

The background of the entire image is a dense, overlapping pattern of numerous small rolls of knitted fabric. Each roll is a different color, including shades of red, orange, yellow, green, blue, purple, and brown. The rolls are arranged in a way that creates a rich, textured, and colorful mosaic effect.

ANNUAL REPORT  
2022/23

# INTERKNITTED

teejay



A decorative border at the top and right side of the page, consisting of numerous rolls of colorful yarn in various colors including orange, yellow, pink, purple, blue, green, and white, arranged in a pattern that suggests a knitted or woven texture.

## INTERKNITTED

Our enterprise is never linear. It is a rich mosaic of constant interplay and *knit* of many factors – transformation, diversification, innovation, best practice, and more. The real growth we pursue is achieved by constant renewal – of *patterns and forms* that are at the same time, *new*, yet continue the art and form of the whole.

teejay

# CONTENTS

## 03/ Preamble

- 03 About This Report
- 05 About Teejay
- 12 Performance Highlights

## 14/ Leadership Messages

- 15 Chairman's Message
- 19 Chief Executive Officer's Message

## 24/ Leadership

- 25 Board of Directors
- 28 Leadership Team
- 34 Factory Leadership Team – Lanka Entities
- 35 Factory Leadership Team – India Entities

## 36/ Governance and Risk Management

- 37 Corporate Governance
- 60 Enterprise Risk Management
- 69 Audit Committee Report
- 72 Remuneration Committee Report
- 73 Related Party Transactions Review Committee Report
- 74 Annual Report of the Board of Directors
- 78 Statement of the Directors' Responsibility for Financial Reporting

## 79/ Special Events Feature

## 84/ Sustainability Integration

## 93/ Management Discussion and Analysis

- 94 Our Business Model
- 96 Our Strategy
- 98 Operating Environment
- 103 Financial Capital
- 110 Manufactured Capital
- 114 Intellectual Capital
- 122 Human Capital
- 134 Social and Relationship Capital
- 142 Natural Capital

## 153/ Financial Reports

- 154 Financial Calendar
- 155 Independent Auditor's Report
- 159 Statement of Profit or Loss
- 160 Statement of Comprehensive Income
- 161 Statement of Financial Position
- 162 Statement of Changes in Equity – Group
- 163 Statement of Changes in Equity – Company
- 164 Statement of Cash Flows
- 165 Notes to the Financial Statements

## 215/ Supplementary Information

- 216 Assurance Statement
- 218 Five Year Financial Summary – Group
- 219 Shareholder Information
- 221 GRI Content Index
- 231 Glossary of Financial Terms
- 232 Notice of Meeting

**Enclosed** – Form of Proxy

**Inner Back Cover** – Corporate Information

## ABOUT THIS REPORT

GRI 2-1, 2-2, 2-3, 2-4, 2-5

This is the 12th Integrated Annual Report published by Teejay Lanka PLC that communicates the progress of its sustainability journey during the financial reporting year ended 31 March 2023. The Report provides an overview of our environmental stewardship, social responsibility, governance aspects, future-focused on sustainability-driven innovation, and insights on material topics pertaining to our commitment towards sustainable operations. The Report also intends to communicate our approach toward directing corporate strategies in an integrated manner while cautiously balancing the often-competing best interests of our diverse stakeholders.

Our functional currency and primary account-keeping currency is US dollars (USD). This practice allows for a more accurate reflection of our performance, as well as the efforts of the Management in achieving the targeted growth. However, given that we are also listed on the Colombo Stock Exchange (CSE), and our dividend payouts to our shareholders are in Sri Lankan Rupees (LKR), we also generate accounts in LKR. This practice allows for more insight into our capital market performance and the returns generated directly for our shareholders. In most years, the discrepancy between the two reporting practices has been nominal. The year under review, however, was unlike any other year, and USD and LKR reporting indicated a difference in their respective performances.

### SCOPE AND BOUNDARY

This Report covers the operations of Teejay Lanka PLC and its subsidiaries within Sri Lanka and in India, for the reporting period from 1 April 2022 to 31 March 2023.

It presents the performance of the Group, particularly its fabric manufacturing and printing operations. All non-financial and operational information included within the Report represents the same (unless specifically mentioned). Details of this (including strategic reasoning, and investment made) are covered elsewhere in this Report. Apart from this aspect, there have been no other material restatements nor significant changes to the structure or supply chain of the Group.

Teejay Lanka PLC follows an annual reporting cycle for financial and sustainability reporting. Our Report for the preceding fiscal year ending 31 March 2022 was covered in the Annual Report 2021/22.

### STANDARDS AND PRINCIPLES

#### NARRATIVE REPORT:

Integrated Reporting <IR> Framework of the IFRS Foundation.

#### FINANCIAL INFORMATION:

Sri Lanka Financial Reporting Standards, Sri Lanka Auditing Standards.

#### GOVERNANCE:

Laws and regulations of Companies Act No. 07 of 2007, Listing Rules of the Colombo Stock Exchange (revisions to date), Code of Best Practice on Corporate Governance (2017) issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), Code of Best Practice on Corporate Governance (2013) issued jointly by CA Sri Lanka and the Securities and Exchange Commission of Sri Lanka (SEC), Code of Best Practices on Related Party Transactions (2013) advocated by SEC, SEC Act No. 19 of 2021, including directives and circulars.

#### REPORTING ON THE UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UN SDGS)

#### SUSTAINABILITY DISCLOSURES:

Prepared considering the topic-specific standards of the Global Reporting Initiative (GRI) Standards as well as the new requirements outlined in the Universal Standards of GRI, released in October 2021. Teejay Lanka PLC has reported in accordance with these GRI Standards for the period 1 April 2022 to 31 March 2023. Please refer to the GRI Content Index on page 221 for the full list of disclosures referenced in this Report.

## ABOUT THIS REPORT

### MATERIALITY

As part of the process of determining the content to be included in this Report, we have focused on the principle of materiality, both financial and impact, while also prioritising analysis and discussions in the same regard, and that are of paramount importance to our stakeholders and business alike.

In addition to the financial disclosures contained in this Report, The material topics listed in the section "Sustainability Integration" refers to the key sustainability topics determined and addressed by Teejay's ESG Management Framework.

The implementation and execution of such strategies, alongside the approach followed by the Company's Management to mitigate its negative ESG impacts and the resultant sustainability performance during the year, are outlined in the various capitals sections throughout the report, in relation to each material sustainability topic.

Additionally, the Report contains Teejay's approach towards corporate governance, risk management, and related financial reports and performance, which serves as the foundation of Teejay's ESG Management Framework.

All indicators, measuring methodologies, assumptions and estimations with regard to sustainability topics, utilised in the preparation of this Report are in accordance with GRI Standards guidelines as well as standard industry practices. Any restatements to the presented numbers and statements and their underlying reasons have been clearly stated under the relevant sections of this Report, wherever applicable.

### APPLYING THE PRECAUTIONARY PRINCIPLE

Teejay's operational decisions are guided by the precautionary principle, with resource consumption, environmental pollution, and climate change identified as areas of high priority. At a minimum level, Teejay ensures it maintains full compliance with all laws and regulations applicable to the business.

However, Teejay strives to benchmark industry standards and other global best practices beyond statutory obligations to retain a leading position in the industry.

### NAVIGATING OUR REPORT

To showcase the interconnectivity of information and as a means of facilitating navigation, the following icons have been used across the Report.



Financial capital  
(Page 103)



Manufactured capital  
(Page 110)



Intellectual capital  
(Page 114)



Human capital  
(Page 122)



Social and  
relationship capital  
(Page 134)



Natural capital  
(Page 142)

### EXTERNAL ASSURANCE

We make use of a combined assurance model to ensure the credibility and integrity of our reporting. External assurance on the Financial Statements and financial audits have been conducted by PwC Sri Lanka, while the environmental, social and governance (ESG) audit

is conducted by EY Sri Lanka. All financial, compliance, and operating controls are evaluated by the Group's management audit and system review, which is engaged in our internal audit function. Furthermore, the Company's Board Audit Committee is involved in overseeing and monitoring the adequacy and effectiveness of the financial reporting and internal control systems.

### AVAILABLE FROM

Teejay Lanka PLC

Annual Report 2022/23

Publication date: 28 July 2023



Available online in PDF at  
[<https://www.teejay.com/investor/reports-announcements>]

### FEEDBACK

We understand that Integrated Reporting is a journey of perpetual progress. As such, we would sincerely appreciate your valuable suggestions in terms of what you think should be published in our next Report.

Please direct your feedback to:

**Mr Salman Nishtar**  
Chief Financial Officer

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

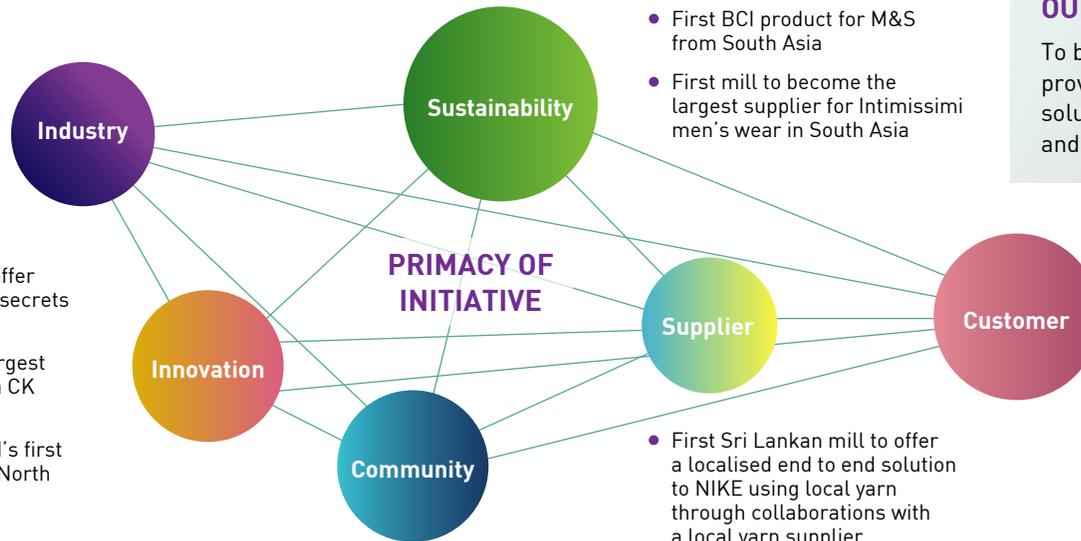
Email: [info@teejay.com](mailto:info@teejay.com)  
Phone: +94 36 427 9500

# ABOUT TEEJAY

GRI 2-1, 2-2, 2-6

Founded in the year 2000, Teejay Lanka PLC owns Teejay Lanka Prints (Private) Limited, and Teejay India Private Limited, its subsidiaries in Sri Lanka and India respectively (collectively referred to as the Teejay Group), the first and the only multinational knit fabric mills in Sri Lanka specialising in weft knit manufacturing. Headquartered at Block D8-D14, Seethawaka Export Processing Zone, Avissawella in Sri Lanka, Teejay Lanka PLC has been listed on the Colombo Stock Exchange (CSE) since 2011 under the ticker symbol TJL. N0000.

- First to revolutionised the spectrum of the single jersey jacquard from all the fibers
- First cotton longevity product
- First Mill in South Asia to offer a speed model for Victoria secrets Yoga programme
- First mill to become the largest supplier for North America CK business – global
- First mill to offer the world’s first recycle cotton product for North America CK business



## OUR VISION

To be the preferred fabric solutions provider for branded clothing.

## OUR MISSION

To become a USD 300 Mn. company in 2024-25 providing customers with world-class fabric solutions delivered through sustainable operations and best in class talent in multiple locations.

## Our Values



### Innovate to lead

Innovation, Product, Process, and People.



### Integrity

Right quality, Accountability, Right service, Safety and compliance, Sustainable best practices, and Good citizenship.



### Collaboration

Backward and forward supply chain collaboration, partnering with communities, industries, academia and Governments.



### Teamwork

Continuous performance through camaraderie

## ABOUT TEEJAY

### GROUP STRUCTURE

The Teejay Group owns manufacturing facilities in Sri Lanka and in India, along with a state-of-the-art printing facility in Sri Lanka. Furthermore, Teejay is recognised as the first multinational fabric mill to originate in Sri Lanka with a labour force of 3,212 employees across its operations.



### Our interknitted value chain

#### RM Supplier

- Fibre
- Yarns
- Dyes
- Chemicals

#### Fabric Manufacturers

- Product development and order adoption
- Knitting
- Dyeing
- Finishing
- Quality check
- Delivery
- After Sales

#### Retailing

- Supply chain
- Product development
- Design
- Technical

#### Apparel Manufactures

- Supply chain
- Product development
- Design
- Business units
- Technical

### Portfolio

Teejay’s fabric portfolio includes Single Jersey, Interlock, Rib, Pique, Fleece, Lace, Jacquards and Prints ranges. Leading global brands utilise these fabrics to manufacture intimates, sleepwear, activewear, and more. However, Teejay intends to diversify from traditional means to discover modern and sophisticated approaches to synthesise fabrics that cater to emerging trends and global perceptions. The main fabrics used by Teejay are:



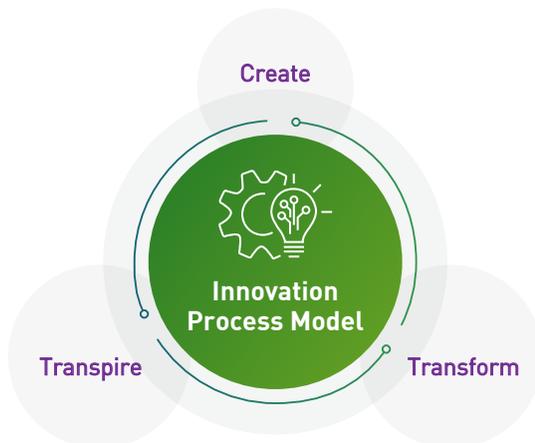
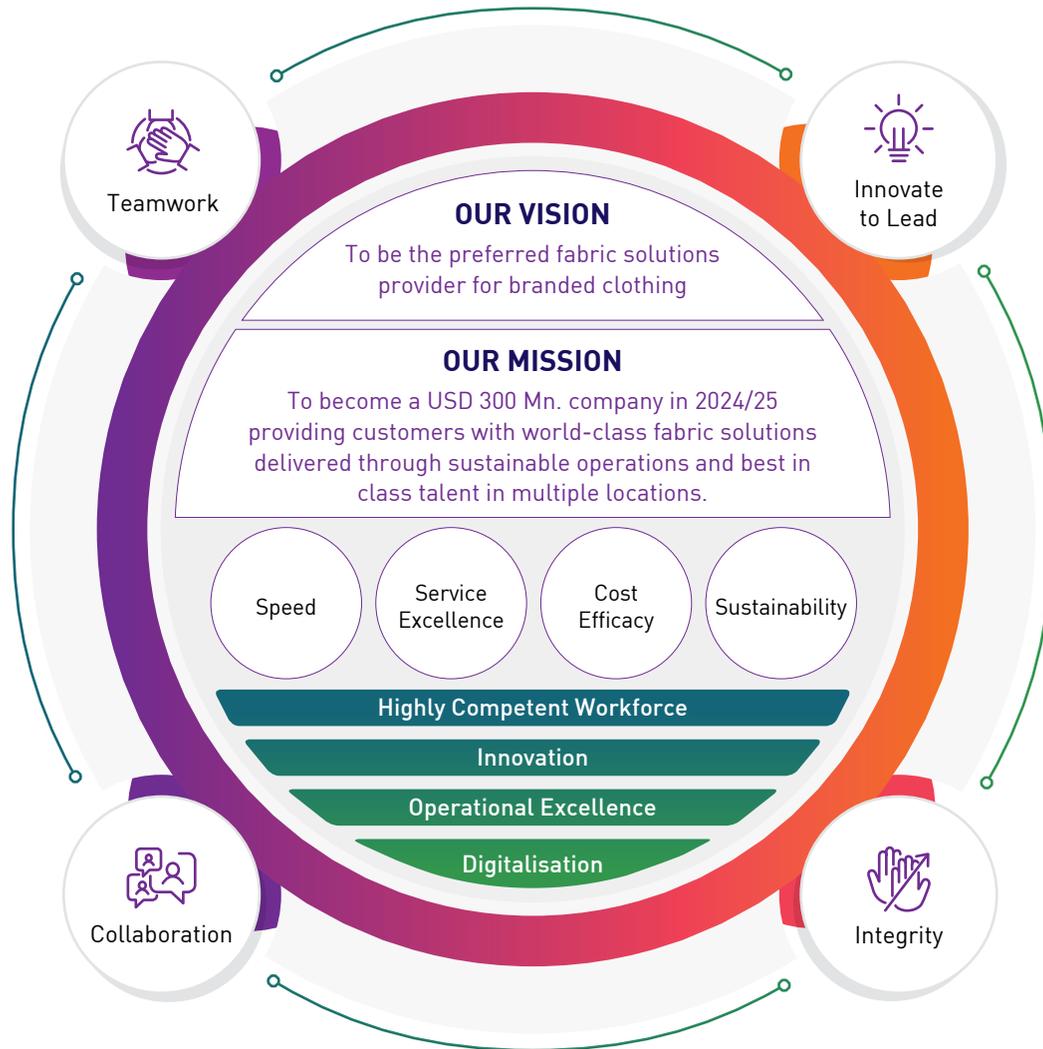
## ABOUT TEEJAY

### LEVERAGING OPERATIONAL EFFICIENCY AND INNOVATION TO ATTAIN GOALS

Driven to achieve new heights, Teejay is progressing towards becoming a USD 300 Mn. company by driving a transformation journey that will efficiently enhance all operations throughout the business, thus achieving operational excellence.

Teejay is driven by its aspirational vision. The unending support of its customers, along with its skilled workforce helps it to fulfil this. In its mission to provide world-class fabric through sustainable operations and talent, Teejay is determined to do everything right by leveraging speed, service excellence, cost efficiency, and sustainability.

Investments in technology and process improvements are crucial to ensuring that the Company can offer end-to-end solutions for customers. INSCOPE – a Teejay innovation – has the potential to become the crucible for progressive product transformation ideas for the apparel sector and other performance fabrics.



## ABOUT TEEJAY

### OUR PARTNERS AND PRESENCE

Adopting a progressive attitude and keeping pace with evolving trends has enabled the Teejay Group to grow in European, American, and Asian markets, namely the United States of America (USA), United Kingdom (UK), Italy, Germany, France, and Japan, whilst positioning it as the preferred fabric provider for some renowned retail brands such as PVH, Calzedonia, VS&Co., Decathlon, Marks & Spencer, Nike, Uniqlo, LIDL, Lacoste and others.



### QUALITY AND RELIABILITY

The Group is reputed for the exceptional quality of its products and customer service, which stems from its proficiency in meeting evolving customer needs despite the unpredictable and dynamic nature of the fashion industry. Sustainability and innovation serve as key pillars of growth for the business, as transforming and reinventing business practices is crucial. The incorporation of digital printing, lace, jacquards, fleece and synthetic production into the Group’s portfolio indicates progress in this regard.

Teejay’s research and development work in fibre, yarn, dyes, and chemicals as well as its processes enable the Company to offer customised solutions to clients. Constant innovation serves as a competitive edge for Teejay. We commit to providing our customers with unparalleled high-quality services by implementing the latest practices in health and safety, sustainability, and environmental policies. We at Teejay believe that efficient collaboration between customers and suppliers always creates the best experience.

Strengthened by its multinational presence, the Company promotes operational excellence, safety, compliance, sustainable solution, and innovation, and looks to serve as a one-stop fabric solutions destination for all customers.



## ABOUT TEEJAY

### FOCUS ON SUSTAINABILITY

Teejay has a strong focus on an Environment, Social, and Governance (ESG) Framework, which is essential for its long-term business sustainability. The Company recognises the importance of integrating sustainable practices not just because of brand demands but also as a strategic approach. By prioritising ESG aspects, Teejay aims to become the preferred fabric solutions provider for branded clothing, aligning with its global apparel brand portfolio.

Sustainability is fundamental to and serves as the core of Teejay's approach to business operations, especially in resource optimisation and reducing its carbon footprint. Therefore, the Company adopts sustainable production methods to produce fabrics from sustainable raw materials. This contributes to making Teejay a preferred fabric manufacturer in the region.

With sustainability being a prime focus, Teejay continues to assess the possibility of transitioning to the use of renewable energy sources as opposed to alternative energy sources. The Company's focus on this over the years can be seen in Teejay being the first Sri Lankan mill to partner with Marks & Spencer on its "Plan A", and has also been the first company in the region to initiate the "Better Cotton Initiative" (BCI) for the brand.

In addition to this, Teejay's sustainability footprint ABHIVARA is focused on creating permanent changes in the environment by championing climate change action, managing our footprint, and helping a thriving planet. INSCOPE, however, elevates Sri Lanka's fabric story to extraordinary levels.

### Our prioritised UN SDGs



### INDUSTRY ASSOCIATIONS

GRI 2-28

Given Teejay's role as an established manufacturer in Sri Lanka's apparel industry, the Group looks to contribute to its advancement by engaging with various industry associations, to identify opportunities for growth and to foster an enabling operating environment.

The Group holds memberships in the following associations:

- Teejay Lanka PLC and Teejay Lanka Prints (Private) Limited are members of the Fabric and Apparel Accessory Manufacturers Association (FAAMA).
- Teejay Lanka PLC and Teejay India Private Limited are members of the U.S. Cotton Trust Protocol.
- The American Chamber of Commerce in Sri Lanka (AMCHAM).

## ABOUT TEEJAY

## ● MILESTONES

**2000**

Incorporation of Textured Jersey Lanka

**2004**

Onboarding of Pacific Textile Holdings

**2008**

Capacity expanded by 15 tons and launch of Green Initiatives

**2011**

Textured Jersey Lanka listed in the Colombo Stock Exchange

**2015**

Acquisition of Ocean India Private Ltd. and Quenby Lanka Prints Private Ltd.

**2016**

Rebranded as Teejay  
First synthetic fabric is launched commercially

**2018**

Expansion of Teejay India, doubling capacity and enhancing the Group's manufacturing capacity to USD 210 Mn.

**2019**

Initiation of Teejay's operational excellence journey

**2021**

- Teejay "Year of Transformation"
  - Launch of innovation brand INSCOPE
  - Initiation of sustainability footprint ABHIVARA 2030
- Commercial launch of Jacquard

**2022**

- USD 26 Mn. expansion project at Teejay India, increasing daily capacity by 20 tons
- Commercial launch of acid and disperse printing
- Commenced our ESG journey by developing a Sustainability Management Framework and establishing a Steering Committee to oversee sustainability performance

## ABOUT TEEJAY

### AWARDS AND RECOGNITION

#### 1. TISL Award

No. 1 corporate entity amongst 100 public limited companies in Sri Lanka for transparency in corporate reporting, in the recently published Transparency in Corporate Reporting Assessment (TRAC) Report 2022.

#### 2. CCQC India Award

Teejay India's quality circles in the Knitting, Dyeing, and Warehouse Departments won gold at the 22nd Chapter Convention on Quality Concept Awards 2022.

#### 3. CNCI Award

Teejay Lanka earned a Merit Award for industrial excellence at the CNCI Achiever Awards 2022, from the Ceylon National Chamber of Industries.

#### 4. NCSI Safety Award

Teejay India was honoured with the Safety Award (Prashansa Patra) in the Manufacturing Sector.

#### 5. PCM Best Management Practice Award

Teejay Group's operational excellence journey was recognised as one of the best management practices in the industry, by the Institute of Chartered Professional Managers of Sri Lanka (CPM), at the Best Management Practices Company Awards 2023.

### Certifications and Accreditations



### Awards

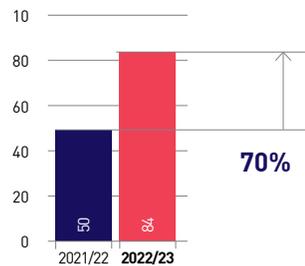


## PERFORMANCE HIGHLIGHTS

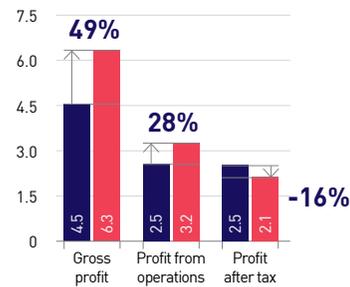
	Metric	2023	2022	
<b>Financial capital</b> 	<b>Operations</b>			
	Revenue	LKR '000	84,037,126	49,587,964
	Gross profit	LKR '000	6,842,897	4,577,641
	Profit from operations	LKR '000	3,295,076	2,573,103
	Profit after taxation	LKR '000	2,126,731	2,531,250
	Revenue growth	%	70	56
	Operating profit margin	%	3.9	5.2
	Return on equity (ROE)	%	7.1	11.0
	Return on assets (ROA)	%	3.5	5.6

	Metric	2023	2022
<b>Financial position</b>			
Non-current assets	LKR '000	25,957,751	21,996,498
Current assets	LKR '000	34,100,466	37,897,277
Non-current liabilities	LKR '000	10,511,897	7,855,202
Current liabilities	LKR '000	17,502,968	23,812,704
Capital and reserves	LKR '000	32,043,352	28,225,869
Current ratio	Times	1.9	1.6
Quick assets ratio	Times	1.2	0.9
<b>Shareholder information</b>			
Number of shares in issue	Number	716,739,975	716,739,975
Market value per share (closing)	LKR	32.0	39.8
Dividend per share	LKR	1.5	2.0
Earnings per share	LKR	3.0	3.5
Net assets per share	LKR	44.7	39.4
P/E Ratio	Times	10.8	11.3

**Revenue**  
(LKR Bn.)



**Profit analysis**  
(LKR Mn.)



■ 2021/22 ■ 2022/23

	Metric	2023	2022	
<b>Manufactured capital</b> 	Property, plant and equipment	LKR '000	20,258,577	14,715,246
	Capital expenditure	LKR '000	3,334,414	5,962,561

## PERFORMANCE HIGHLIGHTS

	Metric	2023	2022
<b>Intellectual capital</b> 	New products approved	Nos. <b>300</b>	86
	Investment in R&D	LKR '000 <b>423,230</b>	142,462
<b>Human capital</b> 	Total employees	Nos. <b>3,212</b>	3,281
	Payments to employees	LKR '000 <b>4,599,959</b>	2,859,515
	Number of promotions	Nos. <b>144</b>	93
	Investment in training	LKR '000 <b>10,630</b>	9,375
	Total training hours	Hours <b>40,401</b>	17,156
	Average training hours/employee	Hours <b>12.58</b>	5.23
<b>Social and relationship capital</b> 	Strategic customers	Nos. <b>8</b>	8
<b>Natural capital</b> 	Water consumption	M <sup>3</sup> <b>130,895</b>	236,217
	Specific electricity consumption	kWh/kg <b>47,888,401.64</b>	50,347,468.14

	Metric	2023	2022
Price-earnings ratio	Times	<b>10.8</b>	11.3
Price to book value	Times	<b>0.7</b>	1.0
Return on equity (ROE)	%	<b>7.1</b>	11.0
Earnings yield	%	<b>9.3</b>	8.9
Operating profit margin	%	<b>3.9</b>	5.2
Return on assets	%	<b>3.5</b>	5.6
Dividend yield	%	<b>4.7</b>	5.0
Dividend payout	%	<b>51.0</b>	57.0
Dividend cover	Times	<b>1.98</b>	1.77
Book value per share	LKR	<b>44.7</b>	39.4
Stock price per share	LKR	<b>32.0</b>	39.8
Market capitalisation	LKR '000	<b>22,935,679</b>	28,526,251
Dividend	LKR '000	<b>1,075,110</b>	1,433,480

	2022/2023	2021/2022
Carbon footprint total (MTCO <sub>2</sub> e)	<b>111,243</b>	108,292
Total energy GJ	<b>1,029,178.29</b>	999,730.21
Total waste Generated (kg)	<b>5,491,587</b>	6,516,517
Total waste 3R (kg)	<b>3,753,316</b>	4,033,022
Usage of recycle RM (kg)	<b>1,639,865</b>	3,394,528
Environmental compliance	-	-
Carbon footprint intensity (MTCO <sub>2</sub> e/ LKR Mn.)	<b>2.24</b>	1.29
Energy footprint intensity (GJ/LKR Mn.)	<b>11.90</b>	20.75
Total number of suppliers on boarded	<b>34</b>	19
Total spent on CSR	<b>25 Mn.</b>	18 Mn.

# LEADERSHIP MESSAGES

15 Chairman's Message

19 Chief Executive Officer's Message

## Waffle and Bling

A textured fabric with square shaped intents that offers comforting thermal properties and a soft feel. The warm bright colours in stripes and solid combinations are an instant mood-fix fashion waffle range.

# CHAIRMAN'S MESSAGE

GRI 2-22, 2-23



**CHAIRMAN'S MESSAGE**

# Teejay's strategic objectives for the year under review encompassed multiple areas

Teejay Lanka's recognition as the top-ranked corporate entity in Sri Lanka for Transparency in Corporate Reporting in the TRAC 2022 assessment conducted by Transparency International Sri Lanka (TISL).

The FY 2022/23 marked a significant period of transformation in Teejay's operational landscape, with both global and local factors exerting their influence. On a global scale, economic volatility emerged as a major catalyst, whilst locally, political instability, escalating utility prices, and currency depreciation added to the complexity.

Consequently, Teejay encountered key challenges throughout the year. These included mounting operating costs, an arduous operating environment, shifts in customer behaviour, and the adverse effects of economic volatility and societal factors leading to a brain drain in Sri Lanka. Additionally, fluctuations in tax policies and interest rates contributed to financial instability during the period.

However, amid these challenges, the Group identified several significant opportunities. Notably, the adoption of the "China Plus One" strategy presented an opportunity for countries like India and Sri Lanka to position themselves as preferred destinations for foreign investment. This strategy also allowed multinational corporations to diversify their manufacturing operations across different destinations, thereby reducing their reliance on China.

Teejay's presence in India and its ongoing expansion initiatives provide the Group with additional prospects to cultivate lucrative customer relationships and explore new investment avenues. Moreover, the depreciation of the Sri Lankan Rupee has been leveraged by Teejay to capitalise on these opportunities.

## STRATEGIC INITIATIVES

Teejay's strategic objectives for the year under review encompassed multiple areas including new product development, acquisition of new customers, digitisation, and the evolution of the customer mix. However, changes in the operating environment necessitated modifications to the strategic plan, prompting the adoption of more cost-efficient models, a focus on increasing efficiency through planned short-term plant shutdowns, and the adjustment of long-term strategies.

We prioritised digitisation through the implementation of the SAP S/4 HANA ERP system, aiming to improve information accessibility and enhance operations including on the shop floor. The implementation of a shop floor improvement system is expected to optimise productivity and streamline processes.

These initiatives collectively demonstrate our commitment to staying ahead of industry trends, enhancing operational efficiency, and leveraging cutting-edge technology to drive growth and deliver superior results.

## FINANCIAL PERFORMANCE

The Group's performance for the financial year was characterised by a strong first half, followed by a slowdown in the second half. Despite the significant revenue growth of 70% YoY, reaching LKR 84 Bn. in FY 2022/23, there was a contraction in USD terms due to the rupee depreciation, an increase in the average selling price, and changes in the product mix. The net profit also declined due to persistently high energy prices, market softness leading to underutilisation of

## CHAIRMAN'S MESSAGE

capacity at our plants, and challenging global economic conditions that exerted pressure on margins. However, the Group maintained a strong balance sheet position, with positive cash flow generation.

### SUCCESS FACTORS

During the previous financial year, Teejay Group embarked on a transformative journey towards Operational Excellence, with digitalisation as a key pillar driving this process of transformation. This strategic focus gained further momentum through the implementation of measures aimed at establishing a unified ERP system across the entire Group.

Innovation and product transformation remained pivotal to the Group's ongoing success. Substantial progress has been made in collaboration with INSCOPE, a product innovation hub that aspires to move into the value tie. Our joint efforts are concentrated on developing sustainable products and solutions that are underscored by innovation. Additionally, Teejay is actively involved in the incubation of new brands, including prominent names such as Lululemon and Gymshark. These endeavours are integral to our commitment to driving growth and creating long-term value for our stakeholders.

### SUSTAINABILITY COMMITMENT

The Group deployed a comprehensive Sustainability Management Framework (SMF) based on identified material topics and continued to monitor its Key Sustainability Performance Indicators and Key Risk Indicators on a quarterly basis via a sustainability software tool, in adherence to internal sustainability standard operating procedures (SOP). During the year, the Group also reviewed, updated, and enhanced its

ESG policies and procedures to align with best practices. The CEO and Senior Management of the Group diligently conducted quarterly performance reviews of the Group's ESG performance. In terms of the Group's performance, our Scope 1 and Scope 2 Carbon Footprint was 108,292 MT during the reporting year, in comparison to 111,243 MT in 2021/22. Water withdrawal amounted to 2,343,969 cubic meters in 2022/23 in comparison to 2,265,986 cubic meters in 2021/22. Our Higg Facility Environmental Module (FEM) verified score improved to 94%, demonstrating our commitment to environmental stewardship.

The Group also adopted the Zero Discharge of Hazardous Chemicals (ZDHC) Chemical Management System Framework and is also a member of the United Nations Global Compact (UNGC).

We also made progress in obtaining Bluesign certification, implementing ISO 50001 Energy Management System, and joining the Science Based Targets initiative (SBTi). Teejay Lanka and Teejay Prints achieved ISO 14064 GHG verification, demonstrating compliance with ISO 14064-1:2018 requirements. The real-time data monitoring systems for energy and utilities enabled informed decision-making and resource optimisation.

Various staff engagement activities were undertaken whilst ensuring a safe working environment for our workforce during the year and the Group also provided on average 12.5 number of hours of training per employee in 2022/23.

The Group's social commitment is centred around creating sustainable livelihoods through the "Thirasara Mehewara" initiative. This involves conducting projects to support employees, community development projects

focusing on educational institutions and sanitation facilities, green investments to enhance environmental impact, and collaborations with peers and institutions to uplift the textile academia.

### DEVELOPMENT AGENDA

The Group played a significant role in contributing to Sri Lanka's development, serving as a vital source of foreign currency earnings in the country. Moreover, the Group's workforce comprises over 3,000 individuals, bolstering the nation's labour force and providing employment opportunities.

A key milestone achieved during the year was Teejay Lanka's recognition as the top-ranked corporate entity in Sri Lanka for Transparency in Corporate Reporting in the TRAC 2022 assessment conducted by Transparency International Sri Lanka (TISL). This accolade acknowledges Teejay's commitment to transparent reporting on anti-corruption programmes, transparency in Company holdings, and disclosure of key financial information pertaining to domestic operations. As a prominent player in the apparel industry, our Group plays a vital role in bolstering Sri Lanka's economy by facilitating trade and bringing in the much needed US dollars to the country. Operating within the island's supply chain, we play a pivotal role in securing substantial orders, amounting to an impressive USD 5 Bn., for the Sri Lankan apparel industry.

By demonstrating exemplary transparency placed on ethical and legal dealings, zero tolerance for corruption, bribery and any form of harassment or discrimination in our workplace and any work-related situations and adherence to best practices, Teejay Group reinforces its reputation as a responsible corporate entity that prioritises accountability and ethical conduct.

## CHAIRMAN'S MESSAGE

The Group's contributions to the national economy, coupled with its commitment to transparency, underscore its positive impact on Sri Lanka's development and its commitment to upholding the highest standards of corporate governance.

### FUTURE OUTLOOK

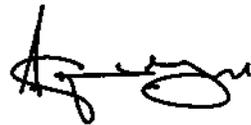
Over the next two to three years, we anticipate our biggest challenge to be adapting to evolving consumer buying behaviours, particularly among new generations that favour smaller niche brands. The apparel industry is witnessing a shift towards vertical supply chain models, with a single location or region housing the entire supply chain. Traceability and the impact of artificial intelligence (AI) will also be important considerations.

To drive growth, Teejay plans to expand its product focus by incorporating synthetics, airism, heat tech, fleece, polo, and other innovations to enhance product capabilities. The product mix is expected to evolve compared to the previous five years.

In line with its strategic direction, Teejay Group aims to embrace digitisation platforms for AI, leveraging data and analytics. The future focus involves attracting more customers, expanding the supply chain within the region, evolving product portfolios and customer bases, as well as establishing partnerships with retailers from Sri Lanka.

### APPRECIATIONS

In closing, I would like to express my sincere gratitude to our dedicated employees, including the leadership teams, for their unwavering commitment and significant contributions in propelling the Group forward despite the numerous challenges. I extend a special appreciation to my esteemed colleagues on the Board for their valuable guidance and inspiration, enabling Teejay to maintain its position as a leading fabric manufacturer for the years to come. Finally, I wish to thank our investors and all our esteemed stakeholders, including customers, suppliers, and partners, for their continued trust and support, which has been instrumental in Teejay's growth and success over the years.



**Ajit Gunewardene**

Chairman, Independent Non-Executive Director

27 July 2023

## CHIEF EXECUTIVE OFFICER'S MESSAGE



**CHIEF EXECUTIVE OFFICER'S MESSAGE**

# The Group achieved a record-breaking revenue of LKR 84 Bn.

We are proud to have made significant strides in environmental stewardship as evidenced by our remarkable Higg FEM verified score of 94%. This represents an improvement from the previous year's score of 90% and showcases our commitment to sustainability.

It is with great delight that I present Teejay Group's Annual Report for the FY 2022/23, highlighting our noteworthy achievements and financial success. The Group achieved a record-breaking revenue of LKR 84 Bn., the highest since its inception, which is a testament to our unwavering dedication and commitment.

## NAVIGATING A YEAR OF CHALLENGES

Throughout the financial year, we had to contend with numerous challenges that demanded our attention. The first half of the year was particularly impacted by power disruptions, fuel limitations, and soaring energy prices. The ensuing economic and political instability in the initial months posed significant obstacles for the Group. Moreover, market softness remained a key concern and is expected to persist due to ongoing economic difficulties in the US and European markets, as well as geopolitical turbulence resulting from Russia's war in Ukraine. While the changes brought about by the COVID-19 pandemic were a major concern in the recent past, it now presents a different chapter, as our focus shifts to grappling with the economic crisis that has emerged.

Meanwhile, Teejay India continued to strengthen its partnership with Uniqlo, while trade agreements with India and Japan are also expected to prove beneficial to the Group in terms of further expanding the business.

Opportunities continue to arise from our "China Plus One" strategy, which allows us to explore new markets and expand our customer base. We remain committed to navigating the evolving market conditions, leveraging our strengths, and capitalising on these opportunities to drive growth and ensure our long-term success.

## OUR FINANCIAL PERFORMANCE

In terms of our financial performance, Teejay Group achieved significant growth in revenue, reaching LKR 84 Bn. in FY 2022/23, recording a remarkable 70% YoY growth compared to the previous year. This growth was primarily driven by factors such as rupee depreciation, an increase in the average selling price, and changes in product mix.

On the other hand, the net profit experienced a reduction of 16% YoY in LKR terms, amounting to LKR 2.1 Bn. The decline in net profit is attributed to the underutilisation of capacity in all three plants due to market softness, margin pressure resulting from challenging global economic conditions, and persistently high energy prices.

Despite these challenges, Teejay Group has maintained a robust cash flow throughout the year, generating an operating cash surplus of LKR 7.6 Bn. However, there was a LKR 0.99 Bn. impact, as a result of the change in the tax bracket.

## OUR STRATEGIC FOCUS

During the year, we maintained our unwavering focus on achieving USD 300 Mn. in revenue while staying true to our mission and aspirations. By proactively addressing short-term challenges and aligning our long-term strategies with evolving market dynamics, we are positioning ourselves for sustainable growth and success in the future.

In the short-term we adopted several strategies to fill capacity with new customers and increase cost efficiency. These include optimising capacity utilisation and cost reduction through transformative projects

## CHIEF EXECUTIVE OFFICER'S MESSAGE

that prioritise productivity improvements and cost efficiencies as part of our Operational Excellence Journey. We also continuously collaborate with our existing customers and bring in capacity fillers to fill all 3 plants.

As for the long-term, our strategies encompass customer diversification and product-focused expansion. We aim to approach new customers and build strong relationships while enhancing our product capabilities and adjusting our product mix. We are particularly keen on implementing a “synthetic strategy” that places greater emphasis on synthetic products. We remain cognisant of the evolving buying patterns, behaviours, and requirements of customers, which would necessitate a shift in focus towards athleisure, synthetics, femtech, digital brands, and similar market segments.

Additionally, we are undergoing a product transformation, with a specific focus on developing a high-end product range. We are also embracing digital transformation, and establishing a robust environmental, social, and governance (ESG) framework. These initiatives are expected to position the Group for profitability once economic recovery sets in.

### STRENGTHENING OUR OPERATIONS

During the period under review, we accomplished significant milestones, such as the successful integration of Teejay India's synthetic capacity. Additionally, we expanded our footprint in Bangladesh, by establishing a Teejay office, anticipating promising orders in the future. Furthermore, our transformative strategy gathered momentum through

the implementation of SAP S/4HANA in Teejay Lanka, ensuring a unified ERP system across the Group by the first half of the next financial year. Our efforts to revamp the product portfolio were successful, as we diversified into new categories including fleece and the Polo range. Additionally, we enhanced our printing capabilities with acid and disperse printing.

In particular, even as the Group experienced an open capacity situation due to the softness in the market, it required the closure of the plant and a focus on reducing our overhead costs. Greater emphasis was given to the Group's Operational Excellence Journey, concerning productivity improvement projects, and cost efficiencies. We also looked to interknit our offering with insights from specialists in their fields, by upgrading and strengthening the product portfolio with the support of experts in technical fields, and incubating new customers by engaging with experts in marketing fields.

### AUGMENTING OUR INTERNAL EFFICIENCIES

During the year under review, we took significant steps to enhance our systems, procedures, and internal efficiencies. The implementation of real-time data monitoring systems, particularly for utilities, enabled the Group to make informed decisions and optimise resource allocation. Additionally, a shop floor improvement system was introduced, focusing on identifying and implementing strategies to enhance productivity and streamline processes. We also invested in knitting machines to increase production capacity and improve operational efficiency. We are committed to operational excellence and continually seek opportunities for cost reduction and increased efficiency. Machine utilisation is a priority for us as

we aim to maximise output and our performance. Furthermore, we have embraced digital transformation integrating various business functions for enhanced efficiency. We are also transitioning to a paperless office environment, improving information management, and reducing environmental impact. We have implemented document management systems and signed off on product life cycle management systems to digitise the product development process. These initiatives reflect our commitment to leveraging technology and data-driven insights to drive continuous improvement and sustainability in our operations.

### OUR ESG FRAMEWORK

The Teejay Group consisting of Teejay Lanka, Teejay India, and Teejay Prints continued to take significant steps towards environmental sustainability. During the year, Teejay conducted a comprehensive review of its Sustainability Management Framework. This entailed reassessing its Material topics, enhancing existing sustainability-related procedures and processes, and implementing an Excel-based tool to capture and report ESG (Environmental, Social, and Governance) data to Senior Management on a quarterly basis. These initiatives aimed to provide greater visibility into Teejay's sustainability performance.

We are proud to have made significant strides in environmental stewardship as evidenced by our remarkable Higg FEM verified score of 94%. This represents an improvement from the previous year's score of 90% and showcases our commitment to sustainability.

## CHIEF EXECUTIVE OFFICER'S MESSAGE

In line with its commitment to benchmarking our performance, Teejay became a part of the Science-Based Targets initiative (SBTi). This initiative has motivated us to undertake various initiatives aimed at reducing our carbon footprint. Our ambition is to contribute to the worldwide effort to limit global warming to 1.5°C by 2030 and achieve net zero emissions by 2050. Our sustainability initiatives are specifically designed to meet the targets established by Teejay, ensuring progress towards a more sustainable future.

This report aligns with the GRI Standards and the Integrated Reporting Framework, signifying Teejay's dedication to transparent and accountable reporting on our sustainability journey. We remain resolute in our efforts to contribute to the preservation of the environment and the well-being of all stakeholders.

In addition, we have actively participated in the United Nations Global Compact (UNGC) since October 2022. The UNGC is a voluntary initiative that encourages CEOs to commit to universal sustainability principles and engage in partnerships that support the United Nations' goals.

A significant milestone for Teejay Lanka and Teejay Prints was the attainment of ISO 14064 GHG verification, for successfully meeting the requirements of ISO 14064-1:2018. Our commitment to environmental protection is further demonstrated through our involvement in the Kelani River habitat enhancement project. We have conducted awareness sessions on key environmental topics to the nearby surrounding communities and initiated a tree plantation project covering an equivalent area of 22 acres.

All three manufacturing plants within the Teejay Group, namely Teejay Lanka PLC, Teejay India (Private) Ltd., and Teejay Prints (Private) Ltd. have achieved the "Supplier to Zero" foundational certification under ZDHC Programme. This certification ensures the implementation of sustainable chemical management practices. In alignment with our responsible approach, we have established and implemented the ZDHC Chemical Management System (CMS) Framework based on the ZDHC CMS Technical Industry Guide (TIG). With a clear roadmap, we are committed to advancing our sustainability journey known as "ABHIVARAH 2030".

To further emphasise our commitment to the environment, we organised chemical management forums and waste management forums. In the upcoming Chemical Suppliers' Forum 2023, we will discuss our sustainability and chemical management approaches, provide insights into the ZDHC chemical management framework, and highlight the importance of process and output chemical management. We will take this as a platform to share the sustainability initiatives undertaken by our suppliers.

Our policy commitments are deeply ingrained in the Group through our ESG framework. To learn more about our sustainability integration, please refer to the dedicated section on Sustainability Integration on page 84.

At Teejay, our commitment to the ESG framework remains resolute, and we are determined to integrate sustainability into every aspect of our operations. As part of this endeavour, we have established Key Performance Indicators (KPIs) to measure and track our progress along this ESG journey, ensuring that we remain accountable and proactive. In line with

our dedication to environmental sustainability, we are actively working to reduce our carbon footprint. As highlighted in the Chairman's message, we have implemented robust measures to minimise our environmental impact and contribute to a greener world. In terms of Natural Capital, we are proud to share some notable accomplishments that speak to our commitment to responsible resource management. Our efforts to preserve and nurture our natural resources have yielded promising results, such as reducing our energy consumption by 3% YoY and improving the power factor from 0.85 to 0.98 among others. These achievements underscore our belief in the importance of sustainability for long-term growth. For more comprehensive insights into our accomplishments in Natural Capital and our ongoing commitment to ESG, I encourage you to explore further references on this topic in this Report. Together, we are forging ahead on a sustainable path, guided by transparency, accountability, and a shared vision of a better future.

## STRENGTHENING GOVERNANCE

Throughout the year, Teejay has undertaken various initiatives to bolster its governance framework. The Risk and Control team worked diligently, enhancing internal controls of business processes through comprehensive internal audits and process reviews. The Group's anti-corruption policy was revised, and the suitability of the awareness programme is regularly reviewed and updated to reflect global best practices, evolving regulations, and dynamic stakeholder needs. Additionally, the whistle-blower policy was updated, incorporating an independent reporting channel to the Chairman of the Audit Committee encouraging ethical disclosures. We deeply value the contribution of our

## CHIEF EXECUTIVE OFFICER'S MESSAGE

employees and all other stakeholders who play a vital role in identifying and escalating potential concerns that require attention.

We uphold the values of ethical and legal business practices, demonstrating zero tolerance for corruption, bribery, harassment, or discrimination, both within the workplace and beyond. Our commitment toward anti-corruption and the initiatives taken during the last year yielded remarkable results, as Teejay Lanka PLC secured the top position in the Transparency in Corporate Reporting (TRAC) Assessment by Transparency International Sri Lanka (TISL) for 2022, attained a 100% score for transparency in corporate reporting disclosures.

This ranking is based on an assessment of corporate disclosure practices amongst the top 100 companies as per Market capitalisation listed on the Colombo Stock Exchange.

Moreover, the Gifts, Hospitality and Entertainment (GHE) Policy was revised, introducing self-assessment on acceptable GHEs and establishing a robust reporting and monitoring mechanism for all received or given gifts and benefits.

### A LOOK TO THE FUTURE

Looking ahead to the next two to three years, we anticipate several challenges and growth drivers. Challenges include the evolving purchasing patterns of customers, particularly among Gen Z, cause-driven buying, the potential economic recession and its impact on interest rates and purchasing power, geopolitical tensions such as the war in Ukraine, brain drain as talent migrates away from Sri Lanka, and taxation issues related to deemed exporters. On the other

hand, we identify growth drivers in the form of vertical solutions for working with vendor partners and supply chain partners, the development of fast and cost-effective product ranges, and a focus on innovation and capacity building. These factors are expected to contribute to the Group's growth and success in the near to mid-term.

The operating environment in the coming quarters will be challenging. We are seeing revenues at similar numbers to the previous two quarters and anticipate that this could last for a further two to three quarters based on current market dynamics. The Group is proactively manoeuvring its strategy in response to the risks and opportunities in the operating environment over this short-term horizon.

Furthermore, we remain committed to investing in the future, with a focus on upskilling employees, enhancing capabilities, and prioritising their physical and mental well-being. We aim to provide training and development opportunities to empower our employees to adapt and seize new opportunities. A positive work environment, work-life balance, and resources for mental well-being will be prioritised as well. We aim to nurture a skilled and resilient workforce, ensuring long-term success and sustainability.

### EXPRESSING APPRECIATION

In closing, I wish to express my sincere gratitude and appreciation to all our stakeholders who have played a crucial role in the success of the Teejay Group. I thank our Board of Directors for their guidance, expertise, and unwavering support. I am grateful for the trust and loyalty of our valued customers. I appreciate the collaboration and reliability of our suppliers. Their contributions have been essential in ensuring the smooth operations and

supply chain efficiency of our organisation. I deeply appreciate the hard work, commitment, and passion of our dedicated employees. They are the driving force behind our achievements and I truly appreciate their contributions to the growth and success of the Teejay Group. Even as I acknowledge the collective effort of all our stakeholders in making Teejay Group what it is today, their support and collaboration have been instrumental, and we look forward to continued success together.



**Pubudu De Silva**  
Group Chief Executive Officer

27 July 2023

# LEADERSHIP

- 25 Board of Directors
- 28 Leadership Team
- 34 Factory Leadership Team – Lanka Entities
- 35 Factory Leadership Team – India Entities

## Liquid Silver

The ever-trending metallic shiny looks of bright polyesters are now taking on a subtle shine updated with luminescent and soft surfaces to bring fresh and luxurious takes on futuristic design.

The special combination of modals with silver micro fibre synthetics are more fluid and softer to touch. Liquid Silver is a range to wrap yourself up in comfort.

## BOARD OF DIRECTORS



**AJIT GUNewardENE**

Chairman,  
Independent Non-Executive Director



**ASHROFF OMAR**

Non-Executive Director



**HASITHA PREMARATNE**

Non-Executive Director



**PROF MALIK RANASINGHE**

Independent Non-Executive Director



**AMITHA GOONERATNE**

Independent Non-Executive Director



**MASARU OKUTOMI**

Non-Executive Director



**KIT VAI TOU**

Non-Executive Director

## BOARD OF DIRECTORS

### **AJIT GUNewardENE**

Chairman, Independent Non-Executive Director

Mr Ajit Gunewardene is the Founder and CEO of Bluestone Capital Private Limited. He was the Deputy Chairman of John Keells Holdings PLC and was a member of the Board for over 24 years.

In addition to this, he was the Chairman of Union Assurance PLC a leading life insurance provider in Sri Lanka and Nations Trust Bank. He is currently the Founder, Chairman of Digital Mobility Solutions the leading ride hailing service provider (Pick Me) in the country. He is also the Chairman of Ingame Entertainment Ltd. which is a pioneer in esports in Sri Lanka.

He was a member of the Council of the University of Colombo. He has also served as the Chairman of the Colombo Stock Exchange and a member of the Board of the BOI.

Mr Gunewardene has a degree in Economics and brings over 40 years of management experience.

### **ASHROFF OMAR**

Non-Executive Director

The Group Chief Executive Officer of Brandix Lanka Limited, Mr Omar has been instrumental in redefining the Sri Lankan Apparel industry for over four decades. He spearheads a company that is committed to offering "Inspired Solutions" to its clientele, and comprises manufacturing and product development facilities, offering end-to-end solutions to some of the world's renowned brands through its network, which stretches

from Tokyo to the US, and encompasses manufacturing in the UK, Cambodia, Haiti, Sri Lanka, India, and Bangladesh.

He is also credited with having pioneered environmentally-friendly apparel manufacturing, establishing the world's first Net-Zero Carbon apparel manufacturing facility in 2019 and the world's first LEED platinum certified apparel manufacturing facility in 2008. His extensive experience and divergent thinking have secured him positions on the Boards of some of Sri Lanka's most respected corporations. He is also the Founder and Chairman of the Joint Apparel Association Forum Sri Lanka (JAAFSL), the apex body of Sri Lanka's Apparel industry.

### **HASITHA PREMARATNE**

Non-Executive Director

As the Managing Director of the Brandix Group, Mr Premaratne spearheads the strategic transformation of the Company across domestic and international landscapes. Before assuming the role of Managing Director, he contributed significantly as the Chief Financial Officer and Chief Strategy Officer, and holds directorial positions across its subsidiaries and integrated ventures.

Serving as an Independent Director at John Keells Hotels PLC, he chairs the Audit Committee. His previous board positions include Director at Bank of Ceylon, where he led the Board Risk and Nominations Committees. He held Board positions at the Chartered Institute of Management Accountants (CIMA) Sri Lanka and the Sri Lanka Accounting and Auditing Standards

Monitoring Board (SLAASMB). He has also been a part of the Ceylon Chamber of Commerce. He is a Non-Executive Independent Director of the Board of NDB Bank.

Before joining Brandix Apparel Limited, Mr Premaratne headed research at HNB Stockbrokers (Private) Limited and accumulated vast experience, including over ten years as a lecturer for CIMA (UK), where he won the "Tutor of the Year" at the CIMA Global Financial Management Awards in 2009. He has also collaborated with the Association of Chartered Certified Accountants (ACCA) UK across Sri Lanka, India, Singapore, and the Philippines.

### **PROF MALIK RANASINGHE**

Independent Non-Executive Director

Prof Ranasinghe is a Senior Professor in Civil Engineering at the University of Moratuwa, a Chartered Engineer and International Professional Engineer, and a Fellow of the Institution of Engineers, Sri Lanka (IESL), the National Academy of Sciences of Sri Lanka (NASSL), and the Institute of Project Managers of Sri Lanka (IPMSL).

He is the Chairman of the Information and Communication Technology Agency of Sri Lanka (ICTA), and an Independent Non-Executive Director of Access Engineering PLC, Resus Energy PLC and United Motors Lanka PLC. Prof Ranasinghe is a former Vice-Chancellor of the University of Moratuwa, former member of the University Grants Commission (UGC) and National Research Council of Sri Lanka (NRC), past Chairman of the Committee of Vice-Chancellors and

## BOARD OF DIRECTORS

Directors of Sri Lanka (CVCD), former Council member of the Association of Commonwealth Universities (ACU), former Fellow of the National University of Singapore (NUS), former Chairman of Sampath Bank PLC, and former Non-Executive Director of the Colombo Stock Exchange (CSE), 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 in Singapore, the Award for Outstanding Contributions to Education at the World Education Congress 2012 in India, the Most Outstanding Senior Researcher in Technology and Related Sciences award in 2012 by the CVCD, the Trinity Prize for Engineering in 2004 for outstanding contributions made to his chosen profession and the Sri Lanka Association for the Advancement of Science (SLAAS), and General Research Committee Award for Outstanding Contributions 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 its Managing Director from 1996 to April 2012. He is a Fellow member of the Institute of Chartered Accountants in England and Wales (ICAEW), as well as The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka). He functioned as the Founder Chairman of The Financial Ombudsman Sri Lanka (Guarantee) Ltd., and is a former Chairman of the Sri Lanka Banks' Association (Guarantee) Ltd. He was also the Managing

Director of Commercial Development Company PLC, a publicly quoted company listed on the Colombo Stock Exchange (CSE), and the Chairman of Commercial Insurance Brokers (Private) Limited.

Mr Gooneratne was nominated to serve the Board of SriLankan Airlines Limited between 2002 and 2004 by the Government of Sri Lanka. Upon retiring from Commercial Bank of Ceylon PLC in April 2012, Mr Gooneratne assumed duties as the Managing Director of Melstacorp Ltd. which subsequently obtained a public listing and became the group holding company. He was a Board member of several of the Group's subsidiary companies, which included Aitken Spence PLC, DCSL PLC, Browns Beach Hotel PLC, Balangoda Plantations PLC, Continental Insurance Ltd., Lanka Bell Ltd., Periceyl (Private) Ltd., and Bellvantage Ltd., to name a few. Mr Gooneratne retired from Melstacorp PLC and its group companies in September 2022. He is an independent Director of Lanka IOC PLC, Teejay Lanka PLC, Teejay Lanka Prints (Private) Limited and Commercial Development Company PLC.

### MASARU OKUTOMI

Non-Executive Director

Mr Okutomi is the Chairman and CEO of Pacific Textiles Holdings Limited which is the parent company of Pacific Textured Jersey Holdings Limited. He has extensive experience in management of textile business. Mr Okutomi is responsible to lead the Pacific management team and oversee the overall production and operation of Pacific Group, providing corporate directions and formulating business strategies of Pacific Group.

Mr Okutomi holds a Bachelor's degree in Law from Hitotsubashi University, one of Japan's top universities, and held various Senior Management positions including the Managing Director of Toray Industries (South China) Co., Ltd. and Toray Industries (HK) Ltd., and Deputy Managing Director of Toray Industries (China) Co., Ltd. in the past.

### KIT VAI TOU

Non-Executive Director

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

## LEADERSHIP TEAM

### EXECUTIVE COMMITTEE



**PUBUDU DE SILVA**

Group Chief Executive Officer



**SANJAYA BASNAYAKE**

Chief Operating Officer –  
Teejay Lanka and Prints



**SALMAN NISHTAR**

Group Chief Financial Officer and  
Chief Operating Officer – Group IT  
and Transformation



**PAMODA KARIYAWASAM**

Chief Operating Officer –  
Group Marketing and Supply Chain



**UPUL NALLAPERUMA**

Chief Operating Officer –  
Teejay India Operations

## LEADERSHIP TEAM

## CROSS FUNCTIONAL TEAM (CFT)



**SAMADHI WEERAKOON**

Senior General Manager – Marketing,  
Synthetic Developments, Corporate  
Communication and CSR



**HEMANTHA MANNAPPERUMA**

Group Chief Information Officer



**MANJULA THUSHARA**

Group Head of Risk and Control



**SAMPATH KUMARAGE**

Senior General Manager –  
Teejay Lanka Operations



**RODNEY DE RAFAYAL**

Senior General Manager –  
Group Merchandising and Planning



**JANAKA NANAYAKKARA**

Senior General Manager –  
Group Human Resources



**CHANAKA NANAYAKKARA**

Senior General Manager –  
New Business Development



**PRASANNA BANDARA**

Senior General Manager –  
Group Supply Chain and Marketing

## LEADERSHIP TEAM

### **PUBUDU DE SILVA**

Group Chief Executive Officer

Mr De Silva's experience in the apparel and textile industry spans over 34 years, 20 of which comprise direct manufacturing experience in the textile industry. He is also the Chairman of Fabric & Apparel Accessory Manufacturers Association (FAAMA), the apex body for the Fabrics and Textile Industry in Sri Lanka, a role in which he has served since 2020, and he is an Executive Member of Joint Apparel Association Forum Sri Lanka (JAAFSL).

Prior to joining Teejay, he was the Head of Planning at Slimline – Pannala. He holds a Master's in Business Administration from the University of Lincoln (UK), a Master's in Manufacturing Management from the University of Colombo, and a Diploma in Business Administration from the University of Colombo. He was further trained in Six Sigma Black Belt Certification at the National Institute of Business Management Sri Lanka, and the Leadership Development Program (LDP®) at the Center for Creative Leadership (CCL) in Singapore.

