I want to place on record my appreciation to our Chairman Bill Lam, Ashroff Omar and others members of the Board for their constant support, strategic insight, sound counsel and guidance to me at all times. The inputs and support we also receive from the Brandix and Pacific Teams, are invaluable to us for our operational excellence. We stand indebted to them.

Finally, I wish to thank the entire TJL Team for their hard work and amazing passion and commitment. It certainly is my honour and pleasure to work with such a high achieving team. Together we look forward to transforming TJL and the landscape of the industry to ensure that high quality fabric manufacturing becomes a differentiating factor which helps propel the apparel industry onwards and upwards. As the leader within this sector, we will tread this path with responsibility and with care for our society, our stakeholders and indeed our nation.



Sriyan Joseph de Silva Wijeyeratne
CEO/Managing Director

30 June 2014

Board of Directors

Wing Tak Bill Lam
Chairman

Mr. Lam is the CEO of Pacific Textiles. 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 38 years in the textile industry. He holds a 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 Board of Trustee of New Asia College and Honorary Fellow of the Chinese University of Hong Kong.

Sriyan de Silva Wijeyeratne
Managing Director/ Chief Executive Officer

Mr. Wijeyeratne is the Managing Director/ Chief Executive Officer of Textured Jersey Lanka PLC. Prior to joining TJL, Mr. Wijeyeratne has served as the Country Manager of Microsoft for Sri Lanka and Bangladesh, and was responsible for setting up and growing the Microsoft footprint in Sri Lanka. He previously held the post of Director Marketing and Sales of Suntel Limited and was a Brand Manager of Nestle Lanka Limited.

His key skills include driving growth and business expansion amidst competitive conditions, and multi dimensional challenges, both locally and in overseas markets. He has several Academic and Business Awards to his credit, and is a frequent speaker at leading forums locally and globally. He was previously named the CIMA Business Manager of the Year, and is involved in many business chambers, and in several local and global charities. He is a Board Member of Youth Business International, UK, and an Independent Director of Abans PLC.

Mr. Wijeyeratne possesses a Master's Degree in Management from the University of Sri Jayawardenapura, and holds a First Class Special Degree in Business Administration from the same University. Additionally he is a Fellow Member (FCMA) of the Chartered Institute of Management Accountants (CIMA) UK, and is also a member of Chartered Global Management Accountants (CGMA). He is an old boy of St. Peter's College, Colombo.

Board of Directors contd.

Ashroff Omar
Non-Executive Director

Mr. Omar is a Director of Phoenix Ventures Limited, Chief Executive Officer of Brandix Lanka Ltd and serves as Director on many of it's subsidiary companies.

He was the founder Chairman of The Joint Apparel Association Forum (JAAF) and former Chairman of the Sri Lanka Apparel Exporters Association.

He serves as a Non-Executive Director on the Board of John Keells Holdings PLC, Director of the Sri Lanka Institute of Nanotechnology (SLINTEC), Board of Directors of the United States-Sri Lanka Fulbright Commission, Chairman of the Advisory Committee on Garments - Export Development Board (EDB) and serves as a Committee Member of the Ceylon Chamber of Commerce.

He is Hon. Consul General of the Republic of Finland. A Chartered Member of The Textile Institute International, United Kingdom and a Senior Member of the Society of Plastics Engineers, Connecticut, USA.

Hasitha Premaratne
Non-Executive Director

Mr. Premaratne is currently the Chief Financial Officer Brandix Lanka Ltd, one of the largest apparel exporters with a consolidated turnover of $675 million. He leads Group Finance Team with responsibilities in Group Investments, Investor Relations, Cross Boarder Investments, Corporate Planning, Group Financial Reporting, Funding, Treasury Operations and Group Financial Strategy. He is a Director of many subsidiaries of the Brandix Group and is a member of the Corporate Leadership Team of Brandix.

He was formally the Head of Research at HNB Stockbrokers (Pvt) Ltd and possesses plenty of experience in the fields of Capital Markets, Economics, Strategic Finance, Management and Research.

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

His lecturing experience expands for 11 years, both locally and overseas and has produced many prize winners. Hasitha was the winner of the *"Tutor of The Year Award"* at CIMA Global Financial Management Awards 2009 held in London. He was the Winner and Gold Medalist of prestigious *"CIMA Star of the year"* award in 2012 and the Winner of *"Young CIMA Star of the year"* award, in 2006.

Board of Directors contd.

Professor Malik Ranasinghe
Independent Non-Executive Director

Prof. Ranasinghe is a Senior Professor in Civil Engineering at the University of Moratuwa, Chartered Engineer and International Professional Engineer, Fellow of the Institution of Engineers - Sri Lanka, National Academy of Sciences - Sri Lanka, Institute of Project Managers - Sri Lanka and Independent Non-Executive Director of Sampath Bank PLC and Access Engineering PLC. He is the immediate past Vice-Chancellor of the University of Moratuwa, past Chairman of the Committee of Vice-Chancellors and Directors (CVCD) of Sri Lanka, former Council Member of the Association of Commonwealth Universities (ACU), former Fellow of the National University of Singapore, and former Non-Executive Director of the Colombo Stock Exchange, Hemas Power PLC and Lanka IOC PLC.

Prof. Ranasinghe obtained his PhD in 1990 from the University of British Columbia, Vancouver, Canada as a Canadian Commonwealth Scholar. He was 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.

Amitha Gooneratne
Independent Non-Executive Director

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

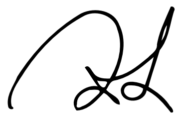
On his retirement, Mr. Gooneratne, assumed duties as Managing Director of Melstacorp Limited, which is the strategic investment arm of the Distilleries Company of Sri Lanka PLC. He is the Chairman of Melsta Regal Finance Limited and Melsta Logistics (Pvt) Limited; board member of Periceyl (Pvt) Limited,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

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

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

Board of Directors contd.

Absent



Wai Loi Wan

Non-Executive Director

Mr. Wai Loi Wan, is the Chairman of Pacific Textiles. Mr. Wan is responsible for Production and formulation of the overall Corporate Direction and Business Strategies of the whole group. Mr. Wan has over 41 years of experience in the textile industry. He obtained a Bachelor of Science Degree in Chemical Engineering from Taiwan National Cheng Kung University.

Absent

Kang Po Tsang

Non-Executive Director

Mr. Tsang, is an Executive Director and the Vice Chairman of Pacific Textiles Holdings Limited, listed on Hong Kong Stock Exchange. Mr. Tsang is responsible for Sales and Marketing and the formulation of the overall Corporate Direction and Business Strategies for the group. Mr. Tsang has over 33 years of experience in the textile industry. Mr. Tsang obtained a MBA degree from the Open University of Hong Kong and a Master of Science in Business Economics from the Chinese University of Hong Kong. Mr. Tsang joined the group in 1997 and was appointed as a Director in 2004. He is also a founder and Director of various subsidiaries of the group.

Executive Committee

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3	4
5	6

Executive Committee contd.

1. Sriyan de Silva Wijeyeratne

Managing Director/ Chief Executive Officer

Mr. Wijeyeratne is the Managing Director/ Chief Executive Officer of Textured Jersey Lanka PLC. Prior to joining TJL, Mr. Wijeyeratne has served as the Country Manager of Microsoft for Sri Lanka and Bangladesh, and was responsible for setting up and growing the Microsoft footprint in Sri Lanka. He previously held the post of Director Marketing and Sales of Suntel Limited and was a Brand Manager of Nestle Lanka Limited.

His key skills include driving growth and business expansion amidst competitive conditions, and multi dimensional challenges, both locally and in overseas markets. He has several Academic and Business Awards to his credit, and is a frequent Speaker at leading forums locally, and globally. He was previously named the CIMA Business Manager of the Year, and is involved in many business chambers, and in several local and global charities. He is a Board Member of Youth Business International, UK, and an Independent Director of Abans PLC.

Mr. Wijeyeratne possesses a Master's Degree in Management from the University of Sri Jayawardenapura, and holds a First Class Special Degree in Business Administration from the same University. Additionally he is a Fellow Member (FCMA) of the Chartered Institute of Management Accountants (CIMA) UK, and is also a member of Chartered Global Management Accountants (CGMA). He is an old boy of St. Peter's College, Colombo.

2. Zhu Hua Jeff

Senior General Manger – Dyeing and Finishing

Mr. Jeff has a total work experience of over 23 years in the industry of which he has spent 14 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.

3. Pubudu De Silva

Chief Operating Officer - Operations

Mr. De Silva has over 23 Years' experience in Apparel and Textile Industry of which 10 years directly manufacturing experience in the textile industry. Prior to joining TJL he was the Head of Planning at Slimline - Pannala. He holds a Masters in Business Administration from University of Lincoln (UK),Masters in Manufacturing Management from the University of Colombo and a Diploma in Business Administration – University of Colombo. Currently he is responsible for the entire manufacturing process including Engineering, Warehouse, Quality Assurance, Innovation and Development departments in TJL as well giving technical support for Ocean India. He further trained in Six Sigma Black Belt at the National Institute of the Business management.

4. Rodney Arland

Chief Operating Officer - Marketing, Business Development, Supply Chain and Planning

Mr. Arland has total experience of 17 years in the industry of which he has spent seven years in managerial positions. He joined TJL in 2001 and is responsible in overlooking Marketing, Business Development and Merchandising, Planning and Supply Chain Operations. He is holding a Post – Graduate Degree in Marketing and has won an ISO recognition award. Prior to joining the Company he was a Senior Merchandiser at Bangkok Phaisarn Textiles.

5. Sanjaya Basnayake

Deputy General Manager - Production, Dyeing & Finishing

Mr. Basnayake has total work experience of over 19 years in the industry of which he has spent over 11 years in managerial positions. He is responsible for the Knitting, Dyeing , Finishing and Color Lab functions of the Company. Prior to joining the Company he was a Senior Executive at Hayley's-MGT Textiles PLC. He has an NDT in Textile & Clothing Technology from the University of Moratuwa, a Diploma in Management from Open University of Sri Lanka, and he is a Chartered member of the Textile Institute International, United Kingdom. He has expertise in technology of Dyeing, Finishing and Knitting and implementation of cost reduction projects. He is a Gold Medal award winner from Textile Institute (UK).

6. Salman Nishtar

Chief Financial Officer

Mr. Nishtar has over 8 years experience of which 5 years has been in Senior Managerial position in Finance. He started his career at Ernst & Young Chartered Accountants, Sri Lanka. At TJL his responsibilities entail overall Financial Management, Annual Strategic Planning and Working Capital Management. He is an Associate Member of the Chartered Management Accountants United Kingdom and the Institute of Chartered Accountants, Sri Lanka. He is also a member of Chartered Global Management Accountants (CGMA). Prior to joining the Company he has been working as the Chief Financial Officer at American & Efird – Bangladesh. He is an old boy of S. Thomas's College, Mt Lavinia.

Management Team

Mr. Prabhash Hettiarachchi
Head of Human Resources

Mr. Kosala Gunawardene
Head of Energy Projects

Mr. Janaka Senarathne
Manager - Engineering

Mr. Samantha Morawatta
Manager - Colour Technology and Printing

Mr. Laxman Warnasiri
Manager - Dyeing Operations

Mr. Indunil Nimalaruwan
Manager - Quality Operations

Mr. Randeer Mendis
Manager - Inventory Control

Mr. Kapila Wijesekara
Manager - Supply Chain

Mr. Linkesh Rathnasamy
Manager - Information Technology

Mr. Lalith Athapaththu
Manager - Planning

Mr. Upul Nallaperuma
Manager - Knitting Operations

Mrs. Samadhi Weerakoon
Manager - Business Development

Mr. Shamil Fernando
Manager - Customer Care

Mr. Somasiri Manage
Manager - Quality Assurance and Development

Mr. Eric See
Manager - Knitting

Mr. Kolitha Thilakarathna
Manager - Finishing

Mr. Prabash Hewage
Manager - Dyeing Technical

Mr. Hemantha Mannapperuma
Chief Internal Auditor

Mr. Manjula Thushara
Manager - Finance

Management Review

During the year under review, TJL was able to successfully mitigate the impact of challenges it faced in its operating environment, and still capitalised on market opportunities emerging as the leader in the weft knit fabric manufacturing industry in Sri Lanka delivering a net profit of LKR 1.15 Bn, up 13.46% compared to the year before.

From a geographic sector perspective, apparel exports to the United States grew by a noteworthy 20.5% during calendar year 2013, while apparel exports to Europe gained 5.9%. At the end of 2013, apparel exports increased sharply, with total shipments increasing 27.8% in December compared to the same month in 2012. Exports to the United States in the same month surged 35%. During the early part of calendar year 2014 (4Q FY 2013/14), exports to the United States saw a slowdown. This slowdown was precipitated by the drop in retail sales brought about by extreme weather conditions in the United States, which resulted in an inventory buildup and prompted retailers to push back orders. However, the situation has changed, and we are seeing a robust pickup in demand growth.

During the year, TJL's ability to innovate and offer value-added products and solutions enabled the Company to take advantage of the surge in demand. At the same time, it was able to adapt quickly to the slowdown in the United States by re-aligning its product offering, thanks to its diversified customer and product base.

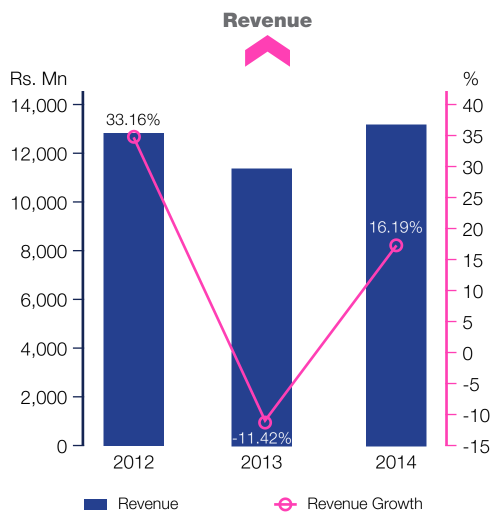
In the domestic environment, TJL had to mitigate increasing energy costs caused by a 30% increase in electricity tariffs at the beginning of the year. In response to this, the Company implemented a number of initiatives that allowed it to achieve a 5% reduction in electricity consumption. However, in the long term, its strategic investment in the multi-fuel boiler and power plant will limit the Company's dependency on the national grid and furnace oil, helping it manage external shocks better.

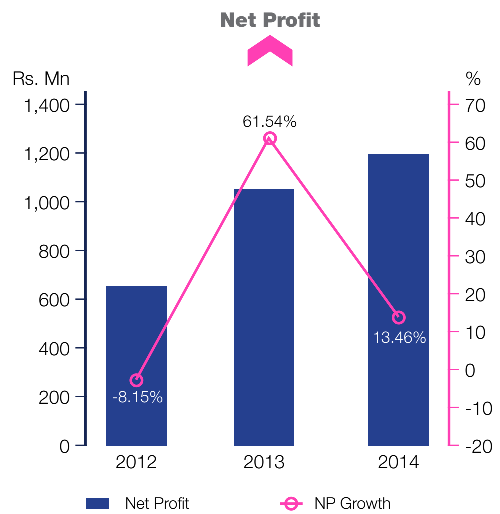
Dyes and chemicals constitute an integral part of the fabric manufacturing process, and during the year TJL had to respond quickly to an almost 25% increase in world dye prices, followed by a supply shortage. TJL was able to manage the impact of this situation by accurately identifying consumption trends and closely monitoring costs and consumption.

Financial Performance Review

For the year ended 31 March 2014, TJL posted a 16.19% increase in revenue to LKR 12.72 Bn reiterating TJL's place as the number one mill in the country. This was achieved primarily through innovative product development, strategic customer and product diversification, and an unrelenting focus on providing solutions to its customers. This top-line growth, coupled with strong operational management, allowed TJL to post this year's record-breaking net profit of LKR 1.15 Bn, a 13.46% increase from the LKR 1.02 Bn posted last year. This was a definite milestone in our performance, given that it is the highest profit TJL has achieved thus far.

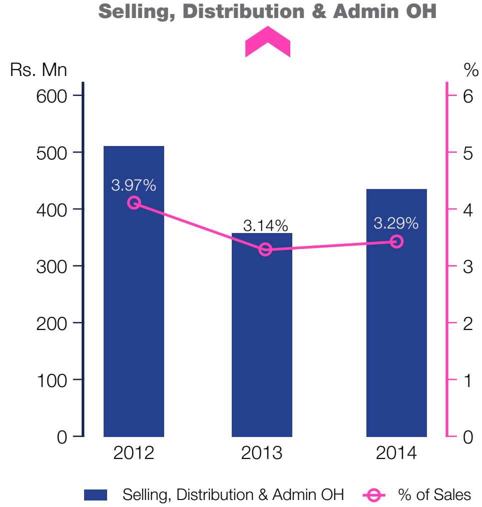
EXEMPLAR PERFORMANCE



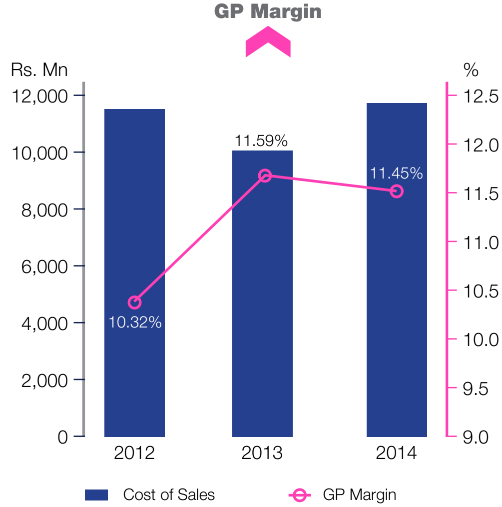


CONSISTENT PROFITABILITY

Selling, Distribution & Admin OH



GP Margin

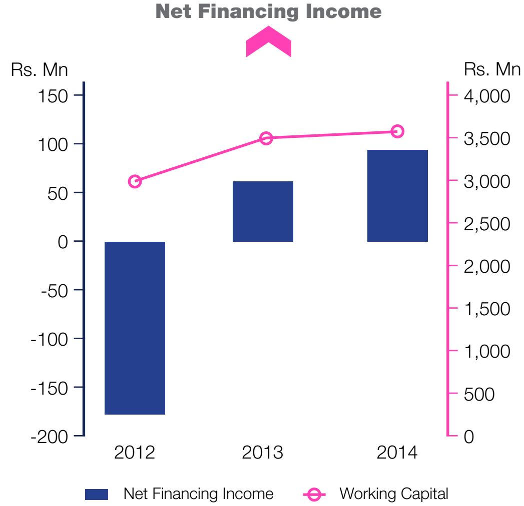


Gross profit margin saw a slight reduction during the year under review, coming in at 11.45% compared to 11.59% during FY 2012/13. The drop was caused by a 16.39% increase in cost of sales to LKR 11.27 Bn, from LKR 9.68 Bn last year. The higher cost of dyes and electricity during the year contributed to the overall increase in cost of sales. Nevertheless, gross profit increased to LKR 1.46 Bn this year from LKR 1.27 Bn the year before, a 14.71% increase.