### **SANJAYA BASNAYAKE**

Chief Operating Officer – Teejay Lanka and Prints

Mr Basnayake's work experience spans over 29 years in the industry, of which he has spent over two decades in managerial positions. He is responsible for the entire business and operational activities of Teejay Lanka and Prints.

He has expertise in dyeing, finishing, knitting technology, and implementing cost reduction projects.

Prior to joining the Company, he was a Senior Executive at Hayleys MGT Textiles PLC. He has an NDT in Textile and Clothing Technology from the University of Moratuwa, a Diploma in Management from the Open University of Sri Lanka, and is a Chartered member of Textile Institute International, UK. He is a Six Sigma Black Belt holder (at United Tractor & Equipment Ltd. in Sri Lanka), and a member of the Leadership Development Program (LDP®) at the Center for Creative Leadership (CCL) in Singapore. He is also a Textile Institute (UK) Gold Medal award winner

### **SALMAN NISHTAR**

Group Chief Financial Officer and Chief Operating Officer – Group IT and Transformation

Mr Nishtar has over 16 years of professional experience in the field of Finance. Following the launch of his career at Ernst & Young Chartered Accountants, Sri Lanka, Mr Nishtar took up the positions of Chief Financial Officer at American & Efirid Bangladesh Ltd. and Teejay Lanka PLC. His current role at Teejay Group includes leadership and key responsibilities in the fields of Finance, Information Technology, and Commercial functions. He is also spearheading the Group's transformation and operational journey during the year.

As an Executive Committee member, his responsibilities include Annual Strategic Planning, Long-Range Planning, Investor Relations, and Administration of the Group. He is an Associate member of the Chartered Institute of Management Accountants (CIMA) UK, The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka), and is a Chartered Global Management Accountant (CGMA). He is an old boy of S Thomas' College, Mount Lavinia.

### **PAMODA KARIYAWASAM**

Chief Operating Officer – Group Marketing and Supply Chain

Mr Kariyawasam has over 18 years of work experience in the fields of Finance, Supply Chain, Planning, and Marketing, of which 15 years has been in the apparel and textile industry. He started his career at Unilever Sri Lanka Limited and went on to take up the position of Deputy General Manager – Finance at Teejay India Private Limited.

He is currently responsible for the overall Sales, Marketing and Supply Chain functions of Teejay Group. This includes Supply Chain Management, Strategic Sourcing, Supplier Relations, and maintaining Customer Relations with the Group's key strategic customers. He is also involved in crucial strategic leadership activities such as Long Range Planning and setting up the overall marketing blueprint for the Group.

Mr Kariyawasam is a Chartered Management Accountant and also holds a special degree in Business Administration with Second-Class Honours (Upper Division) from the University of Colombo. He earned his Lean Six Sigma Black Belt Certification from Caterpillar Inc., USA, and completed the Leadership Development Programme (LDP®) at the Center for Creative Leadership (CCL) in Singapore.

### **UPUL NALLAPERUMA**

Chief Operating Officer – Teejay India Operations

Mr Nallaperuma has over two decades of industry experience in multiple disciplines. He began his career at Teejay Lanka PLC in 2002 as a Management Trainee, and then moved to Teejay India in 2013 to take on

## LEADERSHIP TEAM

new and exciting challenges. He quickly excelled in his career, and now the Chief Operating Officer of the Teejay India Operation.

Mr Nallaperuma is currently responsible for the overall operations of Teejay India, which includes overall Production functions, Engineering, Human Resources and Administration functions, Planning, and Merchandising. He also played a leadership role in the Teejay India expansion project.

Mr Nallaperuma has undergone extensive training in the Leadership Development Program (LDP®), which was completed at the Center for Creative Leadership (CCL) in Singapore. He holds a BSc in Engineering from the University of Moratuwa and a Master's in Manufacturing Management from University of Colombo.

### **SAMADHI WEERAKOON**

Senior General Manager – Marketing, Synthetic Developments, Corporate Communication and CSR

Mrs Weerakoon is responsible for managing the Sales and Marketing function for strategic European customers, new business and the Synthetic Project for the Teejay Group. She oversees both plants in India and Sri Lanka on the same. Apart from Marketing, she also heads the Group's Corporate Communications, Branding, and CSR arm and was responsible for formulating the Group's strategic footprint for CSR and Branding. She was the former Business Development Manager at Teejay Lanka PLC and was instrumental in developing the Calzedonia business at Teejay from 2005 to 2021. Mrs Weerakoon also plays a key role in developing the Bangladesh and Synthetic business strategy for the Group.

Her vast experience has helped and supported Teejay's marketing and business development for over two decades, building Marketing-related Strategic Planning, LRP and Business Development strategies, CRM strategies, Corporate Communications, and CSR. She has also worked on leading the women empowerment programme at Teejay with the HR teams.

Before joining Teejay, she was at Bates Strategic Alliance in the advertising field. She holds a BSc in Marketing with First-Class Honours from the University of Jayewardenepura, and an MBA with a Merit from the Australian Institute of Business (AIB), an affiliate of Adelaide University. She also possesses a Diploma in International Relations from the Bandaranaike Centre for International Studies (BCIS). Throughout her career, she has undergone training in many leadership programmes conducted by the Center for Creative Leadership (CCL) in Singapore.

### **HEMANTHA MANNAPPERUMA**

Group Chief Information Officer

Mr Mannapperuma is the Chief Information Officer of the Teejay Group. His strategic leadership is incumbent to the improvement of the information infrastructure and systems within the Group. This includes the re-implementation of ERP Solution SAP, which he successfully completed in June 2023 by taking all three entities in Teejay Group to SAP S/4 HANA 2021 version. As part of the IT strategy and roadmap, he is leading the improvements to the Manufacturing Execution System and other systems, enabling the use of leading technologies, implementation of Industry 4.0 technology components and concepts, and process automation using RPA tools across the Group companies.

Mr Mannapperuma has over 12 years of experience in the textile industry and more than 29 years in the Information Technology, Manufacturing, and Service industries. Prior to joining Teejay Lanka PLC, he held senior managerial positions in Cooperative Insurance Company Ltd., where he was the ICT Manager, and in Ceylon Tobacco Company PLC, where he performed many roles such as Internal Auditor, Master Scheduler, ICT Business Area Manager, Business Excellence Consultant, and Business Excellence Program Manager. He is a Certified ERP Consultant in "Sage Line 500 Manufacturing and Distribution", a Business Excellence and Supply Chain Consultant, and has been a part of several success stories involving Business Excellence Delivery and SAP HANA and other Project Management.

He holds a BSc (Hons.) Special Degree in Statistics and Computer Science, a Postgraduate Diploma in Development Economics from the University of Colombo, and a Masters Degree in Business Administration from the Postgraduate Institute of Management (PIM) of the University of Sri Jayewardenepura. He is also a qualified Management Accountant (ACMA-UK and CGMA).

## LEADERSHIP TEAM

### MANJULA THUSHARA

Group Head of Risk and Control

Mr Thushara heads the Risk and Control function of Teejay Group. He is a qualified finance professional with experience spanning over 16 years in the apparel and textile manufacturing industries. He has completed a tenure of 11 years at Teejay, during which he has also had the opportunity to lead the Finance Department as Finance Manager, Senior Manager – Finance and Commercial, and was later promoted to the Head of Group Risk and Control.

Having commenced his career at PricewaterhouseCoopers, Mr Thushara possesses a diverse skill set, along with risk and assurance exposure, and is versed in the nuances of technology, which contributes immensely to the role he currently serves in.

Mr Thushara holds a degree in Business Administration (Business Economics) from the University of Sri Jayewardenepura. He is also a Fellow member of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and an Associate member of The Chartered Institute of Management Accountants (CIMA) UK. He also possesses an MBA from the University of Southern Queensland, Australia. Further, he has completed the 3TP Senior Leaders' programme in Strategic Leadership at Indian Institute of Management, Ahmedabad (IIMA).

### SAMPATH KUMARAGE

Senior General Manager – Teejay Lanka Operations

Mr Kumarage counts a total of 28 years of experience in the textile industry, spending over 20 years in managerial positions. He is responsible for the entire production function at Teejay Lanka.

Prior to joining the Company, he was a Deputy General Manager at Hayleys Fabric PLC. He holds a National Diploma in Technology (NDT) in Textile and Clothing Technology from the University of Moratuwa, and Bachelor of Physical Science (BSc) from the University of Ruhuna. He also holds a Master of Business Administration (MBA) from the University of Bedfordshire, UK, and underwent training in the 3TP Senior Leaders' Programme at the Indian Institute of Management Ahmedabad (IIMA), India, and boasts exposure to textile processing and application operations in more than 17 countries.

### RODNEY DE RAFAYAL

Senior General Manager – Group Merchandising and Planning

Mr De Rafayal has been an integral part of the apparel industry, covering Textiles and Elastics for more than 17 years. He has held senior positions across Sales and Marketing/Merchandising roles, and possesses vast experience in handling and adding value for customers in Synthetic Warp Knit and Woven Fabric manufacturing mills. He joined Teejay in 2017, and is responsible for overseeing the Lanka Merchandising and Planning teams. He holds a Bachelor of Business Management and double majored in Management and Marketing (Australia).

### JANAKA NANAYAKKARA

Senior General Manager – Group Human Resources

Mr Nanayakkara is the General Manager and team leader of the Human Resources team at Teejay. He overlooks the functions of Executive HR, Works HR, Compliance, HES, and Admin.

Mr Nanayakkara joined Teejay in April 2017, following his retirement from the Sri Lanka Air Force (SLAF) after 29 years of distinguished service. He held the rank of Air Commodore at the time of his retirement. He holds a National Diploma in HR from the Institute of Personnel Management Sri Lanka (IPM Sri Lanka) and an MBA from the Australian Institute of Business (AIB). He is an old boy of St. Thomas' College, Mount Lavinia.

### CHANAKA NANAYAKKARA

Senior General Manager – New Business Development

Mr Nanayakkara's career in the apparel industry spans over 3 decades, of which he has spent 13 years in managerial positions. He joined Teejay in 2018 and is responsible for onboarding new brands for the Teejay Group, and promoting the Teejay LFT Lace venture. He is a Chartered Marketer (CIM UK) and holds a Postgraduate Diploma in Marketing from the Chartered Institute of Marketing (CIM) UK. He also holds a Postgraduate Diploma in Management from Postgraduate Institute of Management (PIM), University of Sri Jayewardenepura. In addition, Mr Nanayakkara is a Professional Member of The Canadian Institute of Marketing.

## LEADERSHIP TEAM

### PRASANNA BANDARA

Senior General Manager – Group Supply Chain and Marketing

Mr Bandara has over 19 years of work experience in the fields of Marketing, Operations Management, Supply Chain Management, Planning and Production Control, Production Management, Engineering, and Customer Services – 14 of which have been in the apparel and textile industry. He started his career at MAS Holdings (Pvt) Ltd., and went on to take up positions as Head of North Sails Sri Lanka's operations, Head of Operations at Brandix Textiles Limited and Senior General Manager at Teejay Lanka PLC.

At present, he is responsible for Supply Chain and Marketing (Calzedonia Business) functions at Teejay Group. This includes Supply Chain Management, Strategic Sourcing, Supplier Relations and Sales and Marketing, and Business Development, while maintaining Customer Relations with the Calzedonia Group. He is also involved in crucial strategic leadership activities such as Long-Range Planning (LRP), implementation of the Sales and Operations Planning process (S&OP), and setting up the overall marketing blueprint for Calzedonia Business growth.

Mr Bandara is an Engineer by profession and holds two Masters degrees – a Master of Engineering in Manufacturing Systems Engineering from the University of Moratuwa, and Master of Business Administration from the University of Wolverhampton, UK. Furthermore, he holds a BSc of Engineering in Chemical and Process Engineering with a Second-Class Honors Division from the University of Moratuwa, Sri Lanka. In addition, he is trained in Lean Manufacturing, and received training at the Center for Creative Leadership, in the Cleaner Production Auditor's programme, and various other technical trainings in relation to textile technologies in the USA and the EU.

## FACTORY LEADERSHIP TEAM

### LANKA ENTITIES



**SANJAYA BASNAYAKE**

Chief Operating Officer and FLT Head



**SAMPATH KUMARAGE**

Senior General Manager



**RODNEY DE RAFAYAL**

Senior General Manager



**SOMASIRI MANAGE**

General Manager



**EDGA MELAN**

General Manager



**PRINCELY WEERAKOON**

Deputy General Manager



**HARSHANA FONSEKA**

Deputy General Manager



**THARINDU DISSANAYAKE**

Senior Manager

## FACTORY LEADERSHIP TEAM

### INDIA ENTITIES



**UPUL NALLAPERUMA**

Chief Operating Officer and FLT Head



**PRABASH HEWAGE**

General Manager



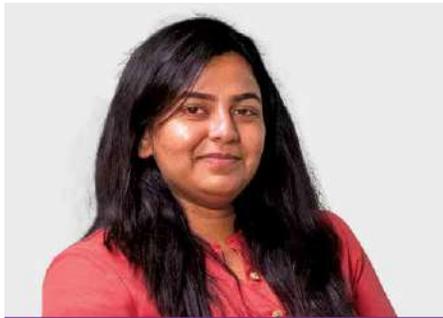
**RAGHU RAJU**

Deputy General Manager



**PRADEEP SAGI**

Deputy General Manager



**RENUJA SELVANATHAN**

Deputy General Manager



**ANANDA DISSANAYAKE**

Deputy General Manager



**CHAMILA BAKMEWEWA**

Senior Manager

# GOVERNANCE AND RISK MANAGEMENT

- 37 Corporate Governance
- 60 Enterprise Risk Management
- 69 Audit Committee Report
- 72 Remuneration Committee Report
- 73 Related Party Transactions Review Committee Report
- 74 Annual Report of the Board of Directors
- 78 Statement of the Directors' Responsibility for Financial Reporting

## 3D Ottoman

New and exciting fibre blends,  
with thermal retention, soft feel, and drapey.

## CORPORATE GOVERNANCE

Corporate governance is a core element of Teejay's corporate philosophy. By adhering to strong governance practices, the Company consistently generates value for its stakeholders, enabling sustainable growth across the Group in the face of both stable and volatile socioeconomic conditions.

The Group's corporate governance framework is characterised by a proactive approach, continuously adapting and improving its internal policies, controls, processes, systems, and structures. This ensures the Company upholds the highest ethical standards in its corporate conduct and maintains transparency in all transactions. The framework follows a consistent and systematic approach to govern each function within the Organisation. Regular evaluations and updates are conducted to align with emerging global best practices and meet the interests of stakeholders.

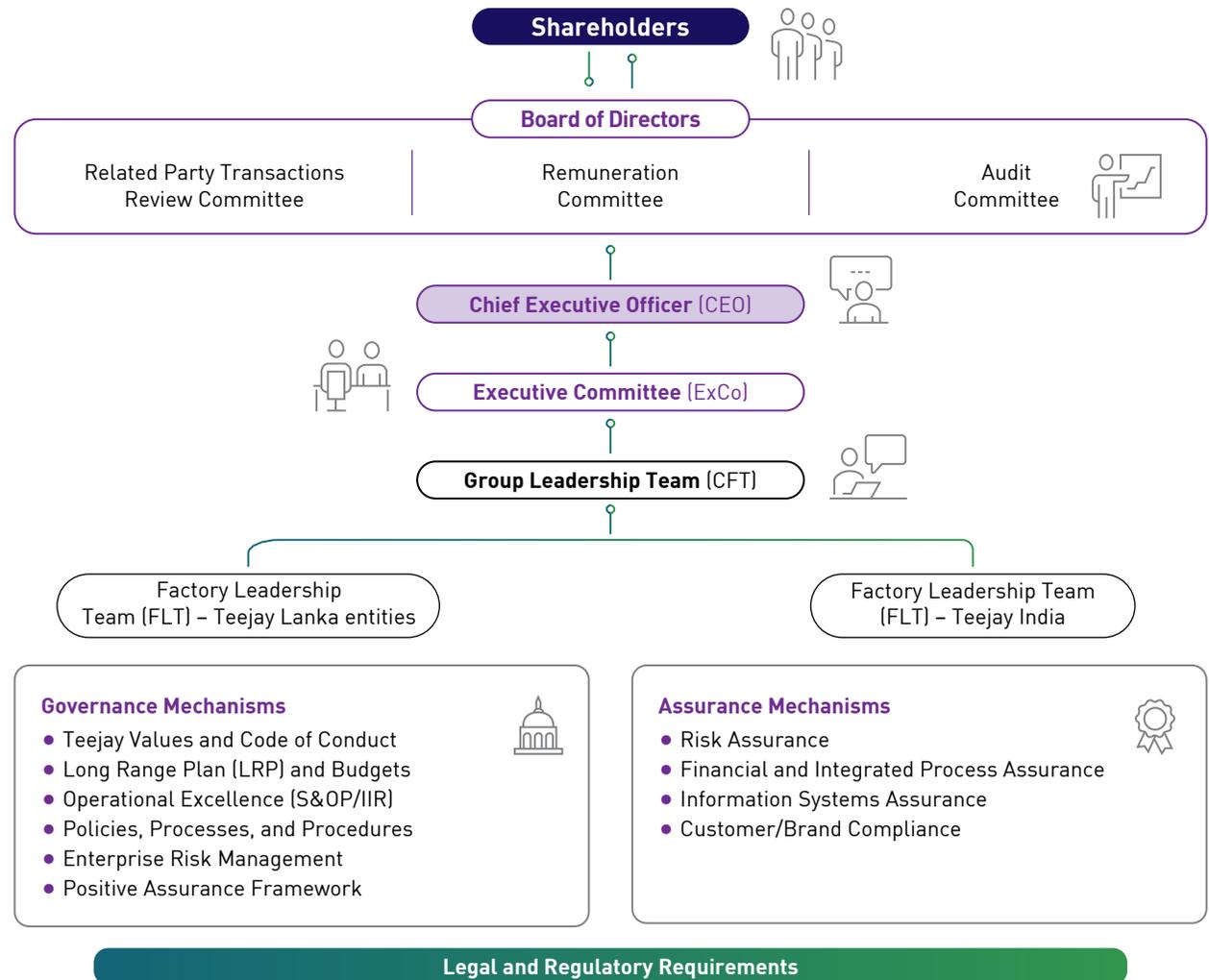
### GOVERNANCE STRUCTURE

GRI 2-9

The Board of Directors of Teejay Lanka consists of seven (07) Non-Executive Directors, three (03) of whom are independent, demonstrating a commitment to balanced governance. The Board takes overall responsibility for the Management of the Company. Under the guidance of the Chairman, the Board plays a crucial role in providing strategic direction to realise the Company's vision and mission. The Board recognises its collective accountability in fulfilling its responsibilities to shareholders and other stakeholders, aiming to create value in an ethical and sustainable manner.

The Company's integrated framework, which encompasses the assurance structure, external regulatory mechanisms, and internal governance

structure, is illustrated in the diagram below. This comprehensive framework ensures transparency, accountability, and adherence to regulations, enabling effective oversight and management of the Company's operations.



## CORPORATE GOVERNANCE

Teejay operates within a framework that encompasses various statutes and diligently adheres to a comprehensive set of Best Governance Practices, which include:

### Regulatory Framework

- Companies Act No. 07 of 2007
- Continuing Listing Requirements of the Colombo Stock Exchange (CSE)
- Securities and Exchange Commission of Sri Lanka Act No. 19 of 2021, including directives and circulars
- Code of Best Practices on Related Party Transactions (2013) advocated by the Securities and Exchange Commission of Sri Lanka (SEC)
- Shop and Office Employees Act No. 15 of 1954
- Factories Ordinance No. 45 of 1942
- Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995
- Inland Revenue Act No. 24 of 2017
- Customs Ordinance No. 17 of 1869
- Exchange Control Act No. 22 of 2017
- Board of Investment (BOI) Regulations

### Voluntary Standards, Codes, and Frameworks

- Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) 2017
- Integrated Reporting Framework issued by the International Integrated Reporting Council (IIRC)
- Global Reporting Initiative (GRI) Standards
- Quality Standard Certifications obtained by companies
- Requirements of Environmental and Social Certifications

### Internal Documents and Policies

- Articles of Association
- Board Charter
- Human Rights Policy
- Code of Conduct
- Whistle Blower Policy
- Health and Safety Policy
- Grievance Handling Policy
- Abuse and Harassment Free Workplace Policy
- Environmental Policy
- Anti-Corruption Policy
- Declaration of Conflict of Interest
- Gifts, Hospitality and Entertainment Policy
- Recruitment and Selection Policy
- Rewards and Recognition Policy

## CORPORATE GOVERNANCE

### BOARD SUBCOMMITTEES

In accordance with the Listing Rules, the Board has established three Subcommittees to provide assistance and support. These Committees include the Audit Committee, the Related Party Transactions Review Committee (RPTRC), and the Remuneration Committee. Given below is a summary of their roles and composition.

#### Audit Committee

Board committee and composition	Scope	Further information
<p>Comprises two (2) Independent Non-Executive Directors and one (1) Non-Executive Director.</p> <p><b>Mr Amitha Lal Gooneratne</b> (Independent Non-Executive Director) – Chairman</p> <p><b>Prof Malik Kumar Ranasinghe</b> (Independent Non-Executive Director)</p> <p><b>Mr Hasitha Premaratne</b> (Non-Executive Director)</p>	<p>Overseeing preparation, presentation, and adequacy of disclosures in the Financial Statements, in accordance with the Sri Lanka Accounting Standards (LKAS), and adequacy of disclosures as per laws and reporting regulations.</p> <p>Evaluating the performance of the internal audit function.</p> <p>Assessing the adequacy and effectiveness of the internal control environment of the Group, and taking appropriate action for suggestions made by the Internal Auditors.</p> <p>Providing recommendations to the Board regarding the appointment, reappointment, and removal of External Auditors, including their remuneration and terms of engagement, by evaluating their independence, qualifications, expertise, and resources.</p>	<p>The report of the Audit Committee are given on pages 69 to 71.</p>

#### Related Party Transactions Review Committee (RPTRC)

Board committee and composition	Scope	Further information
<p>Comprises two (2) Independent Non-Executive Directors and one (1) Non-Executive Director.</p> <p><b>Mr Amitha Lal Gooneratne</b> (Independent Non-Executive Director) – Chairman</p> <p><b>Prof Malik Kumar Ranasinghe</b> (Independent Non-Executive Director)</p> <p><b>Mr Hasitha Premaratne</b> (Non-Executive Director)</p>	<p>Exercising oversight to ensure compliance with the Code on Related Party Transactions issued by the Securities and Exchange Commission of Sri Lanka (SEC) and with the Listing Rules of the Colombo Stock Exchange (CSE) on behalf of the Board.</p> <p>Adopting best practices as recommended by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).</p> <p>Reviewing related party transactions and ensuring their adherence to the above regulations, and communicating the same to the Board on a quarterly basis.</p>	<p>The report of the RPTRC is given on page 73.</p>

## CORPORATE GOVERNANCE

### Remuneration Committee

Board committee and composition	Scope	Further information
<p>Comprises two (2) Independent Non-Executive Directors and one (1) Non-Executive Director</p> <p><b>Prof Malik Kumar Ranasinghe</b> (Independent Non-Executive Director) – Chairman</p> <p><b>Mr Amitha Lal Gooneratne</b> (Independent Non-Executive Director)</p> <p><b>Mohamed Ashroff Omar</b> (Non-Executive Director)</p>	<p>Responsible for ensuring that the Human Resource Management processes and remuneration policies are competitive to attract, develop, and retain employees with professional, managerial, and operational expertise who can assume leadership roles in the organisation to achieve the objective of the Company.</p> <p>Providing proposals to the Board concerning remuneration payable to the Executive Directors, Chief Executive Officer, and/or equivalent position thereof.</p>	<p>The report of the Remuneration Committee is given on page 72.</p>

### Meetings and Attendance

The Board of Directors (BOD) convenes on a quarterly basis, typically aligning with the Committee meetings, which are often scheduled on the same day. The attendance records of Directors at both Board and Subcommittee meetings are summarised below:

Director	Board Meeting	Audit Committee	Related Party Transactions Review Committee	Remuneration Committee
Mr Amitha Lal Gooneratne	4/4	4/4	4/4	2/2
Prof Malik Kumar Ranasinghe	4/4	4/4	4/4	2/2
Mr Mohamed Ashroff Omar	4/4			2/2
Mr Hasitha Premaratne	4/4	4/4	4/4	
Mr Kit Vai Tou	3/4			
Mr Ajit Damon Gunewardene	4/4			
Mr Masaru Okutomi	4/4			

## CORPORATE GOVERNANCE

The report below is structured on the principles of Corporate Governance set out in the Code of Best Practices on Corporate Governance issued by CA Sri Lanka in December 2017 and the Listing Rules of the Colombo Stock Exchange.

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
<b>A</b>	<b>DIRECTORS</b>		
A.1	The Company should be headed by an effective Board, which should direct, lead and control the Company	✓	The profiles of the Board of Directors are given on pages 25 to 27.
A.1.1	Board meetings	✓	The Board meets on a quarterly basis and the attendance of the meetings is given on page 40. The Board papers and related documents are circulated one week prior to the Board meetings.
A.1.2	Board responsibilities	✓	The Board provides strategic leadership to the Company, using a framework of effective controls to monitor and manage risks.
A.1.3	Compliance with the law and access to independent professional advice	✓	The Board collectively and the Directors individually shall act in accordance with the laws of the country as applicable to the Company. The Board of Directors ensures that procedures and processes are in place to ensure the Company complies with all applicable laws and regulations.  Directors have the discretion to obtain independent professional advice as deemed necessary through the Board Secretary.
A.1.4	Company/Board Secretary and availability of insurance cover for Board, Directors, and Key Management Personnel	✓	All the Directors have access to the services and advice of the Company Secretary, and the Company Secretary serves as the Board Secretary as well.  The Company has obtained insurance coverage for the Board, Directors, and Key Management Personnel.  The Board is responsible for the appointment and removal of the Company Secretary.
A.1.5	Independent judgement of the Directors	✓	Directors bring independent judgement to bear on the decisions taken by the Board on matters pertaining to strategy, performance, resource allocation, risk management, and business conduct.
A.1.6	Dedication of adequate time and effort	✓	All Directors of the Company dedicate adequate time and effort to fulfil their duties as Directors of the Company, in order to ensure that the duties and responsibilities owed to the Company are discharged reasonably.

**CORPORATE GOVERNANCE**

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJJ PLC's Compliance
A.1.7	Calls for resolutions	✓	One-third of the Directors can call for a resolution to be presented to the Board if deemed necessary.
A.1.8	Training for new and existing Directors	✓	The Board reviews the training and development needs of the Directors regularly, and the Directors are provided with guidelines on general aspects of directorships and industry-specific matters.
<b>A.2</b>	<b>Chairman and Chief Executive Officer (CEO)</b>		
A.2.1	Segregation of the roles of Chairman and CEO	✓	The positions and responsibilities of the Chairman and the CEO have been separated. The CEO is responsible for the implementation of the Group's strategic plan and driving performance.
<b>A.3</b>	<b>Chairman's Role</b>		
A.3.1	Chairman's Role	✓	The Chairman facilitates the effective and ethical discharge of the Board's responsibilities while maintaining good corporate governance.
<b>A.4</b>	<b>Financial Acumen</b>		
A.4.1	Financial Acumen and Knowledge	✓	The Board has two Chartered Accountants. One of them serves as the Chairman of the Audit Committee.  Mr Amitha Lal Gooneratne – FCA (SL), FCA (England and Wales) Chairman of the Audit Committee, Independent Non-Executive Director (NED)  Mr Hasitha Premaratne – FCCA, FCMA (UK), CGMA Non-Executive Director (NED)
<b>A.5</b>	<b>Board Balance</b>		
A.5.1	Presence of Non-Executive Directors	✓	All seven Directors are Non-Executive Directors
A.5.2	Independent Non-Executive Directors	✓	Three (03) out of seven (07) Non-Executive Directors are independent

## CORPORATE GOVERNANCE

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
A.5.3/A.5.5	Independence of Non-Executive Directors	✓	Independent Non-Executive Directors are: Mr Ajit Damon Gunewardene Prof Malik Kumar Ranasinghe Mr Amitha Lal Gooneratne The Board considers Non-Executive Directors' independence on an annual basis. Please refer pages 25 to 27 for the profiles of the Directors.
A.5.4	Annual declaration of independence of Directors	✓	Annual declarations citing their independence are obtained annually.
A.5.6	Alternate Directors	N/A	Not applicable
A.5.7 and A.5.8	Senior Independent Director and confidential discussions with Senior Independent Directors	N/A	This is not applicable as the Chairman and CEO are not the same.
A.5.9	Chairman's meetings with Non-Executive Directors	✓	All Board of Directors are Non-Executive Directors.
A.5.10	Recording of concerns in Board minutes	✓	There have not been any unresolved matters in the Board minutes.
<b>A.6</b>	<b>Supply of Information</b>		
A.6.1	Management obligation to provide appropriate and timely information to the Board	✓	Board papers and Committee papers are provided seven days prior to the Board meetings. Information provided to the Board includes Group performance to ensure that the Board is apprised of developments impacting the Group.
A.6.2	Adequate time for effective Board Meetings	✓	The minutes, agenda, and papers are circulated in advance to facilitate its effective conduct.
<b>A.7</b>	<b>Appointments to the Board</b>		
A.7.1	Nomination Committee	✓	All new appointments comply with the provisions in the Articles of Association of the Company.
A.7.2	Assessment of Board composition by the Nomination Committee	✓	Board composition complies with the provisions in the Article of Association.
A.7.3	Disclosure of new appointments	✓	Disclosures are made at the time of new appointments.

**CORPORATE GOVERNANCE**

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
<b>A.8</b>	<b>Re-election</b>		
A.8.1 and A.8.2	Re-election of Directors	✓	This is done as per the Articles of Association. The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting (AGM) and seek re-election by the shareholders at that meeting.
A.8.3	Resignation	✓	In the event of resignation, a letter of resignation is provided by the Director.
<b>A.9</b>	<b>Appraisal of Board Performance</b>		
A.9.1 and A.9.2	Appraisal of Board and its Committees	✓	The Board undertakes an annual self-evaluation of its performance and its Committees' performance against predetermined targets set at the beginning of the year.
A.9.3	Evaluation at re-election	✓	The Board reviews the participation, contribution, and engagement of each Director at the re-election.
A.9.4	Disclosure on performance evaluation criteria	✓	The Board conducts an annual self-assessment of its performance against predetermined targets set at the beginning of the year.
<b>A.10</b>	<b>Disclosure of Information in Respect of Directors</b>		
A.10.1	Profiles of the Board of Directors and other related information	✓	Name, qualification, brief profile, and nature of expertise are given in pages 25 to 27 of this Annual Report. Directors' shareholding information is given on page 220. The number of Board meetings attended by the Directors is available on page 40 of this Report.
<b>A.11</b>	<b>Appraisal of Chief Executive Officer (CEO)</b>		
A.11.1 and A.11.2	Evaluation of the performance of the CEO	✓	The performance was evaluated in each quarter to ascertain whether targets were achieved or achievements were reasonable in the prevailing circumstances.

## CORPORATE GOVERNANCE

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
<b>B</b>	<b>DIRECTORS' REMUNERATION</b>		
<b>B.1</b>	<b>Remuneration Procedure</b>		
B.1.1	Establishment of a Remuneration Committee	✓	A Remuneration Committee is established.
B.1.2 and B.1.3	Composition of the Remuneration Committee	✓	The Remuneration Committee consists of two (02) Independent Non-Executive Directors and one (01) Non-Executive Director and the Chairman of this Committee is appointed by the Board.
B.1.3	Chairman and the members of the Remuneration Committee	✓	Composition of the Remuneration Committee is given on page 72.
B.1.4	Determination of remuneration of the Non-Executive Directors	✓	Remuneration of the Non-Executive Directors is decided by the Board.
B.1.5	Consultation of the Chairman and access to professional advice	✓	The Remuneration Committee has the authority to consult the Chairman/CEO about its proposals relating to remuneration and has access to professional advice from within and outside the Company.
<b>B.2</b>	<b>The Level and make up of remuneration</b>		
B.2.1, B.2.2, B.2.3, B.2.4 and B.2.5	Levels of remuneration	✓	The Remuneration Committee structures the remuneration package to attract, retain, and motivate Key Management Personnel.
B.2.6	Executive share options	✓	An Executive Share Option Scheme (ESOS) is in operation to motivate and retain Key Management Personnel.
B.2.7	Designing schemes of related remuneration	✓	Please refer to the Report of the Remuneration Committee on page 72.
B.2.8 and B.2.9	Early termination of Executive Directors	N/A	Termination is governed by their contracts of service/employment.
B.2.10	Levels of remuneration of Non-Executive Directors	✓	Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices.
<b>B.3</b>	<b>Disclosure of remuneration</b>		
B.3.1	Disclosure of remuneration	✓	Refer to the Report of the Remuneration Committee on page 72. The total of the Directors' remuneration is reported in Note 8 to the Financial Statements on page 184.

**CORPORATE GOVERNANCE**

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
<b>C</b>	<b>RELATIONS WITH SHAREHOLDERS</b>		
<b>C.1</b>	<b>Constructive Use of the AGM</b>		
C.1.1	Dispatch of Notice of AGM and related papers to shareholders	✓	The notice and the agenda of the AGM together with the Annual Report with all other relevant documents are sent to the shareholders 15 working days prior to the meeting.
C.1.2	Separate resolutions for substantially separate issues	✓	A separate resolution is proposed at the AGM on each substantially separate item.
C.1.3	Votes and use of proxy	✓	The Company ensures that all proxy votes are properly recorded and counted.
C.1.4	Availability of all Subcommittee Chairman at the AGM	✓	The Chairman of the Board arranges for the Chairman of the Audit Committee, Remuneration Committee, and RPTRC to be available to answer queries at the AGM when necessary.
C.1.5	Procedure of voting at General Meeting	✓	A summary of the procedure governing voting at the General Meeting is circulated to shareholders with every notice of the General Meeting.
<b>C.2</b>	<b>Communication with Shareholders</b>		
C.2.1 to C.2.7	Communication with shareholders	✓	<p>The AGM and Extraordinary General Meeting (EGM), if any, are used as the mode of communication with the shareholders.</p> <p>Quarterly, annual financial information and other announcements are shared through the CSE Secretaries, as appropriate.</p> <p>The Chairman and the Directors answer all the queries raised by the shareholders at the AGM. Details of contact persons are disclosed in the Annual Report.</p> <p>The Company Secretary maintains a record of all correspondence received and holds the responsibility to be contacted in relation to shareholders' matters.</p> <p>All the major issues and concerns relating to shareholders are brought to the attention of the Board.</p>
<b>C.3</b>	<b>Major and Material Transactions</b>		
C.3.1 and C.3.2	Disclosure of Major and Material Transactions	✓	During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007.

## CORPORATE GOVERNANCE

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
<b>D</b>	<b>ACCOUNTABILITY AND AUDIT</b>		
<b>D.1</b>	<b>Financial and Business Reporting</b>		
D.1.1/ D.1.2	Board's responsibility to present a balanced and understandable assessment of the Company's financial position, performance, and prospects.	✓	The Company has presented balanced and understandable Financial Statements which give a true and fair view quarterly and annually. The Company has complied with the requirements of the Companies Act No. 07 of 2007 and the requirements of the Sri Lanka Accounting Standards and the SEC.  Price-sensitive public reports and reports for statutory requirements are also presented in a balanced and understandable manner.
D.1.3	CEO's and CFO's approval on Financial Statements prior to Board approval	✓	The Chief Executive Officer, Chief Financial Officer, and two other Directors have signed the Financial Statements on behalf of the Board.  The Statement of Directors' Responsibility and the Auditor's Report for the reporting responsibility of Auditors are given on pages 78 and 155 respectively.
D.1.4	The Directors' Report	✓	The Annual Report of the Board of Directors on the affairs of the Company is given on pages 74 to 77.
D.1.5	Statement of Directors' Responsibility, Statement on Internal Controls and Auditor's Report	✓	The Statement of Directors' Responsibilities for the Financial Statements is given on page 76, and the Directors' Statement on Internal Controls is given on page 78.  The Auditor's Report is available on page 155.
D.1.6	Management Discussion and Analysis	✓	Please refer to Management Discussion and Analysis on pages 93 to 152.
D.1.7	Summon an EGM to notify serious loss of capital	N/A	The reason for such an EGM has not arisen yet.
D.1.8	Disclosure of Related Party Transaction	✓	All Related Party Transactions, as defined in LKAS 24 on "Related Party Transactions" are disclosed in Note 35 in the Financial Statements.
<b>D.2</b>	<b>Risk Management and Internal Control</b>		
D.2.1	Monitoring sound system of Internal Control	✓	The Board facilitates the Enterprise Risk Management (ERM) process and reviews controls through various processes. The Board shares collective responsibility for controls within the Organisation's control environment. Board oversight is achieved through the Risk and Control function.

**CORPORATE GOVERNANCE**

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
D.2.2	Assessment of principal risks facing the Company	✓	A robust assessment of risks involved in the Company has been carried out and the status reviewed at the Audit Committee meeting. Mitigating actions have been identified and progress has continuously been reviewed. Refer to pages 69 to 71 for Risk Management.
D.2.3	Internal Audit Function	✓	The Risk and Control Department plays a significant role in assessing the effectiveness and successful implementation of existing controls, and strengthening these and establishing new controls where necessary.
D.2.4	Review of the process and effectiveness of Risk Management and Internal Controls	✓	The Audit Committee reviews internal control issues and Risk Management measures, and evaluates the adequacy and effectiveness of the risk management and internal control systems including Financial Reporting.
D.2.5	Directors' responsibility in maintaining a sound internal control system	✓	Please refer to the Statement of Directors' Responsibilities on page 78.
<b>D.3</b>	<b>Audit Committee</b>		
D.3.1	Composition of the Audit Committee	✓	The Audit Committee consists of two (02) Independent Non-Executive Directors and one (01) Non-Executive Director.
D.3.2	Terms of Reference of the Audit Committee and Duties of the Audit Committee	✓	The activities and operation of the Audit Committee are governed by the Audit Committee Charter of the Company which is periodically reviewed and approved by the Board. Please refer to the Audit Committee Report on page 69 for the duties.
D.3.3	Disclosures of the members of the Audit Committee	✓	The Audit Committee Report with required disclosures is given on page 69.
<b>D.4</b>	<b>Related Party Transactions Review Committee (RPTRC)</b>		
D.4.1	Related Party Transactions	✓	The Company is adhering to LKAS 24, and the transactions entered into with related parties during the year are disclosed in Note 35 to the Financial Statements.
D.4.2	Composition of RPTRC	✓	RPTRC consists of two (02) Independent Non-Executive Directors and One (01) Non-Executive Director. Mr Amitha Lal Gooneratne (INED) Prof Malik Kumar Ranasinghe (INED) Mr Hasitha Premaratne (NED)

## CORPORATE GOVERNANCE

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
D.4.3	Terms of Reference	✓	Please refer to the Related Party Transactions Review Committee Report on page 73.
<b>D.5</b>	<b>Code of Business Conduct and Ethics</b>		
D.5.1	Code of Business Conduct and Ethics	✓	The Directors and members of the Senior Management team are bound by a Code of Business Conduct and Ethics. The Company has introduced a declaration of conflict of interest. The employees of the Executive and above categories have signed confirming they have read the document and understand its contents.
D.5.2	Material and price-sensitive information	✓	Material and price-sensitive information are promptly identified and reported to the shareholders via the CSE.
D.5.3	Shares purchased by Directors and Key Management Personnel	✓	The Company has a policy and a process for monitoring and disclosing shares purchased by any Director and Key Management Personnel.
D.5.4	Affirmation of Code in the Annual Report by the Chairman	✓	Please refer to the Chairman's Statement given on pages 15 to 18.
<b>D.6</b>	<b>Corporate Governance Disclosures</b>		
D.6.1	Disclosure of Corporate Governance	✓	The extent to which the Company adheres to established principles and practices of good Corporate Governance is disclosed from pages 37 to 59 of this Report.

## SECTION 2

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
<b>E</b>	<b>INSTITUTIONAL INVESTORS</b>		
<b>E.1</b>	<b>Shareholder voting</b>		
E.1.1	Dialogue with shareholders	✓	All the investors are notified of the AGM and all their views, comments, and suggestions are encouraged.
<b>E.2</b>	<b>Evaluation of Governance Disclosures</b>		
E.2	Due weightage by institutional investors	✓	Key institutional investors are actively involved in appointing members to the Board.

**CORPORATE GOVERNANCE**

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
<b>F</b>	<b>OTHER INVESTORS</b>		
F.1	<b>Investing/Divesting Decision</b>		
F.1	Adequate analysis	✓	Provide sufficient information to investors through the Annual Report, Quarterly Financial Statements, and announcements to the CSE to assist investors with their investment and divestment decisions.
F.2	<b>Shareholder voting</b>		
F.2	Encouraging shareholder participation	✓	All individual shareholders are sent AGM notices in advance, encouraging them to exercise their voting rights.
<b>G</b>	<b>INTERNET OF THINGS (IOT) AND CYBERSECURITY</b>		
G.1	Internal and External IT devices connected to the Business Model	✓	Connection of internal and external IT devices to the Organisation network has been allowed with necessary access controls and firewalls to safeguard the security of the infrastructure and the integrity of information assets.
G.2	CISO (Chief Information Security Officer) and Cybersecurity Risk Management Policy	✓	The Head of Group ICT is responsible for managing policy which is already implemented. The risks are managed proactively.
G.3	Discussions on Cyber Risk Management	✓	Cybersecurity risks of the ICT infrastructure are primarily managed using access controls to physical and logical private networks and trusted relationships in the case of nodes that are granted access. All access is authenticated. Many security standards are implemented and maintained. Perpetual monitoring is in place with exception reporting and management.
G.4	Independent periodic review and assurance	✓	Independent periodic reviews are conducted internally as well as through professional firms.
G.5	Disclosure on Cybersecurity Risk Management	✓	Please refer to the Risk Management section on page 64.
<b>H</b>	<b>ENVIRONMENT, SOCIETY AND GOVERNANCE (ESG)</b>		
H.1.1	ESG Reporting	✓	The Company has included environmental, social, and governance factors in its business model.
H.1.2	The Environment	✓	The Company has adopted an integrated approach that takes into consideration the direct and indirect economic, social, health, and environmental implications of its decisions and activities, including pollution prevention, sustainable resource use, protection of the environment, and restoration of natural resources.

## CORPORATE GOVERNANCE

Reference to CASL Code	Corporate Governance Principle	Compliance Status	Details of TJL PLC's Compliance
H.1.3	Social Factors	✓	The Company fosters relationships with the community and pursues sustainable development through an integrated approach.
H.1.4	Governance	✓	The Company established a robust governance structure to create value, manage risks, and address all aspects of ESG.
H.1.5	Board's Role on ESG Factors	✓	The Board sets the tone at the top. During the year, the Board appointed a third-part consulting firm to help navigate the ESG Steering committee to update Teejay's Sustainability Management Framework (SMF) with the objective of integrating and incorporating sustainability within its operations. This involved identifying and evaluating material topics, implementing sustainability policy frameworks, establishing data monitoring mechanisms, utilising sustainability performance management systems, and assist the company to prepare for both internal and external assurance processes.

### The Level of compliance with the CSE's Listing Rules – Section 7.10 Rules on Corporate Governance are given in the following table.

CSE Rule Reference	Corporate Governance Principles	TJL PLC's Extent of Adoption	Compliance Status	Reference in this Report
7.10.1	Non-Executive Directors (NED)	The Board consists of three (03) Independent Non-Executive Directors and Four (04) Non-Executive Directors as of 31 March 2023.	✓	Corporate Governance A.5.1
7.10.2 (a)	Independent Directors	Three (03) of the seven (07) Non-Executive Directors are independent.	✓	Corporate Governance A.5.2
7.10.2 (b)	Independent Directors	All Non-Executive Directors have submitted their confirmation of independence in writing.	✓	Corporate Governance A.5.4
7.10.3 (a)	Disclosures relating to Directors	Names of Independent Directors disclosed in the Annual Report.	✓	Corporate Governance A.5.5
7.10.3 (b)	Disclosures relating to Directors	The Board has determined that all Independent Non-Executive Directors satisfy the criteria for "Independence" set out in Listing Rules.	✓	Corporate Governance A.5.5
7.10.3 (c)	Disclosures relating to Directors	A brief resume of each Director is included in the Annual Report.	✓	Board of Directors Profiles on pages 25 to 27.

**CORPORATE GOVERNANCE**

CSE Rule Reference	Corporate Governance Principles	TJL PLC's Extent of Adoption	Compliance Status	Reference in this Report
7.10.3 (d)	Disclosures relating to Directors	Upon appointment of a new Director to the Board, the Company provides a brief resume of such Director for dissemination to the public, specified in 7.10.3 (a), (b) and (c) to the CSE. New Directors were not appointed during the FY 2022/23.	✓	Board of Directors Profiles on pages 25 to 27.
7.10.4 (a-h)	Requirements for meeting criteria to be an Independent Director	The independence of the Independent Non-Executive Directors has been assessed as per criteria set out in Section 7.10.4 of CSE Listing Rules.	✓	
7.10.5 (a)	Composition of Remuneration Committee	The Remuneration Committee comprises two Independent Non-Executive Directors, one of whom functions as the Chairman of the Remuneration Committee, and one Non-Executive Director.	✓	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5, and the Remuneration Committee Report on page 72.
7.10.5 (b)	Functions of the Remuneration Committee	The Remuneration Committee determines the compensation of the Chief Executive and the Members of the Group Leadership Team.	✓	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5, and the Remuneration Committee Report on page 72.
7.10.5 (c)	Disclosure in the Annual Report relating to Remuneration Committee  Aggregated Remuneration paid to Executive and Non-Executive Directors	Names of Remuneration Committee members and remuneration paid to Directors are disclosed.	✓	Corporate Governance B.1.1, B.1.2, B.1.3, B.1.4, B.1.5, B.2.1, B.2.2, B.2.3, B.2.4, the Remuneration Committee Report on page 72, and Note 8 to the Financial Statements on page 184.
7.10.6 (a)	Composition of Audit Committee	The Audit Committee comprises three (3) members, two (2) of whom are Independent Non-Executive Directors and one Non-Executive Director. One (1) of the Independent Non-Executive Directors functions as the Chairman of the Audit Committee.	✓	Corporate Governance D.3.1, D.3.2, and the Audit Committee Report on pages 69 to 71.
7.10.6 (b)	Function of the Audit Committee	The Audit Committee facilitates and monitors the ERM process, the formulation of a Risk-Based Audit Plan, and the implementation of the same.	✓	Corporate Governance D.3.3 Audit Committee Report on pages 69 to 71.
7.10.6 (c)	Disclosure in the Annual Report relating to the Audit Committee	Names of Audit Committee members and the basis of determination of the independence of the auditor are disclosed.	✓	Corporate Governance D.3.4 Audit Committee Report on pages 69 to 71.

## CORPORATE GOVERNANCE

The Level of compliance with the Listing Rules – Section 9 Rules on Related Party Transactions for Listed Companies issued by the CSE are given in the following table.

CSE Rule Reference	Corporate Governance Principles	Teejays' Extent of Adoption	Compliance Status	Reference in this Report
9.2.1 and 9.2.3	Related Party Transactions Review Committee (RPTRC)	RPTRC is consistent with the Code of Best Practices on Related Party Transactions (2013) advocated by the SEC.  The functions of the RPTRC are stated in the Related Party Transactions Review Committee Report.	✔	Please refer to the Related Party Transactions Review Report on page 73.
9.2.2	Composition of RPTRC	The RPTRC comprises three members, two of whom are Independent Non-Executive Directors and one Non-Executive Director. One of the Independent Non-Executive Directors functions as the Chairman of the Related Party Transactions Review Committee.	✔	Please refer to the Related Party Transactions Review Report on page 73.
9.2.4	RPTRC meetings	The RPTRC met four (04) times during the year.	✔	Please refer to the Related Party Transactions Review Report on page 73.
9.3.1	Immediate disclosures	The Company has not been involved in any non-recurrent related party transactions which require immediate announcements to the CSE.	✔	Please refer to the Notes 35 to the Financial Statements
9.3.2 (a) and (b)	Disclosure: Non-Recurrent Related Party Transactions	The Company has not been involved in any non-recurrent related party transactions.	✔	Please refer to the Related Party Transactions Review Report on page 73.
	Disclosure: Recurrent Related Party Transactions	The Company has disclosed recurrent related party transactions which exceed 10% of Gross Revenue.	✔	Please refer to the Related Party Transactions Review Report on page 73.
9.3.2 (c)	Report by the RPTRC	The Report of the RPTRC is given.	✔	Please refer to the Related Party Transactions Review Report on page 73.
9.3.2 (d)	A declaration by the Board of Directors	The Annual Report of the Directors is included.	✔	Please refer to the Annual Report of the Board of Directors on page 74.

## CORPORATE GOVERNANCE

## GRI GOVERNANCE DISCLOSURES

GRI 2-9, 2-10, 2-11, 2-12, 2-13, 2-14, 2-15, 2-16, 2-17, 2-18, 2-19, 2-20, 2-21

GRI Disclosure	Notes	Reference in this Report
<p><b>2-9</b></p> <p><b>Governance Structure and Compliance</b></p> <p>2-9-a Governance structure including the committees of the highest governance body</p>	<p>The Board of Directors led by the Chairman comprises seven (07) Non-Executive Directors of which three (03) are Independent.</p> <p>The Board has appointed three (03) subcommittees to assist the Board as required by the Listing Rules.</p> <p>The Board has delegated the Group ExCo to appoint the ESG Steering Committee. The Steering Committee works with the central Sustainability team and Plant level ESG Champions and an external consultant to review and strengthen the ESG Management Framework.</p> <p>ESG Management Framework put in place during the year incorporates a bottom-up approach of quarterly ESG Data being reported to the Steering Committee based on GRI Standard based KPIs of the Material Topics, and a top down approach of policies, processes, and investment decisions to improve the ESG performance and manage ESG risks.</p>	Refer to the Governance Structure on page 37.
<p>2-9-b The Committees of the highest governance body that are responsible for decision-making on and overseeing the management of the Organisation's impacts on the economy, environment, and people</p>	<p>The Board has appointed three Subcommittees – namely, the Audit Committee, RPTRC, and the Remuneration Committee.</p> <p>The ESG Steering Committee which comprises of highest level representatives of the Group's functional units Finance, Administration and Occupational Health and Safety, CSR, Corporate Communications and Legal; reports to the Group Executive Committee (ExCo) on the ESG developments on the path to strengthening the ESG framework. In the upcoming year, once the review is complete, the ESG steering committee shall report monthly to the ExCo and quarterly to the Board.</p>	Refer to the Board Subcommittees on pages 39 to 40.
<p>2-9-c Composition of the highest governance body and its Committees</p>	<p>The Board of Directors led by the Chairman comprises seven (07) Non-Executive Directors of which three (03) are independent.</p> <p>The Audit Committee comprises two (02) Independent Non-Executive Directors and one (01) Non-Executive Director.</p> <p>The RPTRC comprises two (02) Independent Non-Executive Directors and one (01) Non-Executive Director.</p> <p>The Remuneration Committee comprises two (02) Independent Non-Executive Directors and one (01) Non-Executive Director.</p>	Refer to the Board Subcommittees on pages 39 to 40.

## CORPORATE GOVERNANCE

GRI Disclosure	Notes	Reference in this Report
	<p>The ESG Steering Committee headed by the CFO comprises of Head of Group HR and Administration spearheading the Social pillar, Head of Engineering driving the Sustainability pillar and the Head of Group Risk and Control driving the Governance pillar. Additionally the core ESG Team comprises of Head of Corporate Communication, Business Analyst and the Factory Operational Heads from each factory. On a monthly basis the ESG Steering Committee reports to the Group ExCo (Executive Committee) which is appointed by the Board.</p>	
<p><b>2-10</b>      <b>Nomination and Selection of the Highest Governance Body</b></p> <p>2-10-a      Nomination and selection processes for the highest and          governance body and its Committees and the criteria 2-10-b      used for nominating and selecting</p>	<p>All new appointments to the Board and its composition comply with the provisions in the Articles of Association of the Company, and are followed by an immediate market announcement and public notice. Such appointments are subject to reappointment by shareholders at the next AGM, held immediately after appointment to the Board.</p> <p>New appointments so reappointed are communicated to the CSE by way of a market announcement.</p> <p>In case of re-election, Directors appointed by the Board are required to hold office until the next AGM and seek re-election by the shareholders at the meeting.</p> <p>According to the Articles of Association, a maximum of 1/3 of the Non-Executive Directors are required to retire from office at each AGM but may remain eligible to stand for re-election by the shareholders at the AGM.</p> <p>The Nomination Committee reviews the relevant Directors' eligibility for re-election with due consideration of his/her past record in terms of participation, engagement, and contribution towards the Board matters.</p> <p>A Director appointed by the Board to fill a casual vacancy that may have arisen since the previous AGM is also entitled for re-election at the next AGM subject to the confirmation of the Nomination Committee.</p>	<p>Corporate Governance A.7.1, A.8.1, and A.8.2</p>

**CORPORATE GOVERNANCE**

GRI Disclosure	Notes	Reference in this Report
	<p>The resignations of Directors are promptly informed to the CSE.</p> <p>Any changes to the ESG steering committee shall be proposed by the ExCo and the CEO shall obtain board approval on the proposed changes.</p>	
<p><b>2-11</b></p> <p>2-11-a and 2-11-b</p>	<p><b>Chair of the Highest Governance Body</b></p> <p>Chair of the highest governance body and functions</p> <p>Mr Ajit Damon Gunewardene – Chairman Independent Non-Executive Director</p>	<p>Refer to the Profiles of the Board of Directors on pages 25 to 27.</p>
<p><b>2-12</b></p> <p>2-12-a, 2-12-b, and 2-12-c</p>	<p><b>Role of the Highest Governance Body in Overseeing the Management of Impacts</b></p> <p>Role of the highest governance body and Senior Executives</p> <p>The Board provides strategic leadership to the Company, through a framework of effective controls to monitor and manage risks. The Board emphasises on enhancing value to all its stakeholders, delivering sustainable economic performance keeping in line with the highest standards of corporate governance, environmental stewardship, and social responsibility.</p> <p>Internally the ESG Steering Committee with the inputs from the External consultants and the ESG core team carried out a Materiality Assessment based on the Global Reporting Initiative (GRI) Standards.</p> <p>The key ESG topics that are likely to be of concern to stakeholders and were then prioritised based on impact and importance.</p> <p>During the year the Sustainability Performance Analyser (SPA) was introduced which is a comprehensive and consolidated ESG data tracking tool to capture, monitor, and track all relevant sustainability indicators, on a quarterly basis. The ESG champions collate and update the SPA.</p> <p>The outcome of SPA is presented to the ExCo on a monthly basis.</p>	<p>Corporate Governance A.1.2 Refer to the Board Subcommittees on pages 39 to 40.</p>

## CORPORATE GOVERNANCE

GRI Disclosure	Notes	Reference in this Report
<p><b>2-13</b>      <b>Delegation of Responsibility for Managing Impacts</b></p> <p>2-13-a      Delegation of responsibility by the highest governance body for managing the Organisation's impacts on the economy, environment, and people</p>	<p>The ExCo is updated monthly on the impact of material topics affecting Environmental, Social and Governance pillars by the ESG Steering Committee.</p> <p>The ESG policies are reviewed and revised if necessary. The risk mitigation action plan identified by the ESG champions are reviewed by the ESG Steering Committee and the ExCo is updated on any concerns for their feedback.</p>	Corporate Governance H.1.2
<p>2-13-b      The process and frequency of the Management of the Organisation's impacts on the economy, environment, and people</p>	<p>The ESG Champions update the SPA tracker on a quarterly basis to monitor the performance of the sustainability indicators. The summary of the SPA is reviewed by the ESG Steering Committee.</p> <p>A monthly review of the ESG/Sustainability initiatives and the summary of the Sustainability Performance Analyser (SPA) is presented to the ExCo. Any material concerns will be reported to the Board on quarterly basis.</p>	Corporate Governance H.1.5
<p><b>2-14</b>      <b>Role of the Highest Governance Body in Sustainability Reporting</b></p> <p>2-14-a      Responsibility of the highest governance body in reviewing and approving the reported information</p>	<p>The Board has appointed external consultants to liaise with the ExCo to review the ESG framework and strengthen the process.</p> <p>The summary of the SPA which gives the performance of the ESG KPIs is presented by the ESG Steering Committee to the ExCo.</p>	Corporate Governance H.1.5
<p>2-14-b      The reason, if the highest governance body is not responsible for reviewing and approving the reported information, including the organisation's material topics.</p>	<p>The Board reviews and approved all reported information and material topics.</p>	Corporate Governance H.1.5

**CORPORATE GOVERNANCE**

GRI Disclosure	Notes	Reference in this Report
<p><b>2-15 Conflicts of Interest</b></p> <p>2-15-a and 2-15-b</p> <p>The processes for the highest governance body to ensure that conflicts of interest are prevented and mitigated</p>	<p>The Directors and members of the Senior Management team are firmly committed to upholding the Code of Business Conduct and Ethics which serves as a guiding framework for their actions. As a part of ensuring transparency and integrity, the Company has introduced a declaration of conflict of interest policy. All employees in the Executive and above categories have diligently signed the document, signifying their understanding and compliance with its provisions.</p>	<p>Corporate Governance D.5.1</p>
<p><b>2-16 Communication of Critical Concerns</b></p> <p>2-16-a</p> <p>Whether and how critical concerns are communicated to the highest governance body</p>	<p>Quarterly the performance of the ESG KPIs are reported to the ExCo through the SPA tool via the ESG Steering Committee, The performance of the ESG KPIs, relevant ESG risks and concerns and any changes to the impact on material topics that could have a likely concern towards any key stakeholder shall be brought to the notice of ExCo.</p>	<p>Corporate Governance C.2.1 to C.2.7</p>
<p>2-16-b</p> <p>The total number and the nature of critical concerns that were communicated to the highest governance body during the reporting period</p>	<p>During the year, while impacts of 21 material topics were identified and actions taken to mitigate the same, there were no instances of critical risks and concerns relating to these ESG topics.</p>	<p>Corporate Governance C.2.1 to C.2.7</p>
<p><b>2-17 Collective Knowledge of the Highest Governance Body</b></p> <p>2-17-a</p> <p>Measures taken to advance the collective knowledge, skills, and experience of the highest governance body on sustainable development</p>	<p>The Board reviews the training and development needs of the Directors regularly, and the Directors are provided with guidelines on general aspects of directorships and industry-specific matters.</p> <p>The Board has appointed an external consultant to help navigate the ESG Steering Committee to review and strengthen the ESG framework. Through regular discussions and awareness sessions, the ESG Steering Committee and the ESG Champions have expanded their knowledge pertaining to ESG.</p>	<p>Corporate Governance A.1.8</p> <p>Refer to the Profiles of the Board of Directors on pages 25 to 27.</p>

## CORPORATE GOVERNANCE

GRI Disclosure	Notes	Reference in this Report
<p><b>2-18 Evaluation of the Performance of the Highest Governance Body</b></p> <p>2-18-a, 2-18-b, and 2-19-c</p>	<p>The processes and frequency for evaluating the performance of the highest governance body in overseeing the management of the Organisation's impacts on the economy, environment, and people</p> <p>The Board conducts an annual self-assessment of its performance against predetermined targets set at the beginning of the year.</p> <p>The performance was evaluated quarterly to determine the achievement of targets or evaluate if the accomplishments were reasonable given the circumstances.</p>	<p>Corporate Governance A.9.4, A.11.1, and A.11.2</p>
<p><b>2-19 Remuneration Policies</b></p> <p>2-19-a</p>	<p>The remuneration policies for members of the highest governance body and Senior Executives</p> <p>The remuneration of Directors and Key Management Personnel is recommended to the Board by the Remuneration Committee.</p>	<p>Corporate Governance B.1.4</p>
<p>2-19-b</p>	<p>The remuneration policies for members of the highest governance body and Senior Executives relating to their objectives and performance concerning the management of the Organisation</p> <p>Remuneration for Non-Executive Directors reflects the time commitment and responsibilities of their role, taking into consideration market practices.</p>	<p>Corporate Governance B.2.10</p>
<p><b>2-20 Process to Determine Remuneration</b></p> <p>2-20-a</p>	<p>The process for designing its remuneration policies and for determining remuneration</p> <p>The Remuneration Committee reviews the remuneration policy of the Company. Performance based increments and variable pay policies are in place which are subject to review and recommendations of the Remuneration Committee and the Board.</p> <p>Services of HR professionals are sought by the Remuneration Committee and Board when required.</p>	<p>Refer to the Report of the Remuneration Committee on page 72.</p>
<p>2-20-b</p>	<p>The results of votes of stakeholders (including shareholders) on remuneration policies and proposals, if applicable.</p> <p>There were no incidents which called for shareholder votes.</p>	<p>Refer to the Report of the Remuneration Committee on page 72.</p>
<p><b>2-21 Annual Total Compensation Ratio</b></p> <p>2-21-a, 2-21-b, and 2-21-c</p>	<p>Annual total compensation ratio</p> <p>Not disclosed due to the confidentiality of information.</p>	

# ENTERPRISE RISK MANAGEMENT

Enterprise Risk Management (ERM) refers to the process of understanding and managing risks faced by an entity in the course of achieving its objectives. The objective of risk management is to have a structured approach to risk identification and risk mitigation, and to monitor and manage risks to be within the Company’s risk appetite. Teejay’s ERM process begins with identifying potential risks or environmental conditions that may hinder the achievement of corporate objectives, which are evaluated, and the significance of the risks brainstormed. During this process, several factors are taken into account including the potential monetary impact of risks, the ability of the team and systems to detect their occurrence, the probability of their occurrence, and the controls in place. Thereafter, Impact, Likelihood, and Detection rankings are assigned for each of the risks to ascertain their significance. Based on the calculated risk score, the risks identified as requiring mitigation are addressed through appropriate action plans to reduce their likelihood of occurrence or impact, or to improve the detection of these risks.

## INTEGRATED RISK MANAGEMENT FRAMEWORK

The Group’s enterprise-wide risk management process facilitates addressing the effect of uncertainty on business objectives and strategies, while ensuring proactive risk alignment across the group entities. Although Teejay does not currently have an ERM policy, it is in the process of developing one.

## OUR ERM PROCESS

Illustrated below is the 10-step Enterprise Risk Management (ERM) process we follow to identify and address methodically the potential events that represent

risks to the achievement of our objectives. The risk models derived through the process for all three of our entities are reviewed by the Audit Committee and other Board members each quarter.



During the ERM process, the Management attempts to identify risks affecting the Organisation, and understand the risk profile of each risk category through an assessment of the detectability of risk, the likelihood of occurrence, and the impact of each risk in the context of the prevailing environment.

Risks that would hinder the achievement of corporate objectives are identified and brainstormed to arrive at a possible impact ranking, likelihood of their occurrence ranking, and the probability of detection. The likelihood of occurrence is negatively correlated to the detection ranking. The risk score is calculated to arrive at the risk ranking to prioritise actions to mitigate risks. A comprehensive risk register is used as a basis for documenting the outcomes of the risk assessment process. The risk register, which is maintained under the purview of the Group Risk and Control Division, is updated on an ongoing basis and serves as the primary resource for risk-related decision-making by the Board and the Management.

Entity-level risk registers are maintained to ensure all entity-specific risks are identified, recorded, and monitored. Risk owners are assigned to ensure accountability and sustained focus on mitigation activities. During the execution of risk mitigating actions, once sufficient work has been done to reduce the impact or occurrence of the risk, the relevant impact, probability, or detection ranking is reduced to reflect a reduction in risk score.

## ENTERPRISE RISK MANAGEMENT

### RISK APPETITE FRAMEWORK

Teejay takes a holistic approach to risk management. The risk grids discussed at the Factory Leadership Team level of all three entities are discussed at Group Cross-Functional Leadership Team (CFT) level and are presented to the Board via the Audit Committee. The required information to set the risk appetite of the Company is provided to the Board. This gives the Board the responsibility and the tools for setting, communicating, and cascading down to the organisation its stated strategic plan and business objectives, and appetite for specific risks.

The risk appetite framework ensures that the risks are proactively identified and quantified in a structured way that relates them to the organisation's business objectives and strategy.

### PRINCIPLE RISK LEVELS

Event identification plays a critical role in risk management. Whilst the events and their probability of occurrence can vary from one period to another. The Factory Leadership Teams of each entity, along with the Cross-Functional Leadership Team (CFT) at the group level, engage in monthly sessions dedicated to reviewing major risks. These collaborative brainstorming sessions enable the teams to track events of significance and anticipate those likely to arise in the upcoming quarter. Thereafter, the risk model is updated with identified significant risks. Risk assessments are conducted in the same manner on all major projects undertaken, including subsequent identification of risk mitigation actions and implementation of the same. A risk rating is assigned based on the likelihood of occurrence,

detection of the occurrence, and the impact it could have on the Company's operations. The risk grids are presented to the Audit Committee by the Head of Risk and Control every quarter, which is then presented to the Board. The Board sets the risk appetite of the Company. Any additional information required by the Audit Committee and the Board is provided promptly. The Company's risk appetite framework enables the Board to choose to take on risks that are in line with the overall business strategy.

### ERM GOVERNANCE AND MANAGEMENT

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

In our efforts to establish a suitable control environment to conduct business activities securely, audits are conducted based on the risk-based audit plan approved by the Audit Committee. Additionally, special reviews are carried out to address changes to business risk exposure during the year. The Risk and Control Team may deploy both internal and external resources to carry out their audits and reviews. All weaknesses identified during such audits are reported to the Audit Committee and they are followed up until the agreed remedial actions are implemented by the process owners. Any new processes to be implemented are also designed giving due consideration to the underlying control environment, ensuring adequate controls are built into these processes.

### RISK UNIVERSE

All risks are categorised within a common risk universe. Through the monthly enterprise risk discussions held with the Factory Leadership Team representing all Divisions of the Company, the risks pertaining to each Division are identified and categorised.

### ERM RISKS, RATINGS, AND MITIGATION ACTIVITIES

Following the implementation of the ERM process, the risk items of the risk categories listed below were identified with their risk scores.

**ENTERPRISE RISK MANAGEMENT**

Main risk category	Risk item	Potential impact	Risk mitigation	Risk assessment
<b>Socioeconomic risks</b>	Domestic socio-economic crisis resulting in: – Poor economic growth – Increased inflation	Import restrictions due to FOREX shortage. Short supply of raw materials. Increased cost of living triggering employees to migrate overseas.	Prudent management of working capital liquidity. Build strong relationships with banks. Close monitoring of developments in the macroeconomic environment.	 2021/22  2022/23
	FOREX liquidity and depreciation risk Volatile tax policies and tax increases Interest rate risk	Increase in tax rates. Escalation of finance costs. Adverse impact on profitability.	Continuous monitoring of rate fluctuations and impact assessment.	 2021/22  2022/23
<b>Geopolitical risks</b>	Global economic downturn resulting in declining consumer demand. Shift in traditional supply chain bases is a positive to the South Asian region.	Increased costs of production due to increase in input and energy costs. Increase in new customer inquiries.	Strengthen relationships with customers for increased visibility amidst market fluctuations.	 2021/22  2022/23
<b>Social and Stakeholder risks</b>	Talent attrition and retention	Increase in cost of recruitment. Loss of key talent.	Strong emphasis on performance appraisals, rewarding and recognising key talent through performance recognition and reward schemes. Succession planning, and leadership and career development programmes, ensuring that high-quality employees are developed and retained.	 2021/22  2022/23
	Industrial relations risk	Employee distress leading to plant closure.	Operation of JCC (Joint Consultative Committee), which is a requirement as per BOI regulations for formal communication and maintenance of highly effective engagement with employees.	 2021/22  2022/23

● Low ● Moderate ● High

## ENTERPRISE RISK MANAGEMENT

Main risk category	Risk item	Potential impact	Risk mitigation	Risk assessment
<b>Health and safety risks</b>	Risk of occupational injury	As a manufacturing organisation, employees and other stakeholders in direct physical contact with the plant are constantly exposed to occupational hazards and risk of injury.	<p>Comprehensive health and safety protocols are in place in factories.</p> <p>Implementation of an agile working policy enables working from home.</p> <p>Health and safety management system certifications in place.</p>	
<b>Environmental risk</b>	Sustainable production	<p>Legal implications due to non-compliance.</p> <p>Loss of key customers due to loss of buyer confidence.</p>	<p>Compliance with certification and regulatory requirements.</p> <p>Updated with changes in the regulatory frameworks.</p> <p>Strong commitment from the top management and the Board towards sustainable production.</p> <p>Onboarded an international third-party consulting firm to set up a three year strategy for the ESG initiative.</p> <p>Set up the ESG committee to adopt and execute the ESG framework, and established quantitative annual targets, to align with UN sustainability goals.</p> <p>The first ESG assurance audit commenced during the year.</p>	

● Low ● Moderate ● High

**ENTERPRISE RISK MANAGEMENT**

Main risk category	Risk item	Potential impact	Risk mitigation	Risk assessment
<b>Climate change risk</b>	Risk of not reducing the carbon footprint to committed levels.	Risk of loss of customers due to non-alignment with their carbon footprint reduction milestones.	As a National Climate Committee member, built a Cross-Functional Team encompassing representatives from all divisions, to drive the ESG framework within Teejay.  Modernization of machinery focusing on energy efficiencies and the potential to generate positive cash flows.  Use of biomass in Teejay India for steam generation.  Teejay Lanka has carried out the initial feasibility study to invest in solar power generation.	 2021/22  2022/23
	Possible droughts and floods.	Risk of reduced water supply for production.	Water recycling projects in place.  Location strategy in place to satisfy customer requirements.  Adequate insurance coverage for buildings and assets across all locations for natural disasters and business interruption insurance covers in place.	 2021/22  2022/23
<b>Information Technology risks</b>	Cybersecurity risk Risk of customer information and intellectual property leakage	Agile working policies introduced due to COVID-19, increased the threat. Data breaches. Financial loss to the Company. Production loss days.	Strong cybersecurity policies are in place to safeguard data.	 2021/22  2022/23
	IT systems failure risk	As a technology-driven manufacturing plant, a system failure could result in production loss days, resulting in customer claims and increased costs.	Access control and disaster recovery sites in operation to ensure continuous system availability.	 2021/22  2022/23

● Low ● Moderate ● High

## ENTERPRISE RISK MANAGEMENT

Main risk category	Risk item	Potential impact	Risk mitigation	Risk assessment
<b>Operational risks</b>	Fire risk	Business interruption due to full or partial factory closure.	<p>High alertness and preventive measures and procedures in areas where the equipment is working at high temperatures.</p> <p>Operation of fire alarm systems, fire hydrants, and extinguishing infrastructure in all three plants.</p> <p>Regular maintenance of fire extinguishing equipment infrastructure according to schedule.</p> <p>Regular training of the fire crew, and conducting fire and evacuation drills involving all employees of Teejay Group.</p>	
	Supply chain risk (RM and Utilities)	<p>China port closures due to COVID-19 resulted in vessel delays.</p> <p>Container shortage in South Asian ports affected planned production.</p> <p>Fuel price hikes and shortages resulted in increased overheads.</p> <p>Yarn price fluctuations.</p> <p>Increased cost of raw materials due to FOREX volatility.</p> <p>Import restrictions due to restricted FOREX.</p> <p>High shipping charges.</p>	<p>Close monitoring of the material planning process</p> <p>Partnering with alternate suppliers from strategic locations and collaborating with existing suppliers for dedicated supply channels.</p>	
	Inventory risk	Inconsistent demand led to unrealised projected inventory usage, resulting in the accumulation of obsolete stocks.	Effective material planning.	

● Low ● Moderate ● High

**ENTERPRISE RISK MANAGEMENT**

Main risk category	Risk item	Potential impact	Risk mitigation	Risk assessment
	Fraud risk	Financial loss to the Company. Potential increase in fraud risk due to pressure from the economic crisis.	In operating within a BOI zone, physical access is highly restricted.  Close monitoring of logistics operations reduces the opportunity for inventory-related fraud.  Continuous engagement in process improvements by strengthening internal controls.  Revision of the whistle-blower policy to include an independent reporting line.	 2021/22  2022/23
<b>Regulatory risks</b>	Local regulatory non-compliance Breach of Brand compliance commitments Risk of non-renewal of trade licences	Legal implications. Loss of strategic customers. Business interruption and plant closure.	Dedicated compliance teams ensure all regulatory requirements are met.  Conducting periodic internal and external audits to confirm the same.	 2021/22  2022/23
<b>Reputational and brand image risks</b>	Quality failure Timely delivery failure	Loss of customers and investors due to loss of goodwill. Customer claims. Legal implications. Media attention and reputational damage.	Strict compliance with statutory, regulatory, and external certification requirements.  Customer care service division to monitor customer complaints.  Quality control processes.  Supplier due diligence and procurement committee.	 2021/22  2022/23

● Low ● Moderate ● High

## ENTERPRISE RISK MANAGEMENT

### OPERATING ENVIRONMENT

As a result of COVID-19, the risk management framework adopted the changes that should be in place to face the challenges that were brought about when enabling an agile working environment. The year under review experienced a recovery from the pandemic to a greater extent, while facing a new set of challenges that had a far greater impact on business. The learnings acquired from the COVID-19 impact enabled a smooth transition to the work-from-home mode during the fuel crisis.

Changes in the Operating Environment	Impact	Risk Response
War between Ukraine and Russia and China's slowdown as a result of COVID-19's resurgence resulting in a global economic downturn and reduced consumer spending due to increased cost of living. Domestic political instability resulted in customers moving away to other Asian regions.	Low demand. Loss of Customers. Open order book.	Forged strategic partnering with customers. Geographically expanded our capacity in India. Looking at strategic location expansions.
War between Ukraine and Russia resulting in supply chain disruption, material and fuel shortage, and price hikes. Customers moving out of China due to repeat COVID-19 lockdowns. Customers focusing on nearshoring.	Opportunity to increase the order book due to demand shifting to the South Asian region. Increased costs resulting in depletion of profits.	Focused on expanding our sourcing network. Adopted cost-saving initiatives. Plants operated at optimal capacity utilisation.
Demand for sustainable sourcing. Focus on ESG.	Strong commitment to sustainable production confirmed via accreditations. The risks of failing to achieve the committed reduction in carbon footprint.	Adopted a top-down approach on commitment to sustainability. Focused on reducing the carbon footprint.
Political instability in the country and protests displaying instability as a country for sourcing.	Uncertain economic policies. Tax increases and FOREX restrictions affecting the supply chain.	Adopted strategic proactive risk management measures.
Economic hardships faced by society at large.	Loss of key employees due to migration. Difficulty in skills retention. Possible production losses due to absenteeism and learning curve setting in.	Strengthened skills retention strategies including restructuring of salaries and adopting replacement strategies. Maintained close relationships with employees and members of the JCC (Joint Consultative Committee).
Post-COVID, resulting in increased dependency on technology and digitisation.	Increased vulnerability to security breaches, data losses and cyberattacks.	Strengthened cybersecurity measures.

## ENTERPRISE RISK MANAGEMENT

### RISK MONITORING AND REVIEW

Monthly ERM discussions are held at the Factory Leadership Team level – for TJL and TJP. A monthly Group enterprise risk grid is prepared by the Risk and Control Team, consolidating the common risks to the Group. At the Monthly Risk and Control Review with the Cross-Functional Leadership Team (CFT), the Group risk grid is taken up for discussion to obtain feedback on the risk mitigation action plan and risk responsibility.

The risk grids are presented to the Audit Committee quarterly, and the risk mitigation action plan of the salient risks is discussed and feedback on the risk rating is provided by the Audit Committee and the Board members. For any new processes adopted by the Company, the related risks are discussed at the CFT level pre and post-adoption.

A risk-based audit plan approved by the Audit Committee is in place, and the Risk and Control Team carries out the audits as per plan throughout the year across all three entities. The Audit Committee reviews the plan on a quarterly basis and provides direction for any changes on a need basis, taking into consideration the dynamic external factors that affect the risks faced by the Company.

The Positive Assurance Framework offers a uniform and systematic approach to governing work streams within operating units of the Teejay Group, creating one language and voice to manage risks at all levels proactively, adopted across all three entities. Monthly confirmations are obtained from each process owner on the availability of key control areas of each process, and any breach or breakdown in controls is identified through this process.

## AUDIT COMMITTEE REPORT

### COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee comprises of three Non-Executive Directors where two of them are independent. One of the Independent Directors, functions as the Chairman of Audit Committee and two of the Directors (including the Chairman) have recent and relevant financial management and accounting experience and professional accounting qualifications.

- Mr Amitha L Gooneratne (Chairman) – (IND/NED)
- Prof Malik K Ranasinghe – (IND/NED)
- Mr Hasitha Premaratne – (NED)

IND/NED – Independent Non-Executive Director  
NED – Non-Executive Director

(Refer to pages 25 to 27 for a brief profile of each Director.)

The Committee's composition met the requirements of the Rule 7.10.6 of Listing Rules of the Colombo Stock Exchange.

### SECRETARY

Corporate Services (Private) Limited.

### INVITEES

Head of Risk and Control Division, Chief Executive Officer, Chief Financial Officer, Cross Functional Team Members, Board Directors, External Auditors, and relevant Executives of the Company attended these meetings on a need basis.

### CHARTER OF THE AUDIT COMMITTEE

The scope of functions and responsibilities of the Audit Committee of Teejay Lanka PLC are governed by the Audit Committee Charter which is in line with the directives of the CA Code of Best Practice on Corporate Governance 2017 and Section 7.10.6 of the CSE Listing Rules. The Charter is periodically reviewed and revised with the concurrence of Board of Directors. The terms of reference of the Committee are clearly defined in the Charter of the Audit Committee.

### MEETINGS

The Audit Committee met five times during the year.

#### Attendance at Audit Committee Meetings

Director	19 May 2022	25 July 2022	18 August 2022	24 November 2022	15 February 2023
Mr Amitha Lal Gooneratne	✓	✓	✓	✓	✓
Prof Malik Ranasinghe	✓	✓	✓	✓	✓
Mr Hasitha Premaratne	✓	✓	✓	✓	✓

### ROLE OF THE AUDIT COMMITTEE

The role of the Audit Committee is to perform Board oversight function in relation to the integrity of the financial reporting, compliance with legal and regulatory requirements, adequacy of the internal

controls and risk management systems, the External Auditors' independence, suitability and performance and adequacy of internal audit activities and independence of the internal audit function.

### FINANCIAL REPORTING

The Audit Committee reviewed the financial reporting system adopted by the Group in the preparation of its Quarterly and Annual Financial Statements to ensure that an accurate and effective financial reporting process is in place, consistent with the accounting policies and methods adopted and their compliance with the Sri Lanka Financial Reporting Standards (SLFRSs/LKASs), and applicable regulatory requirements. The Committee has reviewed and discussed the Quarterly and Annual Financial Statements of the Company with Management and the External Auditors prior to publication. The Committee obtained independent input from the External Auditors on the effects of any new Sri Lanka Accounting Standards that came into effect for the year under review and obtained satisfactory assurance that the necessary initiatives were taken, to enable the Company to comply with these new standards.

### RISK MANAGEMENT AND INTERNAL CONTROLS

Audit Committee facilitates and monitors Enterprise Risk Management process, the formulation of a Risk Based Audit Plan and the implementation of the same. The Committee reviewed the key risks identified in Risks Models of all three entities developed at the beginning of the year together with the remedial actions.

## AUDIT COMMITTEE REPORT

Thereafter it continued to review the changes to the risk profile presented each quarter and the implementation of the remedial actions at the Audit Committee meeting. The Audit Committee continued to monitor the Fire Risk Mitigation plans of the Group. During the year, the Committee continuously monitored health and safety measures, that were implemented due to COVID-19 pandemic and focused on monitoring controls which were implemented to mitigate possible control lapses and fraud risks due to new work arrangements introduced on account of COVID-19. Audit Committee engaged in reviewing and assessing the Company's system of internal controls for detecting accounting and financial reporting errors and misappropriation of assets, legal violations, and non-compliance with the Corporate Code of Conduct.

The Audit Committee also ensures the adequacy and the effectiveness of the internal control environment and the risk management system, monitoring of compliance with the standards, laws and regulations and performance of the risk and control function of the organisation.

Formal assurances were obtained from the Senior Management of the Company via the Positive Assurance Framework confirmations monthly regarding the efficacy and status of the internal control systems and risk management systems. Self-assurance on compliance with applicable laws and regulations is obtained via quarterly compliance statements submitted by the respective Divisions.

### INTERNAL AUDITS

Internal audits of the Company are carried out by the Group Risk and Control Division and the Head of Risk and Control submitted the findings of the audits to the Audit Committee. The Audit Committee reviewed the internal audit findings, the implementation of agreed remedial measures to improve the control environment and the follow-up the actions taken by the Company recommended by the Risk and Control Division. The effectiveness of the internal audit function is periodically reviewed.

The Audit Committee approved the risk-based, and agile internal audit plan and approved all major changes to the plan. The Internal audit charter is periodically reviewed.

Each quarter, the Chairman of the Audit Committee has a one-on-one session with the Head of Risk and Control on the following matters:

- Progress of the internal audit plan
- Discuss the significant findings of the current audits and provides feedback on further review if required
- Access to information to conduct the audits
- Availability of adequate resources to conduct audits

### EXTERNAL AUDITS

In fulfilling its duties, the Audit Committee evaluated the independence and the performance of External Auditors.

Audit Committee meets the External Auditors each year to review the Management Letter and External Audit Report on the Audited Financial Statements for the year. This year, the meeting took place on 25 July 2023. There were no significant issues during the year under review. 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 the annual stock verification which was conducted at the end of financial year which the Company undertakes every year.

The Audit Committee has reviewed the other services provided by the External Auditors to the Company to ensure that their independence and objectivity as External Auditors has not been impaired and evaluated the independence of the External Auditors based on their declaration of Independence which includes the number of years the assigned partner engages with the Company continuously and any disclosures on relationships with or interest in the Company or its subsidiaries and their compliance with the independence guidance given in the Code of Ethics of The Institute of Chartered Accountants of Sri Lanka.

The fees for audit services and the non-audit services were reviewed and provided direct access to the Chairman of Audit Committee to discuss audit findings.

## AUDIT COMMITTEE REPORT

### APPOINTMENT OF EXTERNAL AUDITORS

The Audit Committee has recommended to the Board of Directors that Messrs PricewaterhouseCoopers continued as External Auditors for the financial year ending 31 March 2024 and that the re-appointment be included in the agenda of the Annual General Meeting.

### ETHICS AND GOOD GOVERNANCE

Integrity being a key pillar of our value system, Teejay aspires to do things the right way. Ethical and legal dealings are core principles for a sustainable business. Awareness of the code of ethics emphasise on upholding ethical values of the Directors, top management, and staff members. The supplier code of conduct extends our values and expectations in ethical business conduct to the suppliers that we deal with. The Whistle-blower policy guarantees anonymity of the Whistle-blowers, and they are encouraged to report any violations of the code of conduct, anti-corruption policy and anti-harassment policy without the risk of reprisal. All appropriate procedures are in place to conduct independent investigations into incidents reported.

The revised Whistle-blower policy was reviewed by the Committee and the Committee is satisfied with the changes that were incorporated to strengthen the transparency of reporting. The Chairman of the Audit Committee has been added to the policy as an independent direct reporting channel.

### CONCLUSION

The Audit Committee is satisfied that the internal controls and Enterprise Risk Management processes in place to assess and manage risks are adequate. It is of the view that the internal controls and procedures in place provide a reasonable assurance that the assets of the Company are safeguarded, and the Financial Statements of the Company are compiled using reliable information. The Committee is also satisfied that the Company is in a position to continue as a going concern. The Audit Committee has observed that based on the compliance reporting, the Company has complied with standards, laws and regulations during the period 2022/23 under review.



**Amitha L Gooneratne**  
Chairman  
Audit Committee

27 July 2023

## REMUNERATION COMMITTEE REPORT

The Remuneration Committee comprises of three Non-Executive Directors where two of them are independent. One of the Independent Non-Executive Directors, functions as the Chairman of the Committee.

**The members of the Remuneration Committee are as follows:**

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

IND/NED – Independent Non-Executive Director

NED – Non-Executive Director

(Refer to pages 25 to 27 for a brief profile of each Directors.)

### INVITEES

The Chief Executive Officer (CEO) and external advisers are invited to attend for all, or any part of the meeting as required.

### OBJECTIVE AND SCOPE OF THE REMUNERATION COMMITTEE

- To review and advice to the Board on overall remuneration philosophy, strategy, and policies for the Group.
- Determine, and agree with the Board a framework for remuneration of the key members of the Leadership Team including targets and formulas for any performance related pay schemes.
- Recommend to the Board, the total remuneration package for Leadership Team, Performance Appraisal, Development and Succession Planning of key members of the Leadership Team.
- Recommend to the Board, the remuneration payable to the Executive Directors, Chief Executive Officer and/or equivalent position thereof.

The Chief Executive Officer will report to the Committee on significant group-wide changes in salary structures and terms and conditions affecting Key Management Personnel for their review.

### MEETINGS

The Committee met two times during the financial year under review.

### Attendance at Remuneration Committee Meetings

Director	8 September 2022	14 February 2023
Prof Malik K Ranasinghe	✓	✓
Mr Amitha L Gooneratne	✓	✓
Mr Mohamed Ashroff Omar	✓	✓

### REMUNERATION POLICY

The remuneration policy is designed to attract, motivate, and retain highly qualified, competent and experienced workforce to achieve the goals and objectives of the Company and reward performance accordingly in the backdrop of industry norms to support the continued success of the business and creation of shareholder value.

### PERFORMANCE APPRAISAL, REMUNERATION AND BENEFITS FOR EMPLOYEES

Performance against set goal is evaluated in an annual performance appraisal process. Rewards and recognition are based on performance achieved by each employee. A workflow-based Performance Appraisal system is in operation and is being used by all Executives to record and review performance.

The remuneration package of employees consists of a fixed component of basic salary and allowances and a variable component of various incentives and annual performance-based bonus. The employees enjoy other benefits such as meals, medical insurance, company excursion, common transport, etc.

### TASKS OF REMUNERATION COMMITTEE

- Review of remuneration of the Board and Senior Management.
- Evaluate the performance of the Chief Executive Officer and the members of the Group Leadership Team against predetermined targets and goals.

- Formulate guidelines, policies, and parameters for the compensation structures for all executive staff of the Company and review the same frequently to ensure they are in par with the market/industry rates.
- Assess and recommend to the Board of Directors the promotions of the Key Management Personnel.
- Review of succession plans and the transition plan of key members of Leadership Team.

### REMUNERATION OF BOARD OF DIRECTORS

No remuneration is paid to Non-Executive Directors other than the Director fees paid based on their participation at Board meetings and other Committee meetings. Details of Directors emoluments are disclosed on page 184.

### CONCLUSION

The Committee wishes to report that the Company has complied with the Colombo Stock Exchange Listing Rules (7.10.5 – Remuneration Committee). The Committee is of the view that the current performance appraisal, career development, rewards and recognition processes provide a reasonable assurance that the Company's human capital is valued and appreciated. The Committee is satisfied that the Company follows appropriate human resource management processes and remuneration policies designed to attract, grow, and retain employees with professional, managerial, and operational expertise who can assume leadership roles in the Organisation to achieve strategic and operational objectives.



**Prof Malik K Ranasinghe**  
Chairman  
Remuneration Committee

27 July 2023

## RELATED PARTY TRANSACTIONS REVIEW COMMITTEE REPORT

### INTRODUCTION

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

### COMPOSITION OF THE COMMITTEE

The Committee comprised of two Independent Non- Executive Directors and a Non-Executive Director during the period. The composition of the Committee fulfilled the requirements of the Listing Rule No. 9.2.2 of the Colombo Stock Exchange, throughout the financial year. The composition of the Related Party Transactions Review Committee is given below:

#### Members of the Related Party Transactions Review Committee

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

IND/NED – Independent Non-Executive Director  
NED – Non-Executive Director

(Refer to pages 25 to 27 for a brief profile of each Directors.)

### TERMS OF REFERENCE

The Related Party Transactions Review Committee has terms of reference, dealing with its authority and duties. The terms of reference covers aspects relating to matters prescribed in the Listing Rules of the Colombo Stock Exchange. Terms of reference of the Committee include the following:

- Review in advance all proposed Related Party Transactions of the Company except those explicitly exempted by the Code;
- Determine whether Related Party Transactions that are to be entered into by the Company require the approval of the Board or shareholders of the Company;

- Ensure that no Director of the Company shall participate in any discussion of a proposed Related Party Transaction for which he or she is a related party, unless such Director is requested to do so by the Committee for the express purpose of providing information concerning the Related Party Transaction to the Committee in its ongoing dealings with the relevant related party. Thereafter, the Committee, on an annual basis, shall review and assess ongoing relationships with the related party to determine whether they are in compliance with the Committee’s guidelines and that the Related Party Transaction remains appropriate.

### POLICIES AND PROCEDURES

The members of the Board of Directors of the Company have been identified as Key Management Personnel. In accordance with the Related Party Transaction policy, the declarations are obtained from each Key Management Personnel of the Company for the purpose of identifying parties related to them. Based on the information furnished in these declarations, the Company retrieves data on Related Party Transactions from the database of the Company.

### MEETINGS

The Committee met on four occasions during the financial year 2022/23 and the members’ attendance record is set out in the Conformance Report given below:

Related Party Transactions Review Committee Member	19 May 2022	18 August 2022	24 November 2022	15 February 2023
Mr Amitha Lal Gooneratne	✓	✓	✓	✓
Prof Malik Ranasinghe	✓	✓	✓	✓
Mr Hasitha Premaratne	✓	✓	✓	✓

### RELATED PARTY TRANSACTIONS DURING THE YEAR

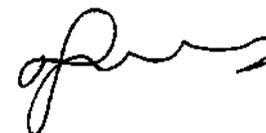
The activities and observations of the Committee are communicated to the Board. During the year, there were no non-recurrent or recurrent Related Party Transactions that exceeded the respective thresholds mentioned in the Listing Rules. Details of other Related Party Transactions entered in to by the Company during the year is disclosed in Note 35 to the Financial Statements.

### DECLARATION

Related Party Transaction Review Committee has reviewed all the Related Party Transactions during the financial year at the quarterly meetings and communicated the comments/observations to the Board of Directors. The Board of Directors confirm that the Company has complied with the requirements of Section 9 of the Listing Rules of the Colombo Stock Exchange and the Code of Best Practice on Related Party transactions, issued by the Securities and Exchange Commission of Sri Lanka.

### COMMITTEE EVALUATION

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



**Amitha L Gooneratne**  
Chairman  
Related Party Transactions Review Committee

27 July 2023

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Board of Directors of Teejay Lanka PLC (“the Company”) has pleasure in presenting to the members their report together with the Audited Consolidated Financial Statements of the Company and its subsidiaries (“the Group”) for the year ended 31 March 2023.

### FORMATION

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

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

The Board of Directors approved these Financial Statements on 27 July 2023.

### NATURE OF THE BUSINESS OF THE COMPANY

The nature of the business of the Company and its subsidiaries is given in Note 1 to the Financial Statements on page 165.

### FINANCIAL STATEMENTS

The Financial Statements which include statement of financial positions as at 31 March 2023, the statement of profit or loss, the statements of comprehensive income,

the statement of changes in equity, the statements of cash flows and notes to the financial statements of the Group and the Company for the year ended 31 March 2023 are set out on pages 159 to 164. All amounts are stated in United States Dollar, unless otherwise stated.

### INDEPENDENT AUDITOR’S REPORT

The Independent Auditor’s Report on the Financial Statements is given on pages 155 to 158.

### ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Company have been consistently applied from previous year. The significant accounting policies including any new accounting standards adopted in the preparation of Financial Statements are given on pages 165 to 174.

### REVIEW OF BUSINESS

The state of affairs of the Group and the Company as at 31 March 2023 and the financial performance for the year ended 31 March 2023 are set out in the Statement of Financial Position on pages 161 and Statement of Comprehensive Income on pages 159 and 160.

### PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the year are set out in Note 14 to the Consolidated Financial Statements.

### MARKET VALUE OF PROPERTIES

The Directors are of the opinion that the carrying amount of properties stated in Note 14 to the Consolidated Financial Statements reflect their fair values.

### SUBSIDIARIES

The Company’s interest in subsidiaries as at 31 March 2023 is as follows:

Name of the subsidiary	Country of Incorporation and Operation	Shareholdings %
Teejay Lanka Prints (Private) Limited	Sri Lanka	100
Teejay Mauritius (Private) Limited (Previously known as Ocean Mauritius Limited (OML))	Mauritius	100
Teejay India (Private) Limited (holding through OML)	India	99.99

### DIVIDENDS

The Company declared and paid a final dividend of LKR 1,075,109,963 (USD 2,944,235) representing LKR 1.50 per share approved by the shareholders at the Annual General Meeting held on 18 August 2022 in respect of the year ended 31 March 2022.

Further, the Board of Directors has recommend to propose the payment of LKR 0.75 per share as final dividend to the shareholders of the Company for the year ended 31 March 2023 subjected to obtaining the approval of the shareholders at the forthcoming annual general meeting.

### RESERVES

Total reserves and their composition are set out in the statement of changes in equity on pages 162 and 163 of the Consolidated Financial Statements.

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

### STATED CAPITAL

The stated capital of the Company as at 31 March 2023 amounted to LKR 4,442,234,508 (USD 39,606,881) consisting of 716,739,975 ordinary shares.

### SHAREHOLDING

As at 31 March 2023, there were 8,676 registered shareholders and the twenty largest shareholders of the Company with the corresponding shareholding percentages held are set out as follows:

	Number of shares	% of holding
Brandix Lanka Limited – Number 1 Account	232,198,344	32.40
Pacific Textured Jersey Holdings Limited	195,926,217	27.34
BBH – Fidelity Funds	47,101,753	6.57
Citibank Newyork S/A Norges Bank Account 2	22,518,426	3.14
JPMCB NA – Fidelity Asian Values PLC	19,300,949	2.69
Mr H Yusoof	8,200,944	1.14
Pemberton Asian Opportunities Fund	7,000,000	0.98
Employee's Provident Fund	6,979,333	0.97
Rubber Investment Trust Limited A/C No. 01	4,907,389	0.68
Hatton National Bank PLC – Senfin Growth Fund	4,354,594	0.61
Union Assurance PLC – Universal Life Fund	3,815,741	0.53
Standard Chartered Bank DIFC Branch S/A EFG Hermes Oman LLC	3,814,630	0.53
J B Cocoshell (Private) Limited	3,739,752	0.52
SSBT – Sunsuper Pty. Limited [As Trustee For Sunsuper Superannuation Fund]	3,690,960	0.51
Citibank Hong Kong S/A Hostplus Pooled Superannuation Trust	3,328,582	0.46
Deutsche Bank AG – National Equity Fund	2,866,519	0.40
GF Capital Global Limited	2,826,050	0.39
Employees Trust Fund Board	2,677,561	0.37
Sam Innovators (Private) Limited	2,500,000	0.35
Mr S N P Palihena	2,366,842	0.33

As at 31 March 2023 the public shareholding was 39.77% (285,069,377 shares).

### DIRECTORS

The Board of Directors of the Company consists of seven Directors as at end of the financial year with wide financial and commercial knowledge and experience. The following were the Directors of the Company during the year ended 31 March 2023:

Mr Ajit Damon Gunewardene – Chairman and Independent Non-Executive Director

Mr Mohamed Ashroff Omar – Non-Executive Director

Mr Hasitha Premaratne – Non-Executive Director

Mr Amitha Lal Gooneratne – Independent Non-Executive Director

Prof Malik Kumar Ranasinghe – Independent Non-Executive Director

Mr Kit Vai Tou – Non-Executive Director

Mr Masaru Okutomi – Non-Executive Director

The Board has determined that Mr Amitha Gooneratne and Prof M K Ranasinghe who have served on the Board for over ten years as independent as they have not been directly involved in the Management of the Company and their contribution at meetings of the Board are made from an independent point of view and expressed from a broader perspective than of the Company alone.

### 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 35 to the Financial Statements.

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

### DIRECTOR'S REMUNERATION AND OTHER BENEFITS

The remuneration and other benefits of the Directors are given in Note 8 to the Financial Statements on page 184.

### DIRECTOR'S INTEREST IN SHARES

As at 31 March 2023, Mr Ajit Damon Gunewardene held 713,723 shares and Mr Hasitha Premaratne held 40,000 shares of the Company.

### DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

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

The statement of Directors' responsibility for financial reporting is given on page 78.

### INTEREST REGISTER

The Interest register is maintained by the Company as per the Companies Act No. 07 of 2007. All Directors have made declarations as provided for in Section 192 (2) of

the Companies Act No. 07 of 2007. The related entries were made in the interest register during the year under review.

### RISK MANAGEMENT

The Board has instituted an effective and comprehensive system of internal controls covering financial, operations, compliance control and risk management required to carry on the business activities of the Company and its subsidiaries in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records. The key financial risks management disclosures are given in Note 3 to the Financial Statements on pages 175 to 178.

### CORPORATE GOVERNANCE

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

### STATUTORY PAYMENTS

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

### EMPLOYEE SHARE OPTION SCHEME

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

No share options were granted under the ESOS during the financial year 2022/23. As at 31 March 2023, a total of 20,790,142 shares have been issued to eligible employees under the ESOS out of the maximum number of 27,090,851 shares authorised to be granted as share options under the ESOS and a balance of 6,300,709 shares are available to be granted to eligible employees as share options under the ESOS as may be determined by the Board, until 25 November 2025.

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

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

### ENVIRONMENTAL PROTECTION

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

### DONATIONS

The Company has made donations in cash amounting to LKR 12,744,201 (USD 36,225) during the year ended 31 March 2023 for charitable purposes (2022 – LKR 4,700,402).

### GOING CONCERN

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

### EVENTS AFTER THE END OF REPORTING PERIOD

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

### INDEPENDENT AUDITORS

The Audit Committee of the Company has recommended the re-appointment of Messrs PricewaterhouseCoopers, Chartered Accountants, as the auditors of the Company and a resolution relating to their re-appointment and

authorising the Directors to fix their remuneration and to audit the Financial Statements for the accounting year ending 31 March 2023 will be proposed at the Annual General Meeting.

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

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

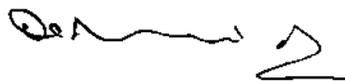
By order of the Board,



**Mohamed Ashroff Omar**  
Director



**Hasitha Premaratne**  
Director



**Corporate Services (Private) Limited**  
Secretaries

27 July 2023

## STATEMENT OF THE DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The responsibility of the Directors in relation to the Financial Statements of the Group and the Company, is set out in the following Statement. The responsibility of the Independent Auditors, in relation to the Financial Statements, prepared in accordance with the provisions of the Companies Act No. 07 of 2007 [“ the Act”], is set out in the Independent Auditor’s Report on pages 155 to 158.

The Financial Statements comprise the:

- Statements of Income and Other Comprehensive Income, which present a true and fair view of the results of the Group and the Company for the year ended 31 March 2023; and
- Statement of Financial Position, which present a true and fair view of the state of affairs of the Group and the Company as at 31 March 2023, which comply with the requirements of the Act.

The Directors have ensured that, in preparing these Financial Statements:

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

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

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

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

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

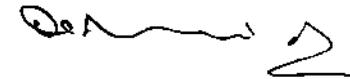
The Directors have ensured that the independent statutory auditors have been provided with every opportunity to take whatever steps and undertake whatever inspections that may be considered to be appropriate to enable them to give an independent audit opinion.

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

### COMPLIANCE REPORT

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

By order of the Board,



**Corporate Services (Private) Limited**  
Secretaries

27 July 2023  
Colombo

# SPECIAL EVENTS FEATURE

## Water-Less Dyeing

Process sustainability through DOPE DYEING, allowing the creation of patterned designs, leveraging its flexibility to combine with both raw and dyed yarns seamlessly, ensuring no colour contamination.

## SPECIAL EVENTS FEATURE

### CORPORATE

- Teejay Group extended its Memorandum of Understanding (MoU) with the University of Moratuwa until 2024 nearing 10 years.



- Teejay Group participated in the reputed international sourcing show of South Asia "InteX South Asia India 2022", in December, at Pragati Maidan, New Delhi, India.



- Management conference held to engaged employees with the annual business goals.



- Parallel to the MOU signed with the University of Moratuwa, Teejay Group remained the principal sponsor of the Graduands Fashion Walk, organised by the Department of Textile and Apparel Engineering – University of Moratuwa. Around 46 young aspiring designers from the class of 2022 displayed their elegant views and interpretation of fashion in the modern world.



### DIGITALISATION

- Teejay Lanka became the first company in Sri Lanka to partner with Google Cloud and migrate its manufacturing and business operations to the latest generation of SAP Enterprise Resource Planning (ERP) S/4HANA in July 2022.



## SPECIAL EVENTS FEATURE

### ● EDUCATION AND TRAINING

- The class of 2019/20 ended their stint at the Sri Lanka Institute of Textile and Apparel SLITA in the concluded Diploma in Textile Technology programme, by earning 15 distinctions, 13 merits and 10 passes.



- The Teejay Management Development Programme was held in September 2022, to empower the Group's management team.



- A special awareness session was conducted by Teejay India in December 2022, targeting 1,283 associates, to ensure the proper implementation of HR policies and procedures.



### ● COMMUNITY INITIATIVES

- Teejay Lanka conducted its annual blood donation camp in December 2022, by donating 100 pints of blood to the Apeksha Hospital, Maharagama.



- Teejay India capped the eventful year of 2022, with its annual blood donation camp. The endeavour resulted in 130 employees donating 250 pints of blood altogether, which led to the saving of 1,050 lives.



**SPECIAL EVENTS FEATURE****EMPLOYEE ENGAGEMENT**

Teejay conducted its annual book donation to the staff in December 2022, donating 935 packs to Teejay Lanka, and 178 packs to Teejay Prints, targeting children from Grades 1 to 13.



Lama Sith Roo is a blank canvas, where a young mind can sketch, draw, or pen their innovative and imaginative ideas in the form of drawings, sketches, poetry, and short stories under the theme "Let's Create a Better Future for Us".



The counterpart of *Lama Sith Roo*, Teejay India celebrated World Children's Day with the hosting of "Blooming Buds 2022" on behalf of the children of the staff.



Sharing the same sentiment, Teejay India concluded its appreciation of our wonder women with a vibrant ceremony.

**DIVERSITY AND INCLUSION**

Teejay's International Women's Day celebration 2023 was recently held at Teejay Lanka premises.

**SPORTS**

Teejay Lanka's Chamali Sandamali, from the Knitting Department, represented Sri Lanka's Women's National Kho-Kho Team in the 4th Asian Kho-Kho Championship held in March 2023 in Tamilpur, India.



## SPECIAL EVENTS FEATURE

- The Teejaython, held by Teejay India during March 2023, played host to a series of fun and engaging sports and physical activities.



### HEALTH AND SAFETY

- Teejay became a proud nominee to participate in the occupational safety and health (OSH) Master Trainer Programme through the Better Work Programme, being directly endorsed by Joint Apparel Association Forum Sri Lanka (JAAFSL).



### SUSTAINABILITY

- Going under the moniker "Chemisphere", the Chemical Suppliers Forum organised by Teejay tackled burning topics such as Zero Discharge of Hazardous Chemicals (ZDHC) chemical management approaches and input, process, and output chemical management aspects, whilst outlining the sustainability and chemical management approaches followed by Teejay.



- Abhivarah 2030, the Group's sustainability drive, involves several initiatives to protect the environment.



### AWARDS AND ACCOMPLISHMENTS

- **NCQP Awards** – Quality has always remained Teejay's unique advantage when it comes to differentiation in the textile industry. The National Convention on Quality and Productivity (NCQP) 2022, organised by the Sri Lanka Association for the Advancement of Quality Productivity (SLAAQP) under the theme "Sustainable Development through Innovative Quality Solutions", concluded with Teejay earning multiple awards. Teejay was also the Bronze sponsor of the convention.

Five teams from Teejay Lanka, and one from Teejay Prints participated in the event and won gold and bronze awards. The participating teams and their prizes were Warehouse (gold), Knitting (gold), Quality (gold), Dyeing (gold), Finishing (gold) and Prints (bronze).



# SUSTAINABILITY INTEGRATION

## Cellulosic Colour Play

Made of Eastman Naia™ Cellulose acetate fibre, blended with soft modal, the collection brings richness of nature to create comfortable, easy-to-care-for, and versatile fabrics. The raw materials are sourced from sustainably managed pine and eucalyptus forests and the contrast melange colour duos add a playful and vibrant artistry.

## SUSTAINABILITY INTEGRATION

The Teejay Group understands the importance of sustainable development and thus, ensures that this aspect is interknit with the expansion of its operations as it continues its journey of transformation.

### TEEJAY'S SUSTAINABILITY POLICY

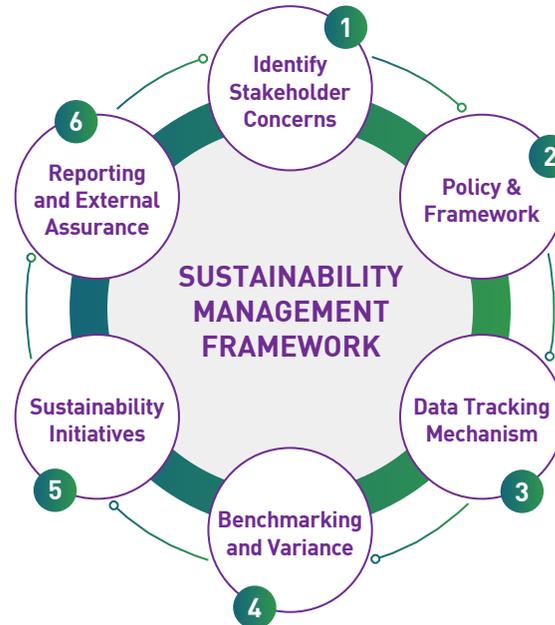
Teejay prioritises the expansion and profitability of its business by valuing the understanding of its operations' impacts and the perspectives of significant stakeholders. The Company maintains continuous engagement with stakeholders who possess the ability to impact and influence the Group's operations, as well as those who may be affected by its activities. This commitment fosters a holistic and responsible approach to business, ensuring positive outcomes for both the Group and its stakeholders.

The material topics also serve as the basis for measuring sustainability performance through Key Sustainability Performance Indicators (KSPIs), representing the Company's triple bottom line. Periodic monitoring, analysis, and reporting of sustainability and Environmental, Social, and Governance (ESG) performance inform Senior Management decision-making.

Teejay is dedicated to enhancing value for all its stakeholders by delivering sustainable economic performance in alignment with the highest standards of corporate governance, environmental stewardship, and social responsibility.

Towards this, Teejay maintains sustainability policies about economic performance, anti-corruption, environmental stewardship, chemical management, supply chain and procurement, energy and emissions management, water management, waste management, workplace, occupational health and safety, training and development, anti-abuse and harassment, child labour, anti-forced labour, local community engagement, product quality, and customer privacy, and data backup.

### SUSTAINABILITY MANAGEMENT FRAMEWORK



During the year, Teejay along with its consultants reviewed and updated its Sustainability Management Framework (SMF) to integrate and incorporate sustainability within its operations. Instead of treating sustainability as a separate initiative, Teejay advocates for a balanced approach based on a process of sound corporate governance, environmental and social risk management, and stewardship. This involves identifying and evaluating material topics, implementing sustainability policy frameworks, establishing data monitoring mechanisms, utilising sustainability performance management systems, and conducting both internal and external assurance processes. Ultimately, Teejay aims to align its progress and communication with the GRI Standards and the UN Sustainable Development Goals (SDGs) at a minimum.

The document on the disclosures of the management approach sets out the policies and management approach of Teejay in managing the identified material topics, ensuring that it mitigates ESG risks and minimises the impacts of such material topics.

The management approach disclosures form part of the overall sustainability reporting process of the Company based on the GRI Standard guidelines and obtain independent third-party assurance of the sustainability information disclosed through its sustainability reports. The disclosures of the management approach can be found online on the Company website at [www.teejay.com](http://www.teejay.com).

## SUSTAINABILITY INTEGRATION

### The Key Aspects of the SMF

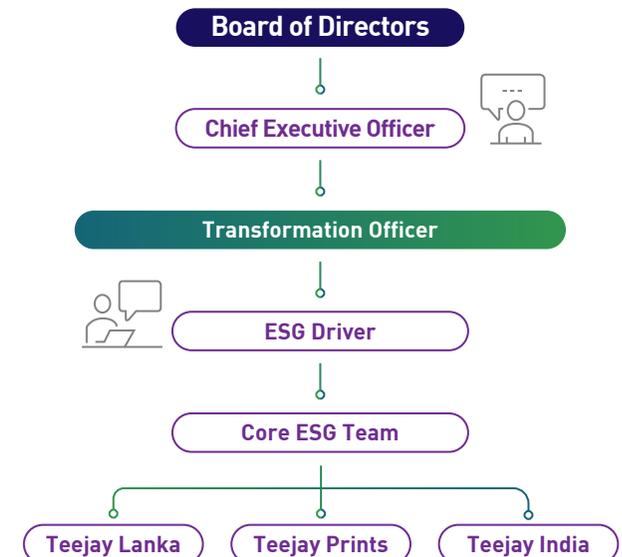
- 1 **Identifying stakeholder concerns** – Teejay conducted an assessment to identify the requirements, impacts, and perceptions of key stakeholders, to identify material topics. During the year under review, an internal study was undertaken by identifying the key ESG topics that are likely to be of concern to stakeholders and were then prioritised based on impact and importance. In the ensuing years, Teejay intends to seek external verification of these identified ESG topics through an external stakeholder engagement.
- 2 **Policy and framework** – The Company's sustainability policy then sets the tone for organisational processes and operating practices implemented across the Organisation. Teejay has several ESG policies in place, including its anti-corruption policy, environmental policy, chemical management policy, energy and emissions management policy, water management policy, and waste management policy, to name a few. All policies and management approaches are regularly reviewed and revised, if necessary.
- 3 **Data tracking mechanism** – Teejay has implemented a robust tracking mechanism called the Sustainability Performance Analyser (SPA) in collaboration with consultants. This comprehensive ESG data tracking tool captures and monitors relevant sustainability indicators quarterly, offering valuable management insights

through user-friendly dashboards for the Group and its constituent locations. The Sustainability Division analyses the collated data to identify, respond, and resolve any potential issues, ensuring the Group's continued improvement in its ESG performance.

- 4 **Benchmarking and variance analysis** – Teejay regularly benchmarks its performance against competitors and best practices and standards in the industry, to ensure it sets realistic targets and achieves its sustainability goals.
- 5 **Sustainability initiatives** – Teejay also engages in various sustainability initiatives that take place at the department level and ensures the Company's overall sustainability performance is subject to continuous improvement. Teejay aims to achieve improvements in operational efficiency, generate cost savings, and increase stakeholder engagement. The ESG initiatives are primarily identified based on improving the performance of the Key Sustainability Performance Indicators that measure the relevant material topics to achieve the stated targets.
- 6 **Reporting and external assurance** – Teejay discloses its sustainability performance annually, through its GRI-based annual report, which reports the Company's performance to both internal and external stakeholders. Moreover, Teejay obtains external assurance on its reporting methods to ensure compliance with international reporting standards.

### SUSTAINABILITY STRUCTURE AND GOVERNANCE STRUCTURE

The management approaches are reviewed annually by the Senior Management Team of Teejay, acting through the central Sustainability Division of Teejay for which overall guidance is provided by the Chief Financial Officer together with the administration and occupational health and safety, CSR, corporate communications and legal teams to ensure its effectiveness and applicability. A Steering Committee for Environmental, Social, and Governance (ESG) Management is also in place at Teejay to strategise and formulate policies and procedures as required. The progress of the ESG journey is reviewed quarterly and relevant actions will be taken at the management level to improve or further strengthen the initiated work.



## SUSTAINABILITY INTEGRATION

### EMBEDDING POLICY COMMITMENTS

GRI 2-24

Teejay's Sustainability Division, a part of the Engineering Department, has introduced Sustainability Standard Operating Procedures (SOPs) to ensure process consistency and accuracy of data for Key Sustainability Performance Indicators. The overall sustainability policy is complemented by topical policies, procedures, and management for all significant topics. The subsequent sections of this report provide insights into the identification of these topics, the method of stakeholder engagement, and the management approach adopted.

Teejay is committed to embedding these policy commitments through its comprehensive Sustainability Management Framework and the Sustainability Governance Structure described above. To bring these policies to life, designated ESG champions within the Sustainability Division operationalises and drive the implementation of these policy commitments and the above-mentioned SOPs through a top-down approach. The Division obtains the ESG performance data, analyses such data, and presents the performance to the Senior Management quarterly to enable bottom-up ESG reporting as well. These two approaches together enable Teejay to embed the policy commitments concerning ESG and monitor the progress periodically.

### PROCESSES TO REMEDIATE NEGATIVE IMPACTS

GRI 2-25, 2-26

#### Grievance handling

The Group has in place mechanisms to receive feedback and any grievances from its stakeholders on environmental impacts arising from its operations.

Members of the community may lodge any grievance with the respective location through a logbook maintained at the point of entry to the location. Environmental grievances are also identified by Teejay through its internal assessment of stakeholder concerns as well as through direct continuous engagement with its customers. The Compliance Team of each location/Strategic Business Unit (SBU) becomes the first point of contact for any environmental grievances or the point of contact for customers, regulatory authorities, and members of the community. Any issues are then escalated through the relevant operations team to the respective COO of the location, and if required, to the Senior Management team of Teejay as relevant.

Teejay also engages with its staff through joint consultative committees and the organisational hierarchy, notice boards, and suggestion boxes. Employees may use these methods to communicate specific employee-related grievances as well as any environmental grievances, feedback, or areas for improvement to the management teams.

### PRECAUTIONARY PRINCIPLE AND COMPLIANCE WITH LAWS AND REGULATIONS

GRI 2-27, 205-3

Teejay's operational decisions are guided by the precautionary principle, giving priority to resource conservation, environmental impacts, pollution, and addressing climate change.

Beyond legal requirements, Teejay aims to surpass industry standards and global best practices to maintain a leading position in the industry. The Company remains committed to conducting business in compliance with all applicable local and international regulatory requirements and conventions, ensuring responsible and sustainable operations. During the year, there were no fines or sanctions on the Group for non-compliance with laws and regulations. In addition, there were no confirmed incidents of corruption during the reporting year.

### APPROACH TO STAKEHOLDER ENGAGEMENT

GRI 2-29

Teejay recognises stakeholder engagement as an important part of its sustainability strategy, as well as being a crucial aspect of business growth and profitability. Therefore, the Group continuously engages with its key stakeholders to identify their key concerns, and respond in an effective and timely manner to resolve these issues. As part of its focus on sustainability and ESG management, Teejay acknowledges the importance of communicating with stakeholders and adhering to their requirements.

## SUSTAINABILITY INTEGRATION

### Key stakeholder issues and management strategies

Stakeholder group	Key concerns	Mode and frequency of engagement
 <b>Customers</b>	<ul style="list-style-type: none"> <li>Quality of products, and efficient and effective services</li> <li>Affordability and accessibility</li> <li>Environmental and social responsibility</li> </ul>	Quarterly new product presentations – Quarterly Customised brochures – Quarterly Innovation week – Biannual
 <b>Employees</b>	<ul style="list-style-type: none"> <li>Fair remuneration</li> <li>Opportunities for growth</li> <li>Concern for employees</li> <li>Safety and dignity/respect</li> <li>Engagement, feedback, and grievance mechanisms</li> </ul>	Employee committee meetings – Monthly Training and development – Continuous Open door policy Annual employee surveys – Annual Individual performance review – Continuous and Annual Employee rewards – Biannual The welfare shop – Annual Annual health check – Annual
 <b>Business partners</b>	<ul style="list-style-type: none"> <li>Shared growth</li> <li>Technical assistance and knowledge transfer</li> <li>Domain knowledge, skills, and expertise</li> <li>Long-term partnerships</li> <li>Timely payments</li> <li>Fair play and transparent processes</li> <li>Initiatives to share knowledge and build capacity</li> </ul>	OTD meetings – Weekly OTD and quality meetings – Monthly Meetings on performance – Quarterly New product presentations – Quarterly Customer compliments – Annual Customer get-togethers – Annual Customer reviews (Service/Quality) – Quarterly Supplier reviews – Monthly Supplier visits – Quarterly

Stakeholder group	Key concerns	Mode and frequency of engagement
 <b>Investors</b>	<ul style="list-style-type: none"> <li>Sustainable growth and returns</li> <li>Good governance and transparency</li> <li>Risk management</li> <li>Timely communications</li> </ul>	Quarterly earnings calls
 <b>Government</b>	<ul style="list-style-type: none"> <li>Compliance with regulatory requirements</li> <li>Partner socio-economic development in the country</li> </ul>	Meetings
 <b>Community</b>	<ul style="list-style-type: none"> <li>Support for community needs</li> </ul> To enhance sanitation infrastructure and water facilities, and promote hygiene education in nearby schools to uplift the communities	CSR initiatives

## SUSTAINABILITY INTEGRATION

### MATERIALITY ASSESSMENT METHODOLOGY

GRI 3-1



## SUSTAINABILITY INTEGRATION

Teejay’s corporate strategy prioritises the interests of a diverse range of stakeholders. The Group’s sustainability strategy focuses on key topics that are crucial to the business and its various stakeholder groups. During the period under review, Teejay conducted a materiality assessment based on the Global Reporting Initiative (GRI) Standards, the enterprise risk or the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Framework and the Accountability AA1000AS standards which also includes a six-part materiality test. During the year, an internal study was conducted to identify key ESG topics of concern to stakeholders. These topics were then prioritised based on their impact and importance, using the frameworks mentioned above. In the ensuing years, Teejay plans to further validate these identified ESG topics through external stakeholder engagement.

To identify its material topics, Teejay assessed the impacts on internal and external stakeholders, along with associated risks and opportunities. This approach considered both impact, materiality, and sustainability risks and opportunities. Impacts were prioritised based on their importance to internal and external stakeholders, while risks and opportunities were assessed considering severity and likelihood of occurrence. To assess the impact, Teejay Group uses AA1000AS six-part materiality assessment comprising six aspects: direct financial impacts, policy-related performance, science-based targets, organisational and peer-based norms, stakeholder behaviour and concerns, and societal norms.

### PRIORITISED MATERIAL TOPICS GRI 3-2

No.	Material topic	Mapping to disclosure of management approach ( <a href="http://www.teejay.com">www.teejay.com</a> )
1.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 201</span> Economic performance	 <span style="background-color: #008080; color: white; border-radius: 10px; padding: 5px 10px;">Economic performance</span>
2.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 205</span> Anti-corruption	
3.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 301</span> Materials	 <span style="background-color: #008080; color: white; border-radius: 10px; padding: 5px 10px;">Environmental stewardship</span>
4.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 302</span> Energy	
5.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 303</span> Water and effluents	
6.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 305</span> Emissions	
7.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 306</span> Waste	
8.	Environmental compliance	
9.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 308</span> Supplier environmental assessment	
10.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 401</span> Employment	 <span style="background-color: #008080; color: white; border-radius: 10px; padding: 5px 10px;">Labour practices and social responsibility</span>
11.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 403</span> Occupational health and safety	
12.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 404</span> Training and education	
13.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 405</span> Diversity and equal opportunity	
14.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 406</span> Non-discrimination	
15.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 408</span> Child labour	
16.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 409</span> Forced or compulsory labour	
17.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 413</span> Local communities	
18.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 414</span> Supplier social assessment	
19.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 416</span> Customer health and safety	
20.	<span style="border: 1px solid #008080; border-radius: 5px; padding: 2px;">GRI 418</span> Customer privacy	
21.	Socio-economic compliance	

## SUSTAINABILITY INTEGRATION

### MANAGEMENT OF MATERIAL TOPICS

GRI 3-3

An overview of the management approaches in place at Teejay is provided below. The same can be found on the Company website at [www.teejay.com](http://www.teejay.com).