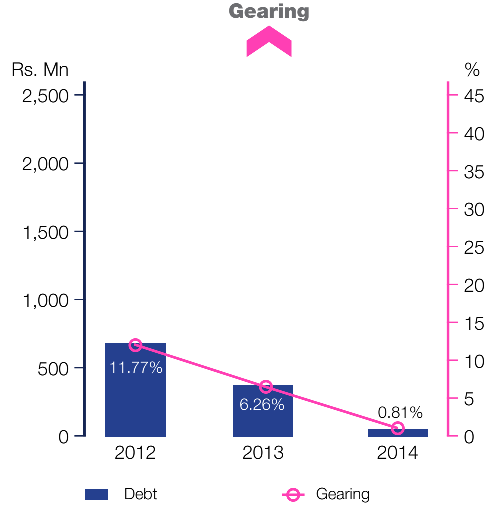
Selling, distribution & administration expenses (SG&A) for the year came in at LKR 419 Mn, 21.87% higher than LKR 344 Mn posted last year. This increase was primarily caused by strengthening the team, additional increases administration costs as a result of the strategies initiated during the year and the increase in the growth of revenue. As a percentage of revenue, selling and administration costs increased marginally to 3.29% from 3.14% during the last year. The higher SG&A resulted in profit from operating activities for the year coming in at LKR 1.05 Bn, up 10.35% from LKR 955 Mn reported during the previous financial year.

BEYOND THE NORM

Net Financing Income



Gearing



Management Review contd.

TJL's impressive operating performance, coupled with effective working capital management, enabled the Company to maintain a strong balance sheet as at 31 March 2014, with almost zero debt and a cash reserve of LKR 2.12 Bn. On the back of this, net financing income increased to LKR 90.45 Mn during the period under review, compared to LKR 59.16 Mn the year before. Further, the technical services agreement with Ocean India Private Limited (OCI) brought in non-operating income of LKR 48.60 Mn during the year. The combined result of all these factors and a tax adjustment of LKR 40.32 Mn enabled TJL to post a net profit after tax of LKR 1.15 Bn.

TJL's strong performance translated to an EPS of LKR 1.76 this year, compared to LKR 1.55 last year. On the back of this performance, return on equity (ROE) increased to 19.02% from 18.09%, return on assets (ROA) increased to 14.14% from 13.16%, and net assets per share increased to 9.73 from 8.78.

Organic Growth and Cost Efficacy

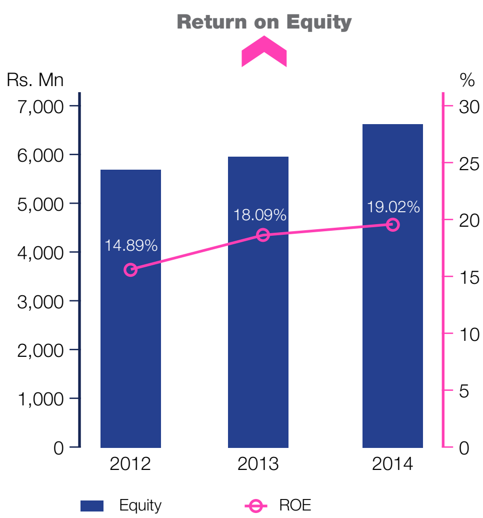
During the year, TJL launched a capacity expansion and modernisation project, investing US $4 Mn to modernize its existing machinery, increase efficiency and reduce costs by reducing dye, chemical and water consumption, as well as process time. The project, which has now been completed, achieved a capacity expansion of approximately 12% that will be fully utilized in the coming period.

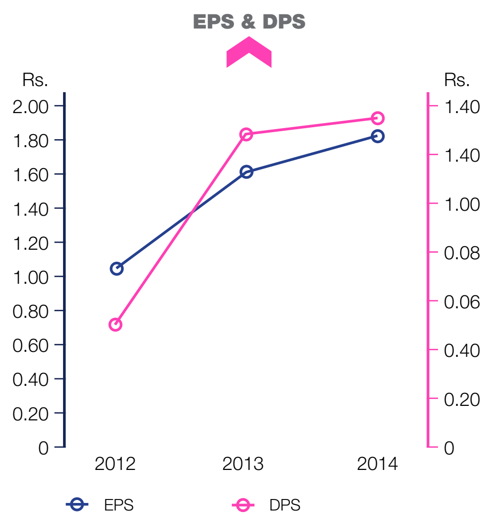
Energy management remains a crucial factor in the Company's cost management initiatives. To limit dependency on the national grid and reduce overall energy costs, TJL began constructing the island's first CCHP (Combined Cool Heat and Power) Multi-Fuel boiler and power plant during the year; as per the current plan, this will be commissioned in the second quarter of the next financial year. Once operational, the plant will produce TJL's total current steam requirement and will substantially reduce the dependence on furnace oil. The steam generated will also be used for air conditioning, and to generate 1 MW of power, which will reduce electricity consumption and dependency on the national grid.

Sustainability

TJL has gained an unparalleled reputation for being the leading mill in sustainability, judging by the accolades it continues to receive. Being declared the National Winner at the Energy Globe Awards 2014 and the Gold Award winner in the Textile Category at the National Green Awards 2013 are just two of the many. We are also the benchmark supplier to M&S Plan A initiative, supplying more than 80% of the attributes. Plan A is a range of products that raises the bar in ethical production techniques, encouraging sustainability to become embedded in the entire value chain, from raw material to end garments. More information on our sustainability initiatives is detailed in our Sustainability Report.

VALUE DRIVEN PERFORMANCE





CCHP Multi-Fuel Boiler and Power Plant under Construction

Innovativeness

Innovativeness remains the mainstay to our competitive edge and continues to be one of the key components of our leadership strategy. It is our innovativeness that has placed us among the preferred fabric solutions provider among the most prestigious brands in the world. Our innovation strategy is committed to developing customer-centric solutions, enabling pioneering products and services and product modifications and diversification. TJL's unrelenting focus on innovations has seen a phenomenal growth trajectory of 115% of value-added products compared to last year.

This year, TJL strategically focused on targeting those products that were traditionally manufactured in Europe to be produced in Sri Lanka. This initiative has enabled the Company to offer more value added products to its customers. Effectively executing these product programs saw an increase in the number of programs in this sphere by 25%.

Innovativeness also allowed the Company to offer more flexibility to support its partners' speed propositions. A benchmark was created when TJL, together with its partners in the value chain, developed an innovative process that enabled the delivery of a finished product within days of the purchase order dramatically reducing lead times to customers. TJL is the pioneer and the leader in the industry for speed solution that are provided to our customers.

The Customer

TJL's focus on its innovation platform providing customer-driven solutions through flawless execution, timely delivery and stringent quality standards have enabled the Company to provide pioneering solutions to globally renowned brands such as Intimissimi, Victoria's Secrets, Marks & Spencer, and DBA. More recently, it has begun developing and strengthening other brands such as Calvin Klein and Express, to strategically diversify its brand portfolio. This mix of customers has also ensured that TJL has a good mix of US and EU based customers, thus providing healthy geographic diversification.

Partner Centricity and Focus

TJL chartered yet another unique pathway in design development this year by signing a Memorandum of Understanding (MOU) with the University of Moratuwa. This MOU will create a framework for a collaborative relationship that will herald not only employment generation for graduate students, but also strengthen R&D and technical capabilities in fabric product development and in fashion design. TJL intends to support the university with mentoring programs and industry placements, which entails foreign exposure for students following the Fashion Design & Product Development Degrees. TJL is active in the Annual Graduation Fashion Show of the University of Moratuwa. It also accommodates short-term industry placements for foreign students via link programs between foreign universities and the University of Moratuwa. Hence, this MOU should further

Pubudu De Silva, COO - Production of TJL receiving the Gold Award from HE, the President at the National Green Awards 2014

strengthen the relationship that TJL has nurtured over the years. The university will provide expertise and support to strengthen TJL's design and technical capabilities through student projects, along with research and consultancies, and will also support the conceptual development of new collections of samples and styles for TJL.

Another ground breaking agreement was signed with SLINTEC, Sri Lanka's first nanotechnology institute. Keen on identifying the scope and depth of using nanotechnology in the dyeing process, TJL believes that this will lead to cost-effective and cutting edge production techniques, which will etch another dynamic to our benchmarked capabilities.

In yet another first for the country and further securing TJL's leadership stature, the Company entered into a Technical Service & Management Agreement with knit fabric manufacturer Ocean India Private Limited. This is the first time a consultancy contract has been inked by a local fabric mill to conduct a consultancy for a foreign mill. This agreement, which is valid for two years commenced in October 2013 and promises a consultancy fee of US$ 780,000 per annum for services provided to OCI, will provide the TJL team with insightful information and experience to leverage in overseas markets, while also paving the way for any future regional expansion strategy.

This also opens numerous other windows of opportunity for TJL, including the ability to provide dual location solutions to its customer base, as well as the opportunity to gain knowledge, be in close proximity to cotton suppliers and develop a new customer base in the region. Another significant advantage is the impact this agreement has on the knowledge capabilities of the TJL team, given that it adds significant international exposure to their career equation and where there is a cohesive plan to up skill our top end competencies in preparation for a strong management footprint.

In addition, TJL continues to seek collaborations with foreign partners to harness capabilities and develop a more diversified weft knit fabric portfolio.

Building long-term relationships with suppliers has enabled TJL to pursue multi-faceted pathways with its suppliers, including identifying the most innovative yarn to produce the world-class products demanded by our clients. We have established regional relationships within the subcontinent and gained new suppliers in the European region to identify the best raw materials that would be sustainable and innovative. TJL has also established a strong framework with customer design teams, ensuring that customer designers have direct access to the latest developed fabrics and that the new fabrics required by designers are developed by the Company.

A real view of OCI which TJL has signed a Technical Agreement

The Future in Perspective

Having embarked on a strategic plan that will drive TJL to further entrench its leadership status within Sri Lanka, and with initiatives taken to position it to be leaders in the region, TJL continues to strengthen the blueprint it has in innovation, quality, customer centricity, sustainability and people.

From a business growth perspective, TJL has a very optimistic outlook for the future. Similar to TJL's focus on Eastern Europe this year, it foresees immense growth opportunities in numerous untapped markets. The Company intends to pursue these opportunities aggressively by innovating and improving its product offerings, which will naturally encourage market share growth.

While the Company addressed immediate capacity constraints through investment in organic capacity additions and strategic outsourcing, TJL remains focused on our regional expansion strategy.

The current capacity utilization is exceptionally high, which signals the hallmark of a healthy mill. The Company intends to sustain these high utilization levels it moves into growing capacity and business. TJL firmly believes that production capabilities can be leveraged at various locations, given the strength of strategic partnerships and the expansive product portfolio that the Company intense to develop.

Investment in technology, which is mandatory for the innovation platform, will also see TJL becoming more focused in growing its R&D space, infusing technology into both production and the overall work environment. Improving efficiencies and prudent cost management will also be added into this growth equation.

This growth strategy also requires the team to be equipped with the required skills, knowledge and competencies in readiness for the growth momentum TJL is pursuing. Therefore, training and development will gain imperative focus in the coming year.

The foundation of TJL's vision is two-dimensional: continually strengthen a high skill base through constant competency develop, and embed a strong quality culture through operational and production efficiency. On this foundation, The Company will construct the five support trusses of innovativeness, partnering, customer centricity, cost efficacy and sustainability, all of which have a well-embedded plan that will give us the ability to not only achieve consistent profitability, but also bring in a premium product mix to our growth formula. This will undoubtedly continue to entrench our position as a leader, not only in our business sphere, but also as an industry spearhead to be emulated in every space.

STRENGTHENING THE AXIS OF OUR BUSINESS

AT THE HEART OF EVERYTHING WE DO, IS OUR CUSTOMERS AND WE ARE PROUD TO BE AFFILIATED WITH THE BEST IN THE BUSINESS. BY WORKING WITH COMPANIES THAT HAVE MADE AN INDELIBLE MARK IN THE VARIED SPHERES OF FASHION, TJL HAS STOOD OUT AS A LEADING SUPPLIER UPON WHOM THEY CAN TRUST TO DELIVER ON THE BEST IN FABRIC. THE ENDURING DEDICATION TO THEM HAS CREATED STRONG AND COMPREHENSIVE PARTNERSHIPS THAT HAVE ASSURED OUR PLACE AS A FAST AND EFFECTIVE SOLUTIONS PROVIDER.

Customer Centricity

THE MEANING OF LEADERSHIP IS MULTI-FOLD; IT IS NOT SIMPLY BEING THE BEST IN WHAT TJL PRODUCES, OR ITS INNOVATIONS OR ITS SYSTEMS AND PROCESSES. LEADERSHIP ALSO EMBEDS A COMMITMENT TO OUR CUSTOMERS, TO ASSURE THEM THAT TJL WILL ONLY GIVE THEM THE BEST. THIS ALSO MEANS THAT THE COMPANY WILL CONSTANTLY STRIVE TO MOVE UPWARDS AND OUTWARDS, TO ENSURE THAT ITS CUSTOMER EXPECTATIONS WILL CONTINUE TO BE EXCEEDED. TJL IS ALSO COMMITTED TO MAKING SURE THAT IT WILL PRESENT ITS CUSTOMERS WITH TOTAL SOLUTIONS DERIVED FROM OUTCOMES OF CONSTANT STUDY AND ANALYSIS OF MARKETS AND MARKET TRENDS, INTERTWINING ITS UNIQUE BRAND OF SERVICE EXCELLENCE THAT HAS SURELY BEEN THE HALLMARK TO ITS CUSTOMER CENTRICITY IN ALL THESE YEARS.

As the TJL journey progressed, the focus on its customers has intensified. It is this that has built the mainframe for the business to grow. The Company make it a quest to step into its customers shoes and build a deep understanding of their requirements and expectations. The Company also delved further into this space, by conducting its own research and initiating solutions that may not have been in their orbit. This has resulted making our partners to look forward to the Companies direction, requesting its advise and consultation to gain a competitive edge. This undiluted focus on total solutions saw significant growth percentages with Intimissimi and Emerging Brands taking the lead. TJL has further entrenched its position as the leader in the region in men's wear for Intimissimi, while adding innovative solutions to augment PLAN A for M&S.

Adding another laurel to its regional leadership the Company continued to improve on its speed solutions for Victoria's Secret. Adding new dimensions to speed solutions, TJL has now become the leader for its flexibility on speed, leading it to win new business with Victoria's Secret, purely based on its remarkable speed solutions. The Company's leadership in the intimate category continues, but the next year will see its penetrating to new areas including sleepwear and active wear.

It is interesting that TJL has been intent on diversifying its vendor base, taking leadership in permeating iconic solutions, not only to meet brand expectations but also seeing a viable incline in vendor confidence for both Sri Lanka and TJL. Notching approximately 60% sales revenue outside the Brandix Group, clearly displays that TJL has gained the confidence and trust of external vendors, some of who are Omega Group, MAS Holdings, Hirdaramani Group and few other garment vendor groups. Continuing to strengthen vendor base through timely effective solutions will be the focus in its leadership strategy in the next few years, working directly with brands to spur new opportunities via innovation, instigating the Sri Lanka vendor base to garner a better foothold in the industry.

Continuing to be comprehensively customer centric, TJL is also strengthening its partner relationships and forging new relationships to accelerate print solutions. This is further augmented with its emphasis on strengthening reliability through on-time delivery, accent on quality and continually raising the bar in customer service. The levels of trust the Company garnered from customers has been truly remarkable. This is the result of an in-depth understanding the Company has on each brand's requirements which has enabled to align its resources and value chain accordingly. In addition, by working collaboratively with vendors and designers, TJL is surely optimising its offer.

TJL continues to impress its leadership in the region for this brand, heralding a substantial growth over last year. For the first time, TJL was able to break into the highly competitive Intimissimi men's Easy wear sphere, relying primarily on its past history of innovation, excellence in quality and customer service, trust and confidence TJL has built up with Intimissimi. This has also enabled Sri Lanka to etch itself very strongly as a sourcing destination, mitigating emanating risks in supply chain solutions in Europe. TJL was also the only Sri Lankan mill to supply Vavuniya Apparels, a member of the Omega Group. This manufacturing facility supports the North/East rehabilitation initiative and has seen considerable investment infused by the Company, Calzedonia S.p.A, which is an Italian Company headed by Dott Sandro Veronesei. Intimissimi brand is part of this successful Italian company, which is one of the world's largest suppliers for intimates and lingerie.

Customer Centricity contd.

Now a leading partner in providing solutions to PLAN A, TJL has in fact exceeded sustainability expectations embedded in this brand. In fact, TJL further etched its regional leadership position by creating history in being the first mill in Sri Lanka whose innovation story was showcased at the innovation hub at the M&S Headquarters. In extending this prestigious invitation to share its story, TJL has been placed as a role model in this region and also seen an enhancement of the trust placed in us by PLAN A. One of the most exciting and pioneering initiatives launched for the brand was when TJL collaboratively initiated a project on eco dye house and carbon neutral solutions for PLAN A. M&S is the leading British high-street fashion retailer with global presence in South Asia, Middle - East, Far -East Asia and the Europe.

Spearheading speed solutions proved to be the answer to maintaining TJL regional leadership status to this brand, despite the market challenges. It is these speed solutions that has seen TJL continue to grow its business in multiple areas, adding new dimensions to flexibility in both solids and prints. The addition of sleepwear into our portfolio and the acceleration of print solutions will be focused on as dynamics for business growth in the next year.

Victoria's Secret is the US based global fashion leader for lingerie and intimate wear under the LIMITED brands.

EMERGING BRANDS

An extraordinary 50% growth over last year was seen in this segment of the business, which focused on fortifying its customer portfolio with new brands. These are customers who would add value to TJL journey while adding diversity to its customer portfolio. Having now firmly established that the fastest growth would continue to be generated from new brands, the year saw TJL work with Calvin Klein, Express, Original Marines and Polo Ralph Lauren, offering solutions that have also now entrenched Sri Lanka as a preferred destination in their sourcing strategy.

DBApparel FILA Calvin Klein ORIGINAL MARINES italiandesign RALPH LAUREN PHILLIPS-VAN HEUSEN CORPORATION

It very good and impressive team around
a very strong partner of us.
Think, work and dream with us for
the future!
Marc Bolland.

Thank you very much
for launching the
new collection at
MAS INTIMATES.
Uditha.

Thank You for
making us feel like
Super Stars
Look forward to the
Partnership.
Best.
Adios

DEAR TJ TEAM
THANKYOU VERY
MUCH FOR THE
WARM WELCOME & VERY
HAPPY TO HAVE VISITED
YOU. THANKYOU,

Great collection with lots of
Innovation
Brad
Pink

Thank you for the
presentation and knowledge given

H&M · Soma · Bhs · TEZENIS intimo · Sainsbury's · Calvin Klein · George.

Levi's · TOMMY HILFIGER · DB Apparel · TESCO IRELAND Every little helps · PHILLIPS-VAN HEUSEN CORPORATION · intimissimi · RALPH LAUREN

ORIGINAL MARINES italiandesign · VICTORIA'S SECRET · MARKS & SPENCER · MICHAEL KORS · FILA · Yamamay

REVOLUTIONIZING THE FABRIC LANDSCAPE

TJL HAS INSPIRED AND CHANGED THE INDUSTRY WITH ITS PIONEERING SPIRIT. ITS COMMITMENT TO NEW IDEAS, COMBINED WITH THE BEST IN TECHNOLOGY HAS KEPT TJL AT THE FOREFRONT OF LONG -TERM EXCELLENCE. THIS IS ITS INHERENT STRENGTH AND THE KEY TO ITS CUTTING EDGE OF INNOVATION.