### Economic performance

GRI 205-3

Teejay is dedicated to enhancing its value to all its stakeholders, delivering sustainable economic performance keeping in line with the highest standards of corporate governance, environmental stewardship, and social responsibility. The Management focus is given to corporate governance best practices relevant to a publicly quoted company, sound financial management, stringent internal controls, and a robust risk management process covering operational, financial, and non-financial risks. Moreover, Teejay is dedicated to ensuring that economic value is added to stakeholders while strictly adhering to all applicable local regulations.

To uphold integrity and create a conducive, trustworthy, and transparent working environment, Teejay has implemented an anti-corruption policy to which all employees are required to adhere. Moreover, Teejay has a whistle-blowing policy to address any incidences of suspicious transactions or violations of the anti-corruption policy.

Full disclosure of the Corporate Governance practices at Teejay can be found on page 36.

### Environmental stewardship

Teejay believes in conserving and protecting the ecosystem for the well-being of future generations.

Accordingly, the Company ensures effectiveness, efficiency, and sustainability in its Environment Management System Processes, annually reviewing its environmental policy, and communicating and making available its policy to relevant stakeholders including authorities, customers, and employees. Whilst adhering to regulatory and relevant requirements, the Company remains committed to continuous improvement, and minimise the depletion of natural resources to preserve the ecosystem and prevent environmental pollution at all stages of its life cycle. Striving for excellence, Teejay strictly complies with the main objectives of Environmental Management System ISO 14001:2015.

**Chemical Management Policy** – Teejay strives to eliminate 16 Zero Discharge of Hazardous Chemicals (ZDHC) priority chemical groups and has established targets to achieve ZDHC. The Company has established the Group Chemical Management Manual, Teejay Group RSL Protocol, and Teejay Group Waste Management Manual to achieve the targets on an annual basis.

**Supply Chain and Procurement Policy** – Teejay is committed to obtaining goods and services of the highest quality, under a competitive, transparent, and fair bidding process to ensure value creation for the Company and its vendors. Accordingly, Teejay uses raw materials and goods required for its operations efficiently, reducing operational impacts on natural resources, ensuring minimal wastage, and financial savings. Moreover, Teejay expects its vendors to maintain the highest ethical, social, environmental, health and safety standards.

### Energy and Emissions Management Policy –

Understanding that energy efficiency is of paramount importance to fight climate change, Teejay strives to minimise the use of fossil fuel-based energy and ensure that its operations are energy-efficient. The Company takes an environmentally responsible step in energy and emissions management by seeking to use renewable energy sources to power its operations. Teejay conducts an energy audit and has formulated an energy management handbook which includes an energy management plan covering all locations of the Company. In its aspiration to implement the Renewable Energy Strategy for the Group by 2030, Teejay India is deploying Solar PV panels while Teejay Lanka and Prints plants are in the process of deploying Solar PV panels and Biomass.

### Water Management Policy –

Teejay seeks to minimise the use and withdrawal of blue water sources and recycle, and reuse discharged (grey) water as much as possible. All water discharged to the environment is expected to meet the discharge quality and quantity levels stipulated by regulations. Furthermore, the Company has in place a Water Management procedure to optimise the use of water withdrawn from all blue water sources and provides specific consumption of litres per minute.

## SUSTAINABILITY INTEGRATION

**Waste Management Policy** – Teejay is focused on minimising waste by optimal material usage, effective waste segregation and by following responsible disposal practices, adhering to regulatory requirements pertaining to the disposal of hazardous and non-hazardous waste. Furthermore, Teejay strives to reduce the amount of waste generated and eliminate the waste sent to landfill through reuse, recycling, recovery, and incineration. The Company aims to achieve zero material waste, and 100% recycling and reusing, or up-cycling of all waste by 2050.

Furthermore, the Company prioritises compliance with local regulations and engages with regulators and customers to ensure adherence. It monitors fines, spillages, and overall compliance, tracking occupational health incidents through the SPA Tool. Safety measures like SOPs and Secondary Containment Tanks minimise spillage risks. Teejay Lanka employs real-time online monitoring and alerts for water and effluent treatment.

### LABOUR PRACTICES AND SOCIAL RESPONSIBILITY

GRI 2-30, 403-1

Teejay maintains high standards of integrity, ethics, and professional conduct for employees and is committed to building a healthier and better tomorrow by providing schoolchildren with proper infrastructure and education on hygiene and sanitation. The Company's Code of Conduct ensures that employees, as representatives, uphold the Company's values, embrace core principles, establish excellence,

and prioritise the highest ethical standards in resolving conflicts of interest.

Teejay acknowledges the significance of employees in its success and emphasises the recruitment and retention of a motivated and skilled workforce. The Company's recruitment policy promotes fairness, transparency, and compliance with employment legislation, ensuring equal opportunities regardless of sex, ethnicity, or social group.

Teejay has a comprehensive employee Code of Conduct that covers ethical standards, workplace conduct, confidentiality, conflicts of interest, and more. All employees are required to sign and receive training on it during induction programmes. The Company follows local labour laws and regulations based on ILO conventions, while also comparing its HR practices with industry standards and peers for benchmarking purposes. The Company respects universal human rights and core labour principles, and conducts its business ethically, to maintain its brand reputation. The Company adheres to all country regulations with regard to benefit plans for employees.

Valuing employee grievances, Teejay implements various channels and has established management policies to address concerns and resolve issues, or conflicts transparently and fairly. The Company promotes open discussion and encourages employees to approach Senior Management to resolve employment or personal issues, respecting the freedom of association and collective bargaining rights. Teejay Lanka establishes a Joint Consultative Committee (JCC) through employee elections, fostering ongoing dialogue between workers and Management to address conflicts and grievances proactively.

The Company also prioritises the health and safety of employees, subcontractors, customers, and third parties accessing their premises by minimising injuries and providing a secure work environment through hazard risk management. The Company adheres to Occupational Health and Safety (OHS) practices outlined in licenses and ISO 45001:2015 certification, meeting customer expectations and regulatory requirements.

Moreover, personal and professional development is a priority at Teejay, aiming to enhance the capabilities of associates to meet future challenges and achieve high-quality standards. The Organisation's commitment to continuous improvement includes a systematic approach to identifying learning needs, designing relevant programmes, executing training plans, and evaluating outcomes.

The Company maintains a zero-tolerance stance against discrimination, abuse, and harassment, encompassing various factors like gender, race, religion, and more. Employees can file complaints with HR or their line managers, and substantiated complaints are thoroughly investigated and addressed according to company policies. A comprehensive Abuse and Harassment-Free Workplace Policy is implemented, with regular training provided to employees and workers.

Moreover, Teejay has zero tolerance towards child labour and does not hire any person below the age of 18 years nor endorse it among any of its stakeholders.

Furthermore, the Company ensures that no employee is made to work against his/her will or to work as bonded/forced labour or subjected to corporal punishment or coercion of any kind, related to work.

# MANAGEMENT DISCUSSION AND ANALYSIS

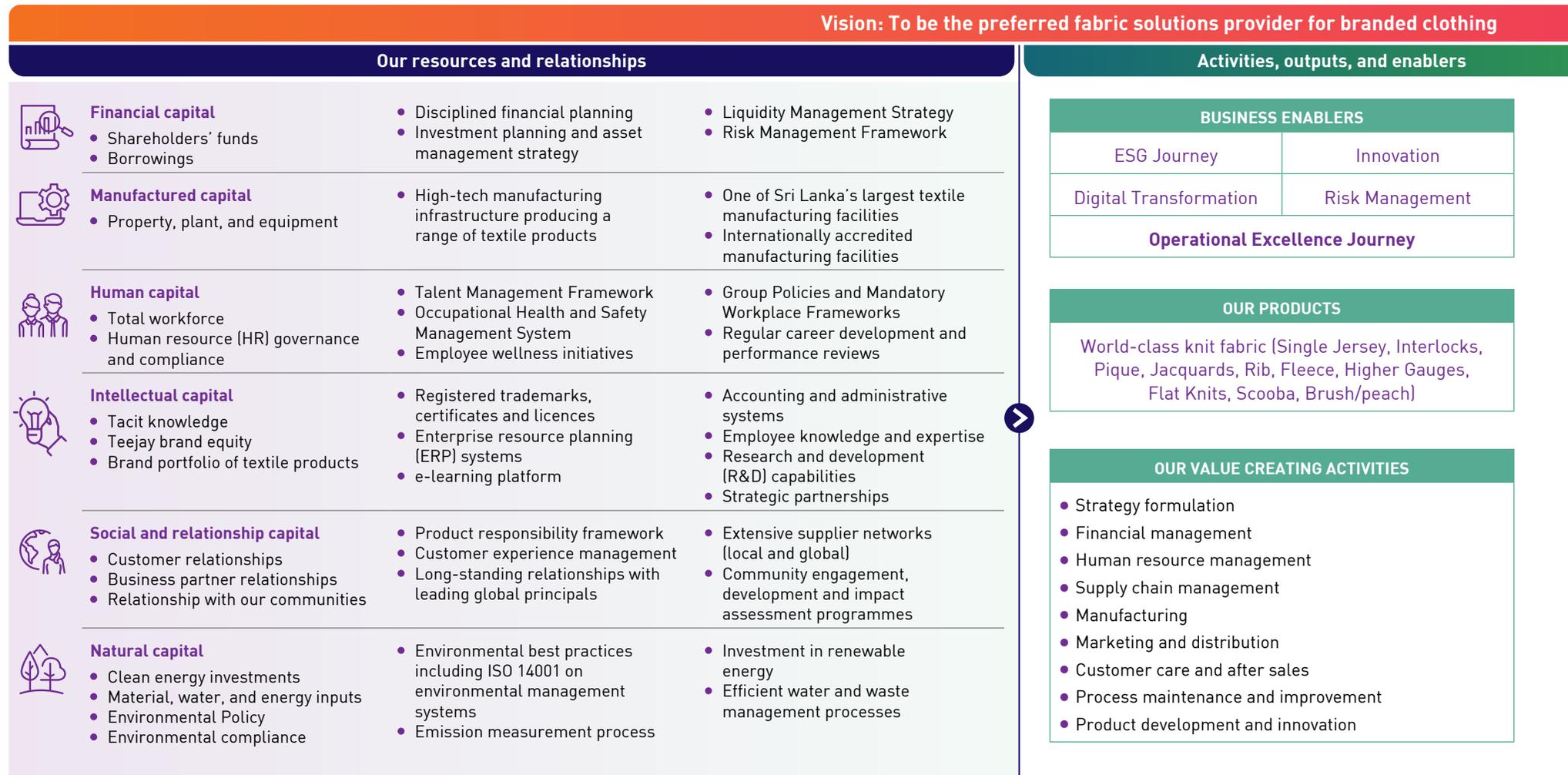
- 94 Our Business Model
- 96 Our Strategy
- 98 Operating Environment
- 103 Financial Capital
- 110 Manufactured Capital
- 114 Intellectual Capital
- 122 Human Capital
- 134 Social and Relationship Capital
- 142 Natural Capital

**Four X Two Active**  
Fabrics with soft 3D rib structures  
that are fluid and wrap around the body with liquid like ease.

# OUR BUSINESS MODEL

## OUR VALUE CREATION PROCESS

Teejay Group believes in sustainable value creation for both the organisation and its stakeholders, taking into consideration the larger environment in which it operates. The model shown below details the transformation of capitals, core business activities, and the process through which value is created for the Company as well as for its stakeholders.



## OUR BUSINESS MODEL

### Delivering shared value

#### For Teejay

##### Financial Performance

- Consistent financial performance
- Profit after tax (PAT) – **LKR 2.1 Bn.** (FY 2021/22 – LKR 2.5 Bn.)
- Profit before tax (PBT) – **LKR 3.1 Bn.** (FY 2021/22 – LKR 2.9 Bn.)
- Net profit – **2.5%** (FY 2021/22 – 5.1%)
- Return on Equity (ROE) – **7.1%** (FY 2021/22 – 11.0%)
- Return on Assets (ROA) – **3.5%** (FY 2021/22 – 5.6%)

##### Operational Performance

- Higher captive market share in established markets.
- Leadership in new and emerging markets through the release of first-to-market products.
- Long standing relationships with key strategic brands.
- Expanded capacity coupled with new customer incubation.
- Strategic product transformation (sustainable products, portfolio upgrades, value updates, lifecycle upgrades).
- Top-of-mind brand recall.
- Organisational profile as an employer of choice.
- Sustainable supplier and distributor networks to support the continuity of operations.
- Strong compliance record with regulators.
- Respected by the community.
- Strategic partnerships that further the impact of CSR initiatives.
- Substantial improvements in environmental sustainability indicators.

#### For stakeholders

##### Shareholders

- Strong returns reinforcing investor confidence.
- Return on Equity (ROE) – **7.1%** (FY 2021/22 – 11%).
- Dividend per share (DPS) – **LKR 1.50** (FY 2021/22 – LKR 2.00).
- Net asset per share – **LKR 44.70** (FY 2021/22 – LKR 39.40).

##### Customers

- Market-leading and comprehensive range of textile products.
- Latest product innovations – Inscope.
- Global product availability.
- Uninterrupted access to quality and reliable global textile products.
- Access to world-class textile services.
- Textile solutions to facilitate better industry links.

##### Employees

- Contribution to ETF, EPF/MSPS.
- Gratuity and total benefit provision
- Inclusive work culture.
- Improved work-life balance through flexible work practices.
- Equal access to career development and training opportunities across employment lifecycle.
- Low employee attrition.
- Highly motivated and engaged employees, leading to greater productivity.

##### Community

- Key community-centred CSR programmes uplifting the most needed segments and academia.
- Supporting the health sector and differently-abled community.
- Supporting local sourcing.

##### Environment

- Sustainability journey – *Abhivara* 2030.
- Reduction in total emissions and emission intensity.
- Continuous reduction in water consumption.
- Improved effluents and waste discharge practices.

##### Government

- Taxes paid
- Participating in initiatives aimed at industry development.
- Contribution to national policy development.

##### Civil Society

- Long-standing relationships for mutual benefit.

##### Industry

- Opportunities to benefit from shared growth.
- Maintaining fair business terms.
- Benefits through sharing of knowledge.

## OUR STRATEGY

Over the past few years, the Teejay Group has demonstrated its proactive approach in continuously reviewing its key strategies and focus areas to ensure they align with the Company’s overarching mission. This ongoing process of evaluation is crucial to capitalise on Teejay’s strengths, identify emerging opportunities, and optimise its triple bottom line, ultimately enhancing shareholder value. Embracing the principles of sustainable reporting, Teejay diligently assesses its performance, identifying areas for improvement, and implementing measures to mitigate potential setbacks. In this regard, the Company takes into account not only environmental and social factors but also the dynamic operating context, laying the foundation for sustained value creation.

As part of its transformative journey, Teejay remains steadfast in its commitment to capacity expansion, product innovation, and green sustainability, all of which are instrumental in achieving its ambitious goal of becoming a USD 300 Mn. company by 2024/25. By focusing on these strategic pillars, Teejay positions itself at the forefront of the textile manufacturing industry, poised for further growth and success. The dedication to sustainable reporting is evident in this Annual Report, where the Group reviews and reports on key imperatives, showcasing transparency and accountability to stakeholders.

Despite facing challenges from external factors, Teejay’s geographical diversification, relentless product innovation, and well-executed capacity expansion programmes have endowed the Company with a unique competitive edge. These strategic initiatives have enabled Teejay to navigate uncertainties effectively and maintain its position as a prominent player in the textile manufacturing sector.

Our key strategic focus areas under each capital, the relevance to our business, and progress during the year are illustrated below.

Capital	Key strategic focus	Business relevance	Progress during 2022/23
<b>Manufacturing capital</b> 	<ol style="list-style-type: none"> <li>1. New product development</li> <li>2. Sustainable manufacturing</li> <li>3. Digitalisation</li> </ol>	<ul style="list-style-type: none"> <li>• To enhance product offering.</li> <li>• To add value to existing products by using sustainable materials and practices.</li> <li>• To improve operations using technology by unifying information into a single platform.</li> </ul>	<ul style="list-style-type: none"> <li>• Adopted sustainable chemical management practices.</li> <li>• Developed a roadmap towards zero toxic chemical usage.</li> <li>• Achieved a 100% in Zero Discharge of Hazardous Chemicals (ZDHC).</li> <li>• Technology advancements in personal protective equipment (PPE).</li> <li>• Onboarded the SAP 4/HANA ERP System.</li> </ul>
<b>Intellectual capital</b> 	<ol style="list-style-type: none"> <li>1. Product transformation</li> <li>2. Market trends and customer needs</li> <li>3. Competitive landscape</li> <li>4. Business strategy and goals</li> <li>5. Sustainability and social responsibility</li> </ol>	<ul style="list-style-type: none"> <li>• To identify emerging opportunities arising from evolving market trends, customer needs, and potential gaps in our product portfolio.</li> <li>• To maintain competitive positioning in the market.</li> <li>• To understand pain points, identify areas for improvement, and enhance overall customer experience.</li> <li>• To expand into new markets, reach untapped customer segments, and diversify product offerings.</li> <li>• To align with socially responsible values to meet the evolving demands of conscious consumers.</li> </ul>	<ul style="list-style-type: none"> <li>• Catered to online brands with flexible minimum order quantities and shorter lead times, as well as meeting the growing demand for sustainability-driven products.</li> <li>• Assessed competitive advantages and conducted continuous benchmarking against industry standards.</li> <li>• Conducted the annual customer survey.</li> <li>• Prioritised sustainable, technical, and synthetic products.</li> <li>• Incorporated eco-friendly practices, reducing the environmental footprint of the Group’s product portfolio.</li> <li>• Launched products under Inscope brand.</li> </ul>

## OUR STRATEGY

Capital	Key strategic focus	Business relevance	Progress during 2022/23
<b>Human capital</b> 	1. Equity, Diversity and Inclusion (EDI)	<ul style="list-style-type: none"> <li>To build a strong workplace by ensuring that employees have a safe and healthy work environment to perform their best.</li> <li>Embraced diverse talent and synergy to the working environment</li> </ul>	<ul style="list-style-type: none"> <li>The Group has increased our female cadre by 11%, when compared to 2% when this project was implemented (2015).</li> <li>Workplace Anti-Harassment Policy and Code of Conduct reaffirmed a safe and healthy working environment for all employees.</li> <li>Management Trainees Programme, focusing on career progression of female employees.</li> <li>Pay equity between genders.</li> </ul>
<b>Social and relationship capital</b> 	1. Supply chain: product traceability 2. Product innovation 3. Corporate Social Responsibility (CSR)	<ul style="list-style-type: none"> <li>To expand the customer portfolio.</li> <li>To fulfil expanded capacity.</li> <li>To enhance product range.</li> <li>To create sustainable communities and livelihoods.</li> <li>To ensure community welfare for employees</li> </ul>	<ul style="list-style-type: none"> <li>Onboarded new customers worth USD 15 Mn.</li> <li>Onboarded new technical products such as fem tech, synthetics, fleece and lace.</li> <li>Strengthened the supply chain.</li> <li>Continued the Group's <i>Thirasara Mehewara</i> CSR programme mainly targeting Sabaragamuwa Province.</li> </ul>
<b>Natural capital</b> 	1. ESG governance	<ul style="list-style-type: none"> <li>To efficiently manage waste disposal and water usage.</li> <li>To optimise material usage.</li> <li>To offset the Group's carbon footprint.</li> <li>To achieve the long-term key objective of shifting into 100% renewable energy sources.</li> </ul>	<ul style="list-style-type: none"> <li>Built the ESG Framework.</li> <li>Embarked on an ESG journey.</li> <li>Achieved a reduction of 81% in GHG emissions through the optimal disposal of sludge waste.</li> <li>Volume of recycled materials increased by 49%.</li> <li>Launched Kelani river habitat enhancement programme under <i>Abhivara 2030</i>.</li> </ul>

As Teejay advances on its transformational journey, its unwavering focus on sustainable practices and strategic execution will undoubtedly propel the Company towards greater achievements and continued success. By adhering to its mission and fostering a culture of adaptability and innovation, Teejay reinforces its commitment to long-term value creation for all stakeholders.

## OPERATING ENVIRONMENT

### THE GLOBAL ECONOMY

Global economic activity slowed in 2022, with GDP growth coming down to 3.4% during the year from 5.9% in 2021. The war between Russia and Ukraine, and China's slowdown as a result of COVID-19's resurgence, were the two primary causes of this global economic crisis. Oil, natural gas, and agriculture prices fluctuated as a result of the Russia-Ukraine war, resulting in an energy crisis in Europe and further global ripple effects. China experienced a decline in economic activity as a result of the emergence of a more contagious COVID-19 strain. The subsequent real estate crisis, escalating food and commodity prices, demand and supply chain disruptions, record-breaking high debt levels, and limited fiscal buffers to absorb shocks all contributed to the escalation of the global economic crisis. As the year progressed, these conditions inevitably led to debt crises in developing nations like Sri Lanka, Zambia, Lebanon, Ghana, Pakistan, Egypt, Tunisia, and Ukraine among others.

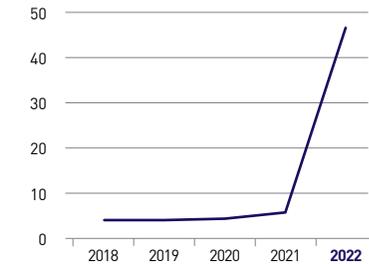
However, oil and gas prices began to decrease gradually in mid-2022 with the delivery of liquefied natural gas to Europe, and shift to non-Russian pipelines. This stabilised high consumer prices significantly contributed to the moderate decline in inflation rates. In addition, the effects of COVID-19 diminished as additional monetary easing, tax breaks for businesses, and vaccination programmes were implemented, and the Chinese economy began to recover. Despite this, many developing nations' economies continued to deteriorate as a result of their high risk of debt distress, the sharp rise in borrowing costs, and the tightening of monetary policies by developed nations.

With global economic growth expected to be 2.8% in 2023 and 3% in 2024, the IMF predicts that 90% of advanced economies will experience slow growth as a result of higher borrowing costs and interest rates. In addition, the IMF anticipates a global inflation rate of 7% in 2023 (down from 8.7% in 2022), and finally 4% in 2024; and prices for non-fuel commodities and crude oil are expected to fall in 2023. However, the global pandemic's negative effects and the ongoing conflicts between Russia and Ukraine make it unlikely that economies will see an increase in income growth and a decrease in unemployment.

### THE SRI LANKAN ECONOMY

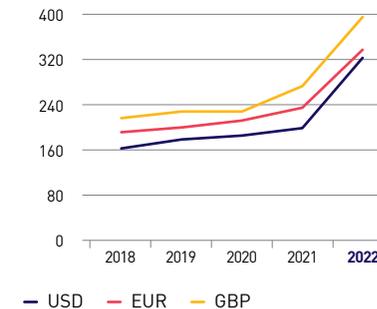
Since the Easter Sunday attacks in 2019 and the COVID-19 pandemic in 2020, Sri Lanka has been in a prolonged state of economic distress. With the anticipated revival of tourism in 2021, signs of recovery emerged. However, the country experienced an economic crisis at the beginning of 2022 as a result of high debt levels, declining government revenue, and a lack of foreign currency reserves. These factors led to severe shortages of fuel, food, and medical supplies. Additionally, the depreciation of the Sri Lankan Rupee hampered international trade and triggered a crisis in the foreign exchange market, resulting in a near-hyperinflationary situation in the nation. By mid-2022, Sri Lanka was compelled to file for bankruptcy as a result of the government's numerous failed attempts to control inflation and prevent currency depreciation. The country's political instability made the crisis even worse, prompting a change in Government in July 2022.

### Inflation trend in Sri Lanka (%)



Source: Central Bank of Sri Lanka Annual Report 2022<sup>1</sup>

### Currency depreciation in Sri Lanka (LKR)



Source: Central Bank of Sri Lanka Annual Report 2022

Note: Figures are annual average exchange rates

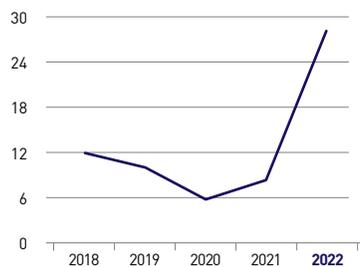
<sup>1</sup> CBSL Annual report 2022

([https://www.cbsl.gov.lk/sites/default/files/cbslweb\\_documents/publications/annual\\_report/2022/en/Full\\_Text\\_Volume\\_1.pdf](https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/publications/annual_report/2022/en/Full_Text_Volume_1.pdf))

## OPERATING ENVIRONMENT

The country had begun the long process of restoring economic stability with the confirmation of the IMF's economic recovery support of USD 3 Bn. in March 2023 under the Extended Fund Facility (EFF) programme and the beginning of a debt restructuring process, despite having to contend with difficult conditions throughout the financial year under review. Sri Lanka's economy has the potential to recover from its current account deficit in 2024, with the gradual revival of tourism and an increase in the flow of foreign remittances. Sri Lanka has the potential to become a fertile ground for additional foreign investments, which could result in the creation of jobs, enhancement of job prospects, and re-establishment of livelihoods if government policies are in line with the debt restructuring procedures offered by the IMF's EFF programme. This trend is reflected in the country's core inflation, which fell to 44.2% in March 2023 from a high of 64.1% in September 2022. Inflation rates are anticipated to further stabilise, which will also contribute to price control for fuel and food in the country.

### Interest rate trend (%)



Source: Central Bank of Sri Lanka Annual Report 2022

### KEY ISSUES

- Inflation and LKR depreciation** – In 2022, the rupee depreciated by over 75% against the USD, indicating that the nation was on the verge of hyperinflation. Due to this, the cost of goods and services nearly tripled across the board, and import prices also significantly increased. However, during the year up to 31 May 2023, the rupee appreciated by 22.9%<sup>2</sup> against the USD on the back of improved liquidity in the domestic foreign exchange market following regulatory changes from the Central Bank of Sri Lanka (CBSL) in March 2023.
- Fuel shortages and energy crisis** – The lack of foreign exchange reserves resulted in fuel shortages, raising fuel prices and necessitating nationwide power outages lasting several hours throughout 2022 and early 2023. Additionally, electricity prices increased by over 100% throughout the year.
- Interest rates** – The Average Weighted Prime Lending Rate (AWPLR) increased to nearly 30% by the end of 2022, compared to 13% at the beginning of the year – a record high since the country gained independence. This fell to 21.24%<sup>3</sup> by the end of March 2023.
- Import restrictions** – In addition to the import restrictions imposed in 2020, the government further imposed restrictions on the import of another 1,500 items. In November 2022, the ban on 78 products was lifted, and another nearly 300 items in June 2023 due to the easing of the economic crisis<sup>4</sup>.
- New tax regime** – The income tax rate was increased from 24% to 30%, and the capital gains tax was tripled to 30% from 10%.
- Talent migration** – The economic crisis led to an increase in skilled workers, particularly young professionals, migrating abroad.

<sup>2</sup> External Sector Performance – April 2023  
([https://www.cbsl.gov.lk/sites/default/files/cbslweb\\_documents/press/pr/press\\_20230531\\_external\\_sector\\_performance\\_2023\\_april\\_e.pdf](https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20230531_external_sector_performance_2023_april_e.pdf))

<sup>3</sup> Monetary Policy Review: No. 04 - June 2023  
([https://www.cbsl.gov.lk/sites/default/files/cbslweb\\_documents/press/pr/press\\_20230601\\_Monetary\\_Policy\\_Review\\_No\\_4\\_2023\\_e1.pdf](https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20230601_Monetary_Policy_Review_No_4_2023_e1.pdf))

<sup>4</sup> <https://www.reuters.com/world/asia-pacific/sri-lanka-lifts-import-limits-286-items-crisis-eases-2023-06-10/>

## OPERATING ENVIRONMENT

### TEXTILE AND APPAREL INDUSTRY

#### Global

The COVID-19 outbreak was a massive restraint on the textile manufacturing market in 2021, as supply chains were disrupted due to trade restrictions, and consumption decreased as a result of lockdowns imposed by governments worldwide<sup>5</sup>. But despite a 1% and 2% decrease in the value of textile trade in 2022 and 2021, respectively, the World Trade Organization (WTO) revealed that global textile trade increased by 14% in 2022, compared to the year before the COVID-19 pandemic (2019)<sup>6</sup>.

According to the WTO's Global Trade Outlook and Statistics Report, trade in clothing experienced significant growth in 2022, registering an increase of 9% compared to 2019, following a growth rate of 17% in 2021. Further, global clothing trade in 2022 was 16% higher than in 2019, indicating a robust recovery to exceed pre-pandemic levels<sup>7</sup>. In terms of value, world merchandise trade experienced a 12% YoY increase to reach USD 25.26 Tn. in 2022. However, this rate was slower contrasted with the 27% growth experienced in 2021, following a 5.3% decrease in 2020. Moreover, global merchandise trade in 2022 was 32% higher than the pre-pandemic level recorded in 2019<sup>8</sup>.

Moreover, the global textile market is expected to grow from USD 573.22 Bn. in 2022 to USD 610.91 Bn. in 2023 at a compound annual growth rate (CAGR) of 6.6%, and it is anticipated that the market will grow to USD 755.38 Bn. by 2027 at a CAGR of 5.5%<sup>9</sup>.

#### Key highlights and trends<sup>10</sup>

- The textile market is driven by the emerging demand for protective clothing in the medical industry, which is crucial as it hampers the diffusion of viruses and infections.
- The technical textile sector in the Asia-Pacific region is expected to expand by more than 20% over the next ten years, contributing to the expansion of the global textile industry. Technical textiles include the cotton and wool based textiles utilised in mattress covers, tents, cars, parachutes, and bags, among others.
- The market for textile manufacturing is anticipated to be driven by rising online shopping demand. As such, the textile manufacturing market is set to expand as a result of manufacturers' enhanced ability to sell their products on a wider platform<sup>11</sup>.
- The growth of the global market is being fueled by technological advancements and the employment of a large number of skilled and unskilled workers in product manufacturing, which uses materials like natural fibres, nylon, and polyesters. In addition, the demand for natural and sustainable fibres like cotton, linen, silk, and hemp is being fueled by growing environmental concerns, enhancing market growth prospects.
- Due to the high production and availability of cotton in a number of prominent regions, including Europe, North America, and the Asia-Pacific region, the cotton raw material segment is anticipated to grow at a significant CAGR, in terms of volume, from 2022 to 2030.

<sup>5</sup> <https://www.globenewswire.com/news-release/2022/04/06/2417253/0/en/Textile-Global-Market-Report-2022.html>

<sup>6</sup> <https://www.fibre2fashion.com/news/textile-news/global-textile-trade-surges-14-in-2022-surpasses-pre-covid-levels-287455-newsdetails.htm#:~:text=The%20WTO%20revealed%20that%20global,as%20per%20a%20recent%20report>

<sup>7</sup> *ibid.*

<sup>8</sup> *ibid.*

<sup>9</sup> [https://www.reportlinker.com/p06251037/Textile-Global-Market-Report.html?utm\\_source=GNW#table-of-contents](https://www.reportlinker.com/p06251037/Textile-Global-Market-Report.html?utm_source=GNW#table-of-contents)

<sup>10</sup> <https://www.businesswire.com/news/home/20220708005225/en/Textile-Global-Market-Report-2022-2030-Rise-in-eCommerce-Environmental-Concerns-Large-Skilled-and-Unskilled-Workforce-Driving-Growth---ResearchAndMarkets.com>

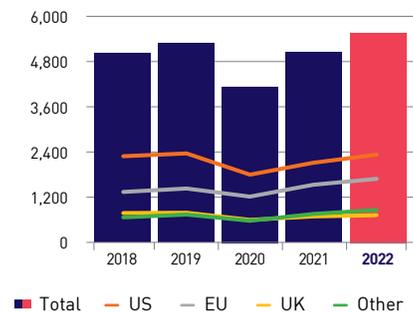
<sup>11</sup> <https://www.globenewswire.com/news-release/2022/04/06/2417253/0/en/Textile-Global-Market-Report-2022.html>

## OPERATING ENVIRONMENT

### Local

Sri Lanka's textile manufacturing sector, which is entirely privately owned and operated, is extremely active and significant to the country's economy. Through fashion BPO (business process outsourcing) services, research, development, and innovation centres, Sri Lanka's apparel and textile manufacturers have successfully capitalised on opportunities in the international market to move beyond traditional exports and tailoring designs to provide sophisticated and creative solutions<sup>12</sup>.

### Textile and apparel exports from Sri Lanka (USD Mn.)



Source: Sri Lanka Apparel

### Export performance

- In 2022, Sri Lanka's apparel industry was responsible for over 45% of the nation's export revenue, which was USD 5.95 Bn<sup>13</sup>. However, as a result of the political and economic crisis in Sri Lanka, in addition to global headwinds in 2022, the apparel sector's export earnings fell short of its target of USD 6 Bn. It is anticipated that Sri Lanka's apparel industry could see a drop of USD 1 Bn. in 2023, as the crisis-stricken South Asian nation is impacted by slowing global demand. With textiles and apparel exports falling 13.8% to USD 1.3 Bn in the first quarter of 2023, the industry's performance was poor<sup>14</sup>. However, by 2025, the industry is expected to reach its target of USD 8 Bn. in export revenue<sup>15</sup>.
- Exports to the United States, Sri Lanka's largest buyer, decreased by 22% in the first quarter of 2023, reaching USD 470 Mn. Exports to the European Union decreased by 13% to USD 344 Mn., and exports to the United Kingdom decreased by 10%, reaching USD 167.7 Mn.<sup>16</sup> in the first quarter of 2023.
- Sri Lanka's total export earnings amounted to USD 13.11 Bn. in 2022, representing a 4.9% increase compared to 2021. Similarly, the apparel and textile industry recorded a 9.5% increase in export earnings of USD 5.95 Bn. compared to the previous year, during 2022<sup>17</sup>. Meanwhile, exports from January to April 2023 exceeded USD 3.8 Bn., registering a 9% decline compared to the same period in 2022<sup>18</sup>.

<sup>12</sup> <https://www.srilankabusiness.com/apparel/>

<sup>13</sup> [https://www.cbsl.gov.lk/sites/default/files/cbslweb\\_documents/press/pr/press\\_20230131\\_external\\_sector\\_performance\\_2022\\_december\\_e.pdf](https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20230131_external_sector_performance_2022_december_e.pdf)

<sup>14</sup> <https://www.reuters.com/markets/asia/sri-lanka-apparel-exports-drop-by-1-bln-2023-trade-body-2023-05-03/>

<sup>15</sup> <https://www.srilankabusiness.com/apparel/>

<sup>16</sup> <https://www.reuters.com/markets/asia/sri-lanka-apparel-exports-drop-by-1-bln-2023-trade-body-2023-05-03/>

<sup>17</sup> <https://www.srilankabusiness.com/apparel/>

<sup>18</sup> [https://www.cbsl.gov.lk/sites/default/files/cbslweb\\_documents/press/pr/press\\_20230531\\_external\\_sector\\_performance\\_2023\\_april\\_e.pdf](https://www.cbsl.gov.lk/sites/default/files/cbslweb_documents/press/pr/press_20230531_external_sector_performance_2023_april_e.pdf)

## OPERATING ENVIRONMENT

### Textile manufacturing

- Sri Lanka's apparel value chain includes the textile industry, which contributes significantly to both domestic consumption and exports. Additionally, Sri Lanka exports a substantial amount of yarn and fabric. Apart from this, the sector supplies materials for the production of exported apparel<sup>19</sup>.
- Some of the most common varieties of textiles manufactured in the country include single jersey fabric, interlock fabric, ribbed fabric, pique fabric, lacoste fabric, French terry fabric, cuff fabric, and flat knitted fabric. In addition to these, other textile solutions from Sri Lanka include synthetic fibre solutions, protein fibre solutions, stretch fabric solutions, finishing solutions, yarn dye solutions, and textile printing solutions<sup>20</sup>.
- Sri Lankan handloom weavers' impeccable craftsmanship and patience are evident in the handloom textile segment, which is a small-scale industry that fills a valuable market niche<sup>21</sup>.
- Many Sri Lankan apparel companies manufacture for leading US apparel brands, and attractive incentives are in place for US manufacturers to establish textile manufacturing facilities<sup>22</sup>.

### Investment trends

- Compared to 2021, Sri Lanka attracted over USD 228 Mn. in foreign direct investment (FDI) in the first quarter of 2022. Considering the value of agreements signed with investors, FDI inflows into the apparel industry increased fourfold during the first half of 2022 when compared to the corresponding period of the previous year<sup>23</sup>.
- In response to numerous inquiries regarding the availability of suitable land for the expansion of apparel manufacturing plants in Sri Lanka, the Board of Investment of Sri Lanka (BOI) established three new re-investment teams to assist investors. Following this, the BOI signed agreements for new investments and expansions in the apparel industry worth USD 76 Mn. in 2022<sup>24</sup>.
- The BOI has signed agreements with 13 agencies, each of which plays a crucial role in the investment approval process. Moreover, the BOI's digitisation efforts enable investors to obtain a variety of services online without having to visit the BOI office, including capital goods import approvals from the Customs Department and investor visas, etc<sup>25</sup>.

<sup>19</sup> <https://www.srilankabusiness.com/apparel/textile-manufacturing-industry.html>

<sup>20</sup> *ibid.*

<sup>21</sup> *ibid.*

<sup>22</sup> <https://www.trade.gov/country-commercial-guides/sri-lanka-textiles>

<sup>23</sup> <https://bizenglish.adaderana.lk/investors-continue-to-cash-in-on-the-sri-lankan-apparel-sectors-resilience/>

<sup>24</sup> *ibid.*

<sup>25</sup> <https://www.just-style.com/news/industry-news/sri-lanka-apparel-sector-investments-at-us76m-in-2022/>



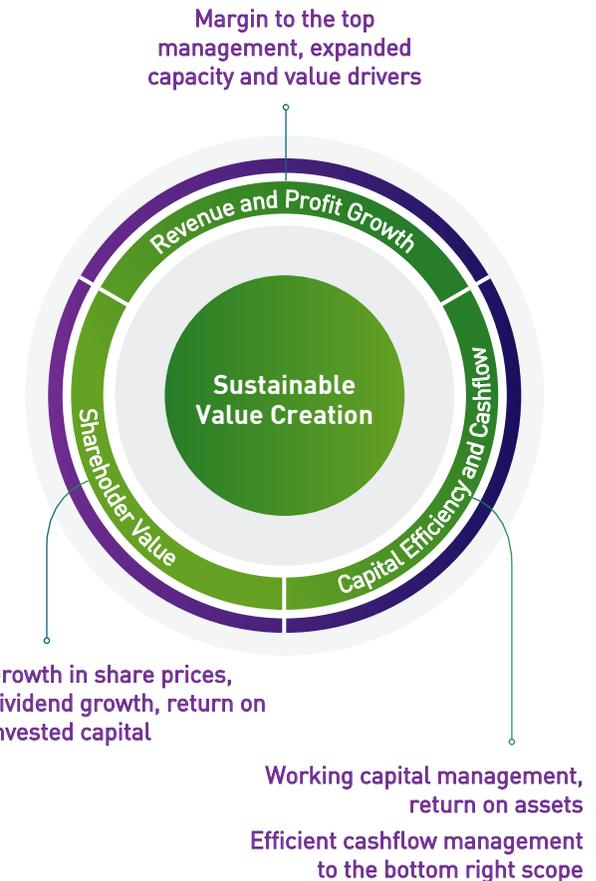
## FINANCIAL CAPITAL

The financial capital of Teejay Group comprises its equity, debts, cash flow, assets, and investments made by the Company. These factors interknitted together, generate value for the business and drive future revenue growth.

### FINANCIAL PERFORMANCE

Teejay Group's financial performance during the financial year 2022/23 demonstrated its resilience and commitment to overcoming challenges and pursuing growth opportunities. Throughout the financial year, the Group faced multiple challenges including power disruptions, fuel limitations, interest rate increases, and soaring energy prices. Additionally, the economic and political instability in the early months presented significant obstacles for the Group during the 1st half of the year. Moreover, the persisting market softness, influenced by ongoing economic difficulties in the US and European markets, as well as geopolitical turbulence resulting from Russia's war in Ukraine, remained a key concern while impacting the 2nd half of the year. Apart from these external factors, Teejay encountered further challenges in the apparel and textiles industry, due to the shutting down of factories as a result of low-capacity utilisation. The Group has continuously adapted and navigated through these circumstances, leveraging its strengths and strategic capabilities to ensure sustainable success.

Furthermore, the Group places significant importance on sustainable operations and profitability, which gives Teejay a distinct strategic advantage. The Group utilises its financial capital to drive sustainable growth and generate added value for all stakeholders. The value creation model underscores its commitment to sustainable value creation, which is at the core of the Group's operations.



## FINANCIAL CAPITAL

## ECONOMIC VALUE ADDED

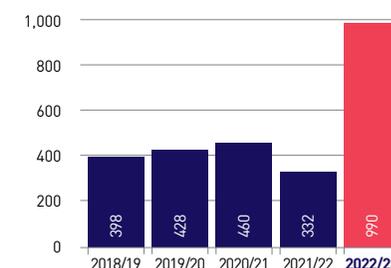
GRI 201-1

	2022/23				2021/22			
	Group		Company		Group		Company	
	LKR Mn.	%	LKR Mn.	%	LKR Mn.	%	LKR Mn.	%
Revenue from contracts with customers	84,037		50,383		49,588		29,438	
Finance income	811		745		440		450	
Other income	532		1,519		151		847	
<b>Economic Value Generated (EVG)</b>	<b>85,380</b>		<b>52,647</b>		50,179		30,735	
Distributed as follows:								
Cost of production and other OH	(72,686)		(43,763)		(42,348)		(25,146)	
<b>Value added by operating activities</b>	<b>12,694</b>		<b>8,884</b>		7,831		5,589	
Employees: Salaries, wages & other benefits	5,176	40.8	2,573	29.0	3,248	41.5	2,041	36.5
Government: taxes	995	7.8	981	11.1	381	4.9	303	5.4
Lenders of capital: interest	990	7.8	380	4.3	149	1.9	80	1.4
Community investments	25	0.2	9	0.1	18	0.2	5	0.1
Shareholder: dividends	1,075	8.5	1,075	12.1	1,433	18.3	1,433	25.6
Depreciation	3,381	26.6	1,487	16.7	1,504	19.2	786	14.1
<b>Economic Value Retained (EVA)</b>	<b>1,052</b>	<b>8.3</b>	<b>2,379</b>	<b>26.8</b>	1,098	14.0	941	16.8

The Group's total value added surged by 70% YoY to reach LKR 85.4 Bn. in FY 2022/23, while the Company's value added also experienced a growth, increasing by 71% to LKR 52.6 Bn. during the same period. Despite this growth, the rise in taxes by 161% YoY and interest payments by 564%, along with a 59% increase in employee salaries, resulted in a 62% increase in value added by operating activities, which amounted to LKR 12.7 Bn. However, in the period under review, gross value retained decreased by 4% YoY to LKR 1.1 Bn.

## REVENUE

Despite the challenges faced during the year, the Group reported a total revenue of LKR 84 Bn. in FY 2022/23, recording a year-on-year (YoY) growth of 70%. This growth was mainly driven by the depreciation of the Sri Lankan rupee, increased sales prices despite the drop in sales volume, improvement in the product portfolio, higher margins from value-added products, and the change in customer mix. However, Teejay fell short of the Group's revenue target of USD 300 Mn., reaching USD 239 Mn., which marked a 5% reduction compared to the previous year. Moreover, the Group maintained a cash balance of LKR 7.9 Bn. for the financial year under review.

Taxation  
(LKR Mn.)

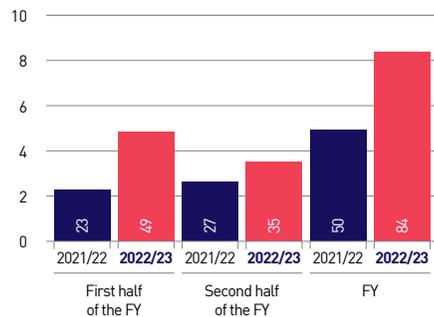
The Group achieved robust growth in the first half of the FY 2022/23, with a significant increase in revenue, recording a remarkable top-line growth of LKR 48.6 Bn. representing a YoY growth of 111%. These impressive results were achieved in the context of normalisation of issues such as rupee depreciation, power disruptions, and fuel limitations, which previously affected operations and transportation.

## FINANCIAL CAPITAL

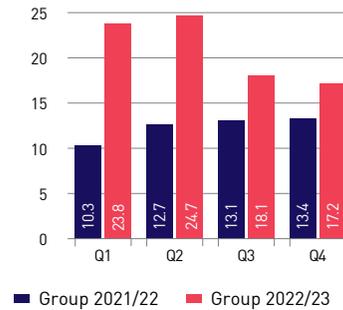
Despite experiencing solid growth in the first half of the year, the second half presented challenges for the Group. The retail market softened due to economic difficulties in the US and the UK, along with geopolitical turbulence resulting from the Ukraine-Russia war. As a result, the Group reported lower revenue of LKR 35.4 Bn. representing a 34% YoY growth. Furthermore, the bottom line for the second half reflects a significant decline of 114% (YoY) in LKR.

The softness in the market is expected to persist for the next two to three quarters, during the 2023/24 financial year. However, Teejay remains optimistic about its prospects beyond that period. The Company foresees positive growth driven by several factors, including the potential benefits from China one plus initiatives, the acquisition of new customers, the introduction of innovative new products, enhanced capacity to meet potential demand and overall macroeconomic stability.

### Movement in revenue (LKR Bn.)



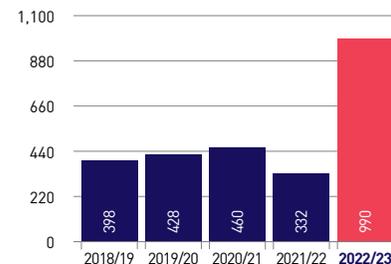
### Group revenue – Quarterly (LKR Mn.)



### Taxation

During the FY 2022/23, the Group recorded a tax expense of LKR 990 Mn., indicating a 198% YoY increase compared to the previous year's figure of LKR 332 Mn. The rise in the tax expense is attributed to changes in the tax rate and deferred tax, which escalated from 14% to 30% from 1 October 2022. This adjustment directly contributed to the overall increment in the tax expense for the year under review.

### Taxation (LKR Mn.)



### Tax strategy

Teejay's tax planning encompasses meticulous calculation and preparation of tax returns, covering Corporate Tax, VAT, SVAT, WHT, Stamp duty, and other revenue taxes, ensuring strict adherence to legislative requirements and timely submission well before the due dates. To further enhance its compliance and efficiency, Teejay seeks advice from experienced tax specialists, guaranteeing alignment with Sri Lanka's tax laws. Additionally, the Company estimates monthly taxes based on business performance, providing vital support to the treasury function. Moreover, Teejay remains proactive in keeping the Management informed of any changes in Tax Laws, enabling them to make well-informed decisions. As part of its commitment to staying abreast of industry developments, the Company collaborates closely with renowned industry associations such as the Fabric and Apparel Accessory Manufacturing Association (FAAMA) and the Joint Apparel Association Forum Sri Lanka (JAAFSL).

### Financial impacts of physical and transition risks of climate change

GRI 201-2

Teejay has identified specific physical and transition risks emanating from climate change in its risk register, the financial impacts of which are assessed using internal scenario analysis. Moreover, mechanisms such as business continuity plans, insurance, and physical protection for buildings, plant and equipment, have been implemented to cover the physical risks. Even though regulations and risks such as carbon pricing do not yet apply to Sri Lanka and India, any investments in green technology are considered from both financial and non-financial perspectives.

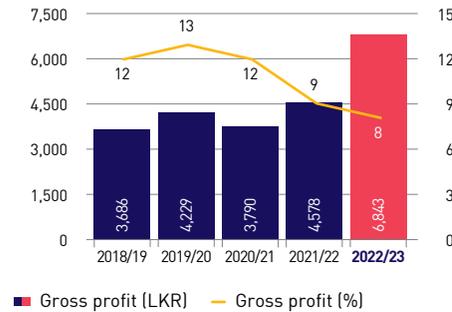
## FINANCIAL CAPITAL

### Gross profit

The Group achieved a notable gross profit of LKR 6.8 Bn. in FY 2022/23, marking a significant 49% increase compared to the previous year. However, the profit margins were adversely affected by numerous factors in the second half of the year. These included price pressure from customers, low order book for 2023, a decline in fabric demand due to high cost of yarn, high inventory levels at customer end, congestion of supply chain due to COVID-19 the economic slowdown of the markets Teejay supply to, and an increase in the cost of materials, utilities, and other direct expenses. Further per-unit cost increases were due to plant operations with low throughput. Additionally, Group fixed costs increased along with capacity expansion during the second half of the year, thereby having a dual effect on profit, given the decline in orders.

To mitigate these challenges and enhance profitability, the Group implemented strategic changes. These included a shift in the product mix to incorporate more synthetic products alongside cotton, and a product transformation strategy that emphasised high-end offerings. Through these initiatives, Teejay anticipates an improvement in profit margins, aligning with its future strategy.

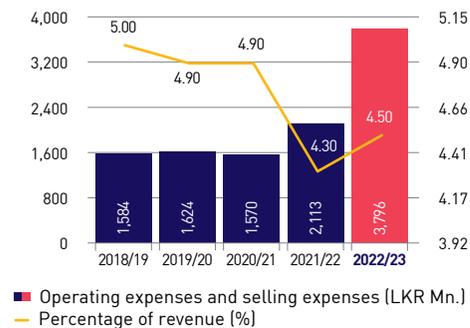
### Gross profit vs Gross profit margin (LKR Mn.) (%)



### Operating expenses

The Group's total operating expenses for FY 2022/23 amounted to LKR 3.8 Bn., representing 4.5% of total revenue, compared to the previous year's total of LKR 2.1 Bn. (4.3%). The increase in expenses was a collective result of the rupee depreciation, inflation, and low-capacity utilisation.

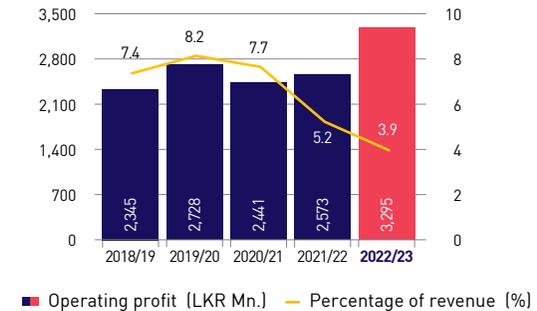
### Operating expenses vs revenue (LKR Mn.) (%)



### Operating profit

The Group's operating profit increased to LKR 3.3 Bn. in FY 2022/23 from LKR 2.6 Bn. in FY 2021/22, reflecting an increase of 28% YoY.

### Operating profit vs revenue (LKR Mn.) (%)

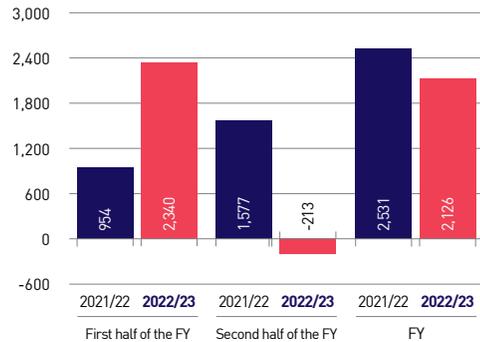


### Net profit after tax

In FY 2022/23, Teejay achieved a net profit after tax (NPAT) of LKR 2.1 Bn., showcasing a decline of 16% YoY compared to the previous financial year's figure of LKR 2.5 Bn. The decline in NPAT is primarily due to a substantial increase in the taxation rate, an under loaded plant due to a soft order book, rising cost of raw materials, power and energy cost.

## FINANCIAL CAPITAL

### Movement in profit after tax (LKR Mn.)



During the first half of the financial year, Teejay experienced a remarkable 145% YoY increase in NPAT. However, in the second half of FY 2022/23, the higher taxation rate had a significant negative impact, resulting in a 114% YoY decline in NPAT.

Reflecting the decline in NPAT, the earnings per share (EPS) declined from LKR 3.50 in 2021/22 to LKR 3.00 in 2022/23.

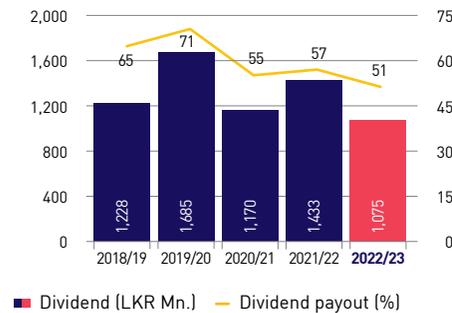
### Net profit and earnings per share (LKR Mn.) (LKR)



### Shareholder value

Teejay distributed LKR 1.1 Bn. to shareholders during the year under review, compared to LKR 1.4 Bn. distributed in FY 2021/22. The dividend payout ratio during the year under review was 51% compared to 57% in the previous year, whilst the dividend yield declined to 4.7% in 2022/23, from 5.0% in 2021/22. Moreover, the increase in the tax rate to 30%, during the second half of the year, also negatively impacted net profit.

### Dividend vs dividend payout ratio (LKR Mn.) (%)



The share price declined to LKR 32.00 in 2022/23, from LKR 39.80 in 2021/22, whilst the dividend per share declined to LKR 1.50 in 2022/23, from LKR 2.00 in 2021/22. The impact of a challenging local economy, reduction in trade volume, and a slowdown in business operations in the second half of the financial year 2022/23 were the main reasons for the decline in the share price.

### Share price and dividend per share (LKR) (LKR)



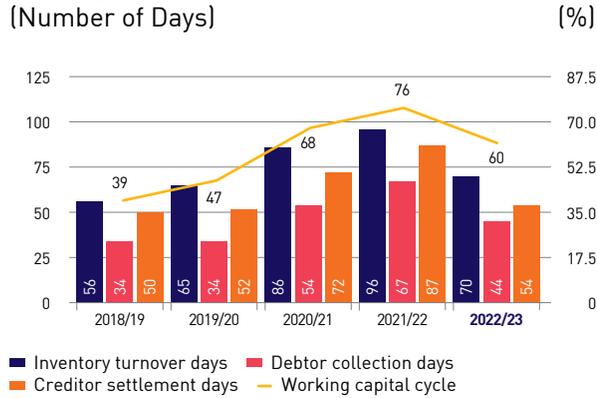
## CASH FLOW

The Group's cash flow from operating activities increased to LKR 7.6 Bn. in FY 2022/23, from LKR 4.8 Bn. in the previous year. Although profit before tax was low compared to the previous year, the Company maintained a strong operating cash flow due to efficient working capital management. Furthermore, Teejay maintained a low inventory level due to the slowdown in business operations, which contributed to this positive outcome. Moreover, Teejay improved its debt collection practices facilitating a healthier business cash flow.

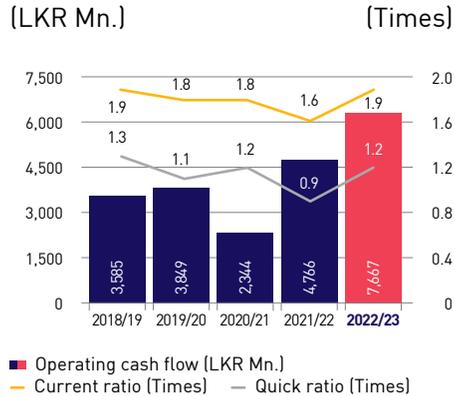
During the financial year, the Company's investing activities were affected by a business slowdown, leading to reduced capital expenditure. The main investments included SAP HANA for improved operational efficiency and Double Jersey Knitting Machines to enhance production capabilities. As a result, the Company was able to maintain an effective cash flow.

## FINANCIAL CAPITAL

### Working capital (Number of Days)



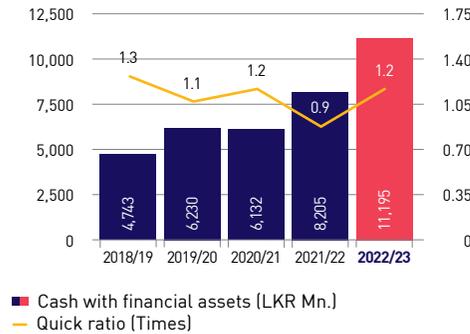
### Operating cash flow, current and quick ratios (LKR Mn.)



### CASH POSITION

Cash and cash equivalents increased by 24% YoY to LKR 7.9 Bn. in FY 2022/23. The improvement is attributed to effective inventory management and enhanced debt collection compared to the previous year, resulting in a higher cash balance and a high liquidity ratio. Additionally, the excess cash was invested in fixed deposits.

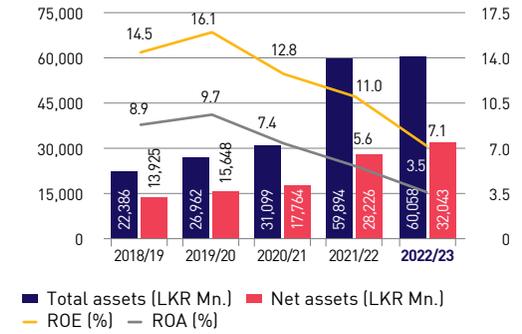
### Cash with financial assets vs quick ratio (LKR Mn.)



### FIXED CAPITAL EFFICIENCY ROA and ROE

The Group's Return on Assets (ROA) declined from to 3.5% in FY 2022/23 from 5.6% the previous year. Return on Equity (ROE) also declined to 7.1%, from 11%. The decline in the ratios primarily stemmed from the YoY decrease in net profit, increase in assets as a result of expansion in India due to an increased tax rate, low-capacity utilisation, and the decrease in order book volumes.

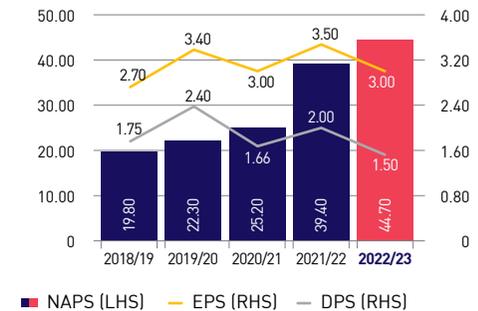
### Total assets and net assets vs ROA and ROE (LKR Mn.)



### Share price volatility

The share price for FY 2022/23 experienced a decline, dropping to LKR 32.00, from LKR 39.80. This is attributable to macroeconomic factors, depressed market conditions within the country, and below-anticipated performance during the third quarter of the year.

### Share price volatility (LKR)



## FINANCIAL CAPITAL

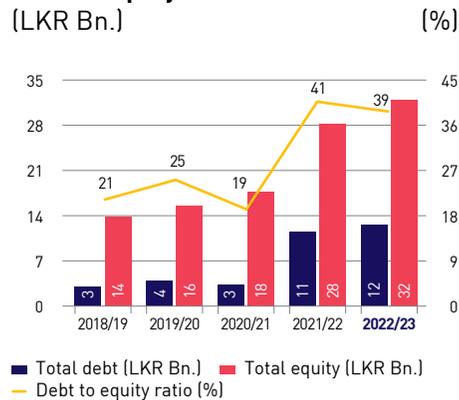
### Debt to equity

The primary factor contributing to the high gearing in the Group is the investment in Teejay India, to expand its production capacity. This investment, totalling USD 26 Mn., has resulted in an overall increase in the Group's production capacity. Furthermore, the Group's strategic shift towards synthetic products and a product transformation strategy focused on high-end offerings will position it to target a new customer base and drive growth.

Additionally, Teejay's implementation of an integrated ERP solution, specifically SAP S/4 HANA, will streamline operations by operating on a single ERP system during the financial year 2023/24. This move towards an integrated system will enhance efficiency, support growth, and deliver continuous value to shareholders.

### Debt to equity

(LKR Bn.)



### Future outlook

Looking ahead, Teejay Group is strategically focusing on synthetic fabric, which is expected to bring in a high average selling price (ASP) and contribute significantly to the Group's profitability. The Group also anticipates economic and political stabilisation, which will create a favourable business environment for growth. Teejay expects to derive advantages from the 'China One Plus' strategy which will allow it to further enhance its market position. With the implementation of SAP HANA, operational efficiency is set to improve, leading to enhanced management information and streamlined processes. Teejay is onboarding new consultants for product development, with a specific focus on high value segment and diversification.

Teejay's strong operational performance also resulted in high operating cash flow. The capacity expansion helps to cater to future demand, while plant modernisation will assist in expanding the product portfolio.

In terms of sales and marketing, the Group aims to increase its market presence in Europe and Asia, leveraging its operational efficiency and cost reduction initiatives. Throughout the year, the Group proactively pursued sustainability initiatives, exemplified by obtaining SBTi Target signoff with RESET Carbon Taiwan Co. LTD consultants, and implementing a real-time online monitoring system for energy and utilities. In addition, the Company continued to demonstrate its commitment to growth and diversification by actively onboarding new customers, expanding its customer base, and analysing investments from both ESG and financial perspectives. These forward-looking strategies position Teejay for sustainable growth and profitability.

	2019	2020	2021	2022	2023
Revenue growth (%)	29	5	-4	56	<b>69</b>
GP margin (%)	12	13	12	9	<b>8</b>
Operating profit (%)	7	8	8	5	<b>4</b>
Current ratio (times)	1.93	1.76	1.82	1.59	<b>1.91</b>
ROE (%)	14.5	16.1	12.8	11.0	<b>7.1</b>
DPS (LKR)	1.7	2.4	1.7	2.0	<b>1.5</b>
EPS (LKR)	2.7	3.4	3.0	3.5	<b>3.0</b>
NAPS (LKR)	19.8	22.3	25.2	39.4	<b>44.7</b>
Price Earning Ratio (Times)	11.5	6.9	13.2	11.3	<b>10.8</b>
Dividend cover (Times)	1.51	1.41	1.83	1.77	<b>1.98</b>

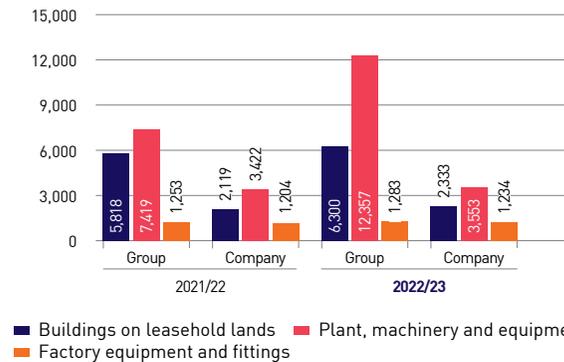
The operational performance of the Company is well-aligned with its strong financial position. The high cash flow generated from business operations indicates Teejay's efficiency and effectiveness in managing its resources. Additionally, the capacity built to meet future demand ensures that the Company is well-prepared to capitalise on potential growth opportunities. Furthermore, plant modernisation efforts have played a crucial role in expanding the Company's product portfolio, enabling it to cater to a broader range of customer needs.

## MANUFACTURED CAPITAL

Manufactured capital may be defined as man-made stocks of material objects, systems, infrastructure and processes that turn materials into products. As a part of the process of creating a competitive model for manufacturing, Teejay is engaged in an interknitted journey of operational excellence – one where the Group has mapped down four transformational pillars in which it strives to excel, in order to improve efficiencies and bring about reductions in costs and overheads.

Teejay’s key achievements during the year include the adoption of sustainable chemical management practices, development of a roadmap towards zero toxic chemical usage, and achieving a 100% in Zero Discharge of Hazardous Chemicals (ZDHC) under the Manufacturing Restricted Substances List (MRSL) conformance for production and water treatment chemicals.

**Our manufacturing capital**  
 (LKR Mn.)



### Operating concerns

Teejay faced notable challenges in its manufacturing operations during the year, influenced by various global and local factors. These challenges encompassed a dip in key markets stemming from the global inflation created partially by the Russia-Ukraine war, energy price fluctuations, political and economic instability.

Supply chain disruptions were particularly evident, leading to raw material shortages, shipping and logistics challenges, and trade disputes with associated tariffs.

These challenges underscore the intricate and dynamic nature of the manufacturing industry, necessitating Teejay’s adaptability to navigate external factors and ensure operational efficiency while meeting customer demands.



## MANUFACTURED CAPITAL

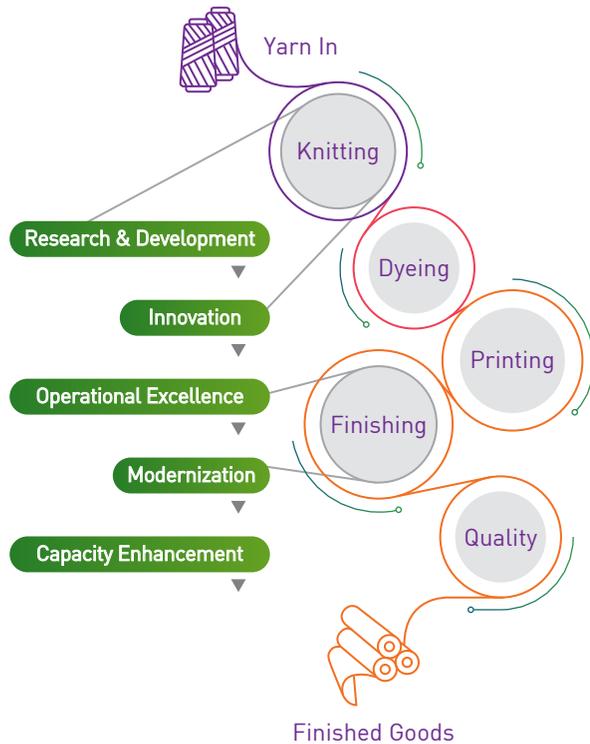
### Production capacity

The Group achieved substantial gains in the modernisation of machinery during the year under review, broadly in line with its manufacturing strategy.



	Teejay Lanka	Teejay Prints	Teejay India
<b>Description</b>	Teejay Lanka is a listed entity on the Colombo Stock Exchange. Its product capabilities encompass cotton and cellulosic blends in weft knitting/ manmade cellulosic modal/ synthetic (nylon/polyester), Jacquards with a production capacity of 45 Tonnes a day.	A fully owned subsidiary of Teejay Lanka PLC, Teejay Prints boasts product capabilities including discharge/pigment super soft/reactive/digital/disperse, and a capacity of 20,000 metres a day.	Teejay India is a fully owned subsidiary of Teejay Lanka PLC, located in the Brandix India Apparel City, a special economic zone with 100% export-oriented units involved in the integrated apparel supply chain at Visakhapatnam, Andhra Pradesh, India. Its product capabilities include cotton and cellulosic blends in weft knitting/synthetic (nylon/polyesters), Fleece, Lace and discharge/pigment super soft/reactive, with a capacity of 55 tons a day.
<b>Changes during the year</b>	<ul style="list-style-type: none"> <li>Fleece production commencement</li> <li>Fabric range for garment washing</li> </ul>	Acid and Disperse printing development mainly on Synthetic	Completed expansion work in adding a new capacity of 20 Tonnes.
<b>Future focus</b>	Quality and product development capability improvements will take prime focus in the near term, thereby enabling the Group to offer a better and well-rounded customer service.		

**MANUFACTURED CAPITAL**



**Value adding activities for 2022/23**

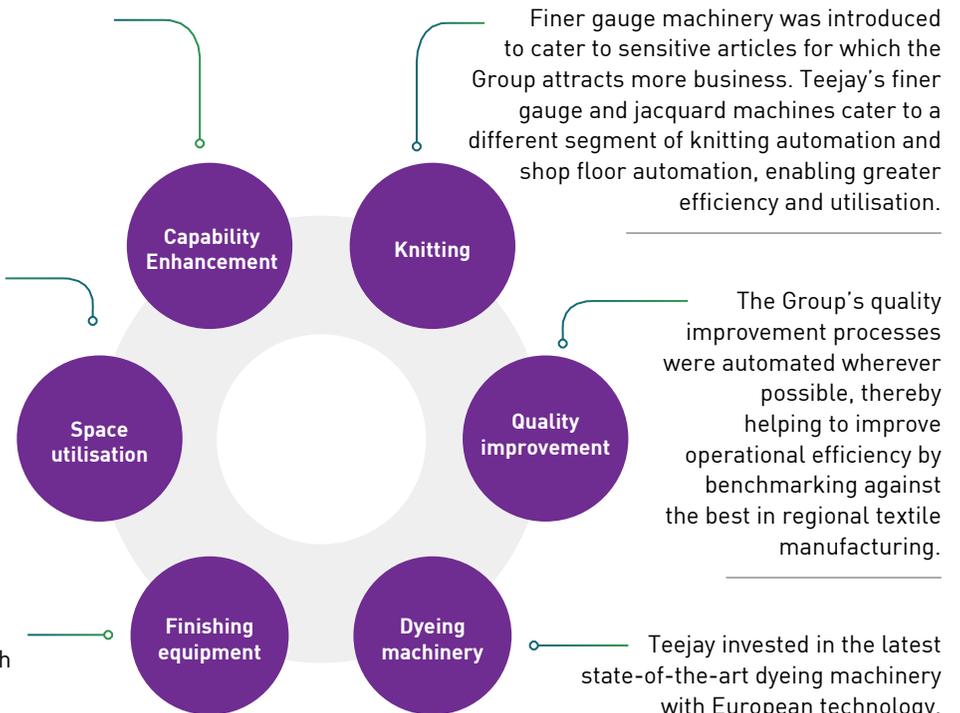
In the period under review, Teejay primarily focussed on adding value to its fixed assets – including plant and equipment, IT equipment, and buildings – via technology advancements and transformation that took place in processes related to knitting. These value additions reflect the expansion of the Group’s business, and are in accordance with its strategic plan.

Fleece/Disperse and Acid printing

Maximum space utilisation due to automation indirectly helped the Group achieve savings in terms of energy and other utilities.

The Group’s finishing equipment was upgraded to cater to newest consumer trends such as the need for greater comfort, even though it resulted in 40-50 wash requirements.

Special finishes were only catered to for fabric. However, Teejay is in the process of offering varied finishes such as garment washing.



Finer gauge machinery was introduced to cater to sensitive articles for which the Group attracts more business. Teejay’s finer gauge and jacquard machines cater to a different segment of knitting automation and shop floor automation, enabling greater efficiency and utilisation.

The Group’s quality improvement processes were automated wherever possible, thereby helping to improve operational efficiency by benchmarking against the best in regional textile manufacturing.

Teejay invested in the latest state-of-the-art dyeing machinery with European technology, considering energy consumption reduction goals, in line with *Abhivara 2030* – the Group’s sustainability roadmap.

## MANUFACTURED CAPITAL

### SUSTAINABLE MANUFACTURING

The Teejay Group introduced new measures during the year under review, to make its manufacturing process more sustainable. A feasibility study was completed during the year to increase sustainable energy sources by 100% by using sustainable biomass. The goal is to phase out the use of coal by 2026, using biomass as an alternative fuel. Teejay also replaced approximately 1,035 CFL bulbs with LED bulbs and low bay lights. This reduced energy consumption as each CFL unit's power (72 watts) was reduced to 48 watts. The Group also uses solar energy and biogas as alternatives to fossil fuels.



Total units of electricity produced or saved by solar panels (kWh)

**95,646**

(2021/22 – Not operational)

Biomass: Units produced (kWh)

**7,201,038.89**

(2021/22 – 7,319,130.56)

Biomass: Quantity of the raw material consumed (kg)

**14,696**

(2021/22 – 14,937)

Biomass: Cost of raw material (LKR)

**894,738**

(2021/22 – 586,534)

### DIGITALISATION

The year under review witnessed the onboarding of the SAP 4/HANA ERP system, thus ensuring a common platform across the Group. The system gives users access to information at all levels of the organisation, inclusive of the production floor. The new version is considered a game changer in the industry in Sri Lanka, and is expected to significantly improve operations on the shop floor.

### KEY FEATURES OF THE DIGITALISATION PROCESS



#### SAP 4/HANA ERP PROJECT

- All entities will be on a single ERP – a world renowned SAP solution.
- A single process template promoting alignment of processes within all entities of the Group.
- New modules that increase the use of SAP within the Group.
- SAP hosted on Google Cloud for the first time in Sri Lanka.

#### INDUSTRY 4.0

- Floor-level automation with modernisation.
- Shop-floor data monitoring through an IOT-based system – smart knitting.

#### DIGITAL OFFICE

- Process improvement for better productivity, by maximising the available resources to optimise usage.

## **INTELLECTUAL CAPITAL**

Teejay Group’s intellectual capital encompasses its extensive collection of informational resources that enable profit generation, customer acquisition, product innovation, and overall business improvement. It includes employee expertise, organisational processes, and other intangibles integrated within Teejay’s value chain. As Sri Lanka’s leading multinational manufacturer of weft knitted fabric, with manufacturing plants in India and Sri Lanka, Teejay Group offers an array of products and services, encompassing dyeing, finishing and printing.

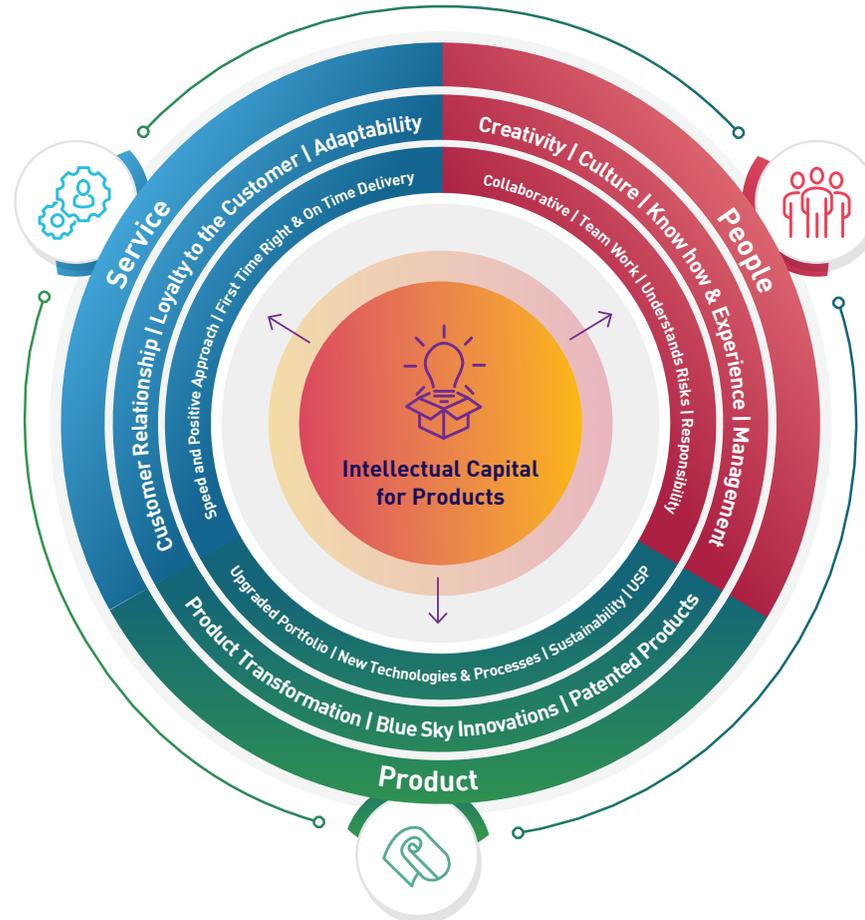
Teejay’s intellectual capital development generates positive outcomes across its other capitals within the Group:

- **Human capital:** Provides a platform for continuous enhancement of knowledge, skills, and expertise.
- **Structural capital:** Encompasses patents, trademarks, copyrights, proprietary manufacturing processes, systems, and databases serving as valuable assets contributing to the Group’s competitive advantage.

- **Relationship capital:** The relationships that Teejay Group has nurtured with its suppliers, customers, business partners, and industry associations are a valuable aspect of its intellectual capital.

### **INTELLECTUAL CAPITAL STRATEGY**

The intellectual capital strategy of Teejay is illustrated below:



## INTELLECTUAL CAPITAL

Teejay is proactively seeking growth opportunities by engaging Long Range Planning tool (LRP), and diversification strategies in response to the current market conditions. This transformation journey is fuelled by concentrated efforts toward digitalisation and product development.

Teejay recognises that intellectual capital includes the wealth of ideas and the ability to innovate, which shapes the future of the Organisation. During the period under review, the Group reinforced its future strategy by prioritising the pillars of product transformation and digitisation. This was advanced through ongoing investment in innovation and growth, and the evaluation of its products and services through the lens of innovation.

These strategic initiatives demonstrate Teejay's commitment to creating its own pathways for growth and adapting to changing market dynamics. By leveraging intellectual capital, the Company aims to position itself as a leader in its industry, staying ahead of the curve and driving sustainable success.

The strategy adopted by Teejay

- **Market differentiation:** Teejay Group's strategy involves differentiating its products in the market. This is achieved through quality assurance, innovative design, customisation options, and superior customer service to create a unique selling proposition (USP).
- **Cost leadership:** Teejay Group pursues a cost leadership strategy by optimising its manufacturing processes, improving operational efficiency, and leveraging economies of scale to offer competitive pricing to customers.

- **Expansion and diversification:** The Group's strategy includes expanding into new markets and diversifying its product portfolio. This involves targeting new customer segments, exploring new geographic regions, and introducing new product lines.
- **Innovation and research:** Teejay Group emphasises innovation and research and development (R&D) to stay ahead of market trends and technological advancements. This encompasses investing in new technologies, developing new fabrics and manufacturing techniques, and constant enhancement of product offerings.
- **Sustainability and Corporate Social Responsibility (CSR):** Teejay Group emphasises sustainability and CSR practices, including initiatives to minimise environmental impacts, ensure ethical sourcing of materials, and promote social responsibility in its operations.

Teejay's values are fundamental to the Group's development and product transformation, which is underpinned by several principles.

### Market trends and customer needs

Amid post-COVID volatility in the fashion segment, the market landscape has undergone significant shifts. Teejay Group has astutely identified emerging opportunities arising from evolving market trends, customer needs, and potential gaps in its product portfolio. Examples include catering to online brands with flexible minimum order quantities and shorter lead times, as well as meeting the growing demand for sustainability-driven products.

### Competitive landscape

As a leading textile manufacturer, Teejay consistently monitors the strategies and actions of its competitors, brands, and consumers to maintain a competitive edge. By assessing competitive advantages and conducting continuous benchmarking against industry standards, the Group stays ahead in the market, ensuring its position as an industry leader.

### Customer feedback

Continuous customer feedback on service plays a critical role. Teejay conducts customer surveys annually to gather feedback and leverage other channels to understand pain points, identify areas for improvement, and enhance the overall user experience.

### Business strategy and goals

Teejay's product transformation initiatives are aligned with the Organisation's overarching business strategy and objectives. By prioritising sustainable, technical, and synthetic products, the Group aims to expand into new markets, reach untapped customer segments, and diversify its product offerings.

## INTELLECTUAL CAPITAL

### Sustainability and social responsibility

Being a leading textile manufacturer, Teejay integrates best practices into its manufacturing processes to reduce potential threats that can negatively impact the environment. This entails incorporating eco-friendly practices, reducing the environmental footprint of the Group's product portfolio, and aligning with socially responsible values to meet the evolving demands of conscious consumers.



Teejay has launched its own innovation brand, "Inscope," which serves as a focal point for product development and innovation. Inscope integrates technology and innovation into existing and new products, enabling the Group to penetrate new market segments and foster cross-industry collaborations with non-textile companies.

All product developments will be routed through Inscope to ensure that they are at the forefront of the global industry. The Inscope team conducts extensive research on products considering the perspectives and insights of customers and users to gauge the acceptability of the products.

Inscope is focused on providing products with a solid structure utilising new raw materials, fabric materials, technologies, and processes. Furthermore, they are purposed for final end-use by explaining consumer

benefits, product elevation, value additions, and product transformation. All new products are underscored by a strong sustainable quotient.

### Technical product range

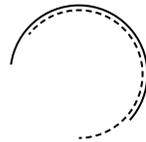
#### Flexible Fit

Adaptive fit range that adapts to the unique curves and shapes of the wearer with a custom tailored fit and freedom of movement.



#### Modesty Yoga

A body fitting garment made for full 360° of motion using double layered with a clean and slinky synthetic exterior and a comforting cotton interior.



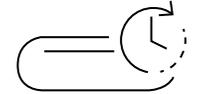
#### Liquid Elastic

Sport inspired fabric range comprising active oriented grooved product options for multiple activewear needs.



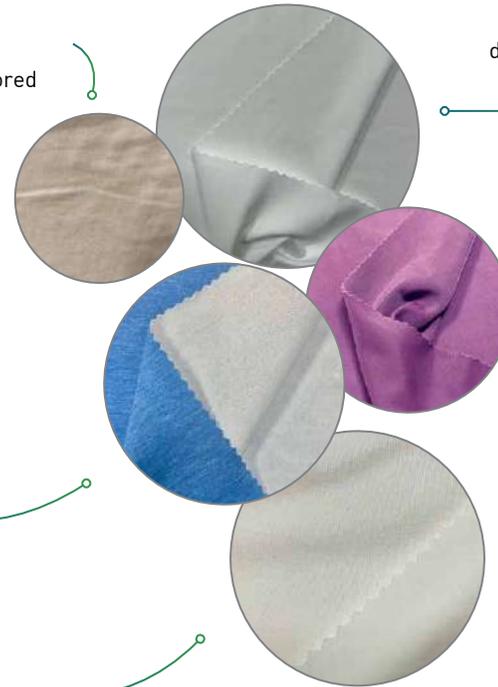
#### Enduring Cotton 2.0

Cotton that provides increased durability, superior and drape regenerated cellulose comfort touch, super clean appearance, and a luxury look.



#### Superfine Double Jerseys

Fabrics with unparalleled surface cleanness, comfort, and compact that are ideal for intimate and swimwear.



## INTELLECTUAL CAPITAL

### Sustainable product range

#### Cotton Connect

Enhanced cotton fibres that are designed to reduce-reuse-recycle.

#### Cellulosic Colour Play

Made of Eastman Naia™ Cellulose acetate fibre, blended with soft modal, the collection brings richness of nature to create comfortable, easy-to-care-for, and versatile fabrics. The raw materials are sourced from sustainably managed pine and eucalyptus forests and the contrast melange colour duos add a playful and vibrant artistry.

#### Q Cycle

An innovative polyamide 6.6, produced by chemically recycling tires with 100% of its raw material sourced from pyrolysis oil derived from end-of-lifecycle tires, using a mass balance approach. The sustainable polyamide 6.6 provides the familiar benefits of lightness, strength, and resistance, making it suitable for various textile applications.

#### Planetones X Teejay

100% natural dye chromophores, with no synthetic mordants or cationic polymers.

#### Eco Ribbing

Heavy gauged knits and fluid soft fabrics add to the relaxed fit whilst yarn blends are explored looking at the synthesis between natural linen properties and regenerated cellulosic properties to ensure cozy soft hand feel. These fabrics wrap around the body with liquid ease.

#### Cotton alternatives

Traditional fibres that bring a close to nature feeling. These are gentle on earth fibres with less water and pesticide usage.

### Aesthetic product range

#### Artsy Melange

Basic single jersey and terry constructions fabrics which are light weight and cozy soft handle, adding a touch of colour and artistry to everyday casual vibes. Made of softening blend of cotton and polyester fibres, this fabric range is coloured softly yet vibrantly to offer a homely colour feel for everyday wear.

#### Single Yarn Multiple Colour Stories

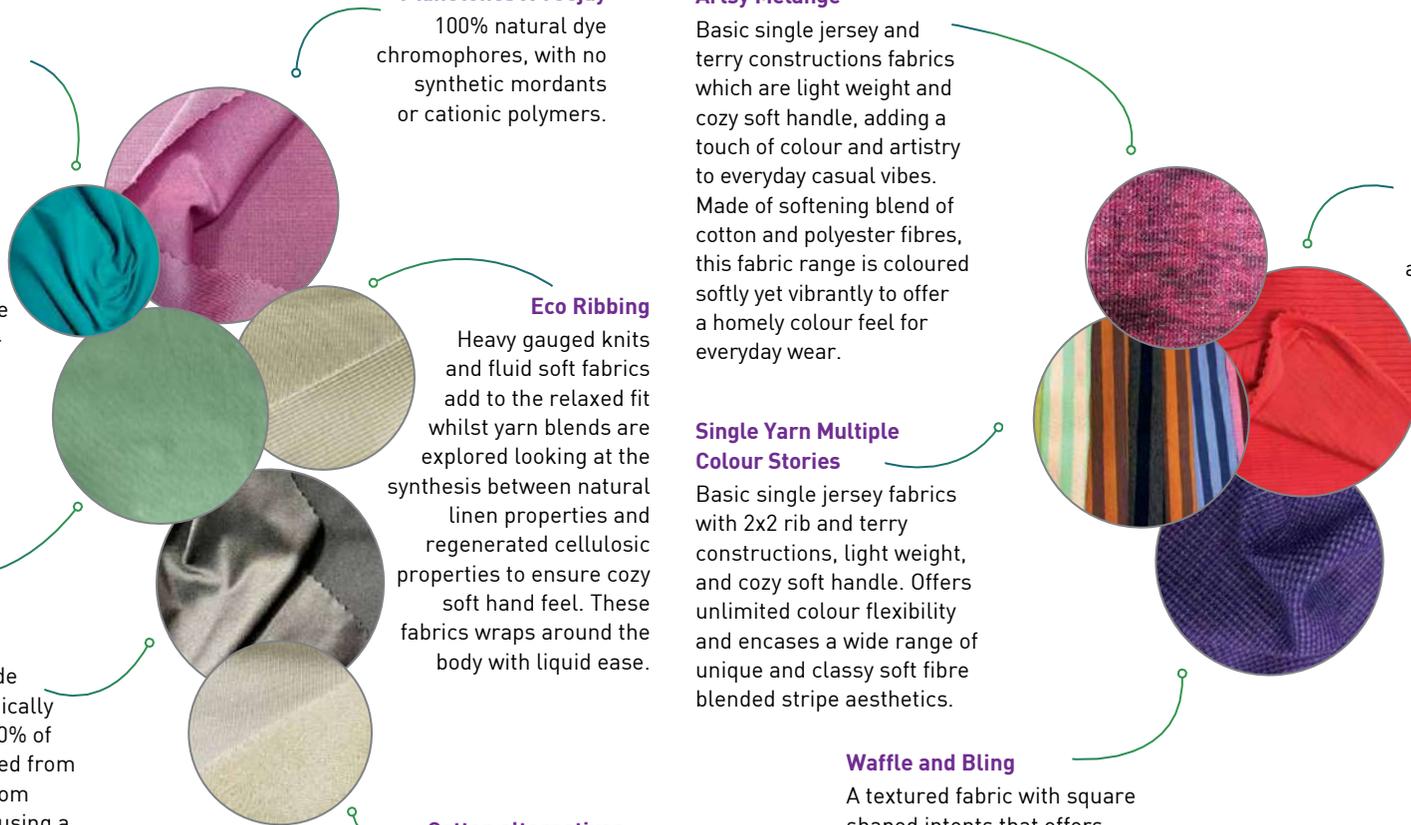
Basic single jersey fabrics with 2x2 rib and terry constructions, light weight, and cozy soft handle. Offers unlimited colour flexibility and encases a wide range of unique and classy soft fibre blended stripe aesthetics.

#### Waffle and Bling

A textured fabric with square shaped intents that offers comforting thermal properties and a soft feel. The warm bright colours in stripes and solid combinations are an instant mood-fix fashion waffle range.

#### Four X Two Active

Fabrics with soft 3D rib structures that are fluid and wrap around the body with liquid like ease.



## INTELLECTUAL CAPITAL

### Synthetic product range

**Jacquards**  
 Unlimited structure-based design capability with zonal ventilation panels, zonal compression panels, and solid and mesh combinations. These are compatible with both synthetic and natural fibres.

**Superfine Jerseys**  
 Lightweight fabrics with controlled sheerness, unparalleled surface cleanness and smoothness, and compact and powered characteristics.

**Superfine Interlock**  
 Cotton touch synthetics with minimised sheerness, high stretchability, and better moisture management.

**Biodegradable Nylon**  
 Amni Soul Eco® degrades within just 5 years, while other fibres takes decades to decompose.

**Synthetic Loopbacks**  
 Piece dye synthetics with thermal regulation properties, clean appearance, and enhanced moisture management.

**Q Cycle Nylon**  
 An innovative polyamide 6.6 with the functional and aesthetic benefits of lightness, strength, and resistance.

**Liquid Silver**  
 The ever-trending metallic shiny looks of bright polyesters are now taking on a subtle shine updated with luminescent and soft surfaces to bring fresh and luxurious takes on futuristic design. The special combination of modals with silver micro fibre synthetics are more fluid and softer to touch. Liquid Silver is a range to wrap yourself up in comfort.

**Water-Less Dyeing**  
 Process sustainability through DOPE DYEING, allowing the creation of patterned designs, leveraging its flexibility to combine with both raw and dyed yarns seamlessly, ensuring no colour contamination.

**3D Ottoman**  
 New and exciting fibre blends, with thermal retention, soft feel, and drapey.

**Classic Pique (Active)**  
 Focused pique with extra stretch, envelopes the body with liquid – ease, and moisture management.

**Active Ribs**  
 Fabrics with high recovery and high-Powered compression, wide weight range, and optimised for moisture management.

## INTELLECTUAL CAPITAL

### Fibre compositions (Synthetic)

#### Polyester

- Conventional Polyester
- Recycled Polyester
- Cationic Dyed Polyester

#### Nylon

- Conventional Nylon
- Recycled Nylon

#### Elastane

- Conventional Elastane
- Recycled Elastane

#### Structures

1. Single Jersey  
Structured Jersey
2. Double Jersey (Interlock, Rib)  
Structured Double Jersey
3. Terry
4. Pique

### Product development

The four pillars of product development (diversification) efforts:



► **Product Portfolio Upgrades:** This pillar involves identifying the brand's product portfolio and possible areas that can be enhanced with a unique product range. It encompasses infusing new technologies and processes to uplift the product portfolio through diversification.



► **Product Value Upgrades:** Achieved by identifying product ranges that are not performing well and providing alternatives, and adding value to current running products to successfully sustain their life cycles for the next couple of seasons.



► **Product Lifecycle Upgrades:** Infusing value for core running items and retaining the business by assigning valuations for the next season and forecasting trends with cost reengineering.



► **Green Sustainability Approach:** Identifying possible sustainability solutions that encompass product sustainability and raw material traceability by using testing methods such as nanotechnology.

Furthermore, Inscope has not restricted the scope of its innovation capabilities to the textile industry. It has sought to establish links with other industries such as the agriculture, medical, and mechanical industries as part of this endeavour. The entire process is achieved via the incorporation of artificial intelligence (AI) technology.

### RESEARCH AND DEVELOPMENT

In the period under review, Teejay invested over LKR 262 Mn. (around USD 745,910) in R&D. This included investments in yarn, greige, and DCA, including synthetic yarn and DCA, as well as testing.

#### Key new product developments and newly introduced products

In the FY 2022/23, an impressive total of 300 new product introductions and developments were successfully accomplished by Teejay.

#### 1. Products developed under 24 sustainable concepts

- **Recycled:** Nylon, Polyester, Cotton
- **Traceability**
- **Performance enhanced:** Enduring Cotton
- **Naturally sourced:** Hemp, Linen, Kapok
- **Regenerated solutions:** Naia, Tencel Lyocell, Livaeco, Eco Vero, Refibra
- **Wood pulp alternatives:** Bamboo, Sea cell
- **Sustainable colorations**

## INTELLECTUAL CAPITAL

### 2. Jacquards

- Body mapping jacquards
- Power jacquards
- Premium jacquards
- Lace like jacquards
- Active base layers

### 3. Performance enhanced products

- Thermal retention
- One size product upgrades: Flexible fit
- Free cuts
- Compression products
- Sheerness control products

### 4. Synthetics

- Finer gauges 40/44
- Structural upgrades
- Performance enhanced active based products
- Free cuts
- Acid printing
- Disperse printing

### Certifications and accreditations for quality and R&D

- Global Recycle Standard (GRS) certification – Teejay Lanka and Teejay India – valid until 29 January 2024
- Global Organic Textile Standard (GOTS) certification – valid until 3 September 2024
- Organic Content Standard (OCS) certification – valid until 3 September 2024
- OEKO-TEX certification – non-recycled valid until 31 March 2024 and recycled valid until 31 May 2024

- Lab accreditation for PVH – valid until 21 January 2024
- Regenagri certification – valid until 16 July 2024
- Lab accreditation for Decathlon – Discontinued due to less order situation based on marketing direction
- Lab accreditation for Marks & Spencer – valid until 5 October 2024
- Lab accreditation for L Brands – valid until 2 November 2024
- NATIFIC colour accreditation for PVH
  - Colour warehouse Victoria secret valid until 1 June 2024
  - Colour warehouse for PVH valid until 31 August 2023
  - Colour warehouse for Naticic valid until 23 March 2025

### HARNESSING TACIT KNOWLEDGE



Teejay recognises that the tacit knowledge and expertise of its employees play a pivotal role in driving innovation. To foster a culture of continuous learning and growth, the Company implements comprehensive training and development programmes. It also enhances employee awareness and motivation through appreciation and reward initiatives. In line with its commitment to promoting innovation, Teejay maintains an open culture that encourages employees to contribute new ideas across all aspects of the business. To harness the collective creativity within the Organisation, the Group hosts an annual competition

called “All Ideas Matter”. This competition focuses on generating innovative solutions to ongoing operational issues, fostering a collaborative environment that drives problem-solving and innovation throughout the Company.

### DIGITAL INITIATIVES

Digital technology plays a crucial role in strengthening the Group’s intangible assets. A clear and well-defined digital transformation strategy was formulated with a direction and purpose to drive digitisation efforts. The execution of these strategies and the provision of the necessary related training is manifested in the delivery of these projects.

Teejay Group’s investment in IT over the last two years has amounted to around USD 1.5 Mn. Furthermore, Teejay has undertaken several important intellectual capital initiatives during the year such as upgrading the ERP system to SAP S/4 HANA and bringing all three plants to a single platform, in addition to other HR initiatives.



**SAP S/4 HANA went live for Teejay Lanka and Teejay Prints on Google Cloud in January 2023 – the first such implementation in Sri Lanka. The system was implemented across several operations: finance and management accounting, sales and distribution, material management, production and planning, and plant maintenance for engineering.**

## INTELLECTUAL CAPITAL



Teejay Lanka became the first company in Sri Lanka to partner with Google Cloud to migrate its manufacturing and business operations to the latest generation of SAP Enterprise Resource Planning (ERP) S4 Hana deployed on Google Cloud.

Implementing an IoT system for shop floor data monitoring (smart knitting), adopting Google Cloud servers to expand Teejay's database capacity, and the introduction of a Product Lifecycle Management (PLM) system for the development team were some of the other projects conducted during the year. The adoption of a cloud strategy with Google Cloud and fibre optic optimisation are geared to make the Teejay Group future-ready as the business grows.

Digitisation has contributed to the overall efficiency of Teejay's performance by:

- Facilitating remote working – this was especially beneficial for Teejay's workforce during the economic and fuel crisis in Sri Lanka

- Digitising paper-based document flows through SAP
- Improving visibility and establishing a controlled environment with a linked sales process – from sales quotations to sales contracts and sales orders.

### FUTURE FOCUS

Innovation plays a key role in building and strengthening the intellectual capital of the Group. The initiatives for the future involve multidimensional approaches encompassing all levels, ensuring coordinated action toward the brand's integrity.

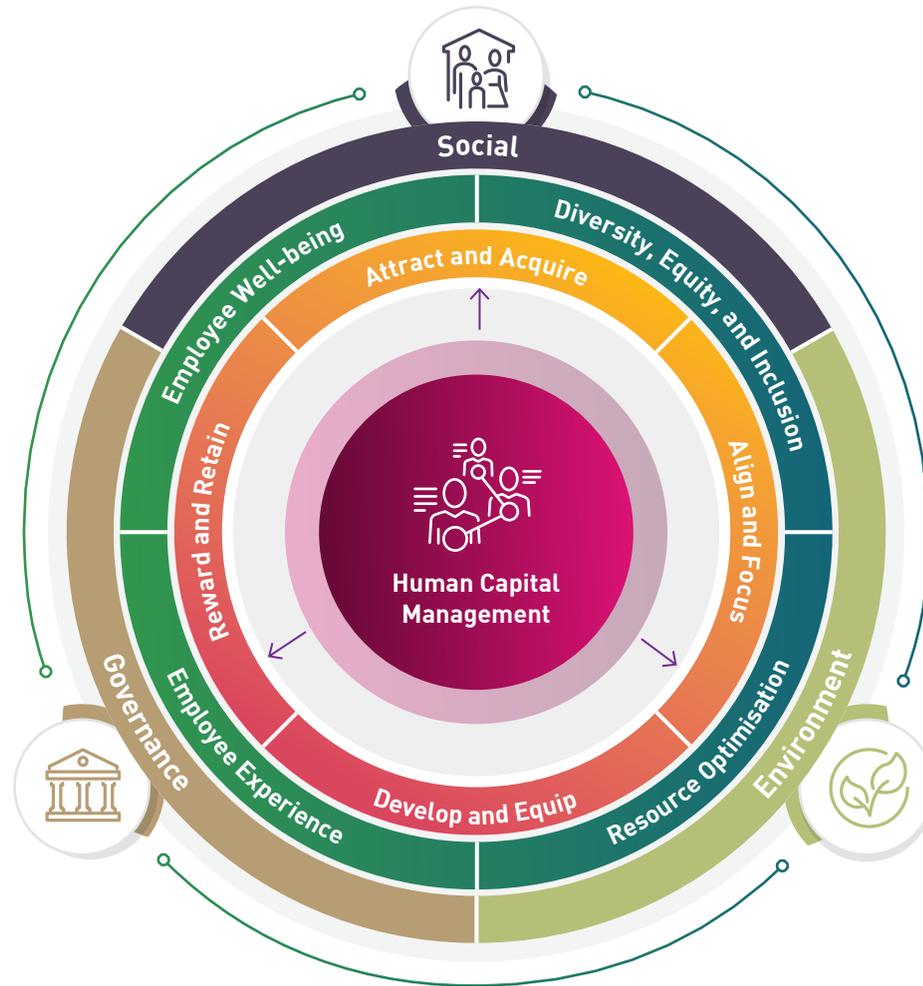
- **R&D:** Teejay Group is seeking to invest in R&D activities to develop innovative textile products, improve manufacturing processes, and explore new technologies. This involves collaborating with academic institutions, and industry experts, and leveraging internal expertise to enhance its intellectual capital.
- **Design and product development:** Teejay Group focuses on design capabilities and product development to create unique and differentiated textile products. This involves investing in talented designers, market research, trend analysis, and adopting a customer-centric approach to developing innovative and appealing products.
- **Technology and automation:** Teejay Group focuses on adopting advanced technologies and automation to enhance manufacturing efficiency, reduce costs, and improve product quality. This would include implementing industry 4.0 technologies, such as IoT, artificial intelligence, robotics, and data analytics, to optimise operations and increase intellectual capital.

- **Intellectual property management:** Teejay Group expects to prioritise the management and protection of its intellectual property (IP) assets. This would involve strategies to identify, secure, and leverage patents, trademarks, copyrights, and trade secrets to protect its innovations and gain a competitive advantage.
- **Talent development and retention:** Teejay Group places importance on attracting, developing, and retaining skilled professionals to enhance its intellectual capital. This encompasses initiatives such as training programmes, knowledge-sharing platforms, talent acquisition strategies, and creating a conducive work environment that fosters creativity and innovation.
- **Sustainability and CSR:** Teejay Group continues to focus on sustainability and CSR initiatives, as these factors are increasingly important to customers, investors, and stakeholders. By integrating sustainable practices, ethical sourcing, and social responsibility into its operations, Teejay Group looks to enhance its intellectual capital and reputation.

 **HUMAN CAPITAL**

While it may be tempting to perceive a corporation as a solitary entity driven by profits, the reality is that it is a complex ecosystem comprising various interconnected units. Each unit plays a vital role in cultivating a thriving environment.

Within the Teejay Group, there is a deep understanding of this dynamic, and a recognition of this intrinsic link between employee well-being and the overall success of the Organisation. This awareness has fostered a favourable setting that not only attracts talented individuals, both experienced and new, but also empowers existing staff members.



## HUMAN CAPITAL

### MANAGING OUR HUMAN CAPITAL

GRI 2-7, 2-8, 3-3, 401-1, 401-2, 401-3

Over the past year, the Company strived to maintain a positive work environment despite Sri Lanka's economic crisis, which led to a significant loss of skilled labour across the country. In contrast to the prevailing trend, the Teejay Group maintained its workforce at a stable level. Despite a slight reduction from 3,281 employees the previous year, the Company still boasts a strong team of 3,212 individuals. Further, the Group's workforce of sub-contracted casual labour declined to 179 at the end of 2022/23, down from 477 the previous year.

Throughout the year, Teejay maintained a workforce comprised solely of fulltime employees (with no part time employees). Teejay ensures that all employees – irrespective of contract type – are remunerated in compliance with all statutory requirements and market rates, which are well above the minimum wage of the country, and all benefits that are standard for fulltime employees are provided to temporary employees as well.

Teejay has remained dedicated to providing stable employment, despite the challenging economic landscape in Sri Lanka. The country's economic fallout, characterised by steep inflation and tax rates, has posed additional obstacles for Teejay Group in attracting and retaining talent. It is unfortunate that a significant proportion of the employees who left the Company, nearly 75%, were below the age of 30. This exodus can be attributed to understandable concerns about Sri Lanka's future and the pursuit of more lucrative opportunities abroad. The loss of this young talent may have implications for Teejay's digital dexterity, as older generations may be slow to adapt to newer technological concepts and systems.

For the most part, Teejay has circumvented these obstacles by offering its workers greater rewards, both through higher remuneration and improved benefits. The Company has also forged partnerships with universities and professional institutions that have afforded easier access to top talent and expedited its recruitment process. New hires also undergo an extensive onboarding programme, ensuring they are equipped with the necessary knowledge to transition seamlessly into their new roles. Additionally, the Company employs meticulous succession planning so that leadership roles made vacant by outgoing employees are suitably and swiftly filled.

#### Sri Lanka

##### Teejay Lanka

**1,470** (2022/23)

Male – 1,357 Female – 113

(2021/22) Male – 1,344 Female – 103 Total – 1,447

##### TJ Prints

**229** (2022/23)

Male – 204 Female – 25

(2021/22) Male – 200 Female – 21 Total – 221

#### India

##### TJ India

**1,513** (2022/23)

Male – 1,297 Female – 216

(2021/22) Male – 1,416 Female – 197 Total – 1,613

#### Total

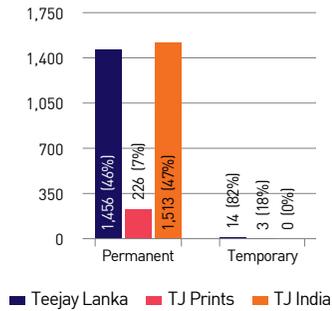
**3,212** (2022/23)

Male – 2,858 Female – 354

(2021/22) Male – 2,960 Female – 321 Total – 3,281

## HUMAN CAPITAL

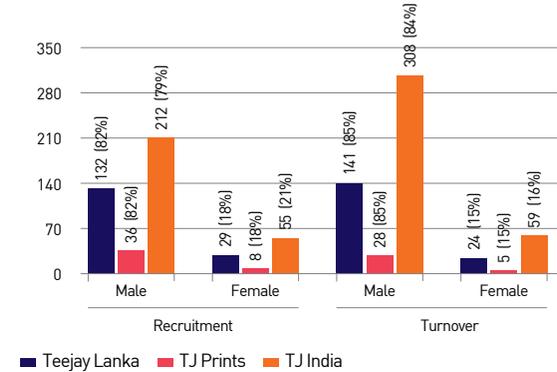
**Employees by contract type and region**  
(Nos.)



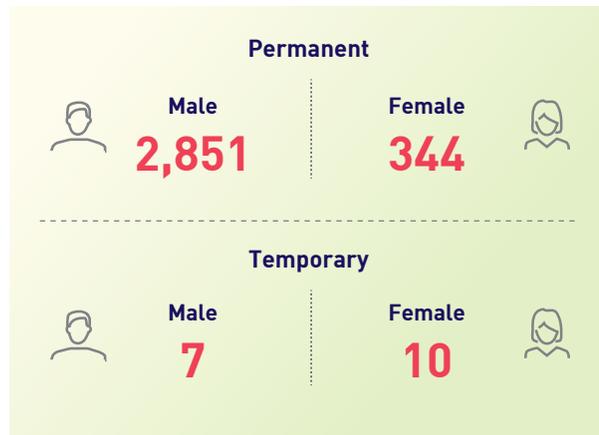
**Recruitment and turnover**



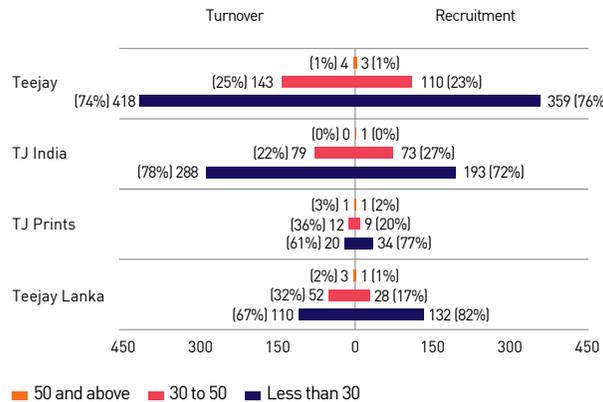
**Recruitment and turnover by gender and region**  
(Nos.)



**Employees by contract type and gender**



**Recruitment and turnover by age and region**  
(Nos.)



## DIVERSITY AND INCLUSION

GRI 405-1, 405-2, 406-1, 408-1, 409-1

Teejay Embraces Diversity and Inclusion. The Group takes concentrated efforts to eliminate workplace discrimination regardless of an individuals, ethnicity, age, religion, gender identity, sexual orientation or ability. The Teejay Group's diverse and inclusive culture reflects multi ethnicities and religions across Sri Lanka and beyond Sri Lankan borders. The commitment to inclusivity is deeply ingrained within Teejay Group, starting from its Management Team. Teejay creates a workplace for equal opportunity and is driven based on meritocracy, ensuring that all employees are treated fairly and equitably, especially groups underrepresented within the labour force.

## HUMAN CAPITAL

### SheCan

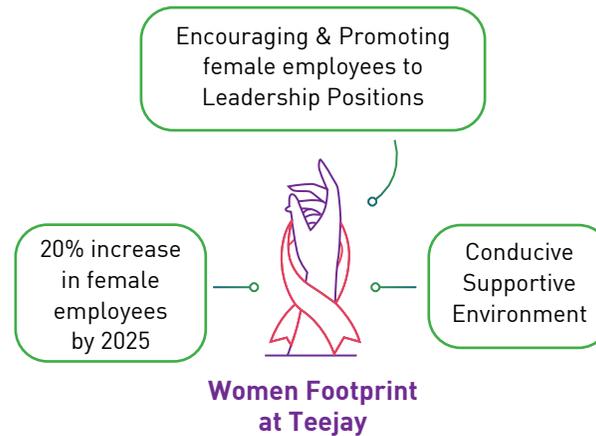


Teejay is leading the charge towards equality, diversity, and inclusion in the apparel industry with its groundbreaking “SheCan” initiative as a part of its female empowerment the campaign empowers women within the Company to break stereotypes and showcase their true potential. The initiative recognises that gender should not define roles, responsibilities, or competence, and it actively encourages women to take up challenging positions that were previously perceived as beyond their reach. SheCan serves as a platform for Teejay’s talented female professionals allowing them to demonstrate their capabilities and set industry standards, regardless of gender. By supporting women in their professional growth and promoting work-life balance, Teejay is enabling its female workforce to thrive and make significant contributions to the industry, proving to the world that indeed, She Can.

Furthermore, Teejay celebrates women’s achievements and contributions on Women’s Day, recognising the vital role they play in the Organisation’s success. These celebrations serve as a testament to Teejay’s ongoing commitment to promoting gender equality and creating an inclusive and supportive work environment for all its employees.

Teejay women foot print was revisited last year and covers the areas of leadership, environment, work – life

balance and increasing the female numbers consciously across all areas. Form 2% below Teejay has now reached female cadre of 11 % across the group and it intends to drive this up to 20% by 2025.



This commitment to fostering diversity and gender equality is evident through Teejay Group’s efforts to increase the representation of women in senior positions. One notable initiative during the year that showcases Teejay Group’s commitment to gender diversity and talent development is the Teejay Lanka Management Trainees Programme. This programme specifically focuses on guiding the progress of five young and promising female employees to nurture them into future leaders within the Company’s upper management.

Furthermore, during the previous year, the Company recruited 32 female personnel across all departments, with the majority between 25 and 45 years of age and hired at the executive level. Additionally, although the Board of Directors currently consists exclusively of male members, the Company takes proactive measures to ensure that the basic salaries and remuneration for female staff and associates are on par with their male counterparts (with a one-to-one ratio).



## HUMAN CAPITAL

This commitment to pay equity demonstrates Teejay Group's dedication to creating a workplace where gender does not determine one's compensation or opportunities for growth, and where the basic salaries for male and female workers in similar roles are equal.

To maintain this equitable work environment and prevent discrimination of any kind, the Teejay Group has implemented a formal whistleblower policy. It serves as an effective channel for identifying whether any particular individual or group has violated the Company's core values or formal Employee Code of Conduct.

Our strict Abuse and Harassment Free Workplace Policy has enabled us to maintain a record of zero

reported incidents related to discrimination throughout the year. We prioritise the well-being and safety of our employees, ensuring a workplace environment free from abuse and harassment. If an employee faces abuse or harassment, we provide a range of options for them to choose from, allowing them to decide on the course of action that best suits their needs. These options empower the employee to take control of their situation and take appropriate steps toward resolution.

- **Informal Approach:** To resolve issues created by the offensive behaviour informally as early as possible, either verbally or in writing, indicating that a line has been crossed and such behaviour will no longer be tolerated.

- **Formal Approach:** In case the behaviour persists despite the warnings, then a formal approach will have to be resorted to, where the complaint can be taken up with:

1. Either the Supervisor or Reporting Manager
2. The HR Department
3. The CEO
4. The Committee

All complaints need to be presented in written format as an email or letter, and handed over within 10 days and three months of the occurrence of the incident. The written complaint must include the following details:

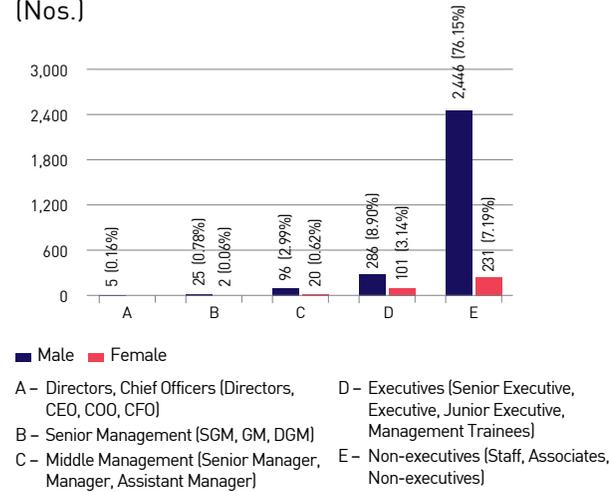
1. The name of the offender.
2. Description of the offence, including the time, place, and circumstances under which the act occurred, and any relevant evidence or information.
3. The complaint should be made in good faith and with no ill will, malice, or with an ulterior dishonest motive. False complaints will not be entertained.

In addition, Teejay enacts strict protocols to guard against the employment of anyone under the age of 18 and is vehemently opposed to any form of forced labour. No incidents of child or forced and compulsory labour were reported during the year. Teejay also obtained self-declarations from its main suppliers that their respective organisations were also free of child labour, forced labour, and compulsory labour.



## HUMAN CAPITAL

### Employees by category and gender (Nos.)



### COMMUNICATION AND PERFORMANCE ASSESSMENTS

GRI 2-30, 404-3

Teejay Group places a strong emphasis on ensuring that its employees are assigned roles that align with their capabilities, enabling them to showcase their full potential. The Company is committed to addressing grievances that could hinder their performance and satisfaction. To achieve this objective, the Teejay HR Team actively seeks and values employee feedback through open but confidential communication channels. This kind of candid interaction is present throughout the Company, with even the CEO being accessible to an employee with a grievance to air. Although there are no collective bargaining agreements in place, Teejay ensures the rights of freedom of association, and that all Teejay's employees' rights and interests are guaranteed and overseen by the Company's Joint Consultative Committee, which comprises 25 employees. Moreover, the introduction of suggestion boxes in all related plants, facilitates workers, employees, and subcontractors alike to approach their

respective supervisors to air grievances, if need be. Teejay also obtained self-declarations from its main suppliers that they too ensured freedom of association and the rights of all employees.

As is our policy, all Teejay employees received both mid-year and year-end appraisals during the reporting year. These reviews carefully assess individual contributions and growth. In the case of poor performers, action to address shortcomings and improve output is explored in a respectful manner, which includes identification of any training and development needs and a fair degree of positive reinforcement. Meanwhile, top performers are rewarded with bonuses, salary increments, and promotions. Additionally, appreciation for those who have gone beyond the call of duty is conveyed through "Employee of the Month" and "Employee of the Year" accolades. Staff members who cross 5 and 10-year service milestones are presented Long Service Awards, which include the presentation of a gold coin as a form of appreciation for the services rendered. Teejay appreciates, recognises, and rewards its employees through various other initiatives such as REACH Beyond, Value Star Award, and Achievers Awards as well.



### TRAINING AND DEVELOPMENT

GRI 404-1, 404-2

Teejay's employees are empowered through continuous professional development, equipping them with invaluable skills that will serve them well even if

### Employees by category and age

	Less than 30	30 to 50	50 and above
Directors, Chief Officers (Directors, CEO, COO, CFO)	-	3	2
Senior Management (SGM, GM, DGM)	-	20	6
Middle Management (Snr Mgr, Mgr, AM)	3	102	12
Executives (Snr Exec, Exec, Jnr Exec, Mgt Trainees)	152	219	16
Non-executives (Staff, Associates, Non-executives)	1,271	1,361	45
<b>Total employees</b>	<b>1,426</b>	<b>1,705</b>	<b>81</b>

**HUMAN CAPITAL**

they decide to seek employment elsewhere. These programmes not only keep them abreast of the latest best practices in their chosen trades, but also consolidate their existing knowledge and afford them networking opportunities for future transitions and livelihoods, subsequent to their employment at Teejay.

All new recruits undergo an Induction and Onboarding Programme. Furthermore, we have several training programmes to uplift the skills of employees, from associate, all the way up to management levels.



**Training programmes for new recruits**

<b>Fabric Technocrat</b>	A programme for cadre staff to understand the overall manufacturing process and the role of each department.
<b>SLITA</b>	Certificate and Diploma Programmes in Textile Engineering for Teejay employees, especially cadre staff.
<b>EDP</b>	Executive Development Programme targeting executive cadre.
<b>MDP</b>	Management Development Programme targeting Assistant Managers and Managers.
<b>Coaching and Mentoring</b>	For Senior Leadership members.

Identifying training needs among staff and employees is critical for the benefit of their overall performance towards the success of the Organisation. The Performance Management System (PMS) facilitates the identification of training requirements. Training programmes are linked to the competency rating, and any gaps are identified and consolidated with two lists;

- **Training needs to improve performance in current role** – technical, functional, and behavioural
- **Training needs to undertake future roles and greater responsibilities** – technical, functional, behavioural, managerial, and leadership.

Employee training needs are also established based on the following:

- Inputs for training needs based on the strategic goals of the Department consolidated from the discussion between the Cross Functional Team (CFT) members and the Head of Department.
- Talent assessment – Career and succession planning is carried out based on individual development planning.
- Skill matrix – Skill gap assessment.
- Statutory training programmes for multiple roles.
- Customer satisfaction surveys; customer complaints; critical incident reports; service or product quality data.

During the year, changes in the operating environment resulted in Teejay implementing the following initiatives to retain and enhance the skills of existing employees, thereby reducing turnover and minimising disruption to the production process.

- Programmes were initiated to train employees in the executive category and above on the subject of multitasking. Non-executive employees were offered cross-functional training to enable them to handle different functions, so that employees can be rotated between departments, when necessary. Although these programmes have existed since inception, they were accelerated by the dynamic changes in the market over the last few years.
- A new batch of Management Trainees was recruited, catering to different areas of the organisation including textile engineering, management, logistics, and electrical engineering, to ensure a more diversified exposure to operations. Attracting more young blood to the operations process has helped the Group be more dynamic in terms of service delivery.
- Foreign exposure was provided for employees, to obtain expert knowledge in terms of technology and operations, and help upskill them for their personal development as well.



**A new batch of Management Trainees were recruited covering different areas of the organisation**

## HUMAN CAPITAL

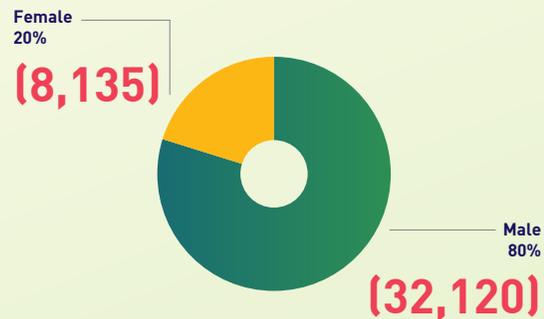
### TRAINING PROGRAMMES



Training hours   
**40,255**  
(17,156 in 2021/22)

Average training hours per employee   
**12.5**  
(0.60 in 2021/22)

#### Average training hours by gender

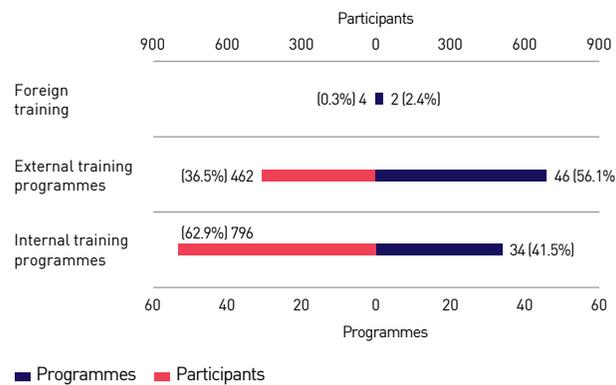


### Average training hours by category

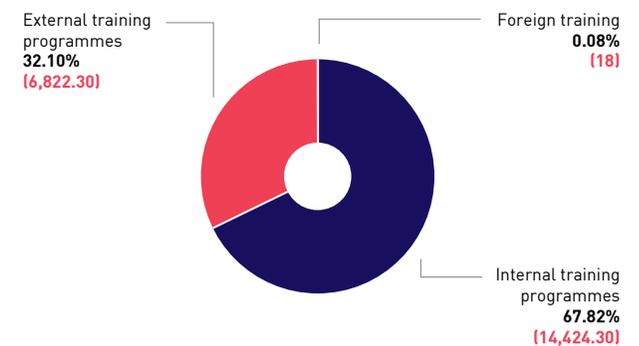
	Teejay Lanka PLC		Teejay Lanka Prints (Private) Limited		Teejay India (Private) Limited	
	Male	Female	Male	Female	Male	Female
Directors, Chief Officers (Directors, CEO, COO, CFO)	-	-	-	-	8.0	-
Senior Management (SGM, GM, DGM)	-	147.0	-	-	5.6	4.5
Middle Management (Snr. Mgr, Mgr, AM)	34.7	66.2	22.5	52.0	15.4	23.0
Executives (Snr. Exec, Exec, Jnr. Exec, Mgt. Trainees)	20.4	39.5	21.2	3.5	9.8	17.6
Non-Executives (Staff, Associates, Non-Executives)	10.1	68.4	21.3	4.5	8.3	8.5
Average training hours	12.2	53.0	21.3	6.0	8.6	9.9

### Training programmes

#### Type of training (Nos.)



#### Training hours



## HUMAN CAPITAL

### OCCUPATIONAL HEALTH AND SAFETY (OHS)

GRI 403-1, 403-2, 403-3, 403-4, 403-5, 403-6, 403-7, 403-8, 403-9, 403-10

Considering the inherent risk involved in Teejay Group's manufacturing operations, the safety and well-being of its staff are of utmost importance. To guarantee their protection, Teejay has implemented stringent health and safety protocols. The Group's central tenet of "Safety Beyond Compliance" creates a culture of safety across all Teejay entities, where everyone is collectively responsible for maintaining a safe working environment.