Innovation

Sriyan de Silva Wijeratne, CEO/MD of TJL exchanging the agreement with Prof. Ananda Jayawardane, Vice Chancellor of the Moratuwa University

TJL'S LEADERSHIP HAS BEEN FOUNDED STRONGLY ON ITS STRENGTH IN INNOVATION. ITS MINDSET IS DESIGNED TO THINK BEYOND THE BOX, TO UNDERSTAND MARKET REQUIREMENTS AND PROVIDE SOLUTIONS THAT EXCEED EXPECTATIONS. BY FOSTERING A CULTURE OF INNOVATION WITHIN THE BUSINESS, TJL HAS DRIVEN ITS TEAM TO ENVISAGE FUTURE TRENDS, WHICH HAS NOW BECOME INGRAINED AS ONE OF TJL'S STRONG CHARACTERISTICS, WHERE CUSTOMERS NOW LOOK TO IT FOR EMERGING PARADIGMS. THIS IS TRUE LEADERSHIP, GIVEN THAT WHILE OPERATING IN AN INTENSELY COMPETITIVE INDUSTRY, ITS INNOVATIONS FORM SOME OF THE BLUEPRINTS FOR THE INDUSTRY TO FOLLOW.

Sriyan de Silva Wijeyeretne, CEO/Managing Director of TJL with SLINTEC officials signing the Agreement

Leadership is an evolving concept and once established as a leader, the task to remain on top is challenging. In positioning the Company to become a leader in innovating future fabric requirements coupled with service excellence, TJL developed a three year innovation strategy, the first phase of which has already been completed. This first phase saw a record of 115% growth in value added product adoption rate compared to last year. The heart of this strategy lies in upgrading fabric solutions from the basic, to value adding, while eventually developing an umbrella of total solutions that will collate other services into the strategic formula. TJL has already penned collaborations with business partners who will augment its quest towards total solutions, working with leading Tier A supplier chain partners, innovating products and services that are unique and unparalleled, while maintaining its quality and compliance consciousness.

Two other innovation milestones were notched by the Company this year, making TJL the first mill in this region to pioneer such initiatives. TJL entered a historic agreement with the spearhead of Sri Lanka's national academic institution on engineering and design, the University of Moratuwa, linking an MOU with the Textile and Fashion Design Departments. Renowned for honing young people into cutting edge innovation and design, the University joins TJL to become the nucleus that spurs innovation and new blood into the industry. Leading technological adviser to Sri Lanka, SLINTEC will also be a partner in TJL's innovation strategy, resulting from a technical agreement signed this year.

TJL's pioneering innovations have certainly forged new avenues for the industry. These include being the first in the region to introduce the Better Cotton Initiative for white and light colours, innovating new collections for Victoria's Secret on short time span, inventing three key products that would replace the older products within the M&S portfolio and launching collections for two seasons, keeping us well ahead of trends prevalent in the market.

In a nutshell, product solutions have formed the core of its innovative strategy. For example, the 'Glade Collection' 2013 truly placed TJL on a leadership platform of innovation with its good recovery, compacted quality, clean surface, good drape and performance driven features.

Innovation contd.

Using its high end in-house technology and in optimising machinery productivity, finer gauge products have been developed by TJL, which has inspired new concepts for the European market. The advantages of these products include clean and sheer surfaces, excellent draping and stability and better pilling imbuing a rich persona with good stretch and recovery abilities, making it ideal for high performing fabric used in intimates, sports and sleepwear.

Ultracut, is yet another pioneering TJL innovation, an absolute cotton comfort fabric mixed with the richness of lycra, the ultimate solution for intimates. Engineered exclusively by TJL, Ultracut sets itself apart from other synthetic competitors, given its dexterity, delicacy and flattering characteristics of contouring against the body. It is the ultimate cotton solution.

Fully integrated with Lenzing to maximise our innovative capabilities, TJL has also engineered micro modals and blends, infusing ultra comfort into long lasting fabric, enhanced durability and excellent drape on a sustainable platform. Adhering to stringent product requirements of leading brands including VS, M&S, Intimissmi and CK, the products are ideal for intimates, leisure and sleepwear. TJL has added yarn dye and print options to present its customers with total solutions under a single umbrella.

TJL's innovation platform is firmly constructed on investing in the best technology available, given that this will be the key in growing its product portfolio and strengthening leadership status. TJL saw the commissioning of a carbon sueding machine for silky fabric surfaces with a mechanised finish, a fleece and brushing machine which broadens its product offerings and the Martin Dale pilling tester enhancing fabric testing capabilities. Young blood including more additions from the textile design team, has been fused into its extraordinary R&D team whose knowledge portals continue to be enhanced. This team remains the secret potion that's applied to its leadership quest. It is they who will map trends, analyse markets and present innovative solutions, paving the way consistent business growth.

Imbuing the strengths of TJL marketing team onto this canvas, has enabled them to leverage on existing synergies while building on new strategies, enabling TJL to present a unique innovation footprint to customers during this year. The positive feedback and results will see phase two of TJL Innovation Strategy actuate sleepwear and lounge-wear with brushing fleece technology, while also pursuing collaborations with active-wear clusters around the world.

Innovation remains at the core of TJL leadership strategy. This is the key to taking TJL beyond the regular and into a milieu of the exceptional. This is the ethos that will form the axis of its business strategy, making innovation the key to its quantitative and qualitative performance. TJL knows that innovation is an inherent strength in its and it will continue to fortify this facet of the TJL persona, as the Company firmly believes innovation drives the future sustainability of its business.

K360° the inclusive touch

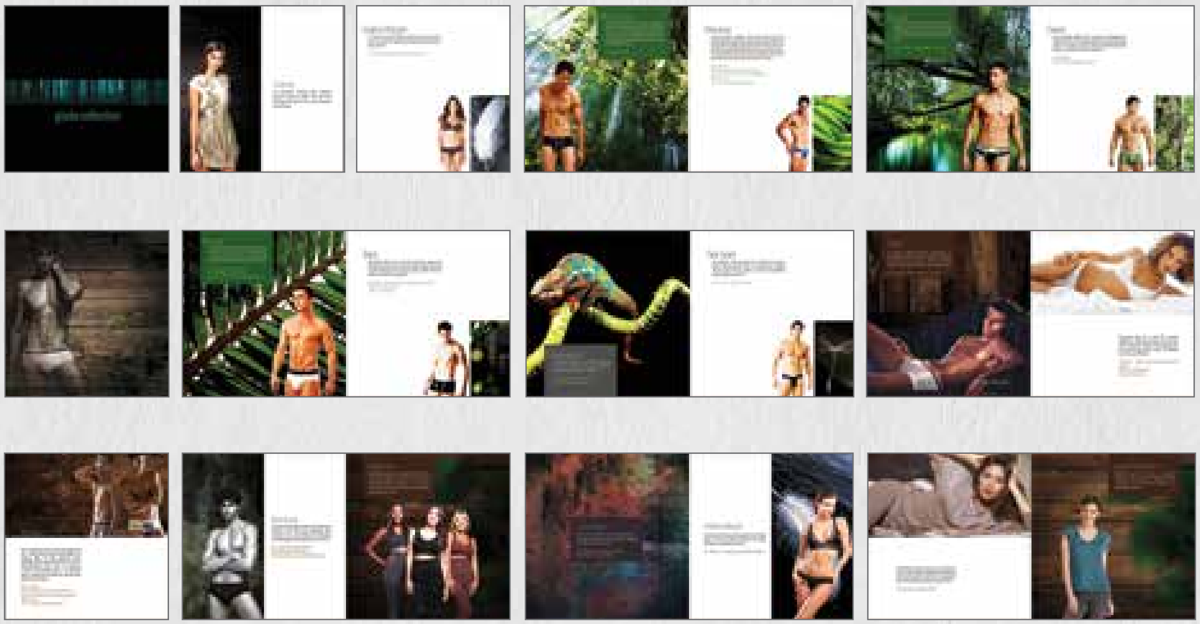
Ultracut the ulitimate cotton

Airylite

TranceSkin

Cleanweave

SEASONAL COLLECTIONS-13/14



DRIVING THE PHILOSOPHY OF SUSTAINABILITY

TJL BELIEVES IN AN ETHOS WHERE EQUAL CONSIDERATION IS GIVEN TO PEOPLE AND THE PLANET AS WELL AS ITS PRODUCTIVITY. ALL OUR ACTIVITIES AND PRODUCTION PROCESSES HAVE LAID TESTAMENT TO THIS PHILOSOPHY AND IN TURN WE HAVE BEEN LAUDED FOR OUR EFFORTS AS A CONSCIOUS AND SOCIALLY RESPONSIBLE ENTITY. FOR TJL, SUSTAINABILITY IS MORE THAN A CORPORATE BUZZ WORD. IT'S WHAT MAKES THIS COMPANY THE VANGUARD OF SUSTAINABILITY.

Sustainability

SUSTAINABILITY AT TJL IS ABOUT HOLISTICALLY BEING COMMITTED TO EACH OF ITS STAKEHOLDERS AND THIS INCLUDES THE ENVIRONMENT. WE ARE WELL AWARE THAT EACH OF OUR DECISIONS AND THE IMPACT OF THOSE DECISIONS WE MAKE HAS, EITHER A DIRECT OR INDIRECT CONSEQUENCE ON THE ECOSYSTEM AROUND US. HOWEVER, THIS IS NOT TO BE TAKEN IN ISOLATION BUT RATHER AS A CYCLE THAT IS INEXTRICABLY LINKED TO EACH OTHER, WHERE OUR STAKEHOLDERS AND TJL MUST BE EXTREMELY MINDFUL OF THE IMPACT MADE ON THE ENVIRONMENT. THIS IS A CONSCIOUSNESS THAT DOESN'T COME SIMPLY BY RULES OR REGULATIONS, BUT BY FEELING A DEEP COMMITMENT FOR DOING THE RIGHT THING.

Being Green

Our environmental consciousness is ingrained into the conduct of our business. It is the underlying ethos of TJL leadership strategy, where the Company has honed the art of leadership into conceptualising, designing, creating and innovating into an ecological canvas that presents us a definite blueprint for corporate stewardship. Being green at TJL goes way beyond the rhetoric; it is very simply, a way of life.

Being in the manufacturing industry, we do impact the environment around us, while also utilising natural resources in our regular business operations. This means that while business continues to grow, its carbon footprint too is impacted. This realisation led us to make 'being green' a business strategy, inextricably intertwined into our vision, mission and daily operations. Having introduced sustainable business practices initially, each year we have made it a conscious effort to strengthen those existing sustainable business practices, while initiating new best practices that will increase the Company's environmental accountability and social responsibility.

Green leadership has to be inherent; it is not a philosophy, strategy or thought process that can be implemented on the surface but one that must form the axis of an entity's accountable responsible conscience. At TJL, being green is very much a part of its persona, a uniquely identifiable characteristic that has set it apart as a leader, where the Company has paved the way for others to emulate, while continuing to chart new green paths that would form the blueprint for its 'green way' to do business.

This inherent commitment has led Company to instil a green framework. This is a framework that cascades its green consciousness from a top down approach, where top management takes leadership in ensuring that the impact on the environment through business is minimised. There is also a concerted effort to continually introduce best practices and raise the bar in our green actions. This approach is now a way of life at TJL,with each of our team taking ownership for their green actions and displaying immense responsibility and accountability individually and collectively. The results are now tangible, judged by the accolades, we have gained for our green practices and unique green projects. The fact that its green commitment has permeated beyond its team and into communities truly seals our sustainability leadership.

Having brought in the concept of triple bottom line reporting and moving into the Green Reporting space, TJL has made environmental and social sustainability an imperative foundation in its growth and leadership strategy.

Leadership in Sustainable Reporting

Being presented with the prestigious recognition of producing the Best Green Report in Sri Lanka in 2012 was truly a turning point in TJL green journey, because this accolade meant that its conscious efforts are not only infusing best practices but being accountable and responsible for its actions. The continuous commitment was further entrenched when TJL was promoted to Tier 03, firmly positioning us at the zenith of sustainable reporting among fabric mills.

The National Green Reporting Awards is a national initiative by the Central Environmental Authority of Sri Lanka to establish a vital framework to promote reporting of sustainability performance in industry and services sectors. Based on the Global Reporting Initiatives, the award methodology measures corporate activity against environmental, social and economic sustainability indicators. TJL is one of the few Sri Lankan companies to successfully instill the stringent Green Reporting System to report comprehensively on sustainable practices. Comprising 50 indicators, which includes 24 environmental indicators, 20 social indicators and six economic indicators, the system works on five tiers to measure industry or company reporting performance, at which TJL now reports at Tier 03 level.

Entrenching Green Leadership

The proudest moment in TJL's green calendar was when the Company was crowned the National Winner at the Energy Globe Awards 2014. This not only fastened its unwavering green conscience, but also put a spotlight on Sri Lanka and her ethical green environmental and social practices. TJL gained the most prestigious award at the ceremony namely for its project *"To Earth with Love"* for the best national project chosen from among 120 countries. The Awards, founded in 1999 by Austrian energy pioneer Wolfgang Neumann, is one of the most prestigious environmental awards and aims to reach out to a broader audience by highlighting the most successful sustainable projects around the world.

National recognition was also garnered by TJL with a Gold Award in the textile category at the National Green Awards 2013. The award, presented at a gala ceremony by HE The President of Sri Lanka, gives TJL the apt status of being a leader in sustainability, as acknowledged by the Central Environmental Authority which conducted the awards.

We have always maintained that green leadership comes from within and has to be driven by spearheads who are committed to being green, leaving no stone unturned to continue reducing its carbon footprint. Achievements this year was further augmented when one of those champions was honoured with a merit award for the Most Outstanding Energy Manager at the National Energy Efficiency Awards 2014. This well evidences the top end leadership that cascades to its team, who then takes ownership for the green initiatives the Company continually infuse.

TJL's resource efficiency initiatives were also recognised with a Merit Award at the Cleaner Production Awards, highlighting the efforts implemented in waste reduction and efficiency improvements, surely placing the Company as a leader in fabric mills in this arena.

Sustainability contd.

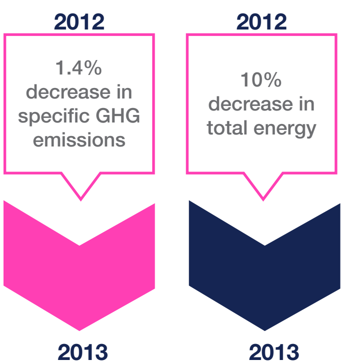
Rasika Gunewardene of TJL receiving the Merit Award at the National Cleaner Production Awards 2013

Spearheading Energy Conservation and Emission Reduction

Being in the manufacturing industry which itself is responsible for intensive use of energy and emission output, TJL has focused consciously on both these areas, as a measure of reducing its carbon footprint. Waste and energy management as well as pollution control is high on its green agenda and TJL have continually introduced initiatives that will instigate tangible positives into its operations. Company's energy conservation efforts have also been permeated around the locality of the factory, spreading its message of conservation beyond its immediate stakeholder segments.

Having worked on a concerted initiative to reduce energy consumption at TJL for the past two years, the results have been extremely rewarding. Electricity consumption reduced by 5% per meter of fabric delivered, furnace oil requirements reduced by 1% and total energy consumption declined by a noteworthy 10%.

Concurrently, GHG emissions have also been monitored, with specific focus on scope 01 and 02 emissions. We set yet another landmark in environmental impact assessment in Sri Lanka by producing the first independently audited GHG Emissions Report. This pioneering effort conforms to the very stringent standards inbuilt into the ISO 14064-1 standard, which presented TJL with a reasonable level of assurance in early 2013.



Best Project Award at the Energy Globe Awards 2013 - 'To Earth With Love'

Another satisfying aspect in TJL producing this GHG Emissions Report is that it has now become a role model for other entities to emulate in monitoring and managing their carbon footprint. TJL is proud to be the pioneer in placing the first step to enable Sri Lanka to declare its carbon footprint in the global landscape.

Uniquely Impactful – "*To Earth with Love*"

Our green message this year was cascaded very strongly to another segment of our stakeholders, the country's future leaders, young school children. Based on the theme of building generations who will commit for environmental protection and sustainability, TJL's *"To Earth With Love"* commemorated World Environment Day. Collating leading schools located in proximity to TJL, the simple task of increasing Sri Lanka's forest cover through the planting of saplings was given the added dynamic of sustainability.

The difference in this project was that once the saplings were planted, growth was closely monitored and for those students who did exceptionally well with their plants were rewarded. The intention of this programme was two fold – to create an environmental consciousness among future generations on ecological issues that are confronting the earth as well as permeate the ethos of responsibility and discipline.

This project is doubly unique because it is the first such to have been implemented in Sri Lanka among young students, paving the way once more, for its leadership to be emulated by others. We intend continuing this initiative into the future, undertaking the responsibility of spurring that eco-consciousness into younger generations. For these efforts, Company was on honoured with the Best Project Award at the Energy Globe Awards 2014 for "*To Earth With Love*", chosen from among 120 countries around the world.

Writing the Second Chapter of Earth Hour

The global initiative of Earth Hour, which has the participation of millions across the world, has seen TJL taking the concept that much further than simply switching off electricity for just one hour. Having added the honour of being named a National Partner of Earth Hour Sri Lanka (EHSL), TJL pledged switching off electrical implements during Earth Hour, but augmented this action by going *'beyond the hour'*. This meant moving the entire ethos of Earth Hour beyond the TJL premises and into the community, giving its team the responsibility of being Earth Hour messengers. They spearheaded the campaign of cascading Earth Hour Textured Jersey (EHTL) into the TJL's annual sustainability campaign and to the wider spectrum of stakeholders, another pioneering initiative in sustainability by any corporate in Sri Lanka.

Sustainability contd.

During the 'Earth Hour'- TJL Campaign in Galle

Last year, it was in Ratnapura that TJL debuted its Earth Hour campaign and this year, the busy metropolis of Galle town was selected. With the team in full complement, TJL took the message of Earth Hour and extended it beyond the traditional hour to a few hours. Judged by the positive response and encouragement received by the public, next year's Earth Hour will see another chapter of the EHTL being etched in another popular town, touching as many people as can through our conservation message.

Imbuing Astute Waste Management and Renewable Energy Options

Reducing the carbon footprint also requires TJL to take a closer look at the internal systems and processes that lead our manufacturing blueprint. Having always been cognizant that waste management is central to having a holistic green ethos, TJL has continually raised the bar in better waste management and looked at renewable energy sources as alternatives for energy use. All factory-generated effluents are treated in a comprehensive two stage process of chemical waste treatment within the factory treatment section and then, in undergoing biological treatment located in the investment zone's effluent treatment system.

TJL also recycles and reprocesses raw material cotton products and white and grey yarn, while re-using packing material and polythene packs.

In a pioneering effort, TJL focused on alternative energy sources that now include a bio-gas generation project utilising kitchen food waste. This energy source is re-used for cooking purposes in the canteen. The Company now produce over 150kg of LPG equivalent bio-gas, which is a significant contribution towards our total energy usage.