In addition to securing ISO 45001:2018 certification, the management subscribes to a thorough Occupation Health and Safety Management System (OHSMS) that covers all stakeholders, including employees, contractors, suppliers, customers, visitors, and those from neighbouring communities. The framework also adheres to Sri Lanka's Department of Labour and International Labour Organization (ILO) safety regulations. Teejay Lanka has developed an OHSMS and is certified against ISO 45001:2018. The internal audit team has been established and trained by an external training body and all internal and external audits are conducted and corrective actions are taken for identified non-conformities. Additionally, Teejay commits to preventing industrial accidents and health risks by assessing the safety of all related processes, creating awareness of potential risks, and appropriately responding to emergencies.

Employees are trained on handling chemicals and personal protective equipment (PPE) safely through a variety of training, licensing, and certification programmes.

### Types of OHS training programmes

- Forklift operator training and licensing programme
- LOTO training
- Emergency response training for operating teams
- Firefighting training
- First aid training
- LP gas handling training
- Electrical safety
- Machine safety
- Height and confined space work training
- STD and HIV awareness
- Prevention of diabetes
- Safety induction for new recruits
- Weekly toolbox training across all departments



STD and HIV Awareness



First aid training

We have formulated an activity-based PPE matrix covering all departments, and periodically conduct awareness training for all employees. Shift Executives, Supervisors, CCTV Operators, and Safety Wardens have also been instructed to frequently monitor the appropriate usage of PPEs.

To identify and evaluate the hazards associated with various machines and those that exist at each level of the manufacturing process, the Company carries out routine risk assessments. These procedures carefully review any change to a process and modification or addition of equipment. The employees are requested to report all workplace accidents, unsafe practices, compromised facilities, and close calls. These incidents are then carefully investigated to determine the remedial measures, or if it's a site, the manufacturing method, or the machine deemed unsafe. Employees are also encouraged to suggest improvements to safety procedures.

## HUMAN CAPITAL

Teejay Lanka and Teejay Prints both have well-equipped fire protection and fire detection systems in place. Regular training programmes are conducted throughout the year on the health and safety measures in place. Additionally, the Teejay Bipartite OHS Committee, comprising management and associate staff, gathers each month to discuss all health and safety matters and formulate necessary control measures.

Regular training drills and briefings are also conducted to safeguard staff against fire, chemical, electrical, mechanical, ergonomic, and physical hazards. Safety details and regulations are additionally reinforced through more interactive and engaging tasks like safety quizzes and the selection of a monthly safety champion.

Teejay tracks workplace injuries on an occurrence basis and reports quarterly to Senior Management except in the case of a serious workplace injury or fatality, where the incident is reported immediately. "Recordable injuries" are injuries that have a recovery period of less than six months whilst "high consequence injuries" are injuries where recovery takes over six months. There were no incidents of high consequence injuries reported during 2022/23.



### Fatalities due to work-related injuries

0

### Number of high consequence injuries

(Injuries where Recovery Takes over Six Months)

0

### Number of recordable injuries

(Injuries that have Less than Six Months Recovery Time)

7

### Rate of work-related injuries

0.22

### Number of lost days as a result of employee injuries was

8 days

### Main types of work-related injuries

- Muscle strains while handling fabric rolls
- Minor cuts on metallic machine parts
- Hot sludge splashed on a team member during sludge dryer repairs

### Fire and safety expenses

**LKR 4,796,341.96**

(LKR 21,247,402.00 in 2021/22)

## Safety measures to minimise hazards

Hazard	Safety measures
Fire	<ul style="list-style-type: none"> <li>• Risk assessments, audits, and inspections.</li> <li>• Mock drills and firefighting training conducted every three months.</li> <li>• A dedicated water pump house with capacities of 500 m<sup>3</sup> water storage, consisting of one jockey pump and other pumps that are either electrical or diesel powered.</li> <li>• Over 400 fire extinguishers are placed across the factory in several locations.</li> <li>• A modern addressable fire alarm panel with 1,014 multi-sensors installed to detect smoke, flame, and heat.</li> <li>• A fire NOC has been obtained for the factory from the AP Fire Services Department.</li> <li>• Third-party safety audit is done through TEAM Engineering.</li> <li>• 42 fire exits are placed strategically in multiple locations.</li> <li>• Onsite evacuation plant displayed in appropriate locations.</li> <li>• Well-trained and highly skilled fire wardens appointed to cover three shifts.</li> <li>• Three designated emergency assembly points in the factory.</li> </ul>

**HUMAN CAPITAL**

Hazard	Safety measures
<b>Chemical</b>	<ul style="list-style-type: none"> <li>• Automatic chemical dispensers and fume extraction systems.</li> <li>• Regular training.</li> <li>• PPE distributed (goggles, gloves, and gas respirators).</li> </ul>
<b>Electrical</b>	<ul style="list-style-type: none"> <li>• Regular training.</li> <li>• PPE distributed.</li> </ul>
<b>Mechanical</b>	<ul style="list-style-type: none"> <li>• Machine guards and emergency switches.</li> </ul>
<b>Ergonomic</b>	<ul style="list-style-type: none"> <li>• Engineering modifications.</li> <li>• Availability of tow trucks, pallet trucks, and reach trucks.</li> <li>• Regular training.</li> </ul>
<b>Physical (e.g. noise and dust)</b>	<ul style="list-style-type: none"> <li>• Dust extraction systems in place.</li> <li>• Dust masks and earplugs distributed.</li> <li>• Purchase of low-noise machines.</li> </ul>

In terms of personnel’s health, any medical complaint is analysed and reported to the Safety Team. These details are disclosed confidentially by the respective employee to a consultant doctor who only shares this information with the Safety Team’s authorised officials. However, the Company’s efforts to safeguard its employees against health risks are not limited to those that originate in the workplace.



**Medical expenses**  
**LKR 42 Mn.**  
 (LKR 35 Mn. in 2021/22)

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**Fatalities due to work-related ill health**  
**0**

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**Cases of recordable work-related ill health**  
**0**

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**Main types of work-related ill health**  
**None**

**Safety measures to minimise work-related ill health**

Hazard	Safety measures
Emission of fabric dust and chemical fumes	<ul style="list-style-type: none"> <li>• Dust extraction system in place.</li> <li>• Provision of fresh air through industrial fans for workstations.</li> <li>• Provision of water dispensers.</li> <li>• Dust masks distributed.</li> <li>• Frequent PPE awareness sessions conducted.</li> </ul>
High level of heat	<ul style="list-style-type: none"> <li>• Fume extraction system in place.</li> <li>• Provision of gas respirators.</li> <li>• Frequent PPE awareness sessions conducted.</li> </ul>
High level of noise	<ul style="list-style-type: none"> <li>• Low-noise machinery.</li> <li>• Provision of earplugs.</li> <li>• Frequent PPE awareness sessions conducted.</li> </ul>

Teejay conducts frequent awareness programmes, seeking to enlighten employees on issues such as industrial hygiene and nutrition, sexually transmitted diseases, diabetes prevention & control, and domestic health & safety risks. It offers team members annual medical surveillance and free doctor consultations, as well as 24-hour access to an in-house medical centre, staffed by qualified nurses, and an emergency vehicle.

## HUMAN CAPITAL

### EMPLOYEE ENGAGEMENT AND WELFARE

Creating and enabling an environment within an organisation involves acknowledging the importance of work-life balance for employees. Teejay Group recognises this crucial aspect and demonstrates understanding towards its employees in balancing their personal lives with their professional commitments. This support has become increasingly evident, especially in the recent past, with the COVID-19 pandemic and the social and economic turmoil affecting the country. As part of our “social and team building events”, Teejay hosts several celebrations (religious and otherwise) and excursions for the staff and their families, in addition to “Coffee with the CEO” for new employees, and Independence Day Commemorations. Educating and training our staff is of paramount importance to us, and as such we conduct several programmes in this regard to honing the teamwork, communication, and leadership skills of our employees.



In the light of the ongoing economic volatility faced by Sri Lanka, Teejay Group is fully aware of the financial burdens impacting its workforce. To ensure the well-being of its employees, the Company has further intensified its already robust employee welfare initiatives. Teejay Group is dedicated to doing everything possible to protect and support its people during these challenging times. Two key initiatives among them included providing full-time staff with an economic relief allowance, and a comprehensive medical insurance scheme.

In a move to deliver employees a greater work-life balance, the Company has presented them with the option of working remotely and, when possible, during the hours most convenient to them. This policy affords them the flexibility to perform optimally while being available to their families to meet their responsibilities on the home front. Teejay also provides school books and school bags for all children of staff members, and during the year under review, the Company also held a celebratory event for 39 children of staff, regarded as high achievers of the Grade 5 Scholarship Examinations.

Teejay has made a further commitment to its workers’ mental and physical well-being by conducting regular workshop sessions and medical camps, targeting issues such as stress management and diabetes. The Company’s staff cadre can also blow off steam at the exciting events hosted throughout the year. These include annual excursions, Christmas carols, *Bakthi Geetha*, the “Teejay Lama Sithroo” art exhibition and family day celebration, and numerous quizzes and Friday night gatherings. To cultivate extra camaraderie

between employees away from the workplace, the Company also organises frequent outbound gatherings filled with entertaining team-building activities.

Moving forward, Teejay wants to continue assisting, empowering, and adding to its most prized asset, its workforce, through action that facilitates improved engagement, development, and appreciation.

### Parental Leave

GRI 401-3

All female employees are eligible for maternity leave as per the labour regulations of Sri Lanka. Female employees with newborns are afforded maternity leave of 12 weeks, while the male employees are afforded one day of paternity leave.

During 2022/23, five female employees availed themselves of maternity leave, and all five of them returned to work upon conclusion of the leave period. All employees that returned to work remain in employment as at the last date of the reporting year.

	Paternity Nos.	Maternity Nos.
Employees entitled to leave	34	12
Employees who took leave	34	12
Employees who returned to work after taking leave	34	10
Returned to work (%)	100	83



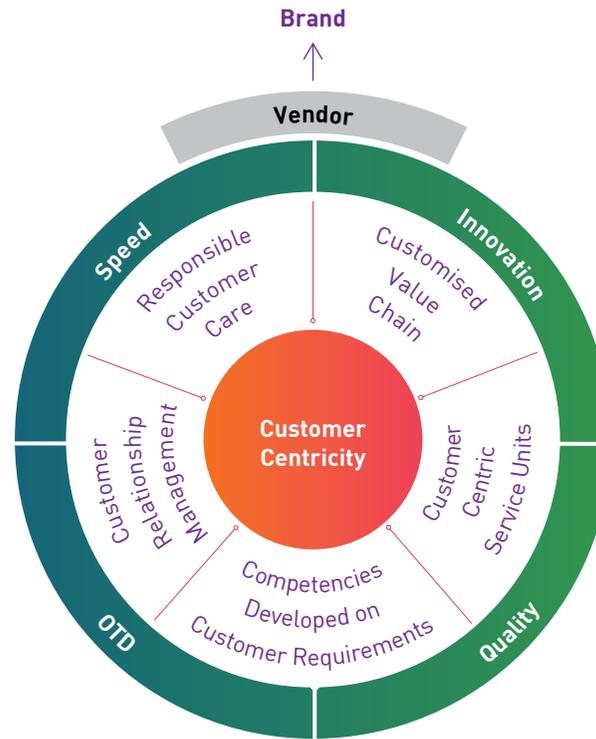
## SOCIAL AND RELATIONSHIP CAPITAL

Teejay recognises that its customers, suppliers, and the communities in which it operates are essential components of its social capital. The Company upholds a steadfast dedication to social responsibility in its interactions with these stakeholders.

### CUSTOMERS

GRI 416-1 416-2, 418-1

At Teejay, we are dedicated to elevating our brand to world-class status by placing our customers at the forefront of our strategy. Our Customer Centric Framework revolves around five key aspects that enable us as a business to be speedy, innovative, and have superior quality and delivery standards. By prioritising our customers’ needs and preferences, we aim to exceed expectations, build lasting relationships, and establish Teejay as a trusted and sought-after brand in the global market.



Teejay currently has eight strategic customers in its portfolio – namely Calzedonia, VS&Co., PVH, Marks & Spencer, Nike, Uniqlo, Decathlon, and Lidl. Since the COVID-19 pandemic, and the subsequent US-China fallout, Teejay experienced a surge in orders, as international brands moved their business to South Asia instead, particularly Sri Lanka and India. Further, supply

chain and logistics challenges brought about by the economic crisis in 2022 led to many brands vertically integrating with apparel manufacturers to minimise lead times.

During the year under review, Teejay faced a number of macro and microeconomic challenges due to global inflation, the Ukraine-Russia war, and Sri Lanka’s economic crisis. This resulted in reduced demand, causing Teejay to develop competitive pricing models, reducing lead times, and entering new product segments to gain leverage and remain competitive, particularly with China’s new “Plus One Strategy”.

As a B2B organisation, Teejay primarily executes its marketing endeavours through targeted seasonal presentations to key customers. The core tenets of our branding strategy revolves around adaptability, transformation, and a steadfast commitment to innovation. To assess our performance, we diligently analyse the profitability of both our products and customers on a monthly and quarterly basis. Additionally, we employ surveys as a valuable tool to identify shifting customer preferences and emerging needs.

The Company also ensures customer health and safety through rigorous product assessments during the production process. Among many others, this includes checking for chemical residue on fabrics to mitigate potential risks. Teejay also adheres strictly to individual chemical compliance standards set by each brand the Company works with. During the year under review, there were no incidents of non-compliance concerning the health and safety impacts of products and services.

## SOCIAL AND RELATIONSHIP CAPITAL

Customer engagement is further reinforced through regular visits to Teejay’s manufacturing facilities, where compliance audits from brands take place. These practices reflect Teejay’s dedication to maintaining exemplary standards and transparency while fostering strong relationships with customers. Throughout the financial year 2022/23, Teejay received no customer complaints related to privacy breaches or health and safety concerns, reinforcing the commitment the Company has towards customer satisfaction and safety.

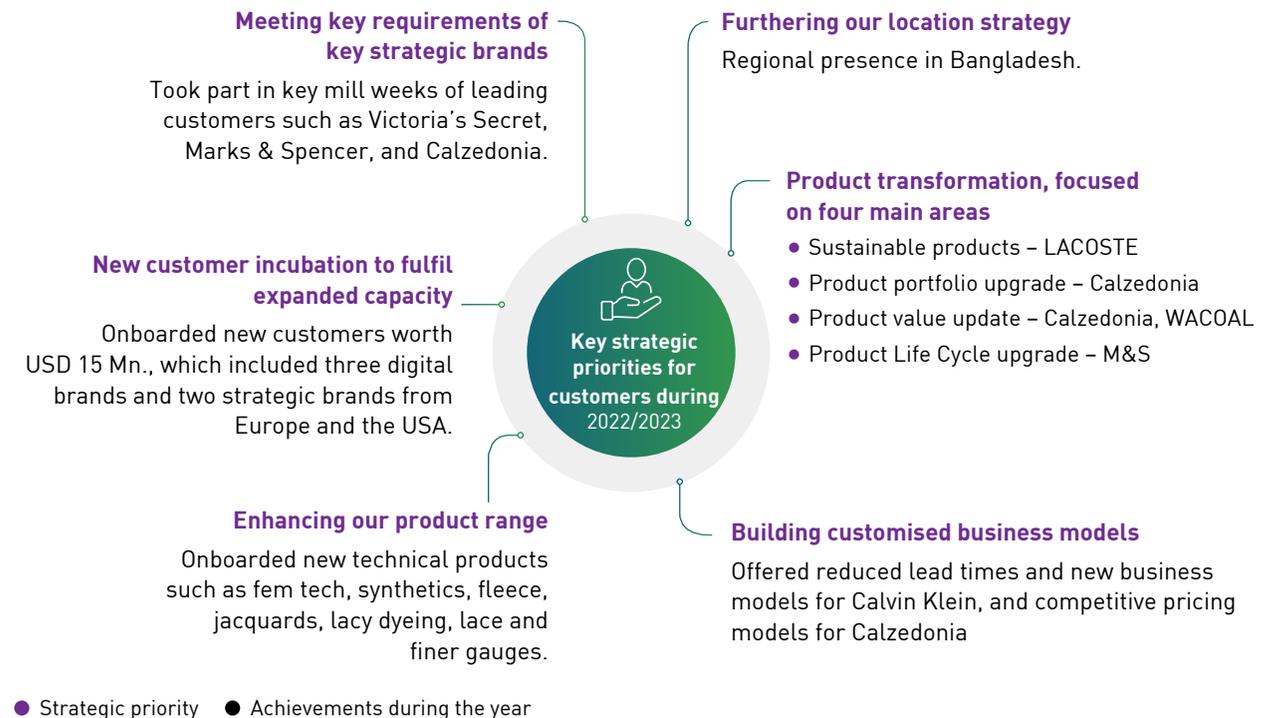
### Product innovation and key customer strategies

Teejay Lanka’s business strategy remains steadfast in its commitment to avoid market acquisition tactics that simply replicate competitors’ products or rely on enticing discounts. Instead, the Company distinguishes itself by introducing innovative and value-added products, establishing a distinct and exclusive presence in the online fashion trade. This deliberate emphasis on product innovation has yielded remarkable results, as evidenced by a substantial increase in sales volumes. Through these value-added offerings, Teejay has successfully navigated a niche market, reinforcing its position as an industry leader. It is worth noting that capacity expansions carried out during the year were mainly through productivity improvements and modernisation of machinery, highlighting the Company’s focus on optimising existing resources.

Throughout the entire value chain, our Marketing Department plays a pivotal role by actively participating in every stage and collaborating closely with various

departments. This integrated approach enables us to develop and deliver innovative products that meet the evolving needs and preferences of our customers. In the past year, our key strategic priorities centred around enhancing our relationships with customers. Accordingly, we successfully expanded our customer base by gaining new partnerships with renowned brands such as Aloe Yoga, Meundies, and Wacoal.

These collaborations allowed us to tap into new markets and reach a wider audience, thereby extending our brand presence and diversifying our customer portfolio.



## SOCIAL AND RELATIONSHIP CAPITAL

Over the next few years, our key focus areas for customers would be on strategic brand consolidation (60%), new business incubation (20%), and digital brand incubation (20%). We aim to strengthen and solidify our existing brands, enhance customer loyalty, and increase market share. Additionally, we will actively explore partnerships with emerging brands and businesses to tap into new markets and diversify our product portfolio. Emphasising the importance of digital platforms, we will optimise our digital brands’ performance and leverage digital marketing strategies to attract and engage online customers. Through these strategic initiatives, we will enhance customer satisfaction, drive growth, and stay ahead of market trends.

### SUPPLIERS

GRI 2-6



Teejay recognises the significance of strong supplier relationships and actively collaborates with key suppliers to drive innovation and ensure sustainable sourcing of raw materials. With a focus on fostering enduring partnerships, the Company employs a strategic product transformation system to enhance its product portfolio, enabling the introduction of cutting-edge offerings. A cohesive team of dynamic individuals works collaboratively, emphasising innovation and strategically launching new products to the market. Teejay’s collaborative efforts extend beyond product development, as multiple teams coordinate with suppliers to explore and develop advanced techniques. These initiatives also involve the integration of artificial intelligence (AI) into the Company’s systems and processes, delivering enhanced value to customers and effectively mitigating the impact of rising raw material prices. By fostering these collaborative relationships, Teejay aims to strengthen its supply chain, drive innovation, and deliver sustainable and high-quality products to its valued customers.

Teejay’s strong supplier partnerships and network over the past 20 years, has helped the Company navigate the COVID-19 pandemic, and more recently, the economic crisis Sri Lanka is facing. Our network spans suppliers of essential materials such as yarn, greige, and chemicals and dyes; equipment suppliers and their agents; fuel sources/energy; manpower suppliers; and suppliers of ancillary materials for operations such as stationary and food. The following measures were implemented to sustain and strengthen the supply chain

during the adverse economic and operating conditions of the reporting year:

- Increasing the levels of safety stocks
- Advance booking arrangements
- Vendor managed inventory models
- Extension of supplier credit terms

Our supplier base is rationalised and categorised amongst two tiers, to meet customer expectations. During 2022/23, Teejay expanded its supplier network by onboarding 15 new partners across diverse locations. This was primarily to enable alternate supply options for the Company, and due consideration was given to geographical location, business volume and risk factors. This strategic move aimed to effectively cater to the raw material needs of the Company’s newly introduced synthetics range.

In line with Teejay’s commitment to promoting sustainability and responsible practices throughout its supply chain, the Company has laid out a robust framework for assessing its supply chain partners’ performance. Central to this framework is the Supplier Code of Conduct (SCC), which all suppliers must endorse upon registration to be part of Teejay’s supply chain. The SCC encompasses critical aspects, including anti-corruption measures, eradication of child and forced labour, protection of freedom of association, compliance with local labour and environmental laws, and ensuring the payment of minimum wages to supplier staff. By having suppliers sign off on the SCC,

## SOCIAL AND RELATIONSHIP CAPITAL

Teejay sets a strong precedent for ethical conduct and sustainability principles within its supply chain, whilst also ensuring that supply partners are in compliance with the ethical standards upheld by the international brands that Teejay collaborates with. Teejay offers all its supplier partners vertical integration opportunities as well, connecting them to premium brands and brand partners, to help them enhance their technical and design skills.

Teejay's existing supplier assessment criteria involves a periodical supplier evaluation scorecard, an annual review of supplier agreements, and periodic onsite visits and audits. However, the upgraded version of the assessment involves several new criteria in the same regard. Geographical location, financial stability, compliance compatibility – e.g.: traceability [including non-use of banned cotton regions, certifications (Oeko Tex/GOTS/GRS/BCI/Blue Sign etc.), technical support system and capacity, references from known parties, and onsite audits, to name a few.

The demand for raw material traceability in the industry has been prevalent for a long period of time, and numerous accreditations and audits take place to ensure the materials used adhere to brand requirements. However, new developments focussing on enhancing the visibility of raw material origins are emerging globally. An audit process is conducted on a regular basis to ensure Teejay complies with these requirements, in collaboration with its supplier base. The Group has adopted AI tools, and other similar technological developments for advanced information management and the tracking of raw materials throughout the value chain.



Teejay takes pride in its pioneering achievement as the first Sri Lankan textile mill to obtain the US Trust Protocol certification. By attaining this certification, Teejay reaffirms its position as a leader in the industry, dedicated to meeting international standards for sustainability and transparency, and providing customers with products that are not only of the highest quality but also produced with environmental and social consciousness.

Looking ahead, we will see the Company actively working on defining guidelines for identifying significant suppliers, acknowledging that assessing every Tier 1 supplier may be impractical. The criteria for determining significant suppliers will include (a) dedicated suppliers providing over 80% of their goods and services to Teejay, (b) the top 10% value-wise of suppliers (excluding international partners with no bargaining power), and (c) small-scale suppliers deemed to have potential ESG risks. These guidelines will serve as an objective tool for selecting Tier 1 suppliers targeted for assessments, streamlining the process for effective evaluation.

To assess the ESG performance of significant suppliers, Teejay also hopes to introduce a self declaration questionnaire, enabling suppliers to share essential information about their sustainability practices. Through this assessment, Teejay aims to engage with significant suppliers, fostering a culture of

best practices sharing and collaborative improvement through supplier forums.

By proactively partnering with its suppliers to enhance ESG performance, Teejay demonstrates its dedication to driving positive change within the textile industry and reinforcing its position as a responsible and sustainable player in the market.

## CORPORATE SOCIAL RESPONSIBILITY (CSR)

GRI 413-1



Teejay is deeply committed to the sustainability of the communities and the environment in which it operates, recognising that the well-being of these stakeholders directly impacts the sustainability of its operations.

Environment  
Footprint

Community  
Development  
with Sanitation  
for Schools



CSR for  
our Employees

Enhancement  
of the Textile  
Industry

## SOCIAL AND RELATIONSHIP CAPITAL

At the heart of Teejay's CSR strategy is the goal of creating sustainable livelihoods through "Thirasara Mehewara." The Company achieves this by implementing various social responsibility projects for its employees, and community development projects with a special focus on improving sanitation facilities in educational institutions. Additionally, Teejay invests in green initiatives to offset its environmental footprint and actively collaborates with peers and institutions to uplift the entire textile academia.

Prior to the COVID-19 pandemic, Teejay adopted a comprehensive approach, engaging all departments within the Group in CSR initiatives. These initiatives are strategically focused on seven key geographical areas, such as Kudagama, Puwakpitiya, Apalapitiya, Kotiyakumbura, Seethawaka, Weralupitiya, and Thalduwa which is considered as the vicinity from a 5 km radius from its premises. The Company's employees actively collaborate as the CSR work force with community leaders, schools, and religious institutions to make a positive impact.

However, in response to the current circumstances, the Company has adapted its approach by involving volunteers and key departments alongside its dedicated CSR Department to ensure the continuity of its meaningful work.

### OUR COMMITMENT AND VISION

GRI 413-2

Teejay's commitment to sustainability and community development is deeply rooted in ongoing engagement and open dialogue with the communities in which it operates. By actively listening to the voices of the

community, the Company ensures that its CSR initiatives are not only relevant but also tailored to address the specific needs and challenges faced by local residents.

As a responsible corporate entity, where manufacturing operations are primarily based in Seethawaka Export Processing Industrial zone, Teejay takes pride in having minimal negative impacts on local communities. However, the Company actively contributes to the communities through both direct and indirect job creation. To align with its community outreach and development programmes aimed at supporting an underdeveloped area, during the year, Teejay prioritised recruiting more associates from the Sabaragamuwa Province. This strategic focus creates more job opportunities and fosters economic growth in the region, reinforcing Teejay's commitment to uplifting and empowering the communities it operates in.

In its pursuit of sustainable community development, Teejay collaborates closely with academia and key state institutions to gather essential information and insights. This analysis led to the identification of "hygiene, sanitation, and water" as a strategic area for furthering community initiatives, reinforcing the Company's dedication to the overall well-being and advancement of the communities it serves.

Advancing these collective findings, Teejay's ambitious CSR vision for the next three years involved extensive research to identify hygiene and sanitation requirements in underdeveloped schools during 2023. Building on this foundation, the Company plans to forge industrial and non-industrial partnerships and collaborations from 2024 to 2025, with a primary focus on empowering – school children; our future generation of the community through sanitation and water initiatives.

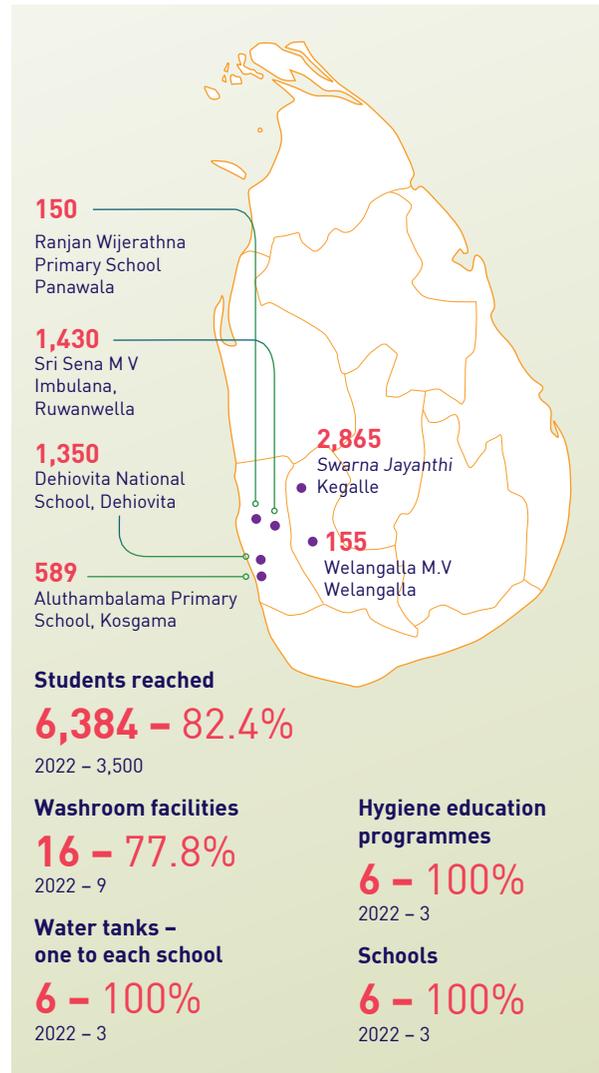
### Creating Sustainable Livelihoods through "Thirasara Mehewara" the strategic CSR footprint of the Group

#### Doubling the impact

Hygiene and sanitation requirements stand as compelling needs for schools located in rural areas. As such, Teejay seeks to provide schoolchildren in these rural areas with proper infrastructure for hygiene and sanitation and complement it with the necessary hygiene education. The Group is committed to this mission and will continue to expand this footprint, doubling it annually to secure a healthier and better future for future generations. Teejay's prime focus when addressing sanitation issues is ensuring access to drinking water and proper sanitation infrastructure specially focusing on the differently abled individuals attending these schools.

Through Teejay's support, these contributions have facilitated the installation of three toilets, a 500-litre water tank, and the implementation of hygiene education awareness programmes in rural schools. The aim of these programmes is to educate students and the wider community on improving sanitation practices for better health outcomes. This year the coverage was almost doubled compared to previous year and has benefited approximately 6,384 students with a focus on covering as many deserving rural schools per province as part of a national-scale project. This initiative was launched in the Sabaragamuwa Province and will expand further concentrating on the Ratnapura and Kegalle areas in the coming year.

## SOCIAL AND RELATIONSHIP CAPITAL



Teejay takes a proactive approach in selecting schools for these initiatives, ensuring that proposals introduced by the Company play a crucial role in the selection process. The Company remains fully engaged with the projects, actively assessing progress and providing support wherever necessary. This commitment to ongoing involvement and support underscores Teejay’s dedication to the success and sustainability of this project.

The first project was initiated as collaboration between Teejay, AmCham, and Habitat for Humanity during the covid year and this year the company is planning to work with new industrial partners to exemplify the power of partnership which will bring better impact to those in need among the school community. By joining forces with these esteemed organisations, Teejay continues to make a meaningful difference in the lives of students, promoting better sanitation practices and contributing to the overall development of rural schools in Sri Lanka.

### “Gethumaka Yuthukama”

Teejay embraces its responsibility to contribute to both the well-being of our planet and society at large. Recognising the season of giving as an opportunity to make a difference, the Teejay Lanka Knitting Department organised a wholesome effort that yielded remarkable results.

Under the banner of “Gethumaka Yuthukama,” the Teejay team rallied the Company’s staff members to support a worthy cause: donating school supplies to the students of Dehiattakandiya Vevemadagama Vidyalaya. With great enthusiasm, Teejay’s staff members passionately contributed to this meaningful endeavour. The mission of “Gethumaka Yuthukama” successfully covered students in grades one to five, ensuring that a total of 64 children had the opportunity to enjoy an amazing start to the New Year. By providing essential



## SOCIAL AND RELATIONSHIP CAPITAL

school supplies, Teejay aimed to empower these young learners and create an environment conducive to their educational journey.

This heartwarming initiative reflects Teejay’s commitment to making a positive impact on the lives of others, particularly in the area of education. Through the combined efforts of the Teejay Team, “Gethumaka Yuthukama” not only brought smiles to the faces of the children but also instilled a sense of hope and gratitude within the community. It exemplifies Teejay’s dedication to giving back and spreading joy through impactful actions.

### “Today’s Reader, Tomorrow’s Leader”

Furthermore, the Teejay Annual Book Donation Programme under the banner of ‘Today’s Reader, Tomorrow’s Leader’ was another such successful drive that aimed to facilitate the transition to the new academic year for the children of staff at Teejay Lanka and Teejay Prints, spanning grades 1 to 13.



Teejay’s Annual Book Donation Programme.

In accordance with sustainability as a concept and for the benefit of future generations, Teejay is also currently working on a novel project that seeks to recycle unused pages to create new books, which will later be distributed amongst the many underprivileged schools in Sri Lanka.

### To Earth with Love



A sustainable appropriation of natural resources is essential to strengthen one’s ecological/environmental footprint and Teejay ensures that this is done efficiently, which in turn enhances the quality and services of the textile industry with reduced wastage.

The Kelani River, considered the fourth longest river in Sri Lanka, holds immense importance as it supplies approximately 80% of the drinking water required by metropolitan Colombo. Unfortunately, the sustainability of the river is threatened by several factors, including deforestation along its banks, industrial discharge of waste and effluents, and a lack of environmental awareness among the general population. Recognising its own contribution to these challenges, Teejay understands the urgent need to address and minimise these negative impacts.

To tackle these issues head-on, Teejay launched the “To Earth with Love” initiative, embarking on a series of projects dedicated to expanding its sustainability efforts. One noteworthy undertaking was a comprehensive

cleanup drive aimed at restoring the areas surrounding the Kelani riverbank. Additionally, Teejay organised an awareness campaign on environmental preservation and sustainability, engaging 130 schoolchildren from Kelani Maha Vidyalaya. Furthermore, Teejay’s collaboration with the Zero Plastic Movement, alongside dedicated students from universities who have pledged allegiance to the Movement, has proven instrumental in successfully eliminating plastic waste from the vicinity of the Kelani riverbank. The combined efforts of Teejay representatives and these stakeholders have made a significant impact in addressing the plastic pollution problem in the area. These initiatives mark significant strides in raising awareness and instilling a sense of responsibility towards environmental protection.



A comprehensive clean-up drive aimed at restoring the areas surrounding the Kelani riverbank.

Looking towards the future, the Teejay Group remains committed to furthering its endeavours in combating climate change, managing its environmental footprint, and contributing to the overall well-being of the planet. This commitment is exemplified through their

## SOCIAL AND RELATIONSHIP CAPITAL

upcoming project, *Abivarah 2030*, which will serve as the culmination of a series of sustainability initiatives undertaken by the Company. Through these ongoing endeavours, Teejay strives to champion environmental stewardship, actively participating in the safeguarding of natural resources that communities and ecosystems rely upon.

### Assisting Sri Lanka's premier cancer treatment facility

Demonstrating Teejay's unwavering commitment to the well-being of underprivileged communities, a remarkable humanitarian effort was orchestrated by the Neoterics Team, to brighten the lives of children at the Apeksha Hospital in Maharagama [The National Cancer Institute (NCI)].

Teejay's contribution to the hospital amounted to LKR 653,595. In addition, a generous cash donation of LKR 550,000 was made to support the purchase of essential medicines. The Company also extended its support by providing monetary contributions for the acquisition of diapers and baby surgical masks. These significant contributions were made possible through the voluntary efforts of Teejay's compassionate staff members, who selflessly contributed despite the challenging economic circumstances. This remarkable display of generosity truly embodies the Group's core values.

It is noteworthy that Teejay's commitment to Apeksha Hospital extends beyond financial provisions. Recently, Teejay Lanka's Quality and IT Teams organised a blood donation drive, which garnered an impressive collection of 100 pints of blood. This life-saving contribution was wholeheartedly donated to the hospital, underscoring

Teejay's dedication to making a tangible difference in the lives of those in need.

Teejay's involvement with Apeksha Hospital stands as a testament to the Group's enduring commitment to corporate social responsibility. Through their continuous support and active participation in such initiatives, Teejay exemplifies its unwavering dedication to creating a positive impact and uplifting communities.



A remarkable humanitarian effort was orchestrated by the Neoterics Team, to brighten the lives of children at the Apeksha Hospital in Maharagama.

### Oversight and implementation

To ensure effective oversight and management of CSR endeavours, the CSR Team assumes responsibility for conducting annual inspections, evaluations, and coordinating with stakeholders. They play a crucial role in maintaining strong relationships with external parties and monitoring the progress of ongoing initiatives.

Teejay has always fostered a collaborative approach to community development projects, with the Engineering and HR Departments taking an active role in their

implementation and management. These departments bring their expertise and resources to bear, working in synergy to execute and oversee projects that contribute to the betterment of the communities in which Teejay operates. This multi-faceted engagement model reflects Teejay's commitment to corporate social responsibility, leveraging the collective efforts and expertise of volunteers and various departments within the Group to maximise the positive impact on communities and stakeholders.

### RECOGNITION

The Company has garnered numerous awards and accolades for its strategic adoption of environmentally-friendly production practices and its commitment to the safety and development of its employees. These accolades serve as a testament to Teejay's dedication to sustainable operations and its efforts to preserve the environment.

Additionally, Teejay proudly holds ISO certifications, reflecting the Company's adherence to internationally recognised standards for quality management, environmental sustainability, and occupational health and safety. These certifications underscore Teejay's commitment to maintaining high standards across its operations, fostering continuous improvement, and ensuring customer satisfaction.

By prioritising eco-friendly practices, employee well-being, and achieving ISO certifications, Teejay has established itself as a responsible and forward-thinking organisation, earning recognition and respect within the industry and from external entities that value excellence in sustainability and employee welfare.

## **NATURAL CAPITAL**

Natural capital consists of critical natural inputs used in Teejay’s manufacturing process. The Group is committed to reducing the consumption of natural resources, especially water and energy, the main resources used in its manufacturing processes, whilst ensuring the responsible disposal of solid and liquid waste from factory operations, and responsible discharge of gas emissions, in compliance with all relevant national environmental regulations.

### **ENVIRONMENTAL GOVERNANCE**

A robust Environment, Social, and Governance (ESG) Framework provides the guidelines under which Teejay gives wings to its ambition to be the “preferred fabric solutions provider for branded clothing”. Counting some of the most globally reputed apparel brands in its portfolio, this ambition is steadily being realised by the Organisation.

As a company that has consistently set industry standards in many areas, Teejay considers sustainability to be a key area that will drive it to be a successful and environmentally responsible business. Apart from capturing the demand of international brands, Teejay has always focused on more sustainable approaches in line with the United Nations Sustainable Development Goals (UN SDGs). To this end, the Group has formulated a combined sustainability strategy as a roadmap, covering sustainable solid waste management, water stewardship, the sustaining of low emission standards,

and energy conservation, in line with both the 5R Concept (Refuse, Reuse, Reduce, Repurpose, Recycle) and Circular Economy Model.

Teejay’s environmental responsibility is at the core of its sustainability efforts, with three main pillars guiding its commitment to a greener future: responsible consumption – “Doing more with Less”; responsible discharge – “Waste to Wealth”; and supporting a thriving planet – “To Earth with Love.”



Teejay India, celebrated World Environment Day by educating around 60 students, at a Government school located near the factory, about the vitality of protecting mother nature.



## NATURAL CAPITAL

As part of its sustainability journey, known as *Abhivarah 2030*, Teejay Group upholds the concept of “environment” or *Abhivarah*, which emphasises the coexistence of life with nature to bring balance to the ecosystem. In alignment with the United Nations Sustainable Development Goals (UN SDGs), Teejay is dedicated to conserving natural resources for future generations.



Teejay has always focused on more sustainable approaches in line with the United Nations Sustainable Development Goals (UN SDGs).



Proactively measuring its environmental impact, Teejay has achieved impressive scores in sustainability assessments. Teejay Lanka scored an outstanding 94% on the Higg Facility Environmental Module (FEM), positioning it among the best performers in the Sustainable Apparel Coalition. Teejay Prints and Teejay India also demonstrated their commitment to environmental responsibility, scoring 68% and 79% on the Higg FEM, respectively.

To formalise and institutionalise its environmental management practices, Teejay has implemented internationally recognised ISO standards. Teejay Prints successfully implemented the ISO 14001 Environmental Management System and ISO 14064 Greenhouse Gas Emissions standards, along with ISO 9001:2018 for quality management. Teejay Lanka also achieved ISO 14064 compliance, covering Scopes 1, 2, and 3 emissions. Additionally, Teejay Lanka is in the process of implementing the ISO 50001 Energy Management System to enhance its energy efficiency further.

## NATURAL CAPITAL

In line with its commitment to responsible business practices, Teejay has also become a participant in the United Nations Global Compact (UNGC), a voluntary initiative that encourages businesses to adopt sustainable and socially responsible policies.

Through these robust environmental initiatives and international recognitions, Teejay exemplifies its dedication to environmental responsibility and sustainable business practices, reinforcing its position as a leading force in the global textile industry, contributing to a greener and more prosperous planet.

### RAW MATERIAL USAGE

GRI 301-1, 301-2, 301-3

Teejay drives sustainability in its business by leading product transformation with the support of an innovative strategy ("Inscope"), which places special emphasis on a green and sustainable business approach. Recycled yarn comprised 11% of the total yarn purchased during the year, with recycled yarn purchases increasing by 42% over the previous year.

## CERTIFICATIONS AND ACCREDITATIONS



Global Recycle Standard (GRS) Certification –  
Teejay Lanka and Teejay India



Global Organic Textile  
Standard (GOTS) Certification



Organic Content Standard (OCS) Certification

The amount of input materials (yarn) used to manufacture the Group's primary products and services during the financial year 2022/23 amounted to 20,085,025 kg. Meanwhile, the amount of recycled materials reflects an increase of 49% for this financial year compared to the previous year, which amounted to 2,571,404 kg.



OEKO-TEX Certification

### Ø ZDHC

Teejay became a ZDHC (Zero Discharge of Hazardous Chemicals) signatory supplier and ZDHC impact pioneer.

## NATURAL CAPITAL

	Recycled input materials		Material usage	
	2022/23	2021/22	2022/23	2021/22
Yarn (kg)	1,608,645	2,571,404	24,555,386	21,508,990
Dyes (kg)	-	-	1,010,946	943,323
Chemicals (kg)	-	-	13,649,716	12,345,084
Auxiliaries (kg)	-	-	2,915,875	2,914,348
Knitting needles (units)	-	-	1,412,471	1,521,171
Packaging materials (kg)	-	-	1,717,419	1,363,150
Consumable goods and spares (USD)	-	-	1,289,335	9,495,659
Greige (kg)	31,220	823,124	25,099,809	21,227,519
Prepared for print/PFP (kg)	-	-	2,601,181	2,226,618
Paper (bundles)	-	-	3,000	3,000

## ENERGY CONSUMPTION AND MANAGEMENT

GRI 302-1, 302-2, 302-3, 302-4, 302-5

Teejay is committed to upholding its corporate responsibility to the environment and meeting the evolving needs of its customers through its sustainability goals. The Company's initiatives are primarily focused on mitigating its environmental impact, reducing greenhouse gas (GHG) emissions, and promoting sustainable business growth. These endeavours align with the Science Based Targets initiative (SBTi) outlined in the Paris Agreement.

The Teejay Group, including Teejay Lanka, Teejay Prints, and Teejay India, is committed to the SBTi and, the Group has pledged to work towards the SBTi targets,

which aim to limit global temperature rise to 1.5<sup>0</sup> Celsius by 2030 and achieve net zero emissions by 2050. All of Teejay's future sustainability strategies will be instrumental in fulfilling this pledge.

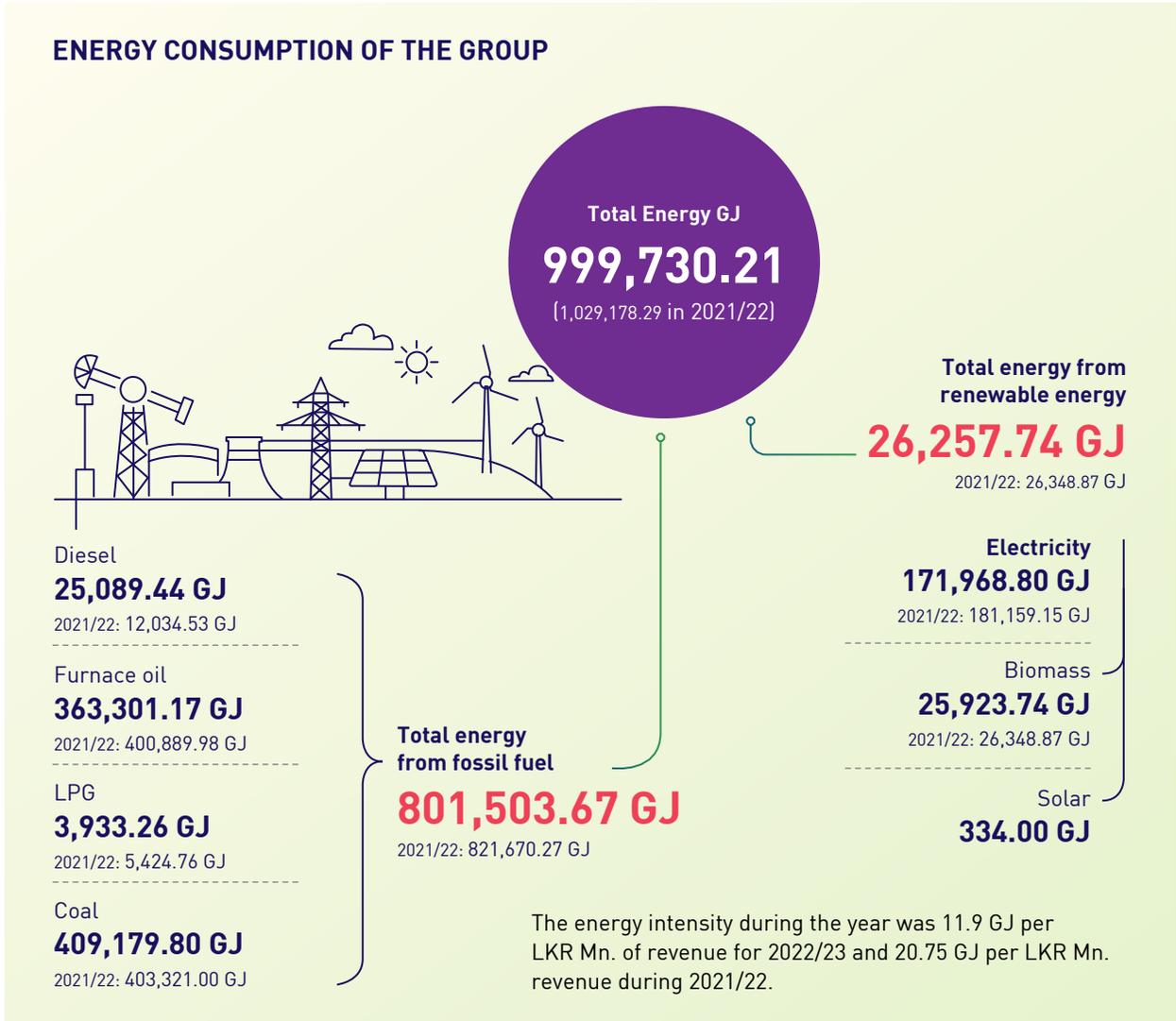
The reduction of energy consumption plays an important role in the Group's response to its environmental impact. The Group continues to work towards its goal of reducing its carbon footprint and has committed to reducing carbon emissions by 50% by 2030. In order to achieve these ambitious targets, annual targets are set by the Management.

### Key achievements of the Group during the year for energy efficiency:

- Reduced energy consumption by 3% (29,448 GJ)
- Developed a live Energy Monitoring System in collaboration with Dialog Axiata PLC and the University of Moratuwa for enhanced energy efficiency.
- Improved power factor from 0.85 to 0.98, resulting in a 71 kVA reduction in maximum demand for electrical energy.
- Replaced high liquor ratio dye machines with low liquor ratio machines, increasing efficiency and reducing energy consumption.
- Implemented measures to reduce Heavy Fuel Oil (HFO) consumption, including boiler burner modifications, improved insulation, and temperature regulation.
- Undertook compressor airline leak mitigation projects, centralising air distribution, reducing air openings, and rectifying air leakages.
- Upgraded main distribution lines with flow metres for the compressed air ring circuit.
- Fully refurbished TH1 and TH3 in-house, partnering with MGO during a shutdown initiated in April.
- Automated chiller operations based on lower cooling demand during the night shift, optimising energy usage.

**NATURAL CAPITAL**

- Conducted a feasibility study to increase sustainable energy sources by 100%, exploring the use of biomass as an alternative fuel.
- Replaced over 1,000 CFL bulbs with energy-efficient LED bulbs and low bay lights, reducing energy consumption to 48 watts. Utilised solar energy and biogas as sustainable alternatives.
- Achieved an annual energy reduction of 518 MW/hour by implementing double dyeing technology with a new SCLAVOS dye machine.
- Implemented energy-saving mode for stenters during idle running operations, reducing stenter RPM by up to 50% for eight circulation fans and saving 7.5 kW per fan by June 2023.
- Proposed cyclic operations for compressed air consumption in knitting machines by June 2023.
- Initiated the implementation of ISO 50001: Energy Management System, completing the preliminary audit.
- Implemented an Energy Management Policy to guide sustainable energy practices.



## NATURAL CAPITAL

### WATER MANAGEMENT

GRI 3-3, 303-1, 303-2, 303-3

Teejay recognises the vital importance of water in its manufacturing operations. To preserve this valuable resource and safeguard water sources, the Company has implemented various measures to minimise water and chemical usage. Throughout the year, Teejay collaborated closely with local universities and industry partners to explore ways of further reducing water consumption and improving treatment quality.

For the reporting year, by implementing a new water reduction method, the dyeing time was reduced from 15 hours to 11 hours, resulting in decreased water usage. This directly contributes to the Company's efforts to achieve its target of reducing water intensity by 50% by 2030 under its *Abhivarah 2030* sustainability journey programme.

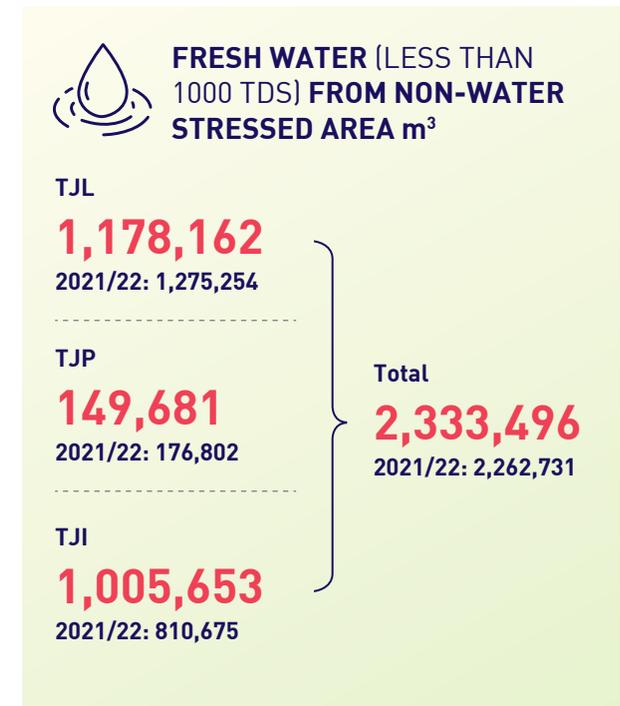
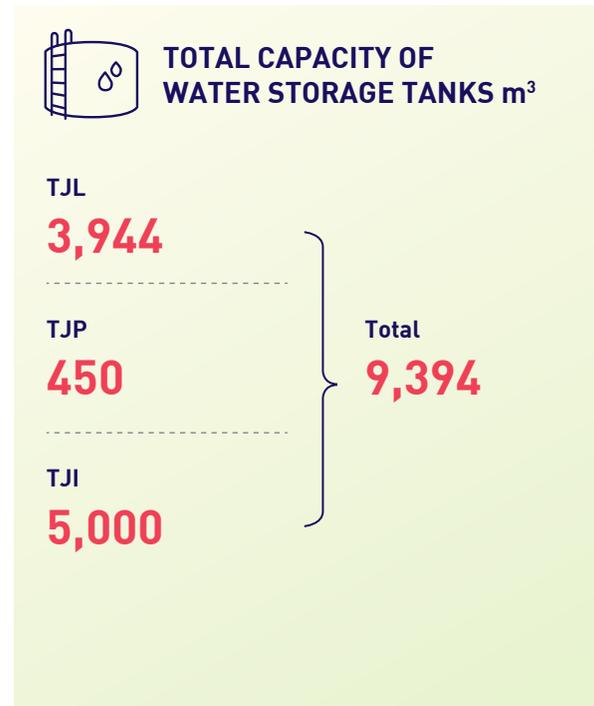
Additionally, Teejay sponsored a joint project with the National Water Supply and Drainage Board (NWSDB) and the Board of Investment of Sri Lanka (BOI). This initiative ensured a three-month water supply to all factories in the zone during the dry season in the last quarter of the year. Teejay covered the expenses of both NWSDB and BOI, facilitating an uninterrupted supply of water from the Kelani river to all businesses in the area. This was done by providing seven pumps and a power generator, which mitigated water shortages caused by scheduled power interruptions.

Teejay India is leading a feasibility study for a reverse osmosis water recycling facility in partnership with the Brandix facility. This innovative project aims to reuse effluent water, generating significant savings and promoting sustainable water practices.

Teejay also established the "IERA" laboratory (named after the Sanskrit word for water). This state-of-the-art facility is equipped for water and chemical testing, enabling Teejay to optimise processes and maintain water and effluent treatment quality. The laboratory conducts regular tests based on industry standards, encompassing physical, chemical, and biological characteristics of water and chemicals.

### Water withdrawal

During the year, total water withdrawal amounted to 2,333,496 m<sup>3</sup>, indicating an additional withdrawal of 70,765 m<sup>3</sup> of water compared to the previous year. The total water requirement was met through third-party water sources available in the Board of Investment of Sri Lanka (BOI) Seethawaka Export Processing Zone (SEPZ), from non-water stressed areas.



## NATURAL CAPITAL

### EFFLUENT DISCHARGE

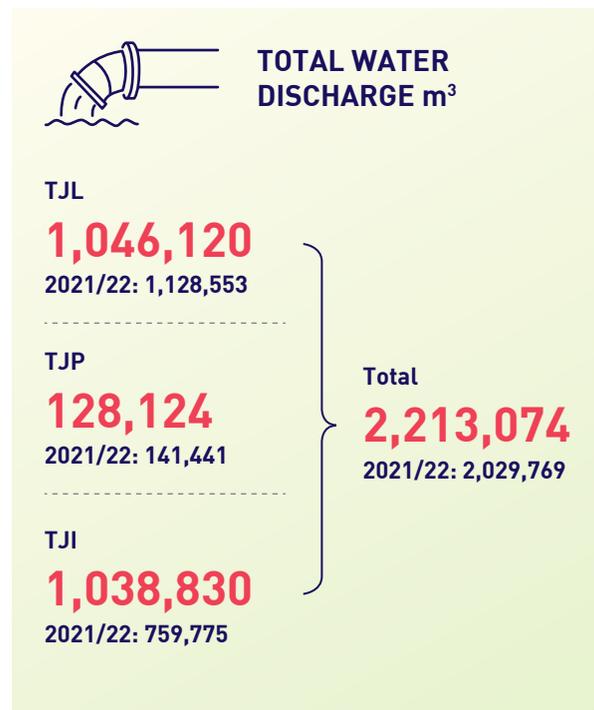
GRI 303-4, 303-5

Teejay’s unwavering commitment to eco-friendly manufacturing practices is reflected in its proactive efforts to minimise chemical consumption in discharge processes and optimise treatment methods for minimal environmental impact. The establishment of the accredited water testing lab, “IERA”, during the year marks a significant milestone for Teejay Lanka. This state-of-the-art lab empowers the Company to precisely evaluate and optimise chemical usage in effluents, paving the way for continuous improvement in treatment processes.

To ensure real-time monitoring and data recording for wastewater treatment plants (WTP) and effluent treatment plants (ETP), Teejay has implemented advanced systems with live alert functions. In Phase I, essential parameters such as pH, temperature, flow rates, volume, and tank levels are closely monitored. In Phase II, the focus expands to include additional quality parameters like colour, chemical oxygen demand (COD), total dissolved solids (TDS), total suspended solids (TSS), and more, ensuring comprehensive and meticulous monitoring of the treatment processes.

In line with its commitment to adherence and regulatory compliance, Teejay conducts third-party monthly wastewater testing and biannual ZDHC wastewater testing. These rigorous testing measures assure that all parameters are well within the prescribed regulatory tolerance levels, reinforcing Teejay’s dedication to responsible and environmentally-conscious practices. There were no recorded violations reported in this regard during the year.

In the year under review, Teejay discharged a total of 2,213,074m<sup>3</sup> of water, accounting for 94% of the water withdrawn. Notably, all the water was discharged to non-water-stressed areas, exemplifying Teejay’s responsible water management practices and its commitment to preserving precious natural resources.



The total water consumption during the year was 130,895 m<sup>3</sup>, in comparison to 236,217 m<sup>3</sup> in 2021/22.

Looking ahead, Teejay is exploring future initiatives, including the potential implementation of reverse osmosis technology and CO<sub>2</sub> textile dyeing. These forward-thinking approaches demonstrate the Company’s pursuit of innovative solutions to further enhance its eco-friendly manufacturing processes.

### WASTE MANAGEMENT

GRI 3-3, 306-1, 306-2, 306-3, 306-4, 306-5

Teejay’s commitment to minimising its waste footprint extends to addressing the sludge generated during the fabric manufacturing process. To effectively reduce its carbon footprint, Teejay has implemented a thoughtful and eco-friendly approach. The wet sludge produced at Teejay Prints is subjected to a well-structured process that involves filter pressing, followed by drying, and direct transportation to approved authorities.

The significance of this initiative lies in its environmental impact. By employing filter pressing, Teejay effectively reduces the moisture content in the sludge, making it more compact and easier to handle. The reduced moisture content not only minimises the weight and volume of the sludge but also significantly lowers the energy required for transportation and disposal.

Furthermore, the drying process employed by the Company plays a crucial role in carbon footprint reduction. By efficiently removing excess moisture from the sludge, the Company reduces the need for energy-intensive disposal methods and incineration, which would otherwise lead to higher carbon emissions.

## NATURAL CAPITAL

The resulting dry sludge can be more sustainably transported to approved authorities, further minimising its environmental impact.

Moreover, Teejay is committed to mitigating potential pollution risks, conducting regular emissions testing of its mechanised sludge drying process. As a result, the Company has achieved an 81% reduction in GHG emissions from the disposal of sludge waste. To further validate this achievement, the Sustainable Future Group (SFG) has verified the reduction and issued a GHG verification statement in accordance with the ISO 14064:3 2019 Standard.

Through these well-considered waste management practices, the Group not only ensures responsible waste disposal but also actively contributes to overall carbon footprint reduction. This approach aligns with Teejay's commitment to eco-friendly manufacturing and its broader sustainability objectives, positioning the Group as a responsible and environmentally-conscious player in the textile industry.