Rasika Gunawardana of TJL receiving a Merit Award at the Energy Efficiency Awards 2013

Creating Responsible Partnerships

Given its strong and award winning philosophy in being a *Green Leader*, TJL is very conscious of forging partnerships and collaborations with like minded institutions. The Company believes that being green is a two way learning process, in which TJL can gain knowledge on conservation and better ecological practices, while also sharing that knowledge and practices with its valued business partners. We have thus etched a presence as a preferred supplier among numerous entities, both here and abroad, with our customers, some of the most renowned brands in the world, acknowledging our efforts and even emulating some of them.

While we continue to add value to our customers' green initiatives, as exampled in TJL's leading contribution into M&S Plan A, we have ensured that we exceed our compliance footprint both in a local and global context. In Sri Lanka, the Central Environmental Authority which champions green manufacturing processes, did add some laurels to TJL's crown including the National Green Awards. Knowing that the CEA's ethos is well aligned to TJL's green vision, we collaborated further with the CEA to clean the sacred site of Adam's Peak and its locale, being named the official sponsor for this initiative.

PEOPLE & COMMUNITY

People & Community

Stakeholders form an integral facet in TJL leadership strategy, a facet that it holds very close to its corporate conscience. People, both within its organisation and those surrounding in the communities in which we do business, remain the axis upon which the business functions and grows. At TJL, people are its lifeblood, those who push the Company to reach out to horizons that may be difficult and sometimes even impossible. But the team possesses an amazing entrepreneurial and innovative spirit that has truly made the Company an unparalleled legion, champions of true corporate stewardship that enabled the Company to meet its goals and objectives with prowess, strength and energy. It is this unrelenting triad that cascades to the community.

An Energised Team; the Secret to Our Success

The team is the energy that fuels our vision, mission and strategy and it is they who ensure that our goals are met, even though these may be ambitious or challenging. In these years, we have marched upwards to reach a zenith of leadership that is all attributed to this energetic force, a team that has taken ownership of our vision and will not rest until TJL does become a regional leader, standing tall among the top renowned brand names in this region.

But leadership must be continually honed, improved upon and developed. We have seen members of our team ably showcase their prowess in various competencies, empowered by targeted learning, training and development initiatives that equip them with knowledge, skills and tools to become leaders. Using the knowledge and competencies they have garnered, they make for a powerful force in steering TJL towards the vision it has set for itself, innovating and pioneering as the journey progresses and ensuring that TJL retains its unique brand of customer centricity. It is this that propels TJL into mapping out a pragmatic strategy that creates a blueprint for absolute leadership in the region.

The art of leadership practiced at TJL therefore presents our team with choices that will enhance their career aspirations, while retaining sight of the Company's vision. By developing and moulding leaders, TJL has developed a competent, committed, dynamic, motivated and empowered workforce whose focus is not simply on quantitative results, but also accents on the more intangible areas of social intervention with communities and environmental preservation and conservation.

TJL team is constantly immersed in a knowledge gaining culture and the learning for all strategy employed by TJL is clear and comprehensive, focused on mastering the pillars of leadership, professional expertise and technical expertise. Knowing full well that the milieu the Company operates in can be intensely competitive, this knowledge culture is added to with motivational and inspirational initiatives, preparing them with attitudinal transformations to meet challenges that may ensue.

People & Community contd.

TJL Academy - Learning for All - Learning & Development at TJL

It is this focus on ensuring that we have the right people for the right job and instilling in them the culture of leadership that has seen TJL possess one of the best teams in the industry. Working within a safe environment that incorporates internationally recognised safety mechanisms and policies, strives for a 'zero lost workday incident' milieu and continue to add strategies that will make TJL a safer working environment. Some of its safety initiatives have now gone beyond the TJL locale and into the homes and communities surrounding TJL.

Our commitment to the team therefore has also detailed a labour turnover being maintained at an impressive low of below 1.4%, with absenteeism being lower than 2%, both of which are among the best in the industry.

Training for the Future

The Learning for All culture is championed by the *TJ Academy* with a comprehensive HRD Plan that takes into account individual talents and skills, collective dynamism, passion and overall alignment to company goals and objectives. Focusing on the three pronged areas of T&D, leadership, professional expertise and technical expertise, TJL uses these trusses to motivate the TJL Team to reach up and beyond, despite an intensely competitive operating environment.

Leadership training focuses on identifying our Next-Gen leaders, developing them with requisite knowledge and skills to think and act strategically, while contributing to the long term objectives of the Company. They will be honed to think on their feet and make decisions that are timely, effective and strategic, always mindful of the evolving external environment. Coaching and mentoring is a well ingrained feature in this part of the training.

Technical training forms an integral force in ensuring that TJL's technical expertise is retained at leading levels. A well planned T&D strategy infuses programmes that would bridge the gaps existing in knowledge and current technical know-how, urging team members to enhance productivity and efficiency in their individual performances. This is well embedded into an environment that builds a united and well collated team effort to enable TJL to continue etching its leadership presence.

Developing soft skills to give members of our team an edge is the feature propelling professional training. Our aim is to develop them into holistic well rounded professionals who are highly knowledgeable and yet, have the ability to adapt and adopt new thinking strategies. Personal attributes are identified and honed, aligned to TJL's requirements, enabling a seamless transition in succession planning.

Outbound Leadership Training for Employees

These concerted efforts have seen a significant increase in the training hours per person, averaging 39 hours for Executives and above grades and 14 hours for staff and Associates. Investment into human capital has also seen noteworthy increase of 35% which further cements its commitment to having a team that truly encompasses leaders. The *TJ Academy*, one of the most innovative training collectives that leads T&D, continues to analyse and study emerging paradigms that would need to be introduced to create a more empowered knowledge gaining culture within TJL.

Collaborations that drive Knowledge

The ground-breaking consultancy contract with OCI adds another dimension to our HRD sphere. Given our winning team, we focus significantly on top end development, sourcing the best regional resources and apt programmes to maximise on our inherent talent. Global training opportunities thus will strengthen knowledge capabilities emanating from this OCI partnership adding fillip through expertise, industry knowledge and competencies into our HR equation. Hence, exposure gained through foreign employment experience has seen over 20 TJL team members now been imbibed within the OCI partnership, consulting and sharing expertise industry knowledge and competencies. We believe this exposure will be well expanded, at least doubling the number of our team members consulting with OCI in the next year.

Cascading knowledge for empowerment forms an integral part of our people interventions as seen in the relationship we have garnered with the University of Moratuwa. Our leadership initiatives have been reiterated with an MOU for a more collaborative relationship with the young graduates studying within its portals. TJL already works very closely with the qualifying graduates of the University of Moratuwa, supporting them at the Annual Graduates' Fashion Show for those following the B.Sc in Fashion Design and Clothing Technology at the Department of Textile and Clothing.

Open Dialogue

Employee engagement is integral to the success of our business and forms a strong base in enabling the Company to entrench our leadership status. The art of leadership imbues a sense of differentiation, where meritocracy, high ethics and principles, values and a culture of non-discrimination in any form construct the basic foundation for good employee relations. Tremendously valuing and respecting the wisdom and experience we have within our team members, especially those long stay team members, we also focus on engaging the younger generation to augment our strategy, with new ideas and thinking processes. It is this balanced combination that enables TJL to strengthen its successful blueprint. Loyalty and commitment remains a

Brandix 'Star of the Year' - Janak Madushan of TJL Awarded as the 'Employee of the Year'

Long Service Awards - Gratitude with Gold for Long Service at TJL

feature that's much valued at TJL and long service members are rewarded with gold sovereigns for service records spanning over five and ten years.

Our new initiative, HR representation on the production floor has been one of the vital conduits in enhancing our open dialogue culture. This proactive initiative enables any Associate from the shop floor to speak with the members of the HR team who visit the production floor regularly. We have observed a number of discussions that have ensued and implemented solutions that would create a more productive and efficient environment, including better work/life balance strategies.

The *'Employee of the Year'* competition highlights employee suggestions that have benefited TJL, while this year, the employee suggestion scheme was further enhanced enabling TJL to appreciate employee suggestions more regularly.

Creating a Holistic Team

TJL have always maintained a strong conscience in maintaining a good work/life balance for its team. Each of the decisions taken by us to enhance our team's productivity, efficiency and on the other end of the spectrum motivation and passion to work at TJL has seen ample rewarding results. Two of these are the positive results seen in the Climate Survey and the Great Place to Work survey conducted recently.

In instilling a good work/life balance into our HR equation, the Company continues to instigate camaraderie, unity and team spirit throughout the year. A new year welcome is always on the calendar for the first working day of the year, while traditional new year celebrations and other religious and cultural festivals are celebrated with great enthusiasm. Annual excursions, tea-break sessions, get-togethers and inter-department sports events add to the lustre of employee engagement.

Always espousing extracurricular activities as a vital facet in creating well rounded individuals, at TJL we encourage our team to participate in sporting activities, in which they have characteristically excelled. TJL launched Mercantile Cricket eight years ago, in a bid to encourage sporting talent, especially with those from the outstations. Having seen the abundance of talent emerging from these outstation team members, we are continually seeking more youth who will add fillip to our sporting prowess. This year, TJL and MAS Unichela were joint winners of the *Emerald Tea Trophy* in the MCA 'B' Division 50-over-League Tournament, with TJL's Nalaka Amarakoon adding another laurel as the Best Bowler in the tournament.

Cricket Team of TJL at the MCA 'B' Division 50 over League Tournament

TJL volleyball team now proudly stands among the first six teams in the Mercantile Super League category.

As One with Our Community

Similarly, the interventions with our community remains highly proactive with education being focused on as the tool for the future. Our communities now look towards us for leadership, knowing well that with our participation and engagement, these communities can be uplifted, developed and empowered.

As is mentioned in our Sustainability Report, an international award winning initiative, *"To Earth With Love"* was instigated to create awareness among young students on environmental conservation, the imperative need for increase in forest cover, the advantages that emanate from such actions and to inculcate responsibility in preserving and conserving the environment. This project was begun with schools around our factory locale in Avissawella, a location that remains very close to our heart given that this is a community that has truly been a vital stakeholder in the success of our business.

Very enthusiastic on encouraging knowledge gleaning among students and promoting children to empower themselves through knowledge, TJL donated school books to team members children in grades 1 to 5. With technology being the axis of development, TJL also promoted IT among children as well, by presenting President's College Awissawella and Arukgammana Junior School, Kotiyakumbura with IT laboratories.

In addition to these interventions with schools, the Company also visits the Jayawiru Home for the mentally challenged each year, making contributions that would make these special people's lives better. In addition a blood donation campaign which had a donation of over 200 pints was conducted for patients at the Base Hospital Avissawella. TJL also contributed towards infrastructure development of the Manikkawatte temple, while presenting much needed requirements for the physically challenged soldier's resident in the Kuruwita camp. The Methmihira orphanage in Koralawella, Moratuwa for mentally challenged children who engage in the production of handicraft was also assisted by our team, with the provision of raw material.

Our social interaction extends to environmental intervention as exampled with To Earth With Love. But there are other projects we have been working on to ensure a cleaner greener environment. Devotees to Adam's Peak for instance would have been inspired by the cleaner more serene environment around them due to TJL having joined the Central Environmental Authority to clean the vicinity of the peak and the sacred area.

People & Community contd.

TJL CSR - School Books Distribution, Supporting Education

TJL CSR - New Year with "Jayawiru Home"

TJL has undoubtedly stamped its corporate stewardship in multi-faceted realms, which has given an enviable position as a role model to be admired by its stakeholders. And this therefore points once more to our own unique brand of leadership, an art that is pure and simple but one that must be practiced without ambiguity. Our clear focus adds impetus to our people, both the team and the community, enabling them to become leaders in their own right, while contributing their positives to give us the ability to reach towards that regional leadership, which is now well entrenched within our psyche.

GRADUATION FASHION SHOW 2014 BY THE GRADUATES OF FASHION DESIGNING - UNIVERSITY OF MORATUWA

Corporate Governance

Corporate Governance refers to the framework through which the relationships between all the stakeholders in a company are maintained. The key stakeholders include the shareholders, directors, and management of a company, as defined by the corporate charter, by laws, formal policy and rule of law. Also included are community, customers, suppliers, employees and other related institutions such as Customs, BOI, and other government entities.

Corporate governance forms a core part of the corporate philosophy of TJL. For TJL, good governance is a pursuit that provides the framework for sustainable growth of the business. TJL strives to ensure that Company meets with the highest ethical standards in corporate conduct.

The Board of Directors, led by the Chairman, is responsible for the good governance of the Company. At TJL, the Company has chosen to follow a collection of best practices on Corporate Governance jointly issued by the Institute of Chartered Accountants Sri Lanka (ICASL) and the Securities and Exchange Commission (SEC) issued in July 2008 and revised in 2011, Colombo Stock Exchange (CSE) listing rules, the requirements of BOI and statutory obligations. These best practices of Corporate Governance are being adopted and are being implemented/ inculcated into business processes. Employees are actively involved in planning and implementing the processes that are required to meet Corporate Governance Best Practices individually and as teams with clear roles and responsibilities. The compliance to statutes is reported to the Audit Committee quarterly. At the date of this annual report, the Company is compliant with the Corporate Governance Rules 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 and revised in 2011.

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
A: DIRECTORS		
Principle A.1 - THE BOARD: Every public company should be headed by an effective Board, which should meet regularly, direct, lead and control the Company.	Compliant	TJL PLC is headed by an eight member Board of Directors of which two are Independent Directors.
A1.1 Frequency of Board Meetings	Compliant	The Board meets at least once a quarter.
A1.2 The Board's role is to provide entrepreneurial leadership of the Company within a framework of prudent and effective controls which enables risk to be assessed and managed.	Compliant	Board provides leadership to the Company, monitors risk management and ensures that oversight is maintained over high risk areas.
Principle A.2 - CHAIRMAN AND CHIEF EXECUTIVE OFFICER (CEO): There are two key tasks at the top of every public company – conducting of the business of the Board, and facilitating executive responsibility for management of the Company's business. There should be a clear division of responsibilities at the head of the Company, which will ensure a balance of power and authority, such that no one individual has unfettered powers of decision.	Compliant	The Board provides the leadership and direction. The CEO is responsible for the day to day operations of the business.
Principle A.3 - CHAIRMAN'S ROLE: The Chairman's role in preserving good Corporate Governance is crucial. As the person responsible for running the Board, the Chairman should preserve order and facilitate the effective discharge of Board functions.	Compliant	Chairman facilitates the effective discharge of Board functions.

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
Principle A.4 - FINANCIAL ACUMEN: The Board should ensure the availability within it of those with sufficient Financial acumen and knowledge to offer guidance on matters of finance.	Compliant	Persons with financial acumen are available in the Board.
Principle A.5 - BOARD BALANCE: It is preferable for the Board to have a balance of Executive and Non-Executive Directors such that no individual or small group of individuals can dominate the Board's decision-taking process.	Compliant	The Board consists of Two Independent Non-Executive Directors and Five Non Independent Non-Executive Directors and one Executive Director(CEO).
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.	Compliant	The Board is provided with timely information seven days before each Board meeting.
Principle A.7 - APPOINTMENTS TO THE BOARD: There should be a formal and transparent procedure for the appointment of new Directors to the Board.	Compliant	This is done as per Articles of Association.
Principle A.8 - RE-ELECTION: All Directors should be required to submit themselves for re-election at regular intervals and at least once every three years.	Compliant	This is done as per Articles of Association.
Principle A.9 - APPRAISAL OF BOARD PERFORMANCE: Boards should periodically appraise their own performance in order to ensure that Board responsibilities are satisfactorily discharged.	Compliant	
Principle A.10 - DISCLOSURE OF INFORMATION IN RESPECT OF DIRECTORS: Shareholders should be kept advised of relevant details in respect of Directors.	Compliant	Shareholders are advised of the relevant qualifications and details of directors.
Principle A.11 - APPRAISAL OF CHIEF EXECUTIVE OFFICER (CEO): The Board should be required, at least annually, to assess the performance of the CEO.	Compliant	Board assesses the performance of the CEO.
CSE.7.10.2.b The board shall require each non-executive director to declare annually his/her independence against the specified criteria.	Compliant	All Non-Executive Directors have declared their independence in writing.
B: DIRECTORS' REMUNERATION		
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.	Compliant	The Board consists of a Remuneration Committee which decides on Executive Remuneration.

Corporate Governance contd.

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
Principle B.2 - THE LEVEL AND MAKE UP OF REMUNERATION: Levels of remuneration of both Executive and Non-executive Directors should be sufficient to attract and retain the Directors needed to run the Company successfully. A proportion of Executive Directors' remuneration should be structured to link rewards to corporate and individual performance.	Compliant	The Company follows a performance based incentive culture at all levels.
Principle B.3 - DISCLOSURE OF REMUNERATION: The Company's Annual Report should contain a Statement of Remuneration Policy and details of remuneration of the Board as a whole.	Compliant	The Remuneration Report in the annual report contains a statement on the Remuneration Policy and details of remuneration of the Board are given in notes to the accounts.
C: RELATIONS WITH SHAREHOLDERS		
Principle C.1 - CONSTRUCTIVE USE OF THE ANNUAL GENERAL MEETING (AGM): Boards should use the AGM to communicate with shareholders and should encourage their participation.	Compliant	
Principle C.2 - COMMUNICATION WITH SHAREHOLDERS: The Board should implement effective communication with shareholders.	Compliant	A contact person for all investor related matters is communicated through the Annual Report who is a member of the Board of Directors.
Principle C.3 - MAJOR AND MATERIAL TRANSACTIONS: Further to complying with the requirements under the Companies Act, Securities and Exchange Commission law and Colombo Stock Exchange regulations; as applicable, Directors should disclose to shareholders all proposed material transactions, which if entered into, would materially alter/vary the Company's net assets base or in the case of a Company with subsidiaries, the consolidated group net asset base.	Compliant	All contingencies and capital commitments for future periods are disclosed in the Notes No. 25 and 26 of Notes to the Financial Statements.
D: ACCOUNTABILITY AND AUDIT		
Principle D.1 - FINANCIAL REPORTING: The Board should present a balanced and understandable assessment of the Company's financial position, performance and prospects.	Compliant	An assessment of the financial position of the Company is included in the Annual Report of the Board of Directors.
Principle D.2 - INTERNAL CONTROL: The Board should have a process of risk management and a sound system of internal control to safeguard shareholders' investments and the Company's assets.	Compliant	The Board facilitates the risk management process and is collectively responsible for the control environment prevailing within the organisation. Board oversight is achieve through the Internal Audit function.