### Waste Disposal

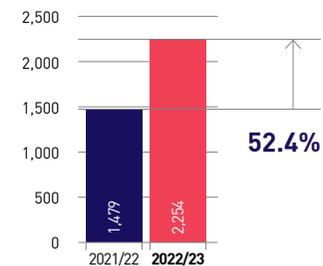
Teejay ensures that waste is sorted and segregated prior to disposal with hazardous and non-hazardous waste disposed in compliance with all national laws and regulations, utilising the following strategies:

- 1. Sustainable raw material consumption:** Teejay focuses on sustainable sourcing, including pre- and post-consumer operations, upcycling PET bottles for yarn, and using organic dyes. These efforts optimise processes and reduce consumption in a sustainable manner. Collaboration with research bodies aims to further reduce raw material extraction.
- 2. Life cycle assessment (LCA):** Teejay adopts a holistic LCA approach, considering the entire product life cycle from raw material extraction to disposal. The Company goes beyond gate-to-gate analysis, monitoring upstream and downstream partners to ensure sustainable practices throughout the supply chain.
- 3. Supplier forums:** Teejay conducts annual forums with chemical suppliers, and waste contractors to guide them and align with the Abhivarah 2030 goals. These partnerships foster collaboration and help overcome challenges collectively.
- 4. Environmental awareness:** Teejay actively engages with Kelani River habitat enhancement programme, tree plantation campaigns and hosts awareness sessions. These efforts aim to educate the younger generation and raise awareness about environmental conservation.

### Hazardous waste disposed by weight and destination

Disposal method	2022/23	2021/22
Recycling (kg)	101,737	135,129
Incineration (kg)	2,151,645	1,343,760
Landfill (kg)	680	-
On-site storage (kg)	120	181

### Total hazardous waste created and disposed of (kg '000)

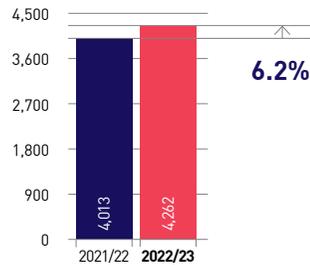


## NATURAL CAPITAL

### Non-hazardous waste disposed by weight and destination

Disposal method	2022/23	2021/22
Reuse (kg)	1,292,993	1,495,077
Recycling (kg)	2,638,292	2,123,110
Incineration (kg)	331,050	394,330

### Total non-hazardous waste disposed of (kg '000)



The waste diverted from disposal amounted to 4,033 MT, while the amount of waste directed to disposal stood at 2,484 MT during the year.

### Waste Collectors' Forum

Sri Lanka's first-ever waste collectors' forum was conducted on 4 July 2022, organised by Teejay's Sustainability Division, along with the HR and Commercial Teams. The forum focussed on spreading awareness about Teejay Group's waste management requirements amongst hazardous and non-hazardous waste collectors, and brought attention to the Group's strategy of achieving 100% value enhancement of waste in line with the *Abhivarah* 2030 Sustainable Strategy. In addition to these, compliance requirements, Corporate Waste Management Policy, Circular Economy Concepts, and 5R Concepts were discussed during the forum.



Chemical Suppliers Forum 2023

### Chemical Suppliers' Forum

A chemical suppliers' forum was organised on 31 January 2023 by Teejay's Engineering Team together with the Supply Chain Team, with the blessings and guidance of Teejay's leadership. The forum was held with the participation of over 60 chemical suppliers and manufacturers of the Group, in both physical and virtual modes. The forum saw the presence of Dr Siva Pariti, the Senior Technical Marketing Officer of Bluwin Sustainable Solutions, and Thiwanka De Fonseka, a sustainability expert. During the programme, the following were discussed and conveyed to the participants:

- Teejay's Chemical Management Framework, which was developed in alignment with the ZDHC Chemical Management Framework and ZDHC Technical Industry Guidance (TIG).
- Chemical input, processes, and output management strategies.
- Major challenges for suppliers from Higg FEM, ZDHC, sludge, and emissions management version updates.
- Sustainability initiatives of suppliers.

## EMISSIONS MANAGEMENT

GRI 305-1, 305-2, 305-4, 305-5, 305-6, 305-7

Teejay Lanka achieved a reduction of 81% in GHG emissions arising through the disposal of sludge waste, following one year of sustained industry best practices. This achievement in eco-friendly waste disposal was made possible through the investment of USD 450,000 in a steam-powered sludge dryer at Teejay's factory at the SEPZ, that enabled daily wet sludge output to be converted into a dry powder form, which is eventually incinerated at a cement manufacturing facility. This setup is the largest steam-operated paddle dryer in Sri Lanka.

Total estimated Scope 1 and Scope 2 GHG emissions for the year under review was 108,292 MTCO<sub>2</sub>e (Scope 1: 69,367 MTCO<sub>2</sub>e; Scope 2: 38,925 MTCO<sub>2</sub>e), a decrease of 2,951 MTCO<sub>2</sub>e from the previous year. GHG emissions intensity for the year was 1.3 MTCO<sub>2</sub>e per LKR Mn. in comparison to 2.2 MTCO<sub>2</sub>e per LKR Mn.

## NATURAL CAPITAL

revenue in 2021/22, with the decrease largely driven by the spike in revenue in Sri Lanka rupee terms. Emissions of ozone-depleting substances (as defined by the Montreal Protocol) totalled 2.09 kg of CFC-11 equivalents (2021/22: 1.93 kg).

Teejay also monitors its emissions of NO<sub>x</sub> (nitrogen oxides) and SO<sub>x</sub> (sulphur oxides) in relation to regulatory tolerance levels, and there have been no incidents where such emissions were above the stipulated tolerance levels. Annual stack emissions testing is performed by third-party accredited laboratories to make sure both NO<sub>x</sub> and SO<sub>x</sub> and other parameters adhere to the regulatory tolerance level.

## BIODIVERSITY CONSERVATION

At Teejay, we recognise the critical importance of biodiversity conservation in maintaining the delicate balance of our ecosystems. As part of our commitment to sustainability and environmental stewardship, the Group actively engages in various biodiversity conservation projects. These initiatives not only help protect and preserve the diverse natural habitats around us but also promote environmental awareness among our employees. Through our *Abhivarah* 2030 “To Earth with Love” project, we aim to instil a sense of responsibility and foster a sustainable mindset within our workforce. By integrating biodiversity conservation into our mission, vision, and values, we ensure that our commitment to protecting nature remains at the heart of everything we do.

Our *Abhivarah* 2030 “To Earth with Love” project seeks to further several objectives:

- **Promoting environmental awareness:** We educate employees on sustainability issues, such as climate change, resource depletion, and pollution. Training programmes, workshops, and information sessions enhance their understanding of the importance of sustainable practices.
- **Leadership commitment:** A monthly steering committee involving higher management ensures the integration of sustainability goals into the Company’s mission, vision, and values. This demonstrates our dedication to sustainability at all levels of the Organisation.
- **Employee engagement:** We provide opportunities for active employee participation in sustainability initiatives. The establishment of a “Nature Club” at Teejay and monthly meetings conducted by the EMS EnMS team allow employees from various departments to contribute their ideas, suggestions, and innovative solutions to reduce our environmental impact.

Other projects carried out and supported under our biodiversity protection initiatives:

1. A tree planting project (150 trees) was carried out to celebrate the World Environment Day 2022. The “Only One Earth” event was held in Ruwanwella on 5 June 2022 to enhance the Kelani riverbank ecosystem in collaboration with the Wildlife Department – Dehiowita, Kegalle Division; Sri Lanka Police – Ruwanwella; Forest Department – Dehiowita; and the Divisional Secretariat – Ruwanwella.



## NATURAL CAPITAL

2. An awareness programme was held on 10 June 2022 at Swarna Jayanthi Maha Vidyalaya, Kegalle. This entailed an inauguration ceremony for a prototype forest, a badging ceremony of "Environmental Scouts", and an awareness programme under the banner, "Climate Change and Our Future". Participants included chief guest Mr K G T N Kiriella – Deputy Director, Central Environmental Authority (CEA), as well as Mr S M A Senanayake, CEA Director (Sabaragamuwa), Mr R M S B Rathnayake, CEA Deputy Director – Kegalle, and staff members of CEA – Kegalle. 250 "Environmental Scouts" of Swarna Jayanthi Maha Vidyalaya, their parents, and the school's staff were in attendance.



3. 3,500 plantable "eco-pens", that are 100% handmade from recycled material, with one pen reducing 6g of plastic, were distributed; and seed pods (300 numbers) were issued at the Chemical Suppliers' Forum and Management Conference.



4. 3,500 trees were planted across 22 acres throughout the Kelani River upper stream.

These efforts collectively drive environmental awareness, foster leadership commitment, and engage both employees and the community in sustainability projects, solidifying our commitment to creating a more sustainable future for all.

# FINANCIAL REPORTS

- 154 Financial Calendar
- 155 Independent Auditor's Report
- 159 Statement of Profit or Loss
- 160 Statement of Comprehensive Income
- 161 Statement of Financial Position
- 162 Statement of Changes in Equity - Group
- 163 Statement of Changes in Equity - Company
- 164 Statement of Cash Flows
- 165 Notes to the Financial Statements

Planetones X Teejay

100% natural dye chromophores,  
with no synthetic mordants or cationic polymers.

## FINANCIAL CALENDAR

### Dividend Calendar

	2022/23	2021/22
Final dividends for the previous year paid	<b>08 September 2022</b>	13 September 2021
First interim dividend for the year paid/payable	-	22 March 2022

### Annual General Meeting (AGM) Calendar

	2022/23	2021/22
Annual Report and Accounts for the year signed	<b>27 July 2023</b>	27 July 2022
Annual General Meeting to be held	<b>(12th AGM) 18 August 2023</b>	(11th AGM) 18 August 2022

### Interim Financial Statements Calendar – Submission to the Colombo Stock Exchange (CSE)

	2022/23 submitted on	2021/22 submitted on
For the three months ended/ending 30 June (Unaudited)	<b>10 August 2022</b>	5 August 2021
For the six months ended/ending 30 September (unaudited)	<b>2 November 2022</b>	10 November 2021
For the nine months ended/ending 31 December (Unaudited)	<b>9 February 2023</b>	2 February 2022
For the twelve months ended/ending 31 March (Unaudited)	<b>17 May 2023</b>	19 May 2022

### Interim Financial Statements Calendar – Publication in the Newspapers

	2022/23 submitted on	2021/22 submitted on
For the three months ended/ending 30 June (Unaudited)	<b>11 August 2022</b>	6 August 2021
For the six months ended/ending 30 September (unaudited)	<b>3 November 2022</b>	11 November 2021
For the nine months ended/ending 31 December (Unaudited)	<b>10 February 23</b>	3 February 2022
For the twelve months ended/ending 31 March (Unaudited)	<b>18 May 2023</b>	20 May 2022

# INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Teejay Lanka PLC



## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Our opinion

In our opinion, the Financial Statements of Teejay Lanka PLC (“the Company”) and the consolidated financial statements of the Company and its subsidiaries (“the Group”) give a true and fair view of the financial position of the Company and the Group as at 31 March 2023, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### What we have audited

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

- the statement of financial position as at 31 March 2023;
- the statement of profit or loss for the year then ended;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

### Basis for opinion

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

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

### Independence

We are independent of the Company and the Group in accordance with the Code of Ethics for Professional Accountants issued by The Institute of Chartered Accountants of Sri Lanka (“CA Sri Lanka Code of Ethics”), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics.

### Key audit matters

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

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M D B Boyagoda FCA, Ms W D A S U Perera ACA, Ms L A C Tillekeratne ACA, K M D R P Manatunga ACA

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Teejay Lanka PLC (Contd.)



Report on the audit of the financial statements (Contd.)

Key audit matters (Contd.)

The Company and Group:

Key audit matter	How our audit addressed the Key audit matter	Key audit matter	How our audit addressed the Key audit matter
<p><b>Valuation of inventories</b></p> <p>The Company and Group had inventories valued at lower of cost and net realisable values of LKR 8.1 Bn. and LKR 13.3 Bn. respectively as at 31 March 2023, which comprised raw materials, work in progress, finished goods, engineering spares and consumables as disclosed in Note 20 to the Financial Statements.</p> <p>The total inventories represented approximately 20% in the Company's and 22% in Group's total assets.</p> <p>The Group estimates the write down required for slow moving and obsolete inventories of raw materials, work in progress, finished goods, engineering spares and consumables, based on the inventory residence periods and through physical verification in order to determine the Net Realisable Value (NRV) of items of inventory.</p>	<p>We performed a recalculation of the inventory write down amounts made to individual inventory categories based on the system generated inventory ageing reports, which provided the residence periods in respect of inventory items, for which system reliance was placed.</p> <p>We compared the residence periods and write down determined by management in the current year to those applied in prior years and checked the reasonableness of basis for write down to net realisable values using our understanding of industry practices.</p> <p>Further, we checked the write down amounts considered by management for damaged and obsolete inventory, if any, that were physically identified during our stock count observation.</p> <p>We also compared the cost of items of finished goods inventories as at 31 March 2023 to their net realisable values subsequent to year end.</p>	<p>In addition, the Group estimates written down required for finished goods inventories through subsequent realisable values.</p> <p>We focused on this area as inventories represent a significant balance to total assets and estimation of write down to net realisable value involves a high level of management judgement which could result in estimation uncertainty.</p>	<p>We reviewed the year-to-year movement in the amount considered for write down for each category of inventory considering subsequent write offs, reversals on re-use and amounts realised on disposals.</p> <p>Based on the procedures performed above, we found management's judgement in determining the amount of write down required for slow moving and obsolete inventory to be appropriate .</p>
<p><b>Other information</b></p> <p>Management is responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 31 March 2023 ["the Annual Report"] but does not include the Financial Statements and our Auditor's Report thereon.</p> <p>Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon.</p> <p>In connection with our audit of the Financial Statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.</p> <p>If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.</p>			

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Teejay Lanka PLC (Contd.)



Report on the audit of the financial statements (Contd.)

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

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

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

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

### Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's/ Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company/ Group to cease to continue as a going concern.

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Teejay Lanka PLC (Contd.)



Report on the audit of the financial statements (Contd.)

Auditor's responsibilities for the audit of the financial statements (Contd.)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

### Report on other legal and regulatory requirements

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

A handwritten signature in black ink, appearing to read 'Praveen Kumar Lopes'.

**CHARTERED ACCOUNTANTS**

CA Sri Lanka membership number: 3015

27 July 2023

Colombo

## STATEMENT OF PROFIT OR LOSS

[All amounts in Sri Lanka Rupees '000]

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Revenue from contracts with customers	6	84,037,126	49,587,964	50,382,703	29,438,073
Cost of sales		(77,194,229)	(45,010,323)	(45,824,413)	(27,037,407)
<b>Gross profit</b>		<b>6,842,897</b>	4,577,641	<b>4,558,290</b>	2,400,666
Other income – net	7	531,632	151,482	1,518,781	847,058
Distribution expenses		(610,340)	(369,517)	(374,822)	(209,613)
Administrative expenses		(3,185,376)	(1,743,533)	(1,226,978)	(744,599)
Net impairment provision on financial assets	21 (a)	(283,737)	(42,970)	(175,586)	(18,239)
<b>Operating profit</b>	8	<b>3,295,076</b>	2,573,103	<b>4,299,685</b>	2,275,273
Finance income	10	811,488	439,838	745,083	450,405
Finance costs	10	(990,090)	(149,221)	(380,096)	(79,674)
Finance (costs)/income – net	10	(178,602)	290,617	364,987	370,731
Profit before tax		3,116,474	2,863,720	4,664,672	2,646,004
Income tax expense	11	(989,743)	(332,470)	(1,211,260)	(270,498)
<b>Profit for the year</b>		<b>2,126,731</b>	2,531,250	<b>3,453,412</b>	2,375,506
<b>Attributable to:</b>					
Equity holders of the parent		2,126,731	2,531,250		
<b>Earnings per share</b>					
Basic earnings per share (LKR)	12 (a)	2.967	3.537		

The Notes on pages 165 to 214 form an integral part of these Financial Statements.

Independent Auditors' Report is set out on pages 155 to 158.

## STATEMENT OF COMPREHENSIVE INCOME

(All amounts in Sri Lanka Rupees '000)

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Profit for the year		2,126,731	2,531,250	3,453,412	2,375,506
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss subsequently</b>					
Actuarial (loss)/gain on defined benefit obligations	26	(89,317)	203,673	(66,717)	185,551
Deferred tax credit/(charged) attributable to remeasurement of define benefit obligations	27	27,328	(27,658)	20,015	(25,977)
		(61,989)	176,015	(46,702)	159,574
<b>Items that maybe subsequently reclassified to statement of profit or loss</b>					
Currency translation differences		2,827,851	8,994,413	2,250,769	7,645,472
<b>Other comprehensive income for the year</b>		<b>2,765,862</b>	<b>9,170,428</b>	<b>2,204,067</b>	<b>7,805,046</b>
<b>Total comprehensive income for the year</b>		<b>4,892,593</b>	<b>11,701,678</b>	<b>5,657,479</b>	<b>10,180,552</b>
<b>Attributable to:</b>					
Equity holders of the parent		4,892,593	11,701,678	-	-

The Notes on pages 165 to 214 form an integral part of these Financial Statements.

Independent Auditors' Report is set out on pages 155 to 158.

## STATEMENT OF FINANCIAL POSITION

(All amounts in Sri Lanka Rupees '000)

As at 31 March	Note	Group		Company	
		2023	2022	2023	2022
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	14	20,258,577	14,715,246	7,307,902	6,925,956
Right-of-use assets	15	1,740,026	1,341,498	716,426	671,156
Capital work-in-progress	16	1,835,964	5,268,720	1,199,100	696,570
Intangible assets	17	161,339	143,391	121,789	108,804
Goodwill	17	105,829	96,010	-	-
Investments in subsidiaries	18	-	-	5,520,444	5,008,257
Deferred tax assets	27	1,856,016	431,633	-	-
		25,957,751	21,996,498	14,865,661	13,410,743
<b>Current assets</b>					
Inventories	20	13,382,977	16,355,777	8,182,897	10,561,085
Trade and other receivables	21	9,025,553	12,859,146	9,176,530	9,639,562
Current tax receivables		496,702	476,854	-	-
Other financial assets	22	3,281,426	1,822,146	2,860,590	1,470,345
Cash and cash equivalents	23	7,913,808	6,383,354	5,238,133	4,131,852
		34,100,466	37,897,277	25,458,150	25,802,844
<b>Total assets</b>		<b>60,058,217</b>	<b>59,893,775</b>	<b>40,323,811</b>	<b>39,213,587</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Stated capital	30	4,442,234	4,442,234	4,442,234	4,442,234
Share option scheme	33	153,491	153,491	153,491	153,491
Exchange equalisation reserve	31	18,047,539	15,219,688	15,533,259	13,282,490
Retained earnings	32	9,400,088	8,410,456	8,403,764	6,072,164
		32,043,352	28,225,869	28,532,748	23,950,379

As at 31 March	Note	Group		Company	
		2023	2022	2023	2022
<b>Non-current liabilities</b>					
Borrowings	25	6,238,676	5,581,171	-	-
Lease liabilities	15	1,340,989	930,430	494,152	492,520
Deferred tax liabilities	27	2,363,673	918,784	595,372	367,733
Retirement benefit obligations	26	568,559	424,817	246,452	162,819
		10,511,897	7,855,202	1,335,976	1,023,072
<b>Current liabilities</b>					
Trade and other payables	24	10,555,776	17,623,386	5,659,239	9,498,430
Current tax liabilities		489,789	232,725	488,137	193,454
Borrowings	25	6,343,276	5,913,542	4,251,383	4,521,767
Lease liabilities	15	114,127	43,051	56,328	26,485
		17,502,968	23,812,704	10,455,087	14,240,136
<b>Total liabilities</b>		<b>28,014,865</b>	<b>31,667,906</b>	<b>11,791,063</b>	<b>15,263,208</b>
<b>Total equity and liabilities</b>		<b>60,058,217</b>	<b>59,893,775</b>	<b>40,323,811</b>	<b>39,213,587</b>

These Financial Statements are in compliance with the requirements of the Companies Act No. 07 of 2007.

The Board of Directors is responsible for the preparation and presentation of these Financial Statements. These Financial Statements were approved for issue by the Board of Directors on 27 July 2023.



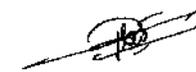
Salman Nishtar  
Chief Financial Officer



Mohamed Ashroff Omar  
Director



Pubudu De Silva  
Chief Executive Officer



Hasitha Premaratne  
Director

The Notes on pages 165 to 214 form an integral part of these Financial Statements. Independent Auditors' Report is set out on pages 155 to 158.

## STATEMENT OF CHANGES IN EQUITY – GROUP

(All amounts in Sri Lanka Rupees '000)

	Note	Stated capital	Exchange equalisation reserve	Reserve for share option scheme	Retained earnings	Total
Balance at 1 April 2021		4,248,787	6,225,275	153,491	7,136,671	17,764,224
Profit for the year		-	-	-	2,531,250	2,531,250
Other comprehensive income for the year		-	8,994,413	-	176,015	9,170,428
Total comprehensive income for the year		-	8,994,413	-	2,707,265	11,701,678
<b>Transactions with owners:</b>						
Final dividend paid – 2020/21	13	-	-	-	(824,251)	(824,251)
Interim dividend paid – 2021/22	13	-	-	-	(609,229)	(609,229)
		-	-	-	(1,433,480)	(1,433,480)
Shares issued under employee share scheme	30	193,447	-	-	-	193,447
<b>Balance at 31 March 2022</b>		<b>4,442,234</b>	<b>15,219,688</b>	<b>153,491</b>	<b>8,410,456</b>	<b>28,225,869</b>
Balance at 1 April 2022		4,442,234	15,219,688	153,491	8,410,456	28,225,869
Profit for the year		-	-	-	2,126,731	2,126,731
Other comprehensive income /(loss) for the year		-	2,827,851	-	(61,989)	2,765,862
Total comprehensive income for the year		-	2,827,851	-	2,064,742	4,892,593
<b>Transactions with owners:</b>						
Final dividend paid – 2021/22	13	-	-	-	(1,075,110)	(1,075,110)
Interim dividend paid – 2022/23	13	-	-	-	-	-
		-	-	-	(1,075,110)	(1,075,110)
Shares issued under employee share scheme	30	-	-	-	-	-
<b>Balance at 31 March 2023</b>		<b>4,442,234</b>	<b>18,047,539</b>	<b>153,491</b>	<b>9,400,088</b>	<b>32,043,352</b>

The Notes on pages 165 to 214 form an integral part of these Financial Statements.

Independent Auditors' Report is set out on pages 155 to 158.

## STATEMENT OF CHANGES IN EQUITY – COMPANY

(All amounts in Sri Lanka Rupees '000)

	Note	Stated capital	Exchange equalisation reserve	Reserve for share option scheme	Retained earnings	Total
Balance at 1 April 2021		4,248,787	5,637,018	153,491	4,970,564	15,009,860
Profit for the year		-	-	-	2,375,506	2,375,506
Other comprehensive income for the year		-	7,645,472	-	159,574	7,805,046
Total comprehensive income for the year		-	7,645,472	-	2,535,080	10,180,552
<b>Transactions with owners:</b>						
Final dividend paid – 2020/21	13	-	-	-	(824,251)	(824,251)
Interim dividend paid – 2021/22	13	-	-	-	(609,229)	(609,229)
		-	-	-	(1,433,480)	(1,433,480)
Shares issued under employee share scheme	30	193,447	-	-	-	193,447
<b>Balance at 31 March 2022</b>		<b>4,442,234</b>	<b>13,282,490</b>	<b>153,491</b>	<b>6,072,164</b>	<b>23,950,379</b>
Balance at 1 April 2022		4,442,234	13,282,490	153,491	6,072,164	23,950,379
Profit for the year		-	-	-	3,453,412	3,453,412
Other comprehensive income /(loss) for the year		-	2,250,769	-	(46,702)	2,204,067
Total comprehensive income for the year		-	2,250,769	-	3,406,710	5,657,479
<b>Transactions with owners:</b>						
Final dividend paid – 2021/22	13	-	-	-	(1,075,110)	(1,075,110)
Interim dividend paid – 2022/23	13	-	-	-	-	-
		-	-	-	(1,075,110)	(1,075,110)
Shares issued under employee share scheme	30	-	-	-	-	-
<b>Balance at 31 March 2023</b>		<b>4,442,234</b>	<b>15,533,259</b>	<b>153,491</b>	<b>8,403,764</b>	<b>28,532,748</b>

The Notes on pages 165 to 214 form an integral part of these Financial Statements.

Independent Auditors' Report is set out on pages 155 to 158.

## STATEMENT OF CASH FLOWS

[All amounts in Sri Lanka Rupees '000]

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
<b>Cash flows from operating activities</b>					
Cash generated from operations	34	8,911,348	5,081,356	6,637,573	2,675,727
Finance income received	10	424,986	154,745	434,267	175,151
Finance cost paid	10	(844,153)	(96,504)	(344,268)	(59,714)
Retirement benefit obligations paid	26	(99,017)	(71,497)	(24,365)	(35,072)
Tax paid		(725,946)	(301,995)	(690,961)	(266,213)
<b>Net cash generated from operating activities</b>		<b>7,667,218</b>	<b>4,766,105</b>	<b>6,012,246</b>	<b>2,489,879</b>
<b>Cash flows from investing activities</b>					
Additions or expenses incurred on capital work-in-progress	16	(3,334,414)	(5,962,561)	(1,555,122)	(1,021,488)
Net (decrease)/increase in investment in financial assets		(1,459,280)	(142,524)	(1,390,245)	(16,418)
<b>Net cash used in investing activities</b>		<b>(4,793,694)</b>	<b>(6,105,085)</b>	<b>(2,945,367)</b>	<b>(1,037,906)</b>
<b>Cash flows from financing activities</b>					
Dividend paid	13	(1,075,110)	(1,433,480)	(1,075,110)	(1,433,480)
Issue of shares	30	-	193,447	-	193,447
Settlement of borrowings		(8,429,819)	(4,493,306)	(961,544)	(221,441)
Proceeds received from bank borrowings		7,976,179	9,164,963	-	1,193,028
Principal elements of lease payments	15	(158,714)	(131,046)	(83,324)	(35,847)
<b>Net cash (used in)/generated from financing activities</b>		<b>(1,687,464)</b>	<b>3,300,578</b>	<b>(2,119,978)</b>	<b>(304,293)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>1,186,060</b>	<b>1,961,598</b>	<b>946,901</b>	<b>1,147,680</b>
Cash and cash equivalents at beginning of year		6,165,342	4,203,744	3,913,840	2,766,160
<b>Cash and cash equivalents at end of year</b>	23	<b>7,351,402</b>	<b>6,165,342</b>	<b>4,860,741</b>	<b>3,913,840</b>

The Notes on pages 165 to 214 form an integral part of these Financial Statements.

Independent Auditors' Report is set out on pages 155 to 158.

# NOTES TO THE FINANCIAL STATEMENTS

[All amounts in Sri Lanka Rupees '000]

## 1 GENERAL INFORMATION

Teejay Lanka PLC is a public limited company incorporated in Sri Lanka on 12 July 2000, listed on the Main Board of the Colombo Stock Exchange of Sri Lanka on 9 August 2011. The registered office of the Company is located at Block D8-D14, Seethawaka Export Processing Zone, Avissawella. The Company carries on the business of manufacturing and selling of weft knit fabrics.

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

These financial statements have been approved for issue by the Board of Directors on 27 July 2023.

The Company owns 100% of issued stated capital of Teejay Lanka Prints (Private) Limited and Teejay Mauritius Limited. Teejay India (Private) Limited is a subsidiary of Teejay Mauritius Limited (Previously known as Ocean Mauritius Limited). The Company is the ultimate parent of the Group. The details of subsidiaries are given under Note 18 to these Financial Statements.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### 2.1 Basis of preparation

The Financial Statements of the Company and the Group have been prepared in accordance with Sri Lanka Accounting Standards, which comprise Sri Lanka Financial Reporting Standards ("SLFRS"s), Sri Lanka

Accounting Standards ("LKAS"s), relevant interpretations of the Standing Interpretations Committee ("SIC") and International Financial Reporting Interpretations Committee ("IFRIC"). These Financial Statements have been prepared under the historical cost convention except for financial assets and financial liabilities which are measured at amortised cost.

The preparation of Financial Statements in conformity with Sri Lanka Accounting Standards requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Company's and the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Company's and the Group's Financial Statements are disclosed in Note 4 to the Financial Statements.

The financial statements are prepared in accordance with and comply with Sri Lanka Accounting Standards. The functional currency is US Dollar (USD) since the Company uses US Dollar in majority of its transactions such as sales, purchases, borrowings and purchases of property, plant and equipment. The financial statements are also presented in Sri Lanka Rupee (LKR) for local statutory requirements. The conversion to Sri Lanka Rupee is performed in accordance with the recommendations made in the Sri Lanka Accounting Standard (LKAS) 21: The Effects of Changes in Foreign Exchange Rates. The procedures followed are as follows:

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

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

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

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

### 2.1.1 Going concern

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

## 2.2 Changes in accounting policy and disclosures

### (a) New and amended standards adopted by the Company

The Group and the Company has applied the following standards and amendments for the first time for their annual reporting periods commencing 1 January 2022:

**Amendment to LKAS 16 – Property, Plant and Equipment**  
Proceeds before intended use – this amendment prohibits an entity from deducting from the cost of an item of property, plant and equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is "testing whether the asset is functioning properly" when it assesses technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (contd.)

#### Amendments to LKAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

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

#### Annual improvements to SLFRS Standards 2018/2020

The following improvements were finalised in May 2020:

- SLFRS 9 Financial Instruments – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
- SLFRS 16 Leases – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
- SLFRS 1 First-time Adoption of International Financial Reporting Standards – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent’s books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same SLFRS 1 exemption.

Most of the amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

### (b) New standards and amendments not effective and not early adopted in 2022/2023

#### Classification of liabilities as current or non-current – Amendments to LKAS 1

The narrow-scope amendments to LKAS 1 – Presentation of Financial Statement’s clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what LKAS 1 means when it refers to the “settlement” of a liability.

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

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

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

#### Disclosure Initiative: Accounting Policies – Amendments to LKAS 1

The amendments to LKAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies.

The amendments to LKAS 1 will be effective for annual reporting periods beginning on or after 1 January 2023.

#### Definition of Accounting Estimates (Amendments to LKAS 8)

The amendments introduced the definition of accounting estimates and included other amendments to LKAS 8 to help entities distinguish changes in accounting estimates

from changes in accounting policies. The amendments are effective for annual periods beginning on or after 1 January 2023.

#### Amendment to LKAS 12 – Deferred tax related to assets and liabilities arising from a single transaction

LKAS 12 – Income Taxes specifies how a company accounts for income tax, including deferred tax, which represents tax payable or recoverable in the future. In specified circumstances, companies are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which companies recognise both an asset and a liability.

The amendments clarify that the exemption does not apply and that companies are required to recognise deferred tax on such transactions. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023.

## 2.3 Consolidation

The Consolidated Financial Statements comprise the Financial Statements of the Company and its subsidiaries (together referred to as the “Group”).

### 2.3.1 Subsidiaries

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (contd.)

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

Acquisition related costs are expensed as incurred.

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

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

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

#### 2.3.1.1 Changes in ownership interests in subsidiaries without change of control

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

#### 2.3.1.2 Disposal of subsidiaries

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

#### 2.3.2 Financial period

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

### 2.4 Segment reporting

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

### 2.5 Foreign currency translation

#### (a) Functional and presentation currency

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

- (i) It is the currency mainly influences sales prices for goods and services which are denominated and settled in US Dollar.
- (ii) It is the currency mainly influences material costs of providing goods and services, the currency in which such costs are denominated and settled in US Dollar.

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

Financial Statements of the Company and the Group are translated to Sri Lanka Rupees for local statutory requirements.

#### (b) Transactions and balances

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (contd.)

#### 2.6 Property, plant and equipment

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

##### (a) Cost

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

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

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

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

##### (b) Depreciation

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

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

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

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

##### (c) Borrowing costs

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

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

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

##### (d) Impairment of property, plant and equipment

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

#### 2.7 Intangible assets

##### (a) Goodwill

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

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (contd.)

the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

#### (b) Computer software

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

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

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

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

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

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

### 2.8 Investments

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

### 2.9 Impairment of non-financial assets

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

### 2.10 Accounting for leases – where the Company is the lessee

The Group and the Company leases lands.

Contracts may contain both lease and non-lease components. The Group and the Company allocates the

consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable, and
- variable lease payment that are based on an index or a rate.

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

The lease payments are discounted using the Group and the Company's incremental borrowing rate. Lease payments are allocated between principal and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

To determine the incremental borrowing rate, the Group and the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third-party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, which does not have recent third-party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency, and security.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (contd.)

The Group and the Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

### 2.11 Financial instruments

#### 2.11.1 Financial Assets

##### (a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### (b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### (c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

##### Debt instruments

Subsequent measurement of debt instruments depends on the Group's and Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (contd.)

#### Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's and Company's Management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### (d) Impairment of financial asset

The Group and the Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group and the Company applies the simplified approach permitted by SLFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### 2.11.2 Financial liabilities

##### 2.11.2.1 Classification and initial recognition

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

The Group and 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 borrowings.

##### 2.11.2.2 Subsequent measurement

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

##### 2.11.2.3 Derecognition

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

#### 2.11.3 Offsetting financial instruments

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

#### 2.12 Inventories

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

#### 2.13 Trade and other receivables

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

The Group applies the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Expected Loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2023 or 1 April 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and accordingly adjusts the historical loss rates based on expected changes.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within distribution expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against distribution expenses in the statement of comprehensive income.

#### 2.14 Cash and cash equivalents

For the purposes of the statement of cash flows, 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (contd.)

#### 2.15 Stated capital

The ordinary shares are classified as equity.

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

#### 2.16 Trade and other payables

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

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

#### 2.17 Borrowings

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

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

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be

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

#### 2.18 Borrowing costs

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

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

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

#### 2.19 Provisions

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

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

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

#### 2.20 Employee benefits

##### (a) Defined benefit plan – Gratuity

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (contd.)

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

#### (b) Defined contribution plans

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

#### (c) Short-term employee benefits

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

### 2.21 Current and deferred income tax

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

#### (a) Current taxes

Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

#### (b) Deferred income taxes

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

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

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

Deferred income tax assets are recognised on deductible temporary differences arising from investments in

subsidiary only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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

### 2.22 Revenue recognition

Goods and services deliverable under contracts with customers are identified as separate performance obligations ("obligations") to the extent that the customer can benefit from the goods or services on their own or together with other resources that are readily available to the customer and that the separate goods and services are considered distinct from other goods and services in the agreement. Where individual goods and services do not meet the criteria to be identified as separate obligations they are aggregated with other goods and/or services in the agreement until a separate obligation is identified.

The Group determines the transaction price to which it expects to be entitled to in return for providing the promised obligations to the customer based on the committed contractual amounts, net of sales taxes and discounts. The transaction price is allocated between the identified obligations according to the relative standalone selling prices of the obligations. The standalone selling price of each obligation deliverable in the contract is determined according to the prices that the Group would achieve by selling the same goods and/or services included in the obligation to a similar customer on a standalone

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Summary of significant accounting policies (contd.)

basis. Where the Group does not sell equivalent goods or services in similar circumstances on a standalone basis it is necessary to estimate the standalone price. When estimating the standalone price, the Group maximises the use of external input; observing the standalone prices for similar goods and services when sold by third parties or using a cost-plus reasonable margin approach.

Revenue from the sales which included bulk discount is recognised based on the price specified in the contract, net of the estimated rebates. Accumulated experience is used to estimate the rebates and its provision. Rebates are estimated using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

Revenue is recognised when the respective obligations in the contract are delivered to the customer and payment remains probable. The revenue is recognised as follows:

#### Sale of goods and performance of services

Sale are recognised upon delivery of products and customer acceptance, if any, or performance of services.

#### Interest income

Interest income is recognised using the effective interest method.

#### Royalty income

Royalty income is recognised on an accrual basis.

#### Other income

Other income is recognised on an accrual basis.

### 2.23 Expenditure recognition

#### (a) Operating expenses

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

#### (b) Net financing costs

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

All interest and other costs incurred in connection with borrowings except for the acquisition or construction of qualifying assets as noted in 2.18 are expensed as incurred as part of net financing costs.

### 2.24 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.

### 2.25 Share-based payments

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

- including any market performance conditions (for example, an entity's share price); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specific period of time).

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

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

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

#### (a) Market risk

##### (i) Foreign exchange risk

The Group is sensitive to the fluctuations in exchange rates and is principally exposed to fluctuations in the value of the United States Dollar (USD) against the Sri Lankan Rupee (LKR) and Indian Rupee (INR). The Company's and its subsidiaries functional currency is US Dollar in which most of the transactions are denominated. Foreign exchange risks arises from local expenses including salaries and wages and, assets and liabilities denominated in Sri Lanka Rupees (LKR) and Indian Rupees (INR). The foreign currency exposure is disclosed under Notes 21, 22, 23, 24 and 25.

##### Sensitivity analysis

At 31 March 2023, if LKR had strengthened by 1% against US Dollar in the financial year, profit before tax would have decreased by LKR 64,245,431 (2022 – LKR 45,623,891). The analysis assumes that all other variables, in particular interest rates, remain constant.

At 31 March 2023, if INR had strengthened by 1% against US Dollar in the financial year, profit before tax would have decreased by LKR 391,213 (2022 – LKR 1,235,685). The analysis assumes that all other variables, in particular interest rates, remain constant.

During the year ended 31 March 2023, the Group and the Company recorded a net foreign exchange gain of LKR 386,501,984 and LKR 310,816,395 respectively (2022 – in Group an exchange gain of LKR 285,093,109 and in Company an exchange gain of LKR 275,253,582 respectively) on transaction and translation of Sri Lanka Rupee and Indian Rupee denominated balances.

##### (ii) Interest rate risk

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

The Group's main interest rate risk arises from long-term borrowings with variable rates, which expose the group to cash flow interest rate risk. The Group exposure to the risk of changes in market interest rates relates to primarily to the Group's long-term debt obligations with floating interest rates. The Group manages its interest rate risk by monitoring and managing cash flows, keeping borrowings to a minimum, negotiating favourable rates on borrowings and deposits.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Financial risk management (contd.)

#### (iii) Sensitivity analysis

If interest rates had been higher by 100 basis points and all other variables were held constant, the profit before tax for the year ended 31 March 2023 would have decreased by LKR 139,074,363 of Group and LKR 15,905,330 of Company (2022 – LKR 78,856,658 of Group and LKR 31,020,498 of Company). This is mainly attributable to the Group's exposure to interest rates on variable rate of interest.

Group	For the year ended 31 March 2023		For the year ended 31 March 2022	
	Interest expense	Profit before tax	Interest expense	Profit before tax
Borrowings	139,074	2,977,400	78,857	2,784,863

Company	For the year ended 31 March 2023		For the year ended 31 March 2022	
	Interest expense	Profit before tax	Interest expense	Profit before tax
Borrowings	15,905	4,648,767	31,020	2,614,984

#### (b) Credit risk

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

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

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

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

#### (c) Liquidity risk

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

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

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Financial risk management (contd.)

#### Group

As at 31 March 2023	Note	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 5 years	Over 5 years	Total
<b>Liabilities</b>						
Bank overdrafts	25	562,406	-	-	-	562,406
Amounts due to related companies	24	460,050	-	-	-	460,050
Trade and other payables (excluding statutory liabilities)	24	5,831,325	4,190,745	-	-	10,022,070
Borrowings	25	4,197,419	1,583,451	6,238,676	-	12,019,546
Lease liabilities		30,324	90,974	637,279	3,443,506	4,202,083
<b>Total liabilities</b>		<b>11,081,524</b>	<b>5,865,170</b>	<b>6,875,955</b>	<b>3,443,506</b>	<b>27,266,155</b>
<b>As at 31 March 2022</b>						
	Note	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 5 years	Over 5 years	Total
<b>Liabilities</b>						
Bank overdrafts	25	218,012	-	-	-	218,012
Amounts due to related companies	24	222,954	-	-	-	222,954
Trade and other payables (excluding statutory liabilities)	24	15,706,831	1,596,288	-	-	17,303,119
Borrowings	25	5,197,623	497,907	5,581,171	-	11,276,701
Lease liabilities		28,511	81,496	474,488	1,063,374	1,647,869
<b>Total liabilities</b>		<b>21,373,931</b>	<b>2,175,691</b>	<b>6,055,659</b>	<b>1,063,374</b>	<b>30,668,655</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Financial risk management (contd.)

#### Company

As at 31 March 2023	Note	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 5 years	Over 5 years	Total
<b>Liabilities</b>						
Bank overdrafts	25	377,392	-	-	-	377,392
Amounts due to related companies	24	1,298,417	-	-	-	1,298,417
Trade and other payables (excluding statutory liabilities)	24	2,798,481	1,522,310	-	-	4,320,791
Borrowings	25	2,905,493	968,498	-	-	3,873,991
Lease liabilities		14,082	42,246	228,742	737,392	1,022,462
<b>Total liabilities</b>		<b>7,393,865</b>	<b>2,533,054</b>	<b>228,742</b>	<b>737,392</b>	<b>10,893,053</b>
<b>As at 31 March 2022</b>						
	Note	Due within 3 months	Due between 3 months and 1 year	Due between 1 and 5 years	Over 5 years	Total
<b>Liabilities</b>						
Bank overdrafts	25	218,012	-	-	-	218,012
Amounts due to related companies	24	371,646	-	-	-	371,646
Trade and other payables (excluding statutory liabilities)	24	8,198,043	891,249	-	-	9,089,292
Borrowings	25	3,979,098	324,657	-	-	4,303,755
Lease liabilities		11,726	35,180	169,259	693,213	909,378
<b>Total liabilities</b>		<b>12,778,525</b>	<b>1,251,086</b>	<b>169,259</b>	<b>693,213</b>	<b>14,892,083</b>

### 3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group represents equity attributable to owners of the Group, comprising stated capital and reserves.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total

capital. Net debt is calculated as total borrowings (current and non-current) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the statement of financial position, plus net debt.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Financial risk management (contd.)

The gearing ratios at 31 March were as follows:

	Note	Group	
		2023	2022
Total borrowings	25	12,581,952	11,494,713
Lease liability	15	1,455,116	973,481
Less: Cash and cash equivalents and short-term deposits	22,23	(11,195,234)	(8,205,500)
<b>Net debt</b>		<b>2,841,834</b>	4,262,694
Total equity		32,043,352	28,225,869
Total capital		34,885,186	32,488,563
<b>Gearing ratio (%)</b>		<b>8%</b>	13%

During 2022/23, the Group's strategy, which was unchanged from the 12 months period ended 31 March 2023, was to maintain the net debts below 30% of the total capital.

### 4 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

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

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

#### 4.1 Critical accounting estimates and assumptions

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

##### (a) Impairment assessment of goodwill

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

##### (b) Defined benefit plan – Gratuity

The present value of the defined benefit plan depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) for defined benefit plan include the discount rate. Any changes in these assumptions will impact the carrying amount of defined benefit plan.

The Group determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the defined benefit plan. Other key assumptions for defined benefit plan are based in part on current market conditions. Additional information is disclosed in Note 26.

##### (c) Estimated useful lives of property, plant and equipment (PPE)

The Company reviews annually the estimated useful lives of property, plant and equipment 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 property, plant and equipment would increase the recorded depreciation charge and decrease the property, plant and equipment balance.

##### (d) Impairment of property plant and equipment

The Company reviews property, plant and equipment for impairment in accordance with the accounting policy in Note 2.9. The recoverable amount of these assets have been determined based on higher of the assets' fair value less cost to sell and value in use. These calculations require the use of estimates and judgements.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. Critical accounting estimates, assumptions and judgements (contd.)

Management believes that any reasonable possible change in the estimated future cash flows of exporting Montessori products which the recoverable amounts of the Company is based would not cause the Company's carrying amount to exceed its recoverable amount.

#### 4.2 Critical judgements in applying the entity's accounting policies

##### (a) Critical judgements in determining the lease term – SLFRS 16

In determining the lease term, Management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of buildings and motor vehicles, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Group and the Company is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Group and the Company is typically reasonably certain to extend (or not terminate), and
- Otherwise, the Group and the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset;

Most extension options in buildings and motor vehicles leases have not been included in the lease liability, because the Group and the Company could replace the assets without significant cost or business disruption.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group and the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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

##### (b) Current economic crisis

Current economic crisis which primarily affected the Company and its subsidiary in Sri Lanka operations since early March 2022 and continue to evolve and change as their affects are far reaching. Accordingly, in preparing the financial statements, the management has considered the impact of economic crisis primarily as following:

###### Credit risk management

The Group is exposed to credit risk from its operating activities and from its financing activities, including receivables, deposits with financial institutions, foreign exchange transactions and other financial instruments. SLFRS 9 framework requires the estimation of Expected Credit Loss (ECL) based on current and forecasted economic conditions. In order to assess ECL under forecasted economic conditions, the Company utilises a range of economic scenarios of varying severity, appropriate weightings to ensure that ECL estimates are representative of a range of possible economic outcomes. The Group has reviewed the potential impact of the economic crisis on the inputs and assumptions for the SLFRS 9 ECL measurement in light of available information. Overall, the economic crisis remains fluid and continues to evolve. The Group is conducting frequent reviews of its financial assets of various customer segments with similar loss patterns, reviewing the weightings of forward-looking scenarios for each type of

product/market and continuously measuring the historical default rates. Accordingly, these reviews help to ensure that an accurate view of the Company's and its subsidiaries assessment of the ECL on their financial assets.

Bank balances are placed with financial institutions whose credit ratings, as assigned by reputable external credit rating agencies, are of a higher grade. These balances are generally callable on demand except those with restrictions and there has been no history of defaults. The Group limits its credit risk with regard to bank balances by only dealing with reputable banks and counterparties with high credit ratings and no history of default. Considering these factors, management has assessed there is minimal credit risk on bank balances and the expected credit loss these is not material to the financial statements.

###### Liquidity management

The effect of the economic crisis on the liquidity and funding risk profile of the Group is being continuously monitored by the management. The Group regularly calibrates stress testing scenarios based on current market conditions in order to assess the impact on the Group's liquidity. During 2022/23, the Group has renegotiated inventory purchases and improved payment terms with vendors and has divested certain financial assets to ensure adequate liquidity. It has further strengthened its liquidity buffer through selective drawdowns of available facilities. As a consequence, the Group has maintained a healthy liquidity position during the year and a positive net current asset position as at the date of the statement of financial position.

###### Going concern

The Group or the Company has not noted any events or conditions that may cast significant doubt about Company's ability to continue as a going concern in view of the current economic crisis.

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 5 SEGMENT INFORMATION

#### (a) Description of segments and principal activities

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

##### 1. Textile manufacturing – Sri Lanka and India:

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

##### 2. Fabric printing – Sri Lanka:

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

Management uses a measure of adjusted earnings before interest, tax, depreciation, and amortisation (EBITDA) to assess the performance of the operating segments.

Information about segment revenue is disclosed in Note 6.

#### (b) Adjusted EBITDA

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

As at 31 March	Group	
	2023	2022
<b>Textile manufacturing</b>		
– Sri Lanka	5,422,556	3,061,016
– India	1,028,717	534,090
	6,451,273	3,595,106
Fabric printing – Sri Lanka	171,127	447,425
Fabric printing – India	54,143	34,252
	225,270	481,677
<b>Total adjusted EBITDA</b>	<b>6,676,543</b>	<b>4,076,783</b>

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

As at 31 March	Group	
	2023	2022
<b>Total adjusted EBITDA</b>	<b>6,676,543</b>	4,076,783
Depreciation of property, plant and equipment	(3,172,679)	(1,386,287)
Amortisation of intangible assets	(84,214)	(51,962)
Depreciation on right-of-use assets	(124,575)	(65,431)
Net finance (cost)/income	(178,602)	290,617
<b>Profit before income tax from continuing operations</b>	<b>3,116,473</b>	2,863,720

#### (c) Segment assets

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

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

As at 31 March	Group	
	2023	2022
<b>Textile manufacturing</b>		
– Sri Lanka	40,323,809	39,213,586
– India	31,489,324	31,683,663
Fabric printing – Sri Lanka	4,213,058	4,055,552
<b>Total segment assets</b>	<b>76,026,191</b>	74,952,801
Inter segment eliminations	(17,823,990)	(15,490,659)
<b>Unallocated:</b>		
Deferred tax assets	1,856,016	431,633
<b>Total assets as per the statement of financial position</b>	<b>60,058,217</b>	59,893,775

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 5. Segment Information (contd.)

#### (d) Segment liabilities

Segment liabilities are measured in the same way as in the Financial Statements. These liabilities are allocated based on the operations of the segment.

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

As at 31 March	Group	
	2023	2022
<b>Textile manufacturing</b>		
– Sri Lanka	11,195,710	14,895,474
– India	18,591,236	18,965,794
Fabric printing – Sri Lanka	1,099,774	999,608
<b>Total segment liabilities</b>	<b>30,886,720</b>	<b>34,860,876</b>
Inter segment eliminations	(5,235,528)	(4,111,754)
<b>Unallocated:</b>		
Deferred tax liabilities	2,363,673	918,784
<b>Total liabilities as per the statement of financial position</b>	<b>28,014,865</b>	<b>31,667,906</b>

#### (e) Non-current asset addition

Segment non-current asset are measured in the same way as in the Financial Statements. These assets are allocated based on the operations of the segment.

As at 31 March	Group	
	2023	2022
<b>Textile manufacturing</b>		
– Sri Lanka	1,102,012	768,590
– India	6,727,262	2,003,447
Fabric printing – Sri Lanka	308,556	30,611
<b>Total segment non-current asset addition</b>	<b>8,137,830</b>	<b>2,802,648</b>

### 6 REVENUE FROM CONTRACTS WITH CUSTOMERS

The Group and the Company derives following types of revenue:

	Group		Company	
	2023	2022	2023	2022
Textile sector	79,589,658	47,754,494	50,382,703	29,438,073
Printing sector	4,447,468	1,833,470	–	–
<b>Total revenue from continuing operations</b>	<b>84,037,126</b>	<b>49,587,964</b>	<b>50,382,703</b>	<b>29,438,073</b>

#### (a) Segment revenue

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

Year ended 31 March 2023	Total segment revenue	Inter segment revenue	Revenue from external customers
<b>Revenue</b>			
<b>Textile manufacturing</b>			
– Sri Lanka	50,382,703	1,435,799	48,946,904
– India	35,584,227	4,941,474	30,642,753
Fabric printing – Sri Lanka	4,153,621	1,553,417	2,600,204
Fabric printing – India	1,847,265	–	1,847,265
<b>Total segment revenue</b>	<b>91,967,816</b>	<b>7,930,690</b>	<b>84,037,126</b>

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 6. Revenue from contracts with customers (contd.)

#### (a) Segment revenue (contd.)

Year ended 31 March 2022	Total segment revenue	Inter segment revenue	Revenue from external customers
<b>Revenue</b>			
<b>Textile manufacturing</b>			
- Sri Lanka	29,438,073	869,162	28,568,911
- India	19,311,892	1,458,178	17,853,714
Fabric printing - Sri Lanka	2,900,093	1,066,623	1,833,470
Fabric printing - India	1,331,869	-	1,331,869
<b>Total segment revenue</b>	<b>52,981,927</b>	<b>3,393,963</b>	<b>49,587,964</b>

#### (b) Recognising revenue from major business activities

##### Textile sector

##### Timing of recognition:

The Group manufactures and sells of weft knit fabrics to foreign markets as well as to the local exporters. Sales are recognised at the point of fulfilling the performance obligations.

##### Measurement of revenue:

The fabrics are sold to the customers with a right to return faulty products. Revenue from sales is based on the transaction price specified in the sales contracts allocated to the performance obligations. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

##### Printing sector

##### Timing of recognition:

The Group prints rotary screen of knitted and woven fabrics to foreign markets as well as to the local exporters. Sales are recognised at the point of fulfilling the performance obligations.

##### Measurement of revenue:

The printed fabrics are sold to the customers with a right to return faulty products. Revenue from sales is based on the transaction price specified in the sales contracts allocated to the performance obligations. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice.

Further information about significant accounting policies are provided in Note 2.22.

## 7 OTHER INCOME - NET

	Note	Group		Company	
		2023	2022	2023	2022
Scrap sales		367,190	128,372	102,282	8,851
Screen cost recovery		164,442	23,110	-	-
Royalty income	7 (a)	-	-	946,707	825,496
Steam coal cost recovery	35 (vi)	-	-	104,792	12,711
Dividend income	35 (vii)	-	-	365,000	-
		<b>531,632</b>	<b>151,482</b>	<b>1,518,781</b>	<b>847,058</b>

(a) Royalty income of LKR 946,707,341 (2022 - LKR 825,496,495) in Company solely consists of royalty income from Teejay India (Private) Limited for the year ended 31 March 2023 [Note 35 (v)].

**NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in Sri Lanka Rupees '000)

**8 RESULTS FROM OPERATING ACTIVITIES**

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

	Note	Group		Company	
		2023	2022	2023	2022
Directors' emoluments		<b>10,086</b>	3,540	<b>8,401</b>	1,859
Auditors' remuneration – audit		<b>19,399</b>	13,297	<b>2,598</b>	4,864
– non-audit		<b>2,593</b>	935	<b>2,449</b>	641
		<b>21,992</b>	14,232	<b>5,047</b>	5,505
Depreciation on property, plant and equipment	14	<b>3,172,679</b>	1,386,287	<b>1,375,905</b>	730,053
Depreciation on right-of-use assets	15	<b>124,575</b>	65,431	<b>49,449</b>	24,507
Provision for slow and non-moving inventories	20	<b>857,038</b>	326,260	<b>842,819</b>	191,354
Provision for impairment of trade receivables	21 (a)	<b>283,737</b>	42,970	<b>175,586</b>	18,239
Amortisation of intangible assets	17	<b>84,214</b>	51,962	<b>61,177</b>	31,182
Legal and professional fees		<b>139,546</b>	30,647	<b>12,229</b>	8,687
Research and development expenses		<b>424,230</b>	142,462	<b>262,419</b>	142,462
Repair and maintenance expenditure		<b>869,690</b>	530,242	<b>546,895</b>	383,898
Employee benefit expense	9	<b>5,176,275</b>	3,248,489	<b>2,573,029</b>	2,040,733

**9 EMPLOYEE BENEFIT EXPENSE**

	Note	Group		Company	
		2023	2022	2023	2022
Salaries, wages and other fringe benefits		<b>4,599,959</b>	2,859,515	<b>2,315,821</b>	1,809,564
Defined contribution plans		<b>419,772</b>	281,383	<b>215,653</b>	179,102
Retirement benefit obligations	26	<b>156,544</b>	107,591	<b>41,555</b>	52,067
		<b>5,176,275</b>	3,248,489	<b>2,573,029</b>	2,040,733
Average number of persons employed by the Group and the Company during the year – full time		<b>3,353</b>	3,232	<b>1,485</b>	1,418

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 10 NET FINANCE (COST)/INCOME

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Finance income:					
Net foreign transaction and translation gains		386,502	285,093	310,816	275,254
Interest income on related party loan	35 (viii)	-	-	76,690	43,181
Interest income on short-term deposits		424,986	154,745	357,577	131,970
<b>Total finance income</b>		<b>811,488</b>	<b>439,838</b>	<b>745,083</b>	<b>450,405</b>
Finance costs:					
<b>Interest expense</b>					
- bank overdrafts		(16,874)	(4,466)	(15,544)	(4,435)
- short-term bank borrowings		(385,460)	(79,001)	(328,724)	(55,279)
- Interest charge on lease liabilities	15	(145,937)	(52,717)	(35,828)	(19,960)
- long-term bank borrowings		(441,819)	(13,037)	-	-
<b>Finance cost expensed</b>		<b>(990,090)</b>	<b>(149,221)</b>	<b>(380,096)</b>	<b>(79,674)</b>
<b>Net finance (cost)/income</b>		<b>(178,602)</b>	<b>290,617</b>	<b>364,987</b>	<b>370,731</b>

### 11 INCOME TAX EXPENSE

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Current income tax:					
Current income tax on profits for the year		1,150,740	348,837	1,123,458	285,661
Minimum alternative tax credit entitlement		(16,441)	10,453	-	-
Under provision for income tax in respect of prior years		(139,482)	21,242	(142,262)	17,445
<b>Total current tax:</b>		<b>994,817</b>	<b>380,532</b>	<b>981,196</b>	<b>303,106</b>
Deferred tax:					
Reversal of temporary differences	27	(5,074)	(48,062)	230,064	(32,608)
<b>Income tax expense</b>		<b>989,743</b>	<b>332,470</b>	<b>1,211,260</b>	<b>270,498</b>
Deferred tax (released)/charged to other comprehensive income	27	(27,328)	27,658	(20,015)	25,977
<b>Income tax charged to statement of comprehensive income</b>		<b>962,415</b>	<b>360,128</b>	<b>1,191,245</b>	<b>296,475</b>

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 11. Income tax expense (contd.)

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

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
Profit before tax	<b>3,116,474</b>	2,863,720	<b>4,664,672</b>	2,646,004
Tax calculated at effective tax rate of Group 35.8% (2022 – 15.2%) and Company 24% (2022 – 14%)	<b>1,115,765</b>	434,635	<b>1,111,651</b>	370,441
Income not subject to tax	<b>(219,749)</b>	(96,297)	<b>(207,542)</b>	(105,602)
Expenses not deductible for tax purposes	<b>545,474</b>	172,058	<b>469,678</b>	155,784
Impact on additional allowable expenses	<b>(307,188)</b>	(151,896)	<b>(250,329)</b>	(134,962)
(Over)/under provision for income tax in respect of prior years	<b>(139,482)</b>	21,242	<b>(142,262)</b>	17,445
Adjustments due to the change of estimated deferred tax base in previous years	<b>(5,077)</b>	(47,272)	<b>230,064</b>	(32,608)
<b>Tax charge</b>	<b>989,743</b>	332,470	<b>1,211,260</b>	270,498

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

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

Provision for income tax for the year ended 31 March 2023 in respect of Teejay Lanka PLC Company and Teejay Lanka Prints (Private) Limited, a subsidiary of the Company, has been made in the Financial Statements, in terms of the changes to the Inland Revenue Act No. 24 of 2017, as passed in parliament on 09 December 2022. The Company and its subsidiary in Sri Lanka were liable for income tax at a rate of 14% up to 30 September 2022 and from 01 October 2022 onwards, are liable for income tax at a rate of 30%.

Teejay India (Private) Limited is a unit established in Special Economic Zone in Andhra Pradesh, India and eligible for deduction of hundred percent of profits and gains derived for a period of five consecutive assessment years beginning with the assessment year in which the Company commenced its operations and fifty percent of profits and gains derived for the next five consecutive assessment years. Further, following these concessions, the Company is eligible for the deduction of fifty percent of profits generated from export revenue for five consecutive years provided fulfilment of certain conditions.

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

Further information about deferred tax is provided in Note 27.

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 12 EARNINGS PER SHARE

#### (a) Basic

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

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Profit attributable to equity holders of the Company		2,126,731	2,531,250	3,453,412	2,375,506
Weighted average number of ordinary shares	30 (b)	716,740	715,663	716,740	715,663
Basic earnings per share – LKR		2.967	3.537	4.818	3.319

### 13 DIVIDEND PER SHARE

Year ended 31 March	Note	Group and Company			
		2023		2022	
		Per share LKR	LKR	Per share LKR	LKR
<b>Declared and paid during the year</b>					
<b>Cash basis</b>					
Final dividend	13 (a)	1.50	1,075,110	1.15	824,251
Interim dividend		-	-	0.85	609,229
<b>Total dividend</b>		<b>1.50</b>	<b>1,075,110</b>	<b>2.00</b>	<b>1,433,480</b>
<b>Relevant year basis</b>					
Final dividend [proposed/paid]	13 (b)	0.75	537,555	1.50	1,075,110
Interim dividend		-	-	0.85	609,229
<b>Total dividend</b>		<b>-</b>	<b>-</b>	<b>2.35</b>	<b>1,684,339</b>

(a) The Company declared and paid final dividend of LKR 1,075,109,963 representing LKR 1.50 per share per share on 8 September 2022 for the year ended 31 March 2022.