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
Principle D.3 – AUDIT COMMITTEE: The Board should establish formal and transparent arrangements for considering how they should select and apply accounting policies, financial reporting and internal control principles and maintaining an appropriate relationship with the Company's Auditors.	Compliant	The board of directors maintains a formal and a transparent relationship with the external Auditors. Board ensures that accounting policies are consistent with previous years unless a change is required by changes to Financial Reporting Standards in which case changes are specifically stated in the Auditors Report. Audit Committee which meets the formulation requirements is governed by an Audit Charter. The Audit Committee ensures the continuous review of the scope and results of the audit and its effectiveness, and the independence and objectivity of the Auditors.
Principle D.4 - CODE OF BUSINESS CONDUCT & ETHICS: Companies must adopt a Code of Business Conduct & Ethics for directors and members of the senior management team and must promptly disclose any waivers of the Code for directors or others.	Compliant	Code of Business Conduct and Ethics are available and is followed by the Directors and the Management.
Principle D.5 - CORPORATE GOVERNANCE DISCLOSURES: Directors should be required to disclose the extent to which the Company adheres to established principles and practices of good Corporate Governance.	Compliant	Adherences to Corporate Governance Best Practices are disclosed in this area.
E: INSTITUTIONAL INVESTORS		
Principle E.1 - SHAREHOLDER VOTING: Institutional shareholders have a responsibility to make considered use of their votes and should be encouraged to ensure their voting intentions are translated into practice.	Compliant	
Principle E.2 - EVALUATION OF GOVERNANCE DISCLOSURES: When evaluating Companies' governance arrangements, particularly those relating to board structure and composition, institutional investors should be encouraged to give due weight to all relevant factors drawn to their attention.	Compliant	
F: OTHER INVESTORS		
Principle F.1 - INVESTING/ DIVESTING DECISION: Individual shareholders, investing directly in shares of companies should be encouraged to carry out adequate analysis or seek independent advice in investing or divesting decisions.	Compliant	All individual shareholders are provided with adequate information on the performance of the company thereby encouraging them to analyse their investments adequately.
Principle F.2 - SHAREHOLDER VOTING: Individual shareholders should be encouraged to participate in General Meetings of companies and exercise their voting rights.	Compliant	All individual shareholders are sent due AGM notices well in advance encouraging them to exercise their voting rights.

Corporate Governance contd.

Corporate Governance Principle	Compliance Status	TJL PLC's Compliance
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	Compliant	Sustainability reporting is achieved through Reporting under National Green Reporting System of Sri Lanka. Please refer the Section on Sustainability in this Annual Report for further details on sustainability related initiatives.

Enterprise Risk Management

Enterprise Risk Management is the process of understanding and managing the risks that are faced by an entity in attempting to achieve its objectives. The Company is practicing an Enterprise Risk Management framework that is in line with the Enterprise Risk Management (ERM) process of one of its parent companies Brandix, through the implementation of the 10 step ERM process followed by Brandix group companies. The Risk Model which is the outcome of the ERM process is reviewed by Audit Committee and other Board Directors. The 10 Step ERM process practiced annually is given below.

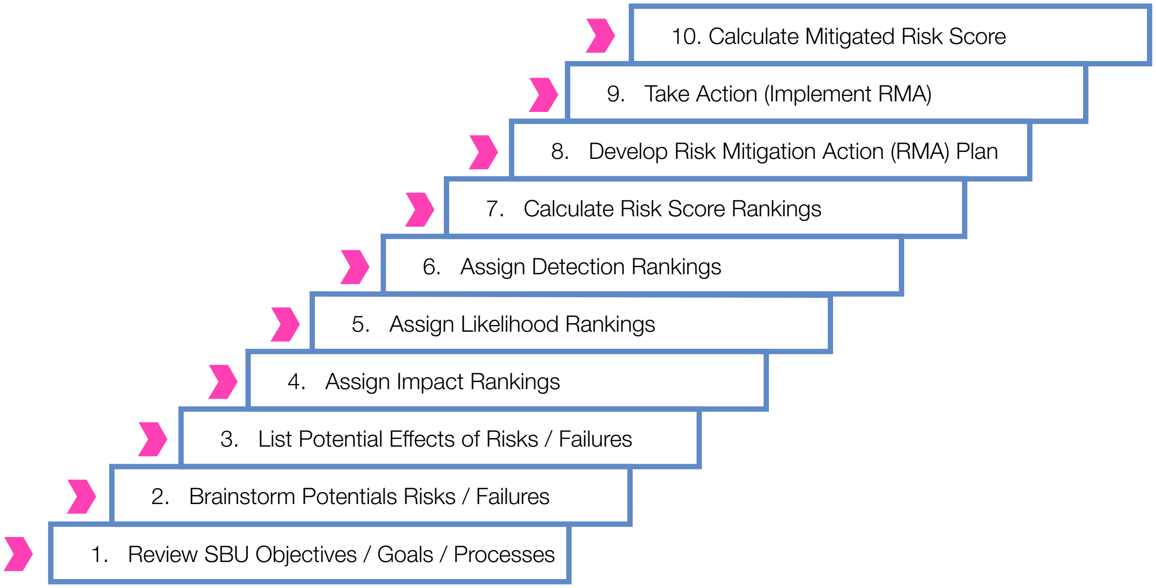


Figure 1 : 10 Step Enterprise Risk Management Model

During the ERM process, the management attempts to understand the risk profile of each risk through an assessment of the detectability of occurrence, likelihood of exposure and the impact of each risk. Risks that would hinder the achievement of corporate objectives are identified and brainstormed to arrive at the possible impact ranking, likelihood of the occurrence (ranking) of the risk and the probability of detection which variable is negatively correlated to the detection ranking. Thereafter, the risk score is calculated to arrive at the ranking of the risk in order to prioritise the risk mitigation actions. During execution of the actions to mitigate the risk, once sufficient work had been done to reduce the impact, detection or occurrence of the risk, the relevant number is reduced so that the risk score is reduced.

Risk assessments of all major projects are also carried out in the same manner including subsequent identification of risk mitigation action and implementation of same.

As a result of the implementation of ERM process, risks falling into risk categories listed below were identified as having high risk scores.

Corporate Risks

Under Corporate Risks, the management has identified the following risks as significant for consideration and mitigation;

- Corporate Performance Risk: Risk of ‘Company failing to achieve corporate objectives whilst maintaining corporate reputation’
- Stakeholder Reputation Risk: Risk of ‘Company failing to deliver stakeholder expectations’
- Competition /Industry Risk: Risk of ‘Threats to margins, loss of market share due to severe price competition’

Enterprise Risk Management contd.

- Regulatory/Compliance Risk: Risk of generating negative goodwill, penalties or other action due to non-compliance
- Investment Risk: Risk of not making adequate capacity related investments to expand capability and plant capacity, risk of externalities affecting the realisation of benefits of capital investment in CHP Plant

Operational Risks

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

- Capacity Risk: Risk of failing to accommodate customer requirements due to capacity constraints, failing to fill capacity
- Energy Cost Escalation Risk: Risk of increasing energy costs
- Socio-Economic Risk: Risks associated with operating in the current socio-economic environment
- Political Risk: Risks associated with operating in the current political environment
- Environmental Risk: Risks associated with environmental emissions and the related risks due to regulations, perceived threats, etc.
- Business Risk : Risk of not being able to operate above Break Even capacity and generate planned profits
- Claims Risk : Risk of claims, penalties, rebates etc. due to operational issues or failures
- IT Systems Failure Risk: Risk of IT systems not being available to support the operation
- HR Risk: Risk of employees not supporting the operations plan
- Fraud Risk : Risk of fraud resulting in losses
- Procurement Risk: Risk of procuring items that are not required, risk of paying higher than normal prices, risk of getting poor quality supplies, risk of not using demand based procurement, risk of excessive stock level that result in high write-offs
- Reputation Risk: Risk of generating negative perception due to operational issues
- Liquidity Risk: Risk of not being able to generate a positive cash flow
- Market Risk : Risks associated with the demand for the end product
- Inventory Risk: Risk of carrying Finished Goods inventory that is not saleable, Raw Materials or Work In Progress inventory that is not usable or obsolete

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

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

Audit Committee Report

Role of the Audit Committee

The role of the Audit Committee is to perform the Board oversight function in relation to the Financial Reporting process and its integrity as well as ensure the adequacy and the effectiveness of the internal control environment and the risk management system, monitoring of compliance with the standards, laws and regulations, ensure the independence of the external audit process and the adequacy and performance of the internal audit function of the organisation.

Process

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

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

Composition

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

Members of Audit Committee (2013-14)

Mr. Amitha Gooneratne – Chairman of Audit Committee and Independent Non-Executive Director
Prof. Malik Ranasinghe – Member of Audit Committee and Independent Non-Executive Director
Mr. Wing Tak Bill Lam – Member of Audit Committee and Non-Executive Director

Engagement

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

Table: Attendance at Audit Committee Meetings

Audit Committee Member	3 May '13	11 June '13	23 July '13	14 Aug '13	29 Oct '13	24 Jan '14
Mr. Amitha Gooneratne	√	√	√	√	√	√
Prof. Malik Ranasinghe	√	√	√	√	√	√
Mr. Wing Tak Bill Lam	√	-	√	-	√	√

A meeting was held with the External Auditors in June 2013 to discuss matters arising from External Audit Engagement. Audit Committee monitored Enterprise Risk Management Process and reviewed the key risks identified in the Risk Model during a dedicated meeting in August 2013. 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 internal controls including areas to be audited. The Audit Committee reviewed the internal audit findings and the implementation of agreed remedial measures to improve the control environment.

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

Audit Committee Report contd.

An independent firm of Accountants was engaged to conduct a special inventory review with full coverage of all inventory categories. The Audit Committee reviewed the results of this stock count which the Company plans to undertake every year.

Financial Reporting

The Audit Committee has reviewed and discussed the quarterly and annual financial statements of the Company prior to publication with management and the external auditors, including the extent of compliance with Sri Lanka Accounting Standards, the appropriateness of its accounting policies and material judgmental matters. The year under review is the second 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 2013-14 under review.

Mr. Amitha Gooneratne
Chairman of the Audit Committee

Remuneration Committee Report

Objective

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

Composition

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

Members of Remuneration Committee (2013-14)

Prof. Malik Ranasinghe – Chairman of Remuneration Committee and Independent Non-Executive Director
Mr. Amitha Gooneratne – Member of Remuneration Committee and Independent Non-Executive Director
Mr. Mohamed Ashroff Omar – Member of Remuneration Committee and Non-Executive Director

Remuneration Package and Benefits for Employees

The remuneration package of employees consists of a fixed component which is made of Basic Salary and Allowances and a variable component which is made of various incentives and annual bonus. The employees enjoy other benefits such as Meals, Medical Insurance and common transport.

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 7 to the financial statements.

Conclusion

The remuneration committee is satisfied that the Company follows appropriate remuneration policies in order to attract and retain employees with appropriate 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 performance appraisal, career development, rewards and recognition processes in place provide a reasonable assurance that the Company's human capital is safeguarded.

Prof. Malik Ranasinghe
Chairman – Remuneration Committee

Annual Report of the Board of Directors

Annual Report of the Board of Directors for the year ended 31 March 2014

The Board of Directors of Textured Jersey Lanka PLC (“the Company”) has pleasure in presenting to the shareholders their report together with the audited financial statements of the Company for the year ended 31 March 2014.

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

The Board of Directors approved the financial statements on 30 June 2014.

Nature of the Business of the Company

The nature of the business of the Company is given in Note 1 to the financial statements on page 91 of the annual report.

Financial Statements

The financial statements of the Company for the year ended 31 March 2014 which include the statements of income and other comprehensive income, statement of financial position, statements of changes in equity, statement of cash flows and the notes to the financial statements are set out on pages 86 to 121 of the annual report.

Independent Auditor’s Report

The Independent Auditor’s Report on the financial statements is given on page 85 of the annual report.

Changes in Accounting Policies

The accounting policies adopted by the Company have been consistently applied from previous year except for adoption of LKAS 19 - “Employee benefits” . The significant accounting policies adopted in the preparation of financial statements are given on page 91 to 103 of the annual report.

Review of Business

The state of affairs of the Company as at 31 March 2014 is set out in the statement of financial position on page 88 of the annual report.

Property, Plant and Equipment

The movements in property, plant and equipment during the year are set out in Note 14 to the financial statements.

Market Value of Properties

The Directors are of the opinion that the carrying amount of properties stated in Note 14 to the financial statements reflects their fair values.

Reserves

Total reserves and their composition are set out in the statement of changes in equity on page 89 of the financial statements.

Directors

The Board of Directors of the Company consists of eight Directors as at end of the financial year with wide financial and commercial knowledge and experience. The following were the Directors of the Company as at 31 March 2014:

Mr. Wing Tak Bill Lam - Chairman and Non-Executive Director
Mr. Sriyan Joseph de Silva Wijeyeratne - Managing Director
Mr. Mohamed Ashroff Omar - Non-Executive Director
Mr. Hasitha Premaratne - Non-Executive Director
Mr. Kang Po Tsang - Non-Executive Director
Mr. Wai Loi Wan - Non-Executive Director

Mr. Amitha Lal Goonarathne - Independent Non-Executive Director
Prof. Malik Kumar Ranasinghe - Independent Non-Executive Director

Dr. King Man Clement Lam resigned from the Board with effect from 28 June 2013. The Board wishes to place on record the Company's sincere appreciation of the services rendered by Dr. King Man Clement Lam.

Mr. Sriyan Joseph de Silva Wijeyeratne was appointed to the Board with effect from 01 November 2013 and Mr. Wai Loi Wan with effect from 06 August 2013. In terms of article 27 (3) of the Articles of Association of the Company, Mr. Sriyan Joseph de Silva Wijeyeratne and Mr. Wai Loi Wan will offer themselves for re-election at the forthcoming Annual General Meeting.

Interest Register

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

Director's Interest in Shares

Shareholding of the Directors as at 1 April 2013 and 31 March 2014 is as follows:-

Name	1 April 2013	31 March 2014
Mr. Wing Tak Bill Lam	Nil	Nil
Mr. Sriyan Joseph de Silva Wijeyeratne	N/A*	Nil
Mr. Mohamed Ashroff Omar	Nil	Nil
Prof. Malik Kumar Ranasinghe	Nil	Nil
Mr. Amitha Lal Gooneratne	Nil	Nil
Mr. Kang Po Tsang	Nil	Nil
Mr. Wai Loi Wan	N/A*	Nil
Mr. Hasitha Premaratne	40,000	40,000

*Appointed to the Board with effect from 06 August 2013 and 01 November 2013 respectively.

Director's Interest in Transactions

The Directors of the Company have made general disclosures provided for in section 192 (2) of the Companies Act No. 07 of 2007. The Directors' interests in contracts and proposed contracts with the Company, both direct and indirect, are set out in Note 31 to the financial statements.

Director's Remuneration and Other Benefits

The remuneration and other benefits of the Directors are given in Note 7 to the financial statements on page 103 of the annual report.

Risk Management

The Board has instituted an effective and comprehensive system of internal controls covering financial operations, compliance control and risk management required to carry on the business of the Company in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records.

Corporate Governance

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

Annual Report of the Board of Directors contd.

Stated Capital

The stated capital of the Company amounts to LKR 2,797,229,000 (USD - 28,624,940) consisting of 655,002,440 ordinary shares. There was no change in the stated capital of the Company during the year.

Dividends

The Company paid a final dividend of LKR 379,901,415 (USD 2,890,083) representing LKR 0.58 per share approved by the shareholders at the annual general meeting held on 23 July 2013 in respect of the year ended 31 March 2013.

Further, the Company declared and paid an interim dividend of LKR 327,501,220 (USD 2,503,249) representing LKR 0.50 per share for the year ended 31 March 2014.

The Board of Directors recommend the payment of a final dividend of LKR 0.80 (Cents 80) per share to the shareholders of the Company for the financial year ended 31 March 2014 subject to obtaining the approval of the shareholders at the forth coming Annual General Meeting.

Shareholding

As at 31 March 2014, there were 8,982 registered shareholders and the twenty largest shareholders of the Company and the corresponding percentages held are set out as follows.

	Number of shares	% of holding
Pacific Textured Jersey Holding Limited	262,001,464	40.00%
Brandix Lanka Limited	197,000,976	30.08%
Y.S.H.I. Silva	15,956,500	2.44%
Employees Provident Fund	13,813,200	2.11%
Melstacorp Limited	12,622,428	1.93%
J.B. Cocoshell (Private) Limited	9,180,485	1.40%
Seylan Bank PLC	6,879,687	1.05%
HSBC International Limited	5,730,319	0.87%
MAS Capital (Private) Limited	5,466,322	0.83%
Nuwara Eliya Property Developers (Private) Limited	5,211,700	0.80%
Mcbridge Blue (Private) Limited	5,150,700	0.79%
Citi Bank NY S/A forward select em dividend fund	4,999,998	0.76%
HSBC Intl Nom Limited	3,912,091	0.60%
Fergasam Garment Industries (Private) Limited	2,811,100	0.43%
Timex Garments (Private) Limited	2,791,100	0.43%
Periceyl (Private) Limited	2,694,100	0.41%
South Asian Investment (Private) Limited	2,073,419	0.32%
Nawaloka Piling (Private) Limited	2,031,400	0.31%
MCSEN Range (Private) Limited	2,031,400	0.31%
J.D.N. Kekulawala	2,031,400	0.31%
K. Balendra	1,691,200	0.26%
Union Assurance PLC/No-01A/C	1,553,000	0.24%

As at 31 March 2014 the public shareholding was 29.70 % (194,494,166 shares).

Employee Share Option Scheme

The Company has offered an Employee Share Option Plan ("ESOP") to the senior management personnel for a quantum of 1% of the issued shares as at 26 March 2011. The ESOP will be in the form of options conferring identified employees in the senior management with the right to subscribe to shares in the Company.

All of the options proposed to be granted under the ESOP ("options") were granted to identified employees on 05 February 2013. The number of employees to whom options were granted as aforesaid on 05 February 2013 was twenty (20).

The Company revised the exercise price and the exercise period of the options, with the approval of the shareholders by special resolution passed on 23 July 2013, as follows:

(a) the exercise price was revised from LKR 15.00 per share to LKR 9.16 per share; and

(b) the exercise period was revised from the period commencing on 31 May 2013 and ending on 30 November 2013 to the period commencing on 31 May 2014 and ending on 31 August 2014.

The identified employees to whom options were granted under the ESOP are accordingly, entitled to exercise the options and subscribe to shares in the Company during the period commencing on 31 May 2014 and ending on 31 August 2014 at the exercise price of LKR 9.16 per share.

The Company has not and will not be providing, directly or indirectly any financial assistance in respect of the ESOP. During the financial year ended 31 March 2014:-

(a) none of the options were vested in the employees

(b) no options were exercised by the employees

(c) none of the options were cancelled

Directors' Responsibility for Financial Reporting

The Directors are responsible for the preparation of financial statements of 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. 30 of 2000 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

Auditors

The Audit Committee of the Company has recommended the re-appointment of Messrs PricewaterhouseCoopers Chartered Accountants as the auditors of the Company and a resolution relating to their re-appointment and authorising the Directors to fix their remuneration and to audit the financial statements for the accounting period ending 31 March 2015 will be proposed at the Annual General Meeting.

The remuneration payable by the Company to the independent auditors is given in Note 7 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 that would impair their independence.

Statutory Payments

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

Annual Report of the Board of Directors contd.

Environmental Protection
After making adequate enquiries from management, the Directors are satisfied that the Company operates 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 operates.

Donations
The Company has made donations amounting to LKR 1,355,979 during the year ended 31 March 2014 (2013 - LKR 998,872).

Going Concern
The financial statements are prepared on going concern principles. After making adequate inquiries from management, the Directors are satisfied that the Company has adequate recourses to continue its operations in the foreseeable future.

Events After the End of Reporting Period
No events had occurred since the date of the statement of financial position which would require adjustments to, or disclosure in, the financial statements.

For and on behalf of the Board,
Textured Jersey Lanka PLC

Sriyan Joseph de Silva Wijeyeratne
Managing Director

Hasitha Premaratne
Director

Corporate Services (Private) Limited
Secretaries

30 June 2014

Statement of the Directors' Responsibility for Financial Reporting

The responsibility of the Directors in relation to the financial statements of the Company, is set out in the following statement. The responsibility of the Auditors, in relation to the financial statements, prepared in accordance with the provisions of the Companies Act, No. 07 of 2007 [" the Act"], is set out in the Independent Auditor's Report on page 85.

The financial statements comprise the:

- statements of income and other comprehensive income, which present a true and fair view of the results of the Company for the year ended 31 March 2014; and
- statement of financial position, which presents a true and fair view of the state of affairs of the Company as at 31 March 2014, which comply with the requirements of the Act.

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

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

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

Further, the Directors have as part of their responsibility ensured that the Company maintains sufficient accounting records to disclose, with reasonable accuracy the financial position of 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 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 of the Company meets 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 are required to have prepared the financial statements and to provide the independent auditors 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, all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company, and all other known statutory dues as were due and payable by the Company as at the date of the statement of financial position have been paid, or where relevant provided for.

BY ORDER OF THE BOARD,

Corporate Services (Private) Limited
Secretaries
Textured Jersey Lanka PLC

FINANCIAL INFORMATION

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Financial Information

Financial Calendar

Financial Year Ended	31 March 2014
Announcement of Results	
First Quarter Ended	24 July 2014
Second Quarter Ended	30 October 2014
Third Quarter Ended	28 January 2014
Fourth Quarter Ended	21 May 2014
Notice of Annual General Meeting	07 July 2014
Third Annual General Meeting	07 August 2014

Independent Auditor's Report

To the shareholders of Textured Jersey Lanka PLC

Report on the Financial Statements

1. We have audited the accompanying financial statements of Textured Jersey Lanka PLC, which comprise the statement of financial position as at 31 March 2014, and the statements of income and other comprehensive income, changes in equity and the cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes to the financial statements as set out on pages 86 to 121.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

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

   An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

   We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

4. In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31 March 2014 and the financial statements give a true and fair view of the Company's state of affairs as at 31 March 2014 and of its results and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

5. These financial statements also comply with the requirements of Section 151(2) as appropriate of the Companies Act, No. 07 of 2007.

30 June 2014
COLOMBO

CHARTERED ACCOUNTANTS

PricewaterhouseCoopers, P. O. Box 918, 100 Braybrooke Place, Colombo 2, Sri Lanka
T: +94 (11) 771 9838, 471 9838, F: +94 (11) 230 3197, www.pwc.com/lk

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

Income Statement

(all amounts in Sri Lanka Rupees Thousands)

	Note	Year ended 31 March	
		2014	**2013**
Revenue	5	**12,724,715**	10,951,455
Cost of sales		**(11,268,294)**	(9,681,753)
Gross profit		**1,456,421**	1,269,702
Other income	6	**16,386**	29,097
Distribution expenses		**(86,797)**	(78,544)
Administrative expenses		**(331,971)**	(265,083)
Operating profit	7	**1,054,039**	955,172
Non operating income	8	**48,595**	Nil
Finance income	10	**90,750**	78,614
Finance costs	10	**(297)**	(19,453)
Net finance income	10	**90,453**	59,161
Profit before tax		**1,193,087**	1,014,333
Income tax expense	11	**(40,315)**	1,710
Profit for the year		**1,152,772**	1,016,043
Earnings per share			
Basic earnings per share (LKR)	12	**1.76**	1.55

The notes on pages 91 to 121 form an integral part of these financial statements.

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

Statement of Comprehensive Income

(all amounts in Sri Lanka Rupees Thousands)

	Note	Year ended 31 March	
		2014	**2013**
Profit for the year		**1,152,772**	1,016,043
Other comprehensive income			
Effect on remeasurement of retirement benefit obligations	23	**(31,272)**	802
Deferred tax attributable to remeasurement of retirement benefit obligations	24	**3,753**	(96)
Currency translation difference	28	**183,273**	(82,364)
Other comprehensive income / (loss) for the year		**155,754**	(81,658)
Total comprehensive income for the year		**1,308,526**	934,385

The notes on pages 91 to 121 form an integral part of these financial statements.

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

Statement of Financial Position

(all amounts in Sri Lanka Rupees Thousands)

	Note	31 March 2014	2013
ASSETS			
Non-current assets			
Property, plant and equipment	14	**2,178,992**	2,288,643
Capital work-in-progress	15	**779,820**	67,758
Intangible assets	16	**56,715**	41,082
Lease rentals paid in advance	19	**92,319**	93,396
		3,107,846	2,490,879
Current assets			
Inventories	18	**1,924,517**	1,795,172
Trade and other receivables	19	**1,280,945**	1,382,736
Cash and cash equivalents	20	**2,121,875**	2,196,949
		5,327,337	5,374,857
Total assets		**8,435,183**	7,865,736
Equity and liabilities			
Capital and reserves			
Stated capital	27	**2,797,229**	2,797,229
Exchange equalisation reserve	28	**1,092,244**	908,971
Retained earnings		**2,461,922**	2,044,071
Share option scheme	29	**19,473**	Nil
		6,370,868	5,750,271
Non-current liabilities			
Deferred tax liabilities	24	**95,927**	67,678
Retirement benefit obligations	23	**98,389**	55,154
		194,316	122,832
Current liabilities			
Trade and other payables	21	**1,818,093**	1,632,736
Bank overdrafts	22	**51,906**	359,897
		1,869,999	1,992,633
Total liabilities		**2,064,315**	2,115,465
Total equity and liabilities		**8,435,183**	7,865,736

It is certified that financial statements comply with the requirements of the Companies Act No. 7 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 the board by,

Sriyan Joseph de Silva Wijeyeratne
Managing Director/ Chief Executive Officer

Hasitha Premaratne
Director

30 June 2014

The notes on pages 91 to 121 form an integral part of these financial statements
Independent auditor’s report is set out on page 85.

Statement of Changes in Equity

(all amounts in Sri Lanka Rupees Thousands)

	Note	Stated capital	Exchange equalisation reserve	Retained earnings	Share option scheme	Total
Balance at 1 April 2012		2,797,229	991,335	1,695,425	Nil	5,483,989
Profit for the year		Nil	Nil	1,016,043	Nil	1,016,043
Other comprehensive loss for the year		Nil	(82,364)	706	Nil	(81,658)
Total comprehensive income for the year		Nil	(82,364)	1,016,749	Nil	934,385
Transactions with owners						
Final dividend paid - 2011/12	13	Nil	Nil	(235,801)	Nil	(235,801)
Interim dividend paid - 2012/13	13	Nil	Nil	(432,302)	Nil	(432,302)
		Nil	Nil	(668,103)	Nil	(668,103)
Balance at 31 March 2013		2,797,229	908,971	2,044,071	Nil	5,750,271
Balance at 1 April 2013		2,797,229	908,971	2,044,071	Nil	5,750,271
Profit for the year		Nil	Nil	1,152,772	Nil	1,152,772
Other comprehensive income for the year		Nil	183,273	(27,519)	Nil	155,754
Total comprehensive income for the year		Nil	183,273	1,125,253	Nil	1,308,526
Transactions with owners						
Final dividend paid - 2012/13	13	Nil	Nil	(379,901)	Nil	(379,901)
Interim dividend paid - 2013/14	13	Nil	Nil	(327,501)	Nil	(327,501)
		Nil	Nil	(707,402)	Nil	(707,402)
Share option scheme	29	Nil	Nil	Nil	19,473	19,473
Balance at 31 March 2014		**2,797,229**	**1,092,244**	**2,461,922**	**19,473**	**6,370,868**

The notes on pages 91 to 121 form an integral part of these financial statements.

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

Statement of Cash Flows

(all amounts in Sri Lanka Rupees Thousands)

	Note	Year ended 31 March 2014	2013
Cash flows from operating activities			
Cash generated from operations	30	**1,754,598**	1,952,179
Interest income received	10	**87,450**	78,614
Interest expenses incurred	10	**(297)**	(5,006)
Retirement benefit obligations paid	23	**(4,019)**	(14,033)
Net cash generated from operating activities		**1,837,732**	2,011,753
Cash flows from investing activities			
Additions or expenses incurred on capital work-in-progress	15	**(897,438)**	(122,221)
Proceeds from sale of property, plant and equipment		**25**	Nil
Net cash used in investing activities		**(897,413)**	(122,221)
Cash flows from financing activities			
Dividend paid	13	**(707,402)**	(668,103)
Repayments of borrowings		**Nil**	(600,645)
Net cash used in financing activities		**(707,402)**	(1,268,748)
Net increase in cash and cash equivalents		**232,917**	620,784
Cash and cash equivalents at beginning of year	20	**1,837,052**	1,216,268
Cash and cash equivalents at end of year	20	**2,069,969**	1,837,052

The notes on pages 91 to 121 form an integral part of these financial statements

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

Notes to the Financial Statements

1. General information

Textured Jersey Lanka PLC is a public limited company incorporated in Sri Lanka on 12 June 2000, listed in 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 International Industrial Park, Avissawella.

The Company carries on the business of manufacturing and selling of weft knit fabrics.

These financial statements have been approved for issue by the Board of Directors on 30 June 2014.

2. Summary of significant accounting policies

These financial statements are prepared in accordance with the Sri Lanka Accounting Standards (SLFRs/ LKASs) issued by the Institute of Chartered Accountants of Sri Lanka. The principal accounting policies applied in the preparation of these 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 are prepared in accordance with and comply with Sri Lanka Accounting Standards (LKASs / SLFRSs) issued by the Institute of Chartered Accountants of Sri Lanka.

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

2.2 Changes in accounting policy and disclosures

Amended standards adopted by the company

IAS 19, 'Employee benefits' was revised with effect from 1 January 2013. The changes on the Company's accounting policies has been as follows: to eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs.

New standards, amendments and interpretations issued but not effective for the financial year beginning 1 January 2013 and not early adopted

SLFRS 13, 'Fair Value Measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across SLFRSs. The management is yet to assess the full impact of this standard.

SLFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. SLFRS 9 replaces the parts of LKAS 39 that relate to the classification and measurement of financial instruments. SLFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the LKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Company is yet to assess SLFRS 9's full impact and intends to adopt SLFRS 9 no later than the accounting period beginning on or after 1 January 2015.

Notes to the Financial Statements contd.

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

2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using Sri Lankan Rupees (LKR).

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the monthly average exchange rates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'net finance income'. All other foreign exchange gains and losses are presented in the statement of comprehensive income.

2.4 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 is 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 Company 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 life of property, plant and equipment is as follows:

Leasehold buildings	30 to 50 years
Plant and equipment and installations	10 years
Fixtures and fittings	8 years
Office equipment	5 years
Motor vehicles	4 years
Computer and communication equipment	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 assets carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.5).

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.

2.5 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.

2.6 Intangible assets

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

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

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

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

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

Notes to the Financial Statements contd.

2.7 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.

2.8 Financial assets

2.8.1.1 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 Company determines the classification of its financial assets at initial recognition.

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 Company classifies its financial assets as loan and receivable.

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. Loans and receivables are initially recognized at fair value plus transaction cost.

2.8.1.2 Subsequent measurement

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

2.8.1.3 Derecognition

Loans and receivables are derecognised when:

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

(ii) The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of it, the asset is recognised to the extent of the Company's continuing involvement in it.

2.8.1.4 Impairment of financial assets

Assets carried at amortised cost (Loans and receivables)

The Company 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 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, 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 Company 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.

2.8.2 Financial liabilities

2.8.2.1 Classification and initial recognition
Financial liabilities are initially recognised at fair value, net of transaction costs.

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

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

2.8.2.3 Derecognition
The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

2.8.3 Offsetting financial instruments
Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally 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.

2.9 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.

2.10 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.

Notes to the Financial Statements contd.

A provision for impairment of trade receivables is established when there is objective evidence that the Company 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.

2.11 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.

2.12 Stated capital
The ordinary shares are classified as equity.

2.13 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. Accounts 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.

2.14 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 statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company 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.

2.15 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.

2.16 Provisions
Provisions are recognised when the Company 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.

The provisions are measured at the present value of expenditures expected to be required to settle the obligation.

2.17 Employee benefits

(a) Defined benefit plan - Gratuity

A defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plan define 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 comprises the gratuity provided under the Act, No 12 of 1983.

The liability recognised in the statement of financial position in respect of defined pension plans is the present value of the defined benefit obligation at the date of statement of financial position. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using government bonds, as there is no deep market for high quality corporate bonds in Sri Lanka.

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

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

The assumptions based on which the results of the actuarial valuation was determined, are included in Note 23 to the financial statements.

(b) Defined contribution plans

For defined contribution plans, such as the Employees' Provident Fund and Employees' Trust Fund, the Company contributes 12% and 3% respectively, of the employees' basic or consolidated wage or salary. The Company has no further payment obligations once the contributions have been paid. The Company and the employees are members of these defined contribution plans.

(c) Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

2.18 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 equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation. Management establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authority.

Notes to the Financial Statements contd.

(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 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 is provided using the balance sheet liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax. it is probable that the temporary difference will not reverse in the foreseeable future.

The principal temporary differences arise from depreciation on property, plant and equipment, provisions for defined benefit obligations and other post retirement benefits.

2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company'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. 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 on a time-proportion basis.

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

2.21 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.

2.22 Share based payments
The Company operates an equity settled, share based compensation plan, under which the Company receives services from employees as consideration for equity instruments 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.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified conditions are to be satisfied.

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. 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.

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

2.23 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:

- Goods Received Not Invoiced balances previously disclosed under other payables are now shown under trade payables.
- Deferred tax attributable to actuarial gains on retirement benefit obligations previously disclosed under administrative expenses are now shown under the other comprehensive income.

Management believes that the above re-classifications give a fairer presentation.

3. Financial risk management

3.1 Financial risk factors
The principal financial instruments of the Company comprise of short term deposits and cash. The main purpose of these finance instruments is to raise and maintain liquidity for the Company's operations, and maximise returns on the Company's financial reserves. The Company has various other financial instruments such as trade receivables and trade payables which arise directly from its business activities.

The Company is exposed to a variety of financial risks. These include foreign exchange risks, credit risks, interest rate risks and liquidity risks. Based on our economic outlook and the Company's exposure to these risks, the Board of the Company approves various risk management strategies from time to time.

(a) Market risk

(i) Foreign exchange risk

The Company is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of the US Dollar (USD) against the Sri Lankan Rupee (LKR). The Company's functional currency is USD in which most of the transactions are denominated, and all other currencies are considered foreign currencies for reporting purposes. Certain bank balances, receivables and payables are denominated in foreign currencies. Foreign currencies are used to settle purchases of equipment suppliers and certain other expenses.

Notes to the Financial Statements contd.

Sensitivity analysis

At 31 March 2014, if the USD had strengthened by 1% against LKR in the financial year, profit after tax would have been decreased by LKR 20,944,012. 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 Company exposure to the risk of changes in market interest rates relates to primarily to the Company's short-term debt obligations with floating rates. The Company 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 Company is not exposed to interest rate risk as at 31 March 2014, as the Company does not have any borrowing at variable rates of interest.

(b) Credit risk

The credit risk arises from cash and cash equivalents, derivative financial instruments and 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. Following table show the maximum risk positions.

As at 31 March 2014	**Trade and other receivables**	**Amounts due from related parties**	**Cash and cash equivalents**	**Total**
Risk exposure				
Trade and other receivables				
(excluding prepayment and statutory receivables)	734,555	Nil	Nil	734,555
Amounts due from related parties (Note 19)	Nil	454,080	Nil	454,080
Cash and cash equivalents	Nil	Nil	2,121,875	2,121,875
	734,555	454,080	2,121,875	3,310,510

As at 31 March 2013	**Trade and other receivables**	**Amounts due from related parties**	**Cash and cash equivalents**	**Total**
Risk exposure				
Trade and other receivables				
(excluding prepayment and statutory receivables)	562,540	Nil	Nil	562,540
Amounts due from related parties (Note 19)	Nil	739,011	Nil	739,011
Cash and cash equivalents	Nil	Nil	2,196,949	2,196,949
	562,540	739,011	2,196,949	3,498,500

3. Financial risk management (Contd)

(c) Liquidity risk

In the management of liquidity risk, the Company monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance the Company's operations and to mitigate the effects of fluctuations in cash flows. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans. Access to source of funding is sufficiently available.

The table below summarises the maturity profile of the Company's financial liabilities at 31 March based on contractual undiscounted payments.

As at 31 March 2014	**Due within 3 months**	**Due between 3 months and 1 year**	**Due between 1 and 2 years**
Liabilities			
Bank overdrafts (Note 22)	51,906	Nil	Nil
Amounts due to related companies (Note 21)	1,046,279	Nil	Nil
Trade and other payables (excluding statutory liabilities)	758,241	Nil	Nil
Total liabilities	1,856,426	Nil	Nil

As at 31 March 2013	**Due within 3 months**	**Due between 3 months and 1 year**	**Due between 1 and 2 years**
Liabilities			
Bank overdrafts (Note 22)	359,897	Nil	Nil
Amounts due to related companies (Note 21)	931,238	Nil	Nil
Trade and other payables (excluding statutory liabilities)	691,345	Nil	Nil
Total liabilities	1,982,480	Nil	Nil

3.2 Fair value estimation

The Company's financial assets and liabilities include receivables, cash and cash equivalents, other payables and borrowings. The carrying amounts of these assets and liabilities approximate their fair values.

3.3 Capital management

The Company's objectives when managing capital are to safeguard the Company'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 Company represents equity attributable to owner of the Company, comprising issued share capital and retained earnings.

The capital structure of the Company states that the company is not depending on external borrowings.

Notes to the Financial Statements contd.

4. Critical accounting estimates, assumptions and judgements

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

(a) Estimated impairment of non-current assets

The Company tests annually the indicators to ascertain whether non-current assets have suffered any impairment, in accordance with the accounting policy stated in Note 2.5. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

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.

Management believes that any reasonably possible change in the estimated future cash flows of the operations on which the recoverable amounts of the cash-generating units is based would not cause the cash-generating units' carrying on amount to exceed its recoverable amount.

(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 Company 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 23.

(c) Estimated useful lives of Property, Plant and Equipment (PPE)

The Company reviews annually the estimated useful lives of PPE based on factors such as business plan and strategies, expected level of usage and future developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned. A reduction in the estimated useful lives of PPE would increase the recorded depreciation charge and decrease the PPE balance.

(d) Fair value of derivatives and other financial instruments

Certain financial instruments such as derivative financial instruments and certain elements of borrowings are carried on the statement of financial position at fair value, with changes in fair value reflected in the statement of comprehensive income.

The fair value of financial instruments are not traded in an active market is determined by using valuation techniques and valuation rates obtained from counterparty banks. The Company use its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each financial reporting period.

(e) Provisions

The Company recognises provisions when they have a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgements about the ultimate resolution of these obligations. As a result, provisions are reviewed at each statement of financial position date and adjusted to reflect the Company's current best estimate.

4.2 Critical judgements in applying the entity's accounting policies

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

5. Revenue

	2014 LKR '000	2013 LKR '000
Exports	**890,335**	399,798
Indirect exports	**11,787,465**	10,500,599
Local sales	**46,915**	51,058
	12,724,715	10,951,455

The Company has declared the Revenue for Direct and Indirect Tax purposes in Sri Lanka.

6. Other income

Other income consists of scrap sales of LKR 29,965,569 (2013 - LKR 29,096,859) and loss on property, plant and equipment of LKR 13,579,159 (2013 - LKR Nil).

7. Expenses by nature

	2014 LKR '000	2013 LKR '000
Directors' emoluments	**11,184**	2,400
Auditors' remuneration - audit	**1,750**	1,525
Auditors' remuneration - non audit	**107**	462
	1,857	1,987
Depreciation (Note 14)	**315,529**	321,201
(Reversal of provision) / provision for slow moving inventories (Note 18)	**(52,464)**	36,771
Reversal of provision for impairment of trade receivables (Note 19)	**(389)**	(19,234)
Amortisation of intangible assets (Note 16)	**23,720**	30,787
Amortisation of lease rentals paid in advance [Note 19 (f)]	**3,911**	3,670
Repair and maintenance expenditure	**165,641**	148,915
Reversal of previously written off ESC	**(10,491)**	(2,693)
Employee benefit expense (Note 9)	**780,525**	650,753

8. Non operating income

Non operating income wholly consists of management consultancy income received from Ocean India (Private) Limited a related company, of LKR 48,595,235 (2013 - LKR Nil).

Notes to the Financial Statements contd.

9. Employee benefit expense

	2014 LKR '000	2013 LKR '000
Salaries, wages and other fringe benefits	**679,526**	575,924
Defined contribution plans	**65,544**	59,034
Retirement benefit obligations (Note 23)	**15,982**	15,795
Share options granted to directors and employees (Note 29)	**19,473**	Nil
	780,525	650,753
Average no of persons employed by the company during the year - full time	**1,145**	1,151

10. Net finance income

	2014 LKR '000	2013 LKR '000
Finance income:		
Net foreign transaction and translation gains	**3,300**	Nil
Interest income on short term deposits	**87,450**	78,614
	90,750	78,614
Finance costs:		
Net foreign transaction and translation losses	**Nil**	(14,447)
Interest expense		
- short term working capital loans	**Nil**	(4,949)
- bank overdrafts	**(297)**	(8)
- bank borrowings	**Nil**	(49)
Total finance cost	**(297)**	(19,453)
Net finance income	**90,453**	59,161

11. Income tax expense

	2014 LKR '000	2013 LKR '000
Current income tax:		
Current income tax on profits for the year	**10,491**	2,693
Deferred tax :		
Origination and reversal of temporary differences (Note 24)	**29,824**	(4,403)
Income tax expense	**40,315**	(1,710)
Deferred tax (released) / charged to other comprehensive Income (Note 24)	**(3,753)**	96
Income tax charged / (released)	**36,562**	(1,614)

11. Income tax expense contd.

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the basic tax rate applicable to profits of the Company as follows:

	2014 LKR '000	2013 LKR '000
Profit before tax	**1,193,087**	1,014,333
Tax calculated at a tax rate of 12% (2013 -12%)	**143,170**	121,720
Income not subject to tax	**(123,328)**	(119,714)
Expenses not deductible for tax purposes	**2,995**	1,556
Adjustments due to the estimated deferred tax base in previous years	**13,725**	(5,176)
Tax charge /(credit)	**36,562**	(1,614)

In terms of the agreement with the Board of Investment of Sri Lanka, profit and income of the Textured Jersey Lanka PLC is exempted from income tax for a period of 15 years commenced from 12 September, 2001.

In view of the above, profit and income of the Company is not liable to income tax for the year of assessment 2013/2014. The tax charged for the year represents the income tax on local sales and on interest income.

The tax losses available for carry forward as at 31 March 2014 amounting to LKR Nil (as at 31 March 2013 - LKR 19,328,051).

Further information about deferred tax is provided in Note 24.

12. Earnings per share

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:

	2014	2013
Profit attributable to equity holders of the Company (LKR '000)	**1,152,772**	1,016,043
Weighted average number of ordinary shares ('000) - Note 27	**655,002**	655,002
Earnings per share - LKR	**1.76**	1.55

Notes to the Financial Statements contd.

13. Dividend per share

	2014		2013	
	Per share LKR	LKR '000	Per share LKR	LKR '000
Declared and paid during the year				
Final Dividend [See note (a) below]	**0.58**	**379,901**	0.36	235,801
Interim Dividend	**0.50**	**327,501**	0.66	432,302
Total Dividend	**1.08**	**707,402**	1.02	668,103

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

The Company has paid final dividend of LKR 379,901,415 (USD 2,890,083) representing LKR 0.58 approved by shareholders at the Annual General Meeting held on 23 July 2013 in respect of the year ended 31 March 2013. Further, the Company declared and paid an interim dividend of LKR 327,501,220 (USD 2,503,249) representing LKR 0.50 per share for the year ended 31 March 2014.The Board of Directors are yet to declare final dividend for the year ended 31 March 2014 which is to be approved by the shareholders at the Annual General Meeting to be held on 07 August 2014.

14. Property, plant and equipment

	Leasehold buildings	Plant, machinery & equipment installation	Fixtures, fittings & factory equipment	Office equipment	Computer & communication equipment	Motor vehicles	Total
At 31 March 2012							
Cost	1,225,116	3,842,221	508,551	18,218	209,227	Nil	5,803,333
Accumulated depreciation	(146,141)	(2,564,449)	(317,078)	(16,459)	(166,571)	Nil	(3,210,698)
Net book amount	1,078,975	1,277,772	191,473	1,759	42,656	Nil	2,592,635
Year ended 31 March 2013							
Opening net book value	1,078,975	1,277,772	191,473	1,759	42,656	Nil	2,592,635
Transfers from capital work-in-progress (Note 15)	412	9,760	23,405	2,737	6,077	Nil	42,391
Depreciation charge (Note 7)	(25,859)	(225,743)	(46,503)	(1,035)	(22,061)	Nil	(321,201)
Effect of movement in foreign exchange rate differences	(12,540)	(10,624)	(1,803)	(59)	(156)	Nil	(25,182)
Closing net book amount	1,040,988	1,051,165	166,572	3,402	26,516	Nil	2,288,643
At 31 March 2013							
Cost	1,210,622	3,805,041	525,240	20,672	212,621	Nil	5,774,196
Accumulated depreciation	(169,634)	(2,753,876)	(358,668)	(17,270)	(186,105)	Nil	(3,485,553)
Net book amount	1,040,988	1,051,165	166,572	3,402	26,516	Nil	2,288,643
Year ended 31 March 2014							
Opening net book value	1,040,988	1,051,165	166,572	3,402	26,516	Nil	2,288,643
Transfers from capital work-in-progress (Note 15)	847	79,443	16,487	1,782	37,176	16,821	152,556
Disposals - cost	Nil	(41,548)	(9,331)	Nil	(22,430)	Nil	(73,309)
Disposals - accumulated depreciation	Nil	25,977	9,331	Nil	22,416	Nil	57,724
Depreciation charge (Note 7)	(25,487)	(221,785)	(46,034)	(1,166)	(19,559)	(1,498)	(315,529)
Effect of movement in foreign exchange rate differences	31,593	31,310	4,943	106	887	68	68,907
Closing net book amount	1,047,941	924,562	141,968	4,124	45,006	15,391	2,178,992
At 31 March 2014							
Cost	1,248,343	3,958,992	548,425	23,092	233,910	16,896	6,029,658
Accumulated depreciation	(200,402)	(3,034,430)	(406,457)	(18,968)	(188,904)	(1,505)	(3,850,666)
Net book amount	1,047,941	924,562	141,968	4,124	45,006	15,391	2,178,992

(a) Property, plant and equipment include fully depreciated assets the cost of which as at 31 March 2014 amounted to LKR 2,324,140,753 (2013 - LKR 2,072,170,103).

(b) The Company has constructed nine buildings on four leasehold lands leased out from Board of Investment of Sri Lanka at Seethawaka International Industrial Park. The remaining lease periods as of 31 March 2014 are 37, 21, 24 and 24 years respectively (Note 26).

(c) Depreciation expense of LKR 305,288,130 (2013 - LKR 312,899,691) has been charged in cost of goods sold and LKR 10,240,895 (2013 - LKR 8,301,198) in administrative expenses.

Notes to the Financial Statements contd.

15. Capital work-in-progress

	2014 LKR '000	2013 LKR '000
Balance at beginning of the year	**67,758**	16,646
Expenses incurred	**897,438**	122,221
Transferred to property, plant and equipment (Note 14)	**(152,556)**	(42,391)
Transferred to intangible assets (Note16)	**(38,037)**	(27,321)
Effect of movement in foreign exchange rate differences	**5,217**	(1,397)
Balance at the end of the year	**779,820**	67,758

(a) Capital work-in-progress as at 31 March 2014 mainly comprises new yarn processing knitting machineries, dye machines, stenter machines, sanding machines related to the expansion project amounting to LKR 338,358,088 (2013 - LKR Nil) and construction expenses incurred on multi fuel power project amounting to LKR 415,397,592 (2013 - LKR 6,692,858).

16. Intangible assets

This intangible assets wholly consists of expenditure incurred on software development by the Company.

	Software Development LKR '000	Total LKR '000
At 1 April 2012		
Cost	**218,289**	218,289
Accumulated amortisation	**(173,272)**	(173,272)
Net book amount	**45,017**	45,017
Year ended 31 March 2013		
Opening net book amount	**45,017**	45,017
Transferred from capital work-in-progress (Note 15)	**27,321**	27,321
Amortisation charge (Note 7)	**(30,787)**	(30,787)
Effect of movement in foreign exchange rate differences	**(469)**	(469)
Closing net book amount	**41,082**	41,082
At 31 March 2013		
Cost	**242,334**	242,334
Accumulated amortisation	**(201,252)**	(201,252)
Net book amount	**41,082**	41,082
Year ended 31 March 2014		
Opening net book amount	**41,082**	41,082
Transferred from capital work-in-progress (Note 15)	**38,037**	38,037
Amortisation charge (Note 7)	**(23,720)**	(23,720)
Effect of movement in foreign exchange rate differences	**1,316**	1,316
Closing net book amount	**56,715**	56,715
At 31 March 2014		
Cost	**287,922**	287,922
Accumulated amortisation	**(231,207)**	(231,207)
Net book amount	**56,715**	56,715

Amortisation charge amounting to LKR 23,719,679 (2013 - LKR 30,787,239) relating to the intangible assets are included in cost of sales.

17. Financial instruments by category

(a) Financial assets - Loans and receivables

	2014 LKR '000	2013 LKR '000
Trade receivables (Note 19)	**584,698**	499,559
Other receivables (excluding statutory receivables)	**149,857**	62,981
Amounts due from related companies (Note 19)	**454,080**	739,011
Cash and cash equivalents (Note 20)	**2,121,875**	2,196,949
	3,310,510	3,498,500

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

	2014 LKR '000	2013 LKR '000
Trade payables (Note 21)	**370,420**	260,046
Accrued expenses (Note 21)	**305,447**	256,717
Other payables (excluding statutory payables)	**82,374**	174,521
Amount due to related companies (Note 21)	**1,046,279**	931,238
Bank overdrafts (Note 22)	**51,906**	359,897
	1,856,426	1,982,419

(c) Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to historical information and external credit ratings (if applicable) .

Trade receivables and amount due from related parties:

	2014 LKR '000	2013 LKR '000
Export customers / overseas	**69,558**	35,729
Local customers	**516,850**	465,692
Related parties	**450,130**	739,462
	1,036,538	1,240,883

Cash at bank excluding cash in hand

	2014 LKR '000	2013 LKR '000
AAA	**249,044**	527,131
AA+	**1,864,125**	1,634,938
AA	**4,348**	6,177
A+	**3,858**	28,203
	2,121,375	2,196,449

Notes to the Financial Statements contd.

18. Inventories

	2014 LKR '000	2013 LKR '000
Raw materials	**618,062**	743,463
Work-in-progress	**521,030**	472,582
Finished goods	**350,324**	234,091
Engineering spares, needles and sinkers	**137,884**	116,508
Effluent chemicals, fuel and consumables	**46,577**	40,568
Goods in transit	**248,651**	187,960
Scrap items	**1,989**	Nil
	1,924,517	1,795,172

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

	2014 LKR '000	2013 LKR '000
Balance at the beginning of the year	**190,801**	156,773
(Reversal of provision) / provision for slow moving inventories (Note 7)	**(52,464)**	36,771
Effect of movement in foreign exchange rate differences	**5,576**	(2,743)
Balance at the end of the year	**143,913**	190,801

(b) Bank overdrafts are secured over inventories (Note 22).

19. Trade and other receivables

	2014 LKR '000	2013 LKR '000
Current		
Trade receivables	**586,409**	501,421
Less - provision for impairment	**(1,711)**	(1,862)
	584,698	499,559
Amounts due from related companies [See Note 31 (iii)]	**450,130**	739,462
Less - provision for impairment	**(282)**	(451)
	449,848	739,011
- Other receivable	**4,232**	Nil
	454,080	739,011
Prepayments	**112,627**	120,190
Other receivables [See Note (g) below]	**221,859**	117,372
	1,373,264	1,476,132
Less		
Non current portion of lease rentals paid in advance		
[See note (f) below]	**(92,319)**	(93,396)
Current portion	**1,280,945**	1,382,736

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

	2014 LKR '000	2013 LKR '000
Balance at beginning of the year	2,313	21,369
Reversal provision for impairment of trade receivables (Note 7)	(389)	(19,234)
Effect of movement in foreign exchange rate differences	69	178
Balance at the end of the year	1,993	2,313

As of 31 March 2014, trade receivables and amounts due from related companies of LKR 1,992,695 (2013 - LKR 2,313,132) were impaired. The amount of the reversal of provision was LKR 390,886 for the year ended 31 March 2014 (2013 - LKR 19,233,675). The ageing of these impaired receivables is as follows:

	2014 LKR '000	2013 LKR '000
3 to 6 months	1,993	2,313

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

	2014 LKR '000	2013 LKR '000
Neither past due nor impaired	970,775	1,055,928
Past due but not impaired	68,003	182,642
Impaired	1,993	2,313
	1,040,771	1,240,883

(c) The aging of trade receivables that are past due but not impaired are as follows:

	2014 LKR '000	2013 LKR '000
Amount overdue:		
Up to 3 months	68,003	182,642

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

	2014 LKR '000	2013 LKR '000
US Dollars	1,300,929	1,442,766
LKR	72,334	33,366
	1,373,263	1,476,132

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

Notes to the Financial Statements contd.

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

	2014 LKR '000	2013 LKR '000
At beginning of the year	**96,983**	100,867
Amortisation (Note 7)	**(3,911)**	(3,670)
Effect of movement in foreign exchange rate differences	**2,936**	(214)
At the end of the year	**96,008**	96,983

Prepaid operating leases can be analysed as follows:

	2014 LKR '000	2013 LKR '000
Current (Not later than one year)	**3,689**	3,587
Non-current (Later than one year)	**92,319**	93,396
	96,008	96,983

(g) Other receivables mainly consists of advances to suppliers amounting to LKR 72,107,525 (2013 - LKR 56,412,608), ESC receivables amounting to LKR 59,734,089 (2013 - LKR 26,577,505) and interest receivables amounting to LKR 22,788,786 (2013 - LKR 12,006,207).

(h) As of 31 March 2014, trade receivables of LKR 970,775,006 (2013 - LKR 1,055,927,973) were fully performing.

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

20. Cash and cash equivalents

	2014 LKR '000	2013 LKR '000
Short term bank deposits	**1,828,400**	1,522,623
Cash at bank and in hand	**293,475**	674,326
	2,121,875	2,196,949

The weighted average effective interest rate on short term deposits (USD) was 4% - 5.5% [year ended 31 March 2013 (Short term deposits) - 5.2% - 5.5%].

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

	2014 LKR '000	2013 LKR '000
Cash and bank balances	**2,121,875**	2,196,949
Bank overdrafts (Note 22)	**(51,906)**	(359,897)
	2,069,969	1,837,052

21. Trade and other payables

	2014 LKR '000	2013 LKR '000
Trade payables	**370,420**	260,046
Amounts due to related companies [Note 31 (iv)]	**1,046,279**	931,238
Accrued expenses [See Note (a) below]	**305,447**	256,717
Other payables	**95,947**	184,735
	1,818,093	1,632,736

(a) Accrued expenses mainly consists of accrued employee bonus of LKR 112,061,591 (2013 - LKR 75,628,166), electricity expenses of LKR 30,044,399 (2013 - LKR 67,758,753) and air freight expenses of LKR 79,005,425 (2013 - LKR 29,642,331).

22. Borrowings

	2014 LKR '000	2013 LKR '000
Current		
Bank overdrafts [See Note (a) below]	**51,906**	359,897

(a) Bank overdrafts as of 31 March 2014 reflect a book overdrawn situation.

(b) The bank overdrafts are secured over inventories (Note 18).

(c) The interest rate exposure of the borrowings of the Company are as follows:

	2014 LKR '000	2013 LKR '000
Total borrowings:		
- at floating rates	**51,906**	359,897
Weighted average effective interest rates:		
- Bank overdrafts	**LIBOR + 3.75 %**	LIBOR + 4.09 %

Notes to the Financial Statements contd.

23. Retirement benefit obligations

	2014 LKR ‘000	2013 LKR ‘000
Statement of financial position obligations for:		
Gratuity benefits	**98,389**	55,154
Statement of comprehensive income charge:		
Gratuity benefits	**15,982**	15,795
Other comprehensive income:		
Actuarial losses / (gains)	**31,272**	(802)

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

	2014 LKR ‘000	2013 LKR ‘000
At the beginning of the year	**55,154**	54,071
Current service cost	**8,535**	8,087
Interest cost	**7,447**	7,708
Actuarial losses / (gains)	**31,272**	(802)
Benefits paid	**(4,019)**	(14,033)
Exchange translation losses	**Nil**	956
Effect of movement in foreign exchange rate differences	**Nil**	(833)
At the end of the year	**98,389**	55,154

The amounts recognised in the statement of comprehensive income are as follows:

	2014	2013
Current service cost	**8,535**	8,087
Interest cost	**7,447**	7,708
Total included in employee benefit expense (Note 9)	**15,982**	15,795

As stated in paragraph 2.17 under summary of significant accounting policies, an actuarial valuation was carried out by an independent actuary, Messer Piyal S Goonetilleke and Associates, using the Projected Unit Credit method to calculate the liability for retirement benefit obligations as at 31 March 2014. The provision for retirement benefit obligations is not externally funded.

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

		2014 LKR ‘000	2013 LKR ‘000
Discount rate		**10.61% p.a**	12.4% p.a
Future salary increases	- non executive staff	**10% p.a**	10% p.a
	- executive staff	**10% p.a**	10% p.a
Staff turnover factor	- non executive staff	**Age-related**	Age-related
	- executive staff	**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.

(c) The sensitivity of the retirement benefit obligation to changes in the weighted principal assumptions is:

	Impact on retirement benefit obligations		
	Change in assumption	**Increase in assumption**	**Decrease in assumption**
Discount rate	1%	Decreased by 13%	Increased by 16%
Future salary increase	1%	Increased by 15%	Decrease by 13%

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.

(d) Maturity profile of the retirement obligation:
The weighted average duration of the retirement benefit obligation is 21 years. The expected maturity analysis of undiscounted retirement obligation:

	2014 LKR '000
Less than 1 year	**3,281**
Between 1 – 2 years	**3,013**
Between 2 – 5 years	**24,889**
Over 5 years	**132,353**
Total	**163,536**

24. Deferred income tax liabilities

Deferred income taxes are calculated on all temporary differences under the liability method and are measured using a tax rate of 12% applicable on profit on the expiry of the tax exemption period in 2016. The movement on the deferred income tax account is as follows:

	2014 LKR '000	**2013 LKR '000**
At the beginning of the year	**67,678**	72,772
Charged /(released) to statement of comprehensive income (Note 11)	**29,824**	(4,403)
Tax (released) / charged relating to components of other comprehensive income (Note 11)	**(3,753)**	96
Effect of movement in foreign exchange rate differences	**2,178**	(787)
At the end of the year	**95,927**	67,678

Notes to the Financial Statements contd.

24. 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.

	2014 LKR '000	2013 LKR '000
Deferred tax assets :		
- Deferred tax assets to be recovered after more than 12 months	**(29,315)**	(34,289)
Deferred tax liabilities :		
- Deferred tax liabilities to be recovered after more than 12 months	**103,707**	101,967
- Deferred tax liabilities to be recovered within 12 months	**21,535**	Nil
	125,242	101,967
Deferred tax liabilities (net)	**95,927**	67,678

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:

Deferred tax liabilities	Accelerated tax depreciation	Total
At 1 April 2012	113,136	113,136
Credited to income statement	(10,021)	(10,021)
Effect of movement in foreign exchange rate differences	(1,148)	(1,148)
At 31 March 2013	101,967	101,967
Charged to income statement	20,080	20,080
Effect of movement in foreign exchange rate differences	3,195	3,195
At 31 March 2014	**125,242**	**125,242**

Deferred tax assets	Retirement benefit obligations	Provision for impairment of inventory	Provision for impairment trade receivables	Tax losses	Total
At 1 April 2012	(10,867)	(22,650)	(3,205)	(3,642)	(40,364)
Charged / (credited) to income statement	1,869	(535)	2,956	1,328	5,618
Charged directly to other comprehensive income	96	Nil	Nil	Nil	96
Effect of movement in foreign exchange rate differences	87	288	(28)	14	361
At 31 March 2013	(8,815)	(22,897)	(277)	(2,300)	(34,289)
Charged to income statement	1,042	6,296	47	2,360	9,745
Credited directly to other comprehensive income	(28,862)	Nil	Nil	Nil	(28,862)
Effect of movement in foreign exchange rate differences	24,829	(669)	(9)	(60)	24,091
At 31 March 2014	**(11,806)**	**(17,270)**	**(239)**	**Nil**	**(29,315)**

25. Contingencies

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

26. 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 502,810 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 502,810 per acre, on 12.13 acres.

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

	2014 LKR '000	2013 LKR '000
No later than one year	**15,240**	14,790
Later than one year and no later than five years	**60,961**	59,159
Later than five years	**408,468**	411,186
	484,669	485,135

Capital commitments

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

	2014 LKR '000	2013 LKR '000
Property, plant and equipment	**34,726**	316,343

27. Stated capital

	No. of Shares	Amount LKR '000
At 31 March 2013	655,002,440	2,797,229
At 31 March 2014	**655,002,440**	**2,797,229**

All issued shares are fully paid.

28. Exchange equlisation reserve

The exchange equlisation reserve at the statement on financial position date represents all exchange differences resulting from the translation of assets, liabilities, income, expenses and equity items as explained in Note 2.3 to the accounting policies.

Notes to the Financial Statements contd.

29. Share-based payments

Share options are granted to selected employees. The exercise price of the granted options is equal to the market price of the shares less 25% on the date of the grant. The options are exercisable starting eleven months from the grant date. The Company has no legal or constructive obligation to repurchase or settle the option in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

2014	Average exercise price as per share option	Number of options ('000)
Granted	12.20	5,750
At 31 March		5,750

5,750,024 options were granted during the year.

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was LKR 3.39 per option. The significant inputs into the model were weighted average share price of LKR 12.20 at the grant date, exercise price shown above, volatility of 32.2% dividend yield of 7.93, an expected option life of three months and an annual risk free interest rate of 10.86 % . The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years. See note 9 for the total expense recognised in the statement of comprehensive income for share options granted to directors and employees.

30. Cash generated from operations

Reconciliation of profit before tax to cash generated from operations:

	2014 LKR '000	2013 LKR '000
Profit before tax	**1,193,087**	1,014,333
Adjustments for:		
Depreciation (Note 14)	**315,529**	321,201
Amortisation of intangible assets (Note 16)	**23,720**	30,787
Amortisation of lease rentals paid in advance[Note 19 (f)]	**3,911**	3,670
(Reversal of provision) / provision for impairment of inventories [Note 18 (a)]	**(52,464)**	36,771
Reversal of provision for impairment of trade receivables [Note 19 (a)]	**(389)**	(19,234)
Reversal of previously written off ESC (Note 7)	**(10,491)**	(2,693)
Interest income (Note 10)	**(87,450)**	(78,614)
Interest expense (Note 10)	**297**	5,006
Loss on disposal of property, plant and equipment	**13,579**	Nil
Share based payment (Note 29)	**19,473**	Nil
Changes in working capital:		
- inventories	**(74,892)**	224,230
- trade and other receivables	**102,180**	84,957
- trade and other payables	**185,357**	352,663
Retirement benefit obligations (Note 23)	**15,982**	15,795
Effect of movement in foreign exchange rate differences	**107,169**	(36,693)
Cash generated from operations	**1,754,598**	1,952,179

31. Directors' interests 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 Wijeratne	Ashroff Omar	Wai Loi Wan	Kang Po Tsang	Hasitha Premaratne	Amitha Lal Goonaratne	Malik Kumar Ranasinghe
Pacific Textiles Limited	✓	-	-	-	✓	-	-	-
Pacific Overseas Textiles Macao Commercial Offshore Limited	-	-	-	✓	-	-	-	-
Brandix Lanka Limited	-	-	✓	-	-	-	-	-
Brandix Apparel Limited	-	-	✓	-	-	-	-	-
Brandix Mercury Asia (Private) Limited	-	-	✓	-	-	-	-	-
Quenby Lanka Prints (Private) Limited	-	-	✓	-	-	✓	-	-
Brandix College of Clothing Technology (Private) Limited	-	-	✓	-	-	-	-	-
Ocean India (Private) Limited	-	-	✓	-	-	✓	-	-

The following transactions were carried out with related parties:

(i) Sale of goods and services:

	2014 LKR '000	2013 LKR '000
Sale of goods:		
Brandix Apparel Limited	**5,719,344**	5,650,314
Quenby Lanka Prints (Private) Limited	**477,432**	354,264
Ocean India (Private) Limited	**301,702**	Nil
	6,498,478	6,004,578

(ii) Purchase of goods and services:

	2014 LKR '000	2013 LKR '000
Purchase of raw materials:		
Pacific Textiles Limited	**1,163,133**	969,822
Pacific Overseas Textiles Macao Commercial Offshore Limited	**3,443,715**	3,441,376
Quenby Lanka Prints (Private) Limited	**174,302**	82,958
Ocean India (Private) Limited	**570,771**	Nil
Brandix Apparel Limited	**4,044**	Nil
	5,355,965	4,494,156
Purchase of administrative and other services:		
Pacific Textiles Limited	**18,174**	64,452
Brandix Lanka Limited	**17,010**	14,592
Quenby Lanka Prints (Private) Limited	**272**	82,958
Brandix Mercury Asia (Private) Limited	**62**	1,050
	35,518	163,052

Notes to the Financial Statements contd.

31. Directors' interests in contracts with the Company and related party transactions contd.

(iii) Receivables from related parties:

	2014 LKR '000	2013 LKR '000
Trade receivables		
Brandix Apparel Limited	429,999	691,080
Quenby Lanka Prints (Private) Limited	Nil	48,382
Ocean India (Private) Limited	20,131	Nil
	450,130	739,462
Less - provision for impairment of amounts due from related companies	(282)	(451)
	449,848	739,011
Other receivable		
Brandix Lanka Limited	4,232	Nil
(iv) Payables to related parties:		
Brandix Lanka Limited	Nil	515
Pacific Textiles Limited	249,230	294,168
Pacific Overseas Textiles Macao Commercial Offshore Limited	786,227	636,550
Brandix Mercury Asia (Private) Limited	Nil	5
Quenby Lanka Prints (Private) Limited	10,822	Nil
	1,046,279	931,238

(v) Key Management compensation:

Key management includes the Board of Directors (executive and non-executive), all members of Company's Senior Management. The compensation paid or payable to key management for employee services is shown below:

	2014 LKR '000	2013 LKR '000
Salaries and other benefits	64,894	54,460
Post-employment benefits	2,014	1,990
Share based payments	9,738	Nil
	76,646	56,450

(vi) Share based payment:

The Company has offered an Employee Share Option Plan ("ESOP") to the senior management personnel for a quantum of 1% of the issued shares as at 26 March 2011. The ESOP will be in the form of options with an exercise price of LKR 15.00 per share and the earliest exercise date for the options was 31 May 2013 with an expiration date of 30 November 2013. A special resolution was passed on 31 March 2011 by the shareholders approving the same. The Company has not and will not be providing, directly or indirectly any financial assistance in respect of the said ESOP.

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

(a) The price at which shares will be issued upon the exercise of the share options granted ("exercise price") is LKR 15.00.

(b) The period during which the employees are to subscribe for the shares of the Company ("exercise period") is a period commencing from 31 May 2013 and ending on 30 November 2013.

(c) The total number of shares underlying the share options is 1% of the issued shares of the Company as at 26 May 2011.

The Company revised the exercise price and the exercise period of the ESOP with the approval of shareholders being obtained by way of a special resolution passed at the Annual General Meeting held on 23 July 2013, as follows:

(a) revision of the exercise price from LKR 15.00 per share to LKR 9.16 per share, being the volume weighted average price of the shares of the Company for the thirty (30) day period prior to the grant of the share options, which took place on 05 February 2013; and

(b) revision of the exercise period from the period commencing on 31 May 2013 and ending on 30 November 2013 to the period commencing on 31 May 2014 and ending on 31 August 2014.

The aforesaid revision to the exercise price was proposed in order to accord with the provisions of Section 5.6 of the Listing Rules of the Colombo Stock Exchange that relate to the exercise price of employee share option schemes. The proposed revision to the exercise period as aforesaid was in order to provide the employees with adequate time to consider the revised terms and exercise the share options granted to them on such terms.

The Company has no legal or constructive obligation to repurchase or settle the options in cash.

The weighted average fair value of options granted during the period determined using the Black-Scholes valuation model was LKR 3.39 per each share underlying options thereby the value of the options (consisting of 5,750,024 underlying shares) was LKR 19,473,190 as at 05 February 2013. The significant inputs into the model were weighted average share price of the Company LKR 12.20 at the grant date, proposed exercise price shown above, volatility of 32.2%, dividend yield of 7.93%, an expected option life of three months and an annual risk-free interest rate of 10.86%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last year.

The Company has not recognised the employee share option schemes granted prior to 01 April 2011 based on the exemption allowed by SLFRS 1. Compensation expense for the incremental value arising from the repriced award is LKR 117,629

32. Events after the end of reporting period

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

TJL Real Estate Portfolio

TJL Real Estate portfolio

BOI Agreement Number	Agreement Date	Lease Period	Area	Buildings		Square Feet	Net Book Value Rs '000	
				Description	No . Of Buildings		31.03.2014	31.03.2013
1) 168	24-Jan-02	50 Years	18.18 Acres	Production Buildings	12	554,847	**984,880**	977,833
2) 2393	07-Apr-05	30 Years	6 .00 Acres	Residency Buildings	5	25,203	**63,061**	63,155
3) 282	16-Mar-07	30 Years	2.13 Acres	Nil				
			10.00 Acres	Nil				
		Total	**36.31 Acres**			**580,050**	**1,047,941**	**1,040,988**

Shareholder Information

Top 20 Shareholders as at 31 March 2014

Name of Shareholder	2014 No. of Shares	%	2013 No. of Shares	%
PACIFIC TEXTURED JERSEY HOLDINGS LIMITED	**262,001,464**	**40.00**	262,001,464	40.00
BRANDIX LANKA LIMITED	**197,000,976**	**30.08**	197,000,976	30.08
Y.S.H.I. SILVA	**15,956,500**	**2.44**	15,956,500	2.44
EMPLOYEES PROVIDENT FUND	**13,813,200**	**2.11**	13,813,200	2.11
MELSTACORP LIMITED	**12,622,428**	**1.93**	12,622,428	1.93
J.B. COCOSHELL (PRIVATE) LTD	**9,180,485**	**1.40**	11,048,879	1.69
SEYLAN BANK PLC/ARC CAPITAL (PRIVATE) LTD	**6,879,687**	**1.05**	-	-
HSBC INTL NOM LTD-HBFS-NAVIS YIELD FUND	**5,730,319**	**0.87**	-	-
MAS CAPITAL (PRIVATE) LIMITED	**5,466,322**	**0.83**	5,966,322	0.91
NUWARA ELIYA PROPERTY DEVELOPERS (PRIVATE) LTD	**5,211,700**	**0.80**	2,050,900	0.31
MCBRIDGE BLUE (PRIVATE) LIMITED	**5,150,700**	**0.79**	3,119,300	0.48
CITI BANK NY S/A FORWARD SELECT EM DIVIDEND FUND	**4,999,998**	**0.76**	-	-
HSBC INTL NOM LTD-BP2S SINGAPORE-BNP PARIBAS BANK AND TRUST CAYMAN LIMITED AS TRUSTEE FOR HARVEST FUNDS (CAYMAN)-ASIA FRONTIER EQUITY FUND	**3,912,091**	**0.60**	-	-
FERGASAM GARMENT INDUSTRIES (PRIVATE) LTD.	**2,811,100**	**0.43**	2,811,100	0.43
TIMEX GARMENTS (PRIVATE) LTD	**2,791,100**	**0.43**	2,791,100	0.43
PERICEYL (PRIVATE) LIMITED A/C NO. 03	**2,694,100**	**0.41**	2,694,100	0.41
SOUTH ASIAN INVESTMENT (PRIVATE) LTD	**2,073,419**	**0.32**	-	-
NAWALOKA PILING (PRIVATE) LIMITED	**2,031,400**	**0.31**	2,031,400	0.31
MCSEN RANGE (PRIVATE) LIMITED	**2,031,400**	**0.31**	2,031,400	0.31
J.D.N. KEKULAWALA	**2,031,400**	**0.31**	-	-
K. BALENDRA	**1,691,200**	**0.26**	-	-
UNION ASSURANCE PLC/NO-01A/C	**1,553,000**	**0.24**	-	-

Director's Shareholding	2014 No of Shares
Wing Tak Bill Lam	-
Sriyan Joseph de Silva Wijeyeratne	-
Kang Po Tsang	-
Ashroff Omar	-
Wai Loi Wan	-
Kulatilleke Arthanayake Malik Kumar Ranasinghe	-
Amitha Lal Gooneratne	-
Hasitha Premaratne	**40,000**

Shareholder Information contd.

The Number of Shareholders as at 31st March 2014

Percentage of public holding as at 31st March 2014 was 29.70%. No of Shareholders as at 31.03.2014 was 8,982.

	Residents			Non- Residents			Total		
Number of Shares held	Share	No. of Shares	%	Share	No. of Shares	%	Share	No. of Shares	%
1-1,000	5,445	2,937,398	0.45	8	3,667	0.00	5,453	2,941,065	0.45
1,001-5,000	2,103	5,749,993	0.88	9	34,650	0.01	2,112	5,784,643	0.88
5,001-10,000	694	5,314,865	0.81	9	86,600	0.01	703	5,401,465	0.82
10,001-50,000	459	11,622,224	1.77	15	406,478	0.06	474	12,028,702	1.84
50,001-100,000	73	5,913,892	0.90	5	380,900	0.06	78	6,294,792	0.96
100,001-500,000	100	22,005,257	3.36	6	1,608,182	0.25	106	23,613,439	3.61
500,001-1,000,000	24	19,406,261	2.96	1	833,000	0.13	25	20,239,261	3.09
Over 1,000,000	26	301,005,199	45.95	5	277,693,874	42.40	31	578,699,073	88.35
Total	8,924	373,955,089	57.09	58	281,047,351	42.91	8,982	655,002,440	100.00

	31st March 2014		
Categories of Shareholders	No. of Share holders	No. of shares	%
Individuals	8,772	82,538,346	12.60
Institutions	210	572,464,094	87.40
Total	8,982	655,002,440	100

Corporate Information

Name
Textured Jersey Lanka PLC

Legal Form
A public quoted Company with limited liability, incorporated on 12 July 2000.

Company Registration No.
PV 7617 PB/PQ

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

Registered office
Block D8 – D14, Seethawaka International Industrial Park, Avissawella

Director
Mr. Wing Tak Bill Lam – Chairman
Mr. Sriyan Joseph de Silva Wijeyeratne – Managing Director / CEO
Mr. Mohamed Ashroff Omar
Mr. Hasitha Premaratne
Mr. Amitha Gooneratne
Prof. Malik Ranasinghe
Mr. Kang Po Tsang
Mr. Wai Loi Wan

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

Auditors
PricewaterhouseCoopers, Chartered Accountants

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

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

Investor Relations
Kishan Gunawardena
Brandix Lanka Ltd.

Design & Concept by : optima | Printed by: Aitken Spence Printing & Packaging (Pvt) Ltd

Notice of Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Textured Jersey Lanka PLC will be held at 2.30 p.m. on 07 August 2014 at the Committee Room 'B', The Bandaranaike Memorial International Conference Hall, Bauddhaloka 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 2014 together with the Report of the Auditors thereon.

2.
   (a) To re-elect Mr. Wai Loi Wan, a Director who retires in terms of article 27 (3) of the Articles of Association of the Company, and being eligible has offered himself for re-election.

   (b) To re-elect Mr. Sriyan Joseph de Silva Wijeyeratne, a Director who retires in terms of article 27 (3) of the Articles of Association of the Company, and being eligible has offered himself for re-election.

3. 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.

4. To declare a final dividend of LKR 0.80 (Cents 80) per share for the financial year ended 31 March 2014 as recommended by the Board.

5. To authorize Directors to determine contributions to charities.

By order of the Board,

CORPORATE SERVICES (PRIVATE) LIMITED
Secretaries
TEXTURED JERSEY LANKA PLC

At Colombo, on this 7 day of July, 2014.

Note:

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

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

Form of Proxy

*I/We...

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

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

....of

....

....
as *my/our Proxy to attend and vote at the Annual General Meeting of the Company to be held at the Committee Room 'B', The Bandaranaike Memorial International Conference Hall, Bauddhaloka Mawatha, Colombo 07, on 07 August 2014 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 2014 together with the Report of the Auditors thereon.		
2. (a)	To re-elect Mr. Wai Loi Wan, a Director who retires in terms of article 27 (3) of the Articles of Association of the Company, and being eligible has offered himself for re-election.		
(b)	To re-elect Mr. Sriyan Joseph de Silva Wijeyeratne, a Director who retires in terms of article 27 (3) of the Articles of Association of the Company, and being eligible has offered himself for re-election.		
3.	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.		
4.	To declare a final dividend of LKR 0.80 (Cents 80) per share for the financial year ended 31 March 2014 as recommended by the Board.		
5.	To authorize the Directors to determine contributions to charities.		

Signed this .... day of 2014

....
Signature/s

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

INSTRUCTIONS AS TO COMPLETION

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

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

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

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

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

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

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

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