(b) Further, the Board of Directors wishes to propose the payment of LKR 537,554,981.25 representing LKR 0.75 per share as final dividend to the shareholders of the company for the year ended 31 March 2023 subject to obtaining the Board approval of the Shareholders at the forthcoming Annual General Meeting.

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

**14** PROPERTY, PLANT AND EQUIPMENT

Group	Note	Buildings on leasehold lands	Plant, machinery and equipment installation	Fixtures, fittings and factory equipment	Office equipment	Computer and communication equipment	Motor vehicles	Total
<b>At 31 March 2021</b>								
Cost		4,713,332	17,150,880	1,989,514	259,207	858,594	45,453	25,016,980
Accumulated depreciation		(1,838,021)	(12,198,360)	(1,309,441)	(244,690)	(690,125)	(25,525)	(16,306,162)
<b>Net book amount</b>		<b>2,875,311</b>	<b>4,952,520</b>	<b>680,073</b>	<b>14,517</b>	<b>168,469</b>	<b>19,928</b>	<b>8,710,818</b>
<b>Year ended 31 March 2022</b>								
Opening net book value		2,875,311	4,952,520	680,073	14,517	168,469	19,928	8,710,818
Transfers from capital work-in-progress	16	1,321,491	1,033,651	340,050	3,844	50,757	-	2,749,793
Write off – cost		(37,195)	(23,519)	-	-	-	-	(60,714)
Write off – accumulated depreciation		37,195	23,519	-	-	-	-	60,714
Effect of movement in foreign exchange rates		1,833,685	2,341,246	394,959	5,623	59,444	5,965	4,640,922
Depreciation charge	8	(212,021)	(908,113)	(162,301)	(6,186)	(90,622)	(7,044)	(1,386,287)
<b>Closing net book amount</b>		<b>5,818,466</b>	<b>7,419,304</b>	<b>1,252,781</b>	<b>17,798</b>	<b>188,048</b>	<b>18,849</b>	<b>14,715,246</b>
<b>At 31 March 2022</b>								
Cost		7,831,313	20,502,258	2,724,523	268,674	968,795	51,418	32,346,981
Accumulated depreciation		(2,012,847)	(13,082,954)	(1,471,742)	(250,876)	(780,747)	(32,569)	(17,631,735)
<b>Net book amount</b>		<b>5,818,466</b>	<b>7,419,304</b>	<b>1,252,781</b>	<b>17,798</b>	<b>188,048</b>	<b>18,849</b>	<b>14,715,246</b>
<b>Year ended 31 March 2023</b>								
Opening net book value		5,818,466	7,419,304	1,252,781	17,798	188,048	18,849	14,715,246
Transfers from capital work-in-progress	16	320,437	6,856,027	216,082	4,623	239,375	-	7,636,544
Write off – cost		(5,967)	(51,780)	(86,456)	(1,046)	(603)	-	(145,852)
Write off – accumulated depreciation		5,967	51,780	86,456	1,046	603	-	145,852
Effect of movement in foreign exchange rates		606,975	318,472	138,382	2,374	10,143	3,120	1,079,466
Depreciation charge	8	(445,611)	(2,236,347)	(323,759)	(10,433)	(144,018)	(12,511)	(3,172,679)
<b>Closing net book amount</b>		<b>6,300,267</b>	<b>12,357,456</b>	<b>1,283,486</b>	<b>14,362</b>	<b>293,548</b>	<b>9,458</b>	<b>20,258,577</b>
<b>At 31 March 2023</b>								
Cost		8,752,758	27,624,977	2,992,531	274,625	1,217,710	54,538	40,917,139
Accumulated depreciation		(2,452,491)	(15,267,521)	(1,709,045)	(260,263)	(924,162)	(45,080)	(20,658,562)
<b>Net book amount</b>		<b>6,300,267</b>	<b>12,357,456</b>	<b>1,283,486</b>	<b>14,362</b>	<b>293,548</b>	<b>9,458</b>	<b>20,258,577</b>

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 14. Property, plant and equipment (contd.)

Company	Note	Buildings on leasehold lands	Plant, machinery and equipment installation	Fixtures, fittings and factory equipment	Office equipment	Computer and communication equipment	Motor vehicles	Total
<b>At 31 March 2021</b>								
Cost		2,201,669	9,301,995	1,694,986	45,102	578,930	28,108	13,850,790
Accumulated depreciation		(740,200)	(6,826,167)	(1,068,320)	(38,215)	(444,713)	(8,180)	(9,125,795)
<b>Net book amount</b>		<b>1,461,469</b>	<b>2,475,828</b>	<b>626,666</b>	<b>6,887</b>	<b>134,217</b>	<b>19,928</b>	<b>4,724,995</b>
<b>Year ended 31 March 2022</b>								
Opening net book value		1,461,469	2,475,828	626,666	6,887	134,217	19,928	4,724,995
Transfers from capital work-in-progress	16	68,183	302,867	336,095	2,816	35,247	-	745,208
Write off – cost		(37,195)	-	-	-	-	-	(37,195)
Write off – accumulated depreciation		37,195	-	-	-	-	-	37,195
Effect of movement in foreign exchange rates		668,791	1,080,327	379,447	3,260	48,016	5,965	2,185,806
Depreciation charge	8	(79,432)	(436,959)	(138,423)	(2,631)	(65,564)	(7,044)	(730,053)
<b>Closing net book amount</b>		<b>2,119,011</b>	<b>3,422,063</b>	<b>1,203,785</b>	<b>10,332</b>	<b>151,916</b>	<b>18,849</b>	<b>6,925,956</b>
<b>At 31 March 2022</b>								
Cost		2,901,448	10,685,189	2,410,528	51,178	662,193	34,073	16,744,609
Accumulated depreciation		(782,437)	(7,263,126)	(1,206,743)	(40,846)	(510,277)	(15,224)	(9,818,653)
<b>Net book amount</b>		<b>2,119,011</b>	<b>3,422,063</b>	<b>1,203,785</b>	<b>10,332</b>	<b>151,916</b>	<b>18,849</b>	<b>6,925,956</b>
<b>Year ended 31 March 2023</b>								
Opening net book value		<b>2,119,011</b>	<b>3,422,063</b>	<b>1,203,785</b>	<b>10,332</b>	<b>151,916</b>	<b>18,849</b>	<b>6,925,956</b>
Transfers from capital work-in-progress	16	<b>114,824</b>	<b>602,907</b>	<b>192,316</b>	<b>3,948</b>	<b>101,168</b>	-	<b>1,015,163</b>
Write off – cost		<b>(5,967)</b>	-	<b>(86,456)</b>	<b>(1,046)</b>	<b>(603)</b>	-	<b>(94,072)</b>
Write off – accumulated depreciation		<b>5,967</b>	-	<b>86,456</b>	<b>1,046</b>	<b>603</b>	-	<b>94,072</b>
Effect of movement in foreign exchange rates		<b>216,944</b>	<b>373,020</b>	<b>132,850</b>	<b>1,126</b>	<b>15,628</b>	<b>3,120</b>	<b>742,688</b>
Depreciation charge	8	<b>(117,298)</b>	<b>(844,775)</b>	<b>(294,524)</b>	<b>(4,669)</b>	<b>(102,128)</b>	<b>(12,511)</b>	<b>(1,375,905)</b>
<b>Closing net book amount</b>		<b>2,333,481</b>	<b>3,553,215</b>	<b>1,234,427</b>	<b>10,737</b>	<b>166,584</b>	<b>9,458</b>	<b>7,307,902</b>
<b>At 31 March 2023</b>								
Cost		<b>3,227,249</b>	<b>11,661,116</b>	<b>2,649,238</b>	<b>55,206</b>	<b>778,386</b>	<b>37,193</b>	<b>18,408,388</b>
Accumulated depreciation		<b>(893,768)</b>	<b>(8,107,901)</b>	<b>(1,414,811)</b>	<b>(44,469)</b>	<b>(611,802)</b>	<b>(27,735)</b>	<b>(11,100,486)</b>
<b>Net book amount</b>		<b>2,333,481</b>	<b>3,553,215</b>	<b>1,234,427</b>	<b>10,737</b>	<b>166,584</b>	<b>9,458</b>	<b>7,307,902</b>

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 14. Property, plant and equipment (contd.)

- (a) Property, plant and equipment of the Group and the Company include fully depreciated assets still in use, the cost of which as at 31 March 2023 amounted to LKR 17,906,689,970 and LKR 11,046,777,896 respectively (2022 Group – LKR 15,784,998,364 and Company – LKR 9,783,885,169).
- (b) The Company has constructed nine buildings on four plots of lands leased from the Board of Investment of Sri Lanka at Seethawaka International Industrial Park. The remaining lease periods as of 31 March 2023 are 28,12,15 and 15 years respectively. The subsidiary company, Teejay Lanka Prints (Private) Limited, has constructed two buildings on two plots of lands leased from the Board of Investment of Sri Lanka at Seethawaka International Industrial Park. The remaining lease periods as of 31 March 2023 are 24 and 28 years respectively. The sub-subsidiary company, Teejay India (Private) Limited, has constructed a building on a land sub leased at Brandix India Apparel City park. The remaining lease period as of 31 March 2023 is 22 years.
- (c) Depreciation expense of Group of LKR 2,903,828,834 (2022 – LKR 1,266,227,332) and LKR 268,850,388 (2022 – LKR 120,060,162) has been charged to cost of goods sold and administrative expenses respectively. Depreciation expense of the Company of LKR 1,302,607,132 (2022 – LKR 687,757,321) and LKR 73,297,151 (2022 – LKR 42,296,077) has been charged to cost of goods sold and administrative expenses respectively.
- (d) Teejay India (Private) Limited has mortgaged the assets related to the expansion project as a security for the loan obtained from Standard Chartered bank (Note 25).

### 15 LEASES

This Note provides information for leases where the Group/Company is the lessee.

#### (a) Amounts recognised in the statement of financial position

The statement of financial position shows the following amounts relating to leases:

#### Right-of-use assets

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Land		<b>1,740,026</b>	1,341,498	716,426	671,156
		<b>1,740,026</b>	1,341,498	<b>716,426</b>	671,156
<b>Lease liabilities</b>					
Current lease liabilities		<b>114,127</b>	43,051	<b>56,328</b>	26,485
Non-current lease liabilities		<b>1,340,989</b>	930,430	<b>494,152</b>	492,520
		<b>1,455,116</b>	973,481	<b>550,480</b>	519,005
Movement relating to leases:					
<b>Right-of use assets</b>					
Right-of-use asset recognised as at 01 April – Land		<b>1,341,498</b>	899,016	<b>671,156</b>	472,602
Prepayments		-	56,306	-	-
Additions made during the year – Land and buildings		<b>413,441</b>	28,273	<b>23,618</b>	11,211
Effect of movement in foreign exchange rates		<b>109,662</b>	423,334	<b>71,101</b>	211,850
Depreciation charged during the year – Land	8	<b>(124,575)</b>	(65,431)	<b>(49,449)</b>	(24,507)
<b>Right-of-use asset recognised as at 31 March</b>		<b>1,740,026</b>	1,341,498	<b>716,426</b>	671,156

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 15. Leases (contd.)

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
<b>Lease liabilities</b>					
Lease liability recognised as at 01 April – Land		973,481	668,320	519,005	359,871
Additions made during the year – Land and buildings		413,441	28,273	23,618	11,211
Interest charged during the year	10	145,937	52,717	35,828	19,960
Rentals paid during the year		(158,714)	(74,740)	(83,324)	(35,847)
Effect of movement in exchange rates		80,971	298,911	55,353	163,810
<b>Lease liability recognised as at 31 March</b>		<b>1,455,116</b>	<b>973,481</b>	<b>550,480</b>	<b>519,005</b>

### (b) Amounts recognised in the income statement

The income statement shows the following amounts relating to leases:

#### Depreciation charge of right-of-use assets

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Land	8	124,575	65,431	49,449	24,507
		124,575	65,431	49,449	24,507
Interest charge on lease liabilities	10	145,937	52,717	35,828	19,960

(c) The total cash outflows for leases of Group and Company for the financial year ended 31 March 2023 were LKR 158,713,804 (2022 – LKR 74,739,951) and LKR 83,324,439 (2022 – LKR 35,846,961) respectively.

### 16 CAPITAL WORK-IN-PROGRESS

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Balance at beginning of the year		5,268,720	425,281	696,570	213,249
Expenses incurred		3,334,414	5,962,561	1,555,122	1,021,488
Transferred to property, plant and equipment	14	(7,636,544)	(2,749,793)	(1,015,163)	(745,208)
Transferred to intangible assets	17	(87,845)	(24,582)	(63,230)	(12,171)
Effect of movement in foreign exchange rates		957,219	1,655,253	25,801	219,212
<b>Balance at end of the year</b>		<b>1,835,964</b>	<b>5,268,720</b>	<b>1,199,100</b>	<b>696,570</b>

(a) Capital work in progress of Group and Company as of 31 March 2023 mainly comprises of a SAP S4 HANA software amounting to LKR 311,457,986 and Double Jersey Knitting Machines amounting to LKR 528,401,454.

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

**17 INTANGIBLE ASSETS**

Group	Note	Goodwill	Computer software	Total
<b>At 31 March 2021</b>				
Cost		65,709	816,297	882,006
Accumulated amortisation		-	(690,845)	(690,845)
<b>Net book amount</b>		65,709	125,452	191,161
<b>Year ended 31 March 2022</b>				
Opening net book amount		65,709	125,452	191,161
Transferred from capital work-in-progress	16	-	24,582	24,582
Effect of movement in foreign exchange rates		30,301	45,319	75,620
Amortisation charge	8	-	(51,962)	(51,962)
<b>Closing net book amount</b>		96,010	143,391	239,401
<b>At 31 March 2022</b>				
Cost		96,010	886,198	982,208
Accumulated amortisation		-	(742,807)	(742,807)
<b>Net book amount</b>		96,010	143,391	239,401
<b>Year ended 31 March 2023</b>				
Opening net book amount		96,010	143,391	239,401
Transferred from capital work-in-progress	16	-	87,845	87,845
Effect of movement in foreign exchange rates		9,819	14,317	24,136
Amortisation charge	8	-	(84,214)	(84,214)
<b>Closing net book amount</b>		105,829	161,339	267,168
<b>At 31 March 2023</b>				
Cost		105,829	988,360	1,094,189
Accumulated amortisation		-	(827,021)	(827,021)
<b>Net book amount</b>		105,829	161,339	267,168

Company	Note	Computer software	Total
<b>At 31 March 2021</b>			
Cost		624,247	624,247
Accumulated amortisation		(530,816)	(530,816)
<b>Net book amount</b>		93,431	93,431
<b>Year ended 31 March 2022</b>			
Opening net book amount		93,431	93,431
Transferred from capital work-in-progress	16	12,171	12,171
Effect of movement in foreign exchange rates		34,384	34,384
Amortisation charge	8	(31,182)	(31,182)
<b>Closing net book amount</b>		108,804	108,804
<b>At 31 March 2022</b>			
Cost		670,802	670,802
Accumulated amortisation		(561,998)	(561,998)
<b>Net book amount</b>		108,804	108,804
<b>Year ended 31 March 2023</b>			
Opening net book amount		108,804	108,804
Transferred from capital work-in-progress	16	63,230	63,230
Effect of movement in foreign exchange rates		10,932	10,932
Amortisation charge	8	(61,177)	(61,177)
<b>Closing net book amount</b>		121,789	121,789
<b>At 31 March 2023</b>			
Cost		744,964	744,964
Accumulated amortisation		(623,175)	(623,175)
<b>Net book amount</b>		121,789	121,789

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 17. Intangible assets (contd.)

(a) Amortisation charge amounting to LKR 84,214,167 (2022 Group – LKR 51,961,780) and LKR 61,176,945 (2022 Company – LKR 31,181,743) relating to the computer software of Group and the Company respectively are included in cost of sales.

### (b) Impairment tests for goodwill

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

Summary of the goodwill allocation is presented below.

As at 31 March	Group	
	2023	2022
Teejay Lanka Prints (Private) Limited	30,203	27,401
Teejay Mauritius Private Limited (Previously known as Ocean Mauritius Limited)	75,626	68,609
	105,829	96,010

The recoverable amount of all CGUs has been determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. The growth rate does not exceed the long term average growth rate for the business in which the CGU operates.

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

- Sales volume is the average annual growth rate over the five-year forecast period. It is based on current industry trends and includes long term inflation forecasts for each company in which each business segment operates.
- Gross margin is the average margin as a percentage of revenue over the five-year forecast period. It is based on current sales margin levels and sales mix, with adjustments made to reflect the expected future price rises in key raw materials.

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

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

## 18 INVESTMENTS IN SUBSIDIARIES

Year ended 31 March	Company	
	2023	2022
<b>Unquoted investments</b>		
At the beginning of the year	5,008,257	3,427,643
Effect of movement in foreign exchange rates	512,187	1,580,614
At the end of the year	5,520,444	5,008,257

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

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

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

Name of company	Nature of business activities	Indirect holding	Direct holding
Teejay Mauritius Private Limited (Previously known as Ocean Mauritius Limited)	Investment holding	-	100%
Teejay India (Private) Limited	Manufacturing of knitted fabrics	99.99%	-

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 19 FINANCIAL INSTRUMENTS BY CATEGORY

#### (a) Financial assets – at amortised cost

Due to the short-term nature of the financial assets, their fair value is considered to be the same as their amortised cost.

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Trade receivables	21	5,097,336	7,139,239	3,662,459	4,781,755
Other receivables (excluding advances)		317,169	476,291	126,019	21,445
Amounts due from related companies	21	3,188,855	4,999,370	5,274,053	4,707,857
Other financial assets	22	3,281,426	1,822,146	2,860,590	1,470,345
Cash and cash equivalents	23	7,913,808	6,383,354	5,238,133	4,131,852
		19,798,594	20,820,400	17,161,254	15,113,254

#### (b) Financial liabilities – at amortised cost

Due to the short-term nature of the financial liabilities, their carrying amount is considered to be the same as their fair value.

For the borrowings, the fair values are not materially different from their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Trade payables	24	7,321,126	14,714,178	2,593,054	7,238,662
Accrued expenses	24	2,372,450	2,235,486	1,614,108	1,644,583
Other payables	24	328,494	353,455	113,629	206,047
Amount due to related companies	24	460,050	222,954	1,298,417	371,646
Short-term bank borrowings	25	5,780,870	5,695,530	3,873,991	4,303,755
Long-term bank borrowings	25	4,774,200	4,331,250	-	-
Buyers credit from bank	25	1,464,476	1,249,921	-	-
Bank overdrafts	25	562,406	218,012	377,392	218,012
Lease liabilities	15	1,455,116	973,481	550,480	519,005
		24,519,188	29,994,267	10,421,071	14,501,710

#### (c) Credit quality of financial assets

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

##### Trade receivables and amount due from related parties:

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
Export customers/overseas	2,087,991	3,131,098	660,394	780,218
Local customers	3,009,345	4,008,141	3,002,065	4,001,537
Related parties	3,008,513	4,948,384	1,946,460	3,240,791
	8,105,849	12,087,623	5,608,919	8,022,546

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 19. Financial instruments by category (contd.)

Counterparties without external credit rating:

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
Group 1	3,716,159	8,137,816	2,506,454	4,072,738
Group 2	2,555,455	1,646,436	1,293,230	1,646,436
Group 3	1,834,235	2,303,371	1,809,235	2,303,372
Total unimpaired trade and related party receivables	8,105,849	12,087,623	5,608,919	8,022,546

Group 1 – customers/related parties (less than 3 months).

Group 2 – customers/related parties (more than 3 months) with no defaults in the past.

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

Cash and cash equivalents:

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
AAA	416,406	1,821,191	-	1,659,608
A+	295,354	2,031,272	273,960	1,627,737
A	2,100,815	692,076	464,409	293,314
A-	1,719,763	-	1,423,965	-
AA-	1,757,013	993,025	1,695,213	-
BBB+	1,622,769	755,205	1,378,941	550,393
BBB	-	40,469	-	-
BB+	-	47,750	-	-
Cash in hand	1,688	2,366	1,645	800
	7,913,808	6,383,354	5,238,133	4,131,852

Other financial assets

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
AAA	1,912	-	-	-
AA+	-	1,714	-	-
AA-	-	1,820,432	-	1,470,345
A	3,279,514	-	2,860,590	-
	3,281,426	1,822,146	2,860,590	1,470,345

### 20 INVENTORIES

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
Raw materials	4,650,467	7,761,547	2,863,319	4,990,695
Work-in-progress	5,000,664	4,742,686	3,500,414	3,023,843
Finished goods	951,996	743,483	454,658	455,755
Engineering spares, needles and sinkers	775,382	616,614	441,236	345,063
Effluent chemicals, fuel and consumables	971,099	780,940	259,137	207,978
Goods in transit	1,033,369	1,710,507	664,133	1,537,751
	13,382,977	16,355,777	8,182,897	10,561,085

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

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Balance at the beginning of the year		2,064,904	1,087,731	1,566,791	881,409
Provision for slow and non-moving inventories	8	857,038	326,260	842,819	191,354
Effect of movement in foreign exchange rates		129,493	650,913	79,907	494,028
<b>Balance at the end of the year</b>		<b>3,051,435</b>	<b>2,064,904</b>	<b>2,489,517</b>	<b>1,566,791</b>

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 21 TRADE AND OTHER RECEIVABLES

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
<b>Current</b>					
Trade receivables – external customers		5,364,643	7,192,346	3,859,916	4,816,779
Less – provision for impairment (a)		(267,307)	(53,107)	(197,457)	(35,024)
		5,097,336	7,139,239	3,662,459	4,781,755
Trade receivable due from related companies	35 (x) (a)	3,104,844	4,992,297	1,958,380	3,251,605
Less – provision for impairment	35 (x) (a)	(96,331)	(43,913)	(11,920)	(10,814)
		3,008,513	4,948,384	1,946,460	3,240,791
Other receivables from related companies	35 (x) (b)	180,342	50,986	1,820,228	162,498
Loan given to related parties	35 (xii)	–	–	1,507,365	1,304,568
		3,188,855	4,999,370	5,274,053	4,707,857
Prepayments		60,795	88,886	13,702	24,311
Other receivables	(d)	453,562	600,029	209,073	96,794
Statutory receivables		225,005	31,622	17,243	28,845
		739,362	720,537	240,018	149,950
		9,025,553	12,859,146	9,176,530	9,639,562

#### (a) Impairment of trade receivables

The Group/Company apply the SLFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

The expected loss rates are based on the payment profiles of sales over a period of 36 months before 31 March 2023 or 01 April 2022 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and accordingly adjusts the historical loss rates based on expected changes.

On that basis, the loss allowance as at 31 March 2023 and 01 April 2022 was determined as follows for trade receivables:

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
Loss allowance	363,638	97,020	209,377	45,838

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

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Opening loss allowance as at 1 April – calculated under SLFRS 9		97,020	23,533	45,838	13,176
Increase in loss allowance recognised in profit or loss during the year	8	283,737	42,970	175,586	18,239
Effect of movement in foreign exchange rates		(17,119)	30,517	(12,047)	14,423
<b>At 31 March</b>		<b>363,638</b>	<b>97,020</b>	<b>209,377</b>	<b>45,838</b>

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group/Company and a failure to make contractual payments for a period of greater than 60 days from the due date.

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 21. Trade and other receivables (contd.)

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

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
US Dollars	8,343,337	12,214,383	9,083,150	9,580,526
LKR	115,041	67,765	90,751	59,036
Euro	2,922	-	2,629	-
INR	564,253	576,998	-	-
	9,025,553	12,859,146	9,176,530	9,639,562

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

(d) Other receivables of the Group mainly consist of export incentive receivables of LKR 2,317,397 (2022 – LKR 116,537,479), advances to suppliers of LKR 91,146,480 (2022 – LKR 102,135,206) and refundable deposit of LKR 248,138,408 (2022 – LKR 146,076,315). Other receivables of the Company mainly consist of advances to suppliers amounting to LKR 88,139,689 (2022 – LKR 56,277,086) and refundable deposit amounting to LKR 17,897,521 (2022 – LKR 15,173,813).

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

### 22 OTHER FINANCIAL ASSETS – AT AMORTISED COST

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
Short-term deposits	3,281,426	1,822,146	2,860,590	1,470,345

(a) The movement in the other financial assets during the year is as follows:

	Group	Company
As at 1 April 2022	1,822,146	1,470,345
Maturities of fixed deposits	(25,877,703)	(24,120,850)
Investment in the fixed deposits	27,284,734	25,491,343
Effect of movement in foreign exchange rates	52,249	19,752
<b>Balance as at 31 March 2023</b>	<b>3,281,426</b>	<b>2,860,590</b>

The weighted average effective interest rate of the Group on short-term deposits (USD) was 5.35% – 11.0% (year ended 31 March 2022 – 5.59% – 6.6%). The weighted average effective interest rate of the Company on short-term deposits (USD) was 9.5% – 11.0% (year ended 31 March 2022 – 6.00%–6.6%).

(b) The carrying amounts of other financial assets are denominated in following currencies:

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
US Dollars	3,206,842	1,634,973	2,786,005	1,283,172
LKR	74,584	187,173	74,585	187,173
	3,281,426	1,822,146	2,860,590	1,470,345

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 23 CASH AND CASH EQUIVALENTS

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
Cash at bank and in hand	<b>7,913,808</b>	6,383,354	<b>5,238,133</b>	4,131,852

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

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Cash and bank balances		<b>7,913,808</b>	6,383,354	<b>5,238,133</b>	4,131,852
Bank overdrafts	25	<b>(562,406)</b>	(218,012)	<b>(377,392)</b>	(218,012)
		<b>7,351,402</b>	6,165,342	<b>4,860,741</b>	3,913,840

(a) The cash and cash equivalents are denominated in following currencies:

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
US Dollars	<b>7,594,694</b>	5,194,959	<b>4,937,189</b>	3,842,158
LKR	<b>313,544</b>	297,013	<b>300,944</b>	289,694
INR	<b>5,570</b>	891,382	-	-
	<b>7,913,808</b>	6,383,354	<b>5,238,133</b>	4,131,852

### 24 TRADE AND OTHER PAYABLES

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Trade payables		<b>7,321,126</b>	14,714,178	<b>2,593,054</b>	7,238,662
Amounts due to related companies	35 (xi)	<b>460,050</b>	222,954	<b>1,298,417</b>	371,646
Accrued expenses	24 (a)	<b>2,372,450</b>	2,235,486	<b>1,614,108</b>	1,644,583
Other payables		<b>328,494</b>	353,455	<b>113,629</b>	206,047
Statutory payables	24 (b)	<b>73,656</b>	97,313	<b>40,031</b>	37,492
		<b>10,555,776</b>	17,623,386	<b>5,659,239</b>	9,498,430

(a) Accrued expenses of the Group mainly consist accrued employee bonus of LKR 333,091,478 (2022 – LKR 383,804,768), air freight expenses of LKR 128,375,373 (2022 – LKR 551,224,328) and bulk discount of LKR 483,030,322 (2022 – LKR 280,413,499). Accrued expenses of the Company mainly consist of accrued employee bonus of LKR 172,000,740 (2022 – LKR 234,771,653), air freight expenses of LKR 97,774,025 (2022 – LKR 499,331,333) and bulk discount of LKR 364,302,333 (2022 – LKR 157,145,258).

(b) Statutory payables of the Group mainly consist of EPF payable of LKR 46,481,611 (2022 – LKR 52,591,193), ETF payable of LKR 3,472,117 (2022 – LKR 4,867,170) and PAYE payable of USD 12,932,990 (2022 – LKR 2,469,679). Statutory payables of the Company mainly consist of PAYE payable of LKR 12,932,990 (2022 – LKR 2,468,524), EPF payable of LKR 23,147,868 (2022 – LKR 30,299,693) and ETF payable of LKR 3,472,117 (2022 – LKR 4,544,925).

(c) The carrying amounts of trade and other payable are denominated in following currencies:

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
US Dollars	<b>7,550,274</b>	14,937,131	<b>3,379,509</b>	7,695,270
LKR	<b>2,304,020</b>	2,090,253	<b>2,279,730</b>	1,803,160
INR	<b>701,482</b>	596,002	-	-
	<b>10,555,776</b>	17,623,386	<b>5,659,239</b>	9,498,430

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 25 BORROWINGS

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
<b>Current</b>					
Bank overdrafts	23	562,406	218,012	377,392	218,012
Short-term bank borrowings		5,780,870	5,695,530	3,873,991	4,303,755
		6,343,276	5,913,542	4,251,383	4,521,767
<b>Non-current</b>					
Long-term bank borrowings		4,774,200	4,331,250	-	-
Buyers credit from bank	25 (a)	1,464,476	1,249,921	-	-
		6,238,676	5,581,171	-	-
<b>Total borrowings</b>		<b>12,581,952</b>	<b>11,494,713</b>	<b>4,251,383</b>	<b>4,521,767</b>

(a) Buyers credit from bank represents the loan obtained from Standard Chartered bank under LC facility for the purpose of import of machinery for the Teejay India (Private) Limited expansion project (Interest rate – 3 months LIBOR+2.5%). Buyers credit from bank is secured by the letter of comfort given by the Teejay Lanka PLC, the parent company.

(b) The maturity of non-current borrowings is as follows:

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
Between 1 to 2 years	1,464,476	-	-	-
Between 2 to 5 years	4,774,200	5,581,171	-	-
	6,238,676	5,581,171	-	-

The loan of USD 15 Mn. (approximately LKR 4.77 Bn.) consists of a loan obtained by Teejay India (Private) Limited, a sub subsidiary of the Company, from the Standard Chartered Bank in relation to the expansion project. The loan has a grace period which is due to end in 2024 and repayment will commence in year 2025 with a repayment period 03 years. Teejay India (Private) Limited has mortgaged the assets related to the expansion project as a security for the loan obtained.

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

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
<b>Total borrowings:</b>				
– at floating rate	12,581,952	11,494,713	4,251,383	4,521,767
	12,581,952	11,494,713	4,251,383	4,521,767

(d) Weighted average effective interest rates:

#### Weighted average effective interest rates:

– Bank borrowings	LIBOR + 2.25% – 3.25% and SOFR + 4.1%	LIBOR + 2.25% – 3.25%	SOFR + 4.1%	LIBOR + 2.25% – 3.10%
– Bank overdrafts	Floating rate 7% – 9.75%	LIBOR + 2.5%	LIBOR + 6% (Floating rate 7%)	LIBOR + 2.5%
– Buyers credit from bank	LIBOR + 2.5%	LIBOR + 2.5%	N/A	N/A

(e) The bank overdrafts of the Group/Company as at 31 March 2023 and 2022 represent book overdrawn situations amounting to LKR 294,602,514 and LKR 217,038,071 respectively in the Company. Borrowings from related company is unsecured.

(f) Teejay India (Private) Limited bank borrowings are secured by the letter of comfort given by Teejay Lanka PLC and mortgaged the assets related to the expansion project as a security for the loan obtained. All other bank borrowings are on a clean basis.

**NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in Sri Lanka Rupees '000)

**25. Borrowings (contd.)**

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

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
6 months or less	<b>12,581,952</b>	11,494,713	<b>4,251,383</b>	4,521,767

(h) The carrying amounts of trade and other payable are denominated in following currencies:

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
US Dollars	<b>12,581,952</b>	11,494,713	<b>4,251,383</b>	4,521,767

**26 RETIREMENT BENEFIT OBLIGATIONS – GRATUITY**

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
<b>Statement of financial position obligations for:</b>				
Gratuity benefits	<b>568,559</b>	424,817	<b>246,452</b>	162,819
<b>Statement of comprehensive income charge:</b>				
Gratuity benefits	<b>156,544</b>	107,591	<b>41,555</b>	52,067
<b>Other comprehensive income:</b>				
Remeasurement losses/(gains)	<b>89,317</b>	(203,673)	<b>66,717</b>	(185,551)

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

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
At the beginning of the year	<b>424,817</b>	520,422	<b>162,819</b>	331,343
Current service cost	<b>111,055</b>	83,188	<b>16,041</b>	37,613
Interest cost	<b>45,489</b>	41,578	<b>25,514</b>	29,978
Gain due to amendment of plan	-	(17,175)	-	(15,524)
Remeasurement losses/(gains)	<b>89,317</b>	(203,673)	<b>66,717</b>	(185,551)
Benefits paid	<b>(99,017)</b>	(71,497)	<b>(24,365)</b>	(35,072)
Effect of movement in foreign exchange rates	<b>(3,102)</b>	71,974	<b>(274)</b>	32
<b>At the end of the year</b>	<b>568,559</b>	424,817	<b>246,452</b>	162,819

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

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Current service cost		<b>111,055</b>	83,188	<b>16,041</b>	37,613
Interest cost		<b>45,489</b>	41,578	<b>25,514</b>	29,978
Gain due to plan amendment		-	(17,175)	-	(15,524)
<b>Total included in employee benefit expense</b>	9	<b>156,544</b>	107,591	<b>41,555</b>	52,067

As stated in paragraph 2.20 (a) under summary of significant accounting policies, an actuarial valuation of the Teejay Lanka PLC and Teejay Lanka Prints (Private) Limited subsidiary of the Company was carried out by an independent actuary, Messrs Piyal S Goonetilleke and Associates, using the Projected Unit Credit method to calculate the liability for gratuity as at 31 March 2023. An actuarial valuation of the Teejay India (Private) Limited defined benefit obligations was carried out by an independent firm, KP Actuaries and Consultants, using the Projected Unit Credit method to calculate the liability for gratuity as at 31 March 2023. The provision for gratuity is not externally funded.

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 26. Retirement benefit obligations – Gratuity (contd.)

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

Year ended 31 March	Group		Company	
	2023	2022	2023	2022
Discount rate	<b>7.3% -17.81%</b>	6.1% -15.67%	<b>17.81%</b>	15.67%
Future salary increases				
– Non-Executive staff	<b>7.50%-12.50% p.a.</b>	7.50% p.a.	<b>12.50% p.a.</b>	7.50% p.a.
– Executive staff	<b>7.50%-12.50% p.a.</b>	7.50% p.a.	<b>12.50% p.a.</b>	7.50% p.a.
Staff turnover factor				
– Non-Executive staff	<b>Age-related</b>	Age-related	<b>Age-related</b>	Age-related
– Executive staff	<b>Age-related</b>	Age-related	<b>Age-related</b>	Age-related

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

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

Group – 2023	Impact on retirement benefit obligations		
	Change in assumption (%)	Increase in assumption (%)	Decrease in assumption (%)
Discount rate	1	Decrease by 4.02 to 10.83	Increase by 4.37 to 12.52
Future salary increase	1	Increase by 3.93 to 13.54	Decrease by 3.73 to 11.81
Staff turnover factor	1	Increase by 0.92 to 6.83	Decrease by 1.03 to 5.34

Group – 2022	Impact on retirement benefit obligations		
	Change in assumption (%)	Increase in assumption (%)	Decrease in assumption (%)
Discount rate	1	Decrease by 3.74 to 8.91	Increase by 4.10 to 10.28
Future salary increase	1	Increase by 3.76 to 10.80	Decrease by 3.56 to 9.46
Staff turnover factor	1	Increase by 4.64 to 11.82	Decrease by 2.57 to 9.41

Company – 2023	Impact on retirement benefit obligations		
	Change in assumption (%)	Increase in assumption (%)	Decrease in assumption (%)
Discount rate	1	Decrease by 10.47	Increase by 12.14
Future salary increase	1	Increase by 13.21	Decrease by 11.48
Staff turnover factor	1	Increase by 5.83	Decrease by 4.94

Company – 2022	Impact on retirement benefit obligations		
	Change in assumption (%)	Increase in assumption (%)	Decrease in assumption (%)
Discount rate	1	Decrease by 8.91	Increase by 10.28
Future salary increase	1	Increase by 10.80	Decrease by 9.46
Staff turnover factor	1	Increase by 11.82	Decrease by 9.41

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

### (e) Maturity profile of the retirement benefit obligations:

The weighted average duration of the defined benefit obligation of Group and the Company is 15 years. The expected maturity analysis of undiscounted retirement obligation:

**NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in Sri Lanka Rupees '000)

**26. Retirement benefit obligations – Gratuity (contd.)**

	Group		Company	
	2023	2022	2023	2022
Less than 1 year	12,205	8,764	11,410	8,047
Between 1 – 2 years	65,787	11,137	24,123	10,295
Between 2 – 5 years	282,441	90,035	191,833	80,003
Over 5 years	1,211,680	557,187	713,311	498,606
<b>Total</b>	<b>1,572,113</b>	<b>667,123</b>	<b>940,677</b>	<b>596,951</b>

**27 DEFERRED INCOME TAX LIABILITIES**

Deferred tax liabilities/(assets) of the Group are calculated on all temporary differences and deductible temporary differences under the liability method using tax rates of 30% – 34% (2022 – 14% – 34%).

	Note	Group		Company	
		2023	2022	2023	2022
<b>At the beginning of the year</b>		<b>487,151</b>	353,762	<b>367,733</b>	258,292
(Credited)/charged to statement of comprehensive income	11	(5,074)	(48,062)	230,064	(32,608)
Tax (release)/change relating to components of other comprehensive income	11	(27,328)	27,658	(20,015)	25,977
Effect of movement in foreign exchange rates		52,908	153,793	17,590	116,072
<b>At end of the year</b>		<b>507,657</b>	487,151	<b>595,372</b>	367,733

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

	Group		Company	
	2023	2022	2023	2022
Deferred tax assets	(1,856,016)	(431,633)	(979,339)	(281,843)
Deferred tax liabilities	2,363,673	918,784	1,574,711	649,576
<b>Deferred tax liabilities (net)</b>	<b>507,657</b>	487,151	<b>595,372</b>	367,733

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

	Group		Company	
	2023	2022	2023	2022
<b>Deferred tax assets:</b>				
– Deferred tax assets to be recovered after more than 12 months	(1,856,016)	(431,633)	(979,339)	(281,843)
<b>Deferred tax liabilities:</b>				
– Deferred tax liabilities to be recovered after more than 12 months	2,173,850	651,209	1,394,172	452,327
– Deferred tax liabilities to be recovered within 12 months	189,823	267,575	180,539	197,249
	<b>2,363,673</b>	918,784	<b>1,574,711</b>	649,576
<b>Deferred tax liabilities (net)</b>	<b>507,657</b>	487,151	<b>595,372</b>	367,733

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

Group	Accelerated tax depreciation	Total
Deferred tax liabilities		
At 31 March 2021	626,990	626,990
Charged to income statement	1,825	1,825
Effect of movement in foreign exchange rates	289,969	289,969
<b>At 31 March 2022</b>	918,784	918,784
Charged to income statement	1,493,243	1,493,243
Effect of movement in foreign exchange rates	(48,354)	(48,354)
<b>At 31 March 2023</b>	<b>2,363,673</b>	<b>2,363,673</b>

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 27. Deferred income tax liabilities (contd.)

Group	Retirement benefit obligations	Provision for impairment of inventory	Provision for impairment of trade receivables	Tax losses	Provision for bonus	Total
Deferred tax assets						
At 31 March 2021	(92,684)	(137,561)	(13,830)	-	(29,153)	(273,228)
Charged to income statement	(9,525)	(26,048)	(13,875)	-	(441)	(49,887)
Charged directly to other comprehensive income	27,658	-	-	-	-	27,658
Effect of movement in foreign exchange rates	(34,442)	(75,356)	(12,731)	-	(13,645)	(136,172)
<b>At 31 March 2022</b>	<b>(108,993)</b>	<b>(238,965)</b>	<b>(40,436)</b>	<b>-</b>	<b>(43,239)</b>	<b>(431,633)</b>
Charged to income statement	(37,611)	(621,301)	(97,724)	(685,640)	(56,041)	(1,498,317)
Charged directly to other comprehensive income	(27,328)	-	-	-	-	(27,328)
Effect of movement in foreign exchange rates	(4,957)	34,776	5,178	65,346	919	101,262
<b>At 31 March 2023</b>	<b>(178,889)</b>	<b>(825,490)</b>	<b>(132,982)</b>	<b>(620,294)</b>	<b>(98,361)</b>	<b>(1,856,016)</b>

Company	Accelerated tax depreciation	Total
Deferred tax liabilities		
At 31 March 2021	446,187	446,187
Credited to income statement	(1,622)	(1,622)
Effect of movement in foreign exchange rates	205,010	205,010
<b>At 31 March 2022</b>	<b>649,576</b>	<b>649,576</b>
Charged to income statement	949,166	949,166
Effect of movement in foreign exchange rates	(24,030)	(24,030)
<b>At 31 March 2023</b>	<b>1,574,711</b>	<b>1,574,711</b>

**NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in Sri Lanka Rupees '000)

**27. Deferred income tax liabilities (contd.)**

Company	Retirement benefit obligations	Provision for impairment of inventory	Provision for impairment trade receivables	Provision for bonus	Total
Deferred tax assets					
At 31 March 2021	(35,412)	(123,397)	(1,845)	(27,241)	(187,895)
(Credited)/charged to income statement	(6,119)	(26,789)	(2,553)	4,475	(30,986)
Charged directly to other comprehensive income	25,977	-	-	-	25,977
Effect of movement in foreign exchange rates	(7,241)	(69,165)	(2,019)	(10,514)	(88,939)
<b>At 31 March 2022</b>	<b>(22,795)</b>	<b>(219,351)</b>	<b>(6,417)</b>	<b>(33,280)</b>	<b>(281,843)</b>
Charged to income statement	(33,937)	(578,179)	(61,612)	(45,374)	(719,102)
Credited directly to other comprehensive income	(20,015)	-	-	-	(20,015)
Effect of movement in foreign exchange rates	2,811	32,673	5,216	921	41,621
<b>At 31 March 2023</b>	<b>(73,936)</b>	<b>(764,857)</b>	<b>(62,813)</b>	<b>(77,733)</b>	<b>(979,339)</b>

**28 CONTINGENCIES**

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

Teejay India (Private) Limited, a fully owned subsidiary of Teejay Lanka PLC, which is incorporated in India, has been issued with tax assessments by the Department of Income Tax in India disputing that the comparable and methods applied by the subsidiary to determine arm's length principles were not in line with the Transfer Pricing Regulations enacted in India. These tax assessments represent the additional total income proposed by the Tax Authority to the total income of the Company and not the tax impact of these assessments. The tax impact is estimated to be LKR 528,454,288. The Company has appealed against these assessments in the Disputed Resolution Panel/Income Tax Appellate Tribunal (ITAT).

**(b)** During the year ended 31 March 2023, Teejay Lanka PLC has been issued with tax assessment by the Department of Inland Revenue of Sri Lanka to a value of LKR 274,676,271 applicable for the year of assessment 2018/19 disputing that the Company is not eligible for the concessionary rate of 14% applicable for indirect/deemed exports. Further, the Department of Inland of Revenue of Sri Lanka disputed that deemed interest income required to be recognised in relation to the other receivable from the related parties as of 31 March 2019. The Company has appealed against these assessments in the Tax Appeal Commission. Management has submitted the written appeal on 13 June 2023 and the next hearing is scheduled on 28 August 2023.

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

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 29 COMMITMENTS

#### Capital commitments

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

Year ended 31 March	Note	Group		Company	
		2023	2022	2023	2022
Property, plant and equipment		22,373	1,588,501	-	-
Intangible assets	26 (a)	171,845	260,218	49,176	190,128
		194,218	1,848,719	49,176	190,128

(a) The approximate Capital expenditure contracted for which no provision is made in the Financial Statements as at 31 March 2023 amounted to LKR 171,845,419 which includes Implementation of SAP S/4 HANA for the Teejay group.

(b) The Company has provided letters of Financial Support to Teejay India (Private) Limited expressing its commitment to extend Financial assistance as and when required.

#### Operating commitments

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

#### Financial commitments

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

### 30 STATED CAPITAL

	Number of shares	Amount (LKR)
At 31 March 2021	709,322,545	4,248,787
Issue of shares	7,417,430	193,447
<b>At 31 March 2022</b>	716,739,975	4,442,234
Issue of shares	-	-
<b>At 31 March 2023</b>	716,739,975	4,442,234

(a) All issued shares are fully paid.

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

(c) Information relating to the share based payments, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the reporting period, is set out in Note 33.

### 31 EXCHANGE EQUALISATION RESERVE

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

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 32 RETAINED EARNINGS

	Note	Group	Company
At 1 April 2021		7,136,671	4,970,564
Profit for the year		2,531,250	2,375,506
Remeasurement of retirement benefit obligations	26	203,673	185,551
Deferred tax attributable to remeasurement of retirement benefit obligations	27	(27,658)	(25,977)
Dividends	13	(1,433,480)	(1,433,480)
<b>At 31 March 2022</b>		<b>8,410,456</b>	<b>6,072,164</b>
At 1 April 2022		8,410,456	6,072,164
Profit for the year		2,126,731	3,453,412
Remeasurement of retirement benefit obligations	26	(89,317)	(66,717)
Deferred tax attributable to remeasurement of retirement benefit obligations	27	27,328	20,015
Dividends	13	(1,075,110)	(1,075,110)
<b>At 31 March 2023</b>		<b>9,400,088</b>	<b>8,403,764</b>

### 33 SHARE-BASED PAYMENTS

The Employee Share Option Scheme established in 2015 ("ESOS") is designed to provide long-term incentives for executive directors and executive management personnel to deliver long-term shareholder returns. Under the plan, allocation of share options to eligible employees will be based on criteria determined by the Board of Directors. Participation in the plan is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

The amount of share options that will be granted from and out of the maximum number of shares authorised to be granted as share options under the ESOS will be determined from time to time by the Board of Directors. In this regard, the Board may consider the Company's total return to shareholders, including share price growth, dividends and capital returns, ranking within a peer group of companies that are listed on the Colombo Stock Exchange over an identified period of time.

The exercise price of options is based on the volume weighted average price at which the Company's shares are traded on the Colombo Stock Exchange, taking into consideration all

share transactions of such shares during the thirty market days immediately preceding the date on which share options are granted to eligible employees under the ESOS.

When a share option is exercised, each option is convertible into one ordinary share.

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

	Note	2023		2022	
		Average exercise price as per share option	Number of options (thousands)	Average exercise price as per share option	Number of options (thousands)
At the beginning of the year		-	-	26.08	7,939
Granted		-	-	-	-
Exercised	33 (b)	-	-	26.08	(7,417)
Expired		-	-	26.08	(522)
<b>At the end of year</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Vested and exercisable at 31 March		-	-	-	-

#### (a) Fair value of options granted

The fair value at grant date is independently determined using the Black Scholes Model that takes into account the exercise price, the term of the option, the impact of dilution (where material), the share price at grant date and expected price volatility of the underlying share, the expected dividend yield, the risk free interest rate for the term of the option and the correlations and volatilities of the peer group companies.

(b) As at 31 March 2022, a total of 20,790,142 shares have been issued to eligible employees under the ESOS out of the maximum number of 27,090,851 shares authorised to be granted as share options under the ESOS. Out of the said shares issued under the ESOS, 7,417,430 shares were issued to eligible employees in the financial year 2021/2022 (i.e., in May 2021), upon eligible employees exercising their rights to purchase share options under grant 6 made under the ESOS in June 2020. The exercise price per share, of these shares were LKR 26.08. No share options were granted under the ESOS during the financial year 2021/2022 and 2022/2023. As at 31 March 2023, a balance of 6,300,709 shares are available to be granted to eligible employees, as share options under the ESOS, as may be determined by the Board.

The Directors of the Company hereby declare that the Company has not, directly or indirectly, provided funds for the ESOS.

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 34 CASH GENERATED FROM OPERATIONS

Reconciliation of profit before tax to cash generated from operations:

	Note	Group		Company	
		2023	2022	2023	2022
Profit before tax		3,116,474	2,863,720	4,664,672	2,646,004
<b>Adjustments for:</b>					
Depreciation		3,172,679	1,386,287	1,375,905	730,053
Depreciation on right-of-use assets	15 (b)	124,575	65,431	49,449	24,507
Amortisation of intangible assets	17	84,214	51,962	61,177	31,182
Provision for slow and non moving inventories	21	857,038	326,260	842,819	191,354
Provision for impairment of trade receivables	21 (a)	283,737	42,970	175,586	18,239
Interest income	10	(424,986)	(154,745)	(434,267)	(175,151)
Interest expense	10	990,090	149,221	380,096	79,674
Effect of movement in foreign exchange rates		812,200	6,193,287	478,554	5,012,595
Retirement benefit obligations	26	156,544	107,591	41,555	52,067
<b>Changes in working capital:</b>					
– inventories		2,972,800	(9,401,331)	2,378,188	(6,150,996)
– trade and other receivables		3,141,023	(6,191,935)	(229,538)	(4,636,031)
– trade and other payables		(6,375,040)	9,642,638	(3,146,623)	4,852,230
<b>Cash generated from operations</b>		<b>8,911,348</b>	<b>5,081,356</b>	<b>6,637,573</b>	<b>2,675,727</b>

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

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

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

	Ajit Damon Gunewardene	Mohamed Ashroff Omar	Hasitha Premaratne	Amitha Lal Gooneratne	Kit Vai Tou	Masaru Okutomi	Malik Kumar Ranasinghe
Pacific Textiles Limited	-	-	-	-	✓	✓	-
Brandix Lanka Limited	-	✓	✓	-	-	-	-
Brandix Apparel Limited	-	✓	✓	-	-	-	-
Teejay Lanka Prints (Private) Limited	-	✓	✓	✓	-	-	✓
Teejay India (Private) Limited	-	✓	✓	-	-	-	-
Teejay Mauritius (Private) Limited (Previously known as Ocean Mauritius Limited)	-	✓	✓	-	-	-	-
Fortude (Private) Limited	-	✓	-	-	-	-	-
Brandix Apparel Solutions Limited	-	✓	✓	-	-	-	-
Brandix India Apparel City (Private) Limited	-	✓	✓	-	-	-	-
Adhishtan Investments India (Private) Limited	-	✓	-	-	-	-	-
BrandM Apparel Haiti Limited	-	✓	-	-	-	-	-
Quantum Clothing India (Private) Limited	-	✓	-	-	-	-	-
Brandix International Limited	-	✓	-	-	-	-	-
Brandix Apparel India (Private) Limited	-	✓	✓	-	-	-	-
Inqube Global (Private) Limited	-	✓	✓	-	-	-	-
Lanka Indian Oil Corporation PLC	-	-	-	✓	-	-	-
Digital Mobility Solutions Lanka (Private) Limited	✓	-	-	-	-	-	-
Brandix Intimate India Private Limited (formerly known as Seeds Intimate Apparel India Private Limited)	-	✓	-	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 35. Directors' interest in contracts with the Company and related party transactions (contd.)

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

#### (i) Sale of goods and services:

	Relationship	Aggregate value of related party transactions entered into during the financial year (LKR)				Aggregate value of related party transactions as a % of net revenue			
		Group		Company		Group		Company	
		2023	2022	2023	2022	2023 (%)	2022 (%)	2023 (%)	2022 (%)
<b>Sale of goods:</b>									
Brandix Apparel Limited	Affiliate	17,703,224	13,864,882	6,252,928	4,917,271	21.1	28.0	12.4	16.7
Teejay Lanka Prints (Private) Limited	Subsidiary	-	-	760,324	665,292	-	-	1.5	2.3
Teejay India (Private) Limited	Sub-Subsidiary	-	-	675,475	203,870	-	-	1.3	0.7
BrandM Apparel Haiti Limited	Affiliate	997,674	362,382	413,560	274,526	1.2	0.7	0.8	0.9
Brandix Apparel India (Private) Limited	Affiliate	11,213,816	4,218,851	1,160,971	652,475	13.3	8.5	2.3	2.2
Incube Global (Private) Limited	Affiliate	656,764	455,505	633,946	347,369	0.8	0.9	1.3	1.2
Quantum Clothing India (Private) Limited	Affiliate	284,873	493,271	250,726	119,380	0.3	1.0	0.5	0.4
		30,856,351	19,394,891	10,147,930	7,180,183	36.7	39.11	20.14	24.39

#### (ii) Purchase of goods and services:

	Relationship	Aggregate value of related party transactions entered into during the financial year (LKR)				Aggregate value of related party transactions as a % of net revenue			
		Group		Company		Group		Company	
		2023	2022	2023	2022	2023 (%)	2022 (%)	2023 (%)	2022 (%)
Pacific Textiles Limited	Shareholder	223,479	865,613	183,346	816,495	0.3	1.7	0.4	2.8
Pacific Overseas Textiles Macao Commercial Offshore Limited	Affiliate	-	-	-	-	-	-	-	-
Teejay Lanka Prints (Private) Limited	Subsidiary	-	-	1,501,196	927,983	-	-	3.0	3.2
Teejay India (Private) Limited	Sub-Subsidiary	-	-	4,233,052	1,126,756	-	-	8.4	3.8
Brandix Apparel Limited	Affiliate	-	-	-	-	-	-	-	-
Brandix Lanka Limited	Shareholder	-	-	-	-	-	-	-	-
Lanka Indian Oil Corporation PLC	Affiliate	671,785	-	515,820	-	0.8	-	1.0	-
		895,264	865,613	6,433,414	2,871,234	1.07	1.75	12.77	9.75

**NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in Sri Lanka Rupees '000)

**35. Directors' interest in contracts with the Company and related party transactions (contd.)****(iii) Purchase of administrative and other services:**

	Relationship	Aggregate value of related party transactions entered into during the financial year (LKR)				Aggregate value of related party transactions as a % of net revenue			
		Group		Company		Group		Company	
		2023	2022	2023	2022	2023 (%)	2022 (%)	2023 (%)	2022 (%)
Pacific Textiles Limited	Shareholder	7,032	15,323	7,032	8,929	0.01	0.03	0.01	0.03
Brandix Lanka Limited	Shareholder	37,134	21,634	4,100	2,752	0.04	0.04	0.01	0.01
Teejay Lanka Prints (Private) Limited	Subsidiary	-	-	-	9,400	-	-	-	0.03
Teejay India (Private) Limited	Sub-subsidiary	-	-	-	-	-	-	-	-
Fortude (Private) Limited	Affiliate	-	-	-	-	-	-	-	-
Brandix Apparel Limited	Affiliate	163,359	96,176	125,851	67,456	0.19	0.19	0.25	0.23
Brandix Apparel Solutions Limited	Affiliate	13,450	876	11,556	605	0.02	0.00	0.02	0.00
Brandix Apparel India (Private) Limited	Affiliate	-	15,971	-	-	0.00	0.03	-	-
Brandix India Apparel City (Private) Limited	Affiliate	1,372,350	549,499	-	-	1.63	1.11	-	-
Adhishtan Investments India (Private) Limited	Affiliate	29,413	18,175	-	-	0.03	0.04	-	-
Digital Mobility Solutions Lanka (Private) Limited	Affiliate	2,099	-	2,099	-	0.00	-	0.00	-
		1,624,837	717,654	150,638	89,142	1.92	1.44	0.29	0.30

**(iv) Reimbursement of Expenses:**

	Relationship	Aggregate value of related party transactions entered into during the financial year (LKR)				Aggregate value of related party transactions as a % of net revenue			
		Group		Company		Group		Company	
		2023	2022	2023	2022	2023 (%)	2022 (%)	2023 (%)	2022 (%)
Teejay Lanka Prints (Private) Limited	Subsidiary	-	-	16,128	3,616	-	-	0.03	0.01
Brandix Intimate Apparel Limited	Affiliate	-	3,209	-	3,209	-	0.01	-	0.01
		-	3,209	16,128	6,825	-	0.01	0.03	0.02

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 35. Directors' interest in contracts with the Company and related party transactions (contd.)

The following transactions were carried out with the Company and related party transactions (contd.)

#### (v) Royalty income received (Note 7)

Relationship	Aggregate value of related party transactions entered into during the financial year (LKR)				Aggregate value of related party transactions as a % of net revenue				
	Group		Company		Group		Company		
	2023	2022	2023	2022	2023 (%)	2022 (%)	2023 (%)	2022 (%)	
Teejay India (Private) Limited	Sub-Subsidiary	-	-	946,707	825,496	-	-	1.88	2.80

#### (vi) Steam coal sales – (net) (Note 7)

Relationship	Aggregate value of related party transactions entered into during the financial year (LKR)				Aggregate value of related party transactions as a % of net revenue				
	Group		Company		Group		Company		
	2023	2022	2023	2022	2023 (%)	2022 (%)	2023 (%)	2022 (%)	
Teejay Lanka Prints (Private) Limited	Subsidiary	-	-	104,792	12,711	-	-	0.21	0.04

#### (vii) Dividend Income Received – (Note 7)

Relationship	Aggregate value of related party transactions entered into during the financial year (LKR)				Aggregate value of related party transactions as a % of net revenue				
	Group		Company		Group		Company		
	2023	2022	2023	2022	2023 (%)	2022 (%)	2023 (%)	2022 (%)	
Teejay Lanka Prints (Private) Limited	Subsidiary	-	-	365,000	-	-	-	0.72	-

**NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in Sri Lanka Rupees '000)

**35. Directors' interest in contracts with the Company and related party transactions (contd.)****(viii) Interest income on related party loan**

	Relationship	Aggregate value of related party transactions entered into during the financial year (LKR)				Aggregate value of related party transactions as a % of net revenue			
		Group		Company		Group		Company	
		2023	2022	2023	2022	2023 (%)	2022 (%)	2023 (%)	2022 (%)
Teejay Mauritius (Private) Limited (previously known as Ocean Mauritius Limited)	Subsidiary	-	-	76,690	43,181	-	-	0.15	0.15

**(ix) Warehouse rent expenses – (Note 7)**

	Relationship	Aggregate value of related party transactions entered into during the financial year (LKR)				Aggregate value of related party transactions as a % of net revenue			
		Group		Company		Group		Company	
		2023	2022	2023	2022	2023 (%)	2022 (%)	2023 (%)	2022 (%)
Teejay Mauritius (Private) Limited (Previously known as Ocean Mauritius Limited)	Subsidiary	-	-	11,106	9,400	-	-	0.02	0.03

**Outstanding balances arising from sale/purchase of goods/services:****(x) Receivables from related parties:**

(a) Trade receivables	Relationship	Group		Company	
		2023	2022	2023	2022
Brandix Apparel Limited	Affiliate	1,877,516	3,744,279	910,646	1,324,787
Brandix Apparel India (Private) Limited	Affiliate	892,594	1,022,586	173,317	239,702
BrandM Apparel Haiti Limited	Affiliate	277,748	24,520	99,755	24,520
Teejay Lanka Prints (Private) Limited	Subsidiary	-	-	472,651	181,857
Inqube Global (Private) Limited	Affiliate	23,362	151,619	23,362	85,243
Teejay India (Private) Limited	Sub-Subsidiary	-	-	244,977	1,355,086
Brandix Intimate Apparel Limited	Affiliate	5,156	4,678	5,156	4,678
Quantum Clothing India (Private) Limited	Affiliate	28,468	44,615	28,516	35,732
		3,104,844	4,992,297	1,958,380	3,251,605
Less – provision for impairment of amounts due from related companies		(96,331)	(43,913)	(11,920)	(10,814)
<b>Total amount due from related companies</b>		<b>3,008,513</b>	<b>4,948,384</b>	<b>1,946,460</b>	<b>3,240,791</b>

## NOTES TO THE FINANCIAL STATEMENTS

(All amounts in Sri Lanka Rupees '000)

### 35. Directors' interest in contracts with the Company and related party transactions (contd.)

(x) Receivables from related parties: (contd.)

(a) Trade receivables	Relationship	Group		Company	
		2023	2022	2023	2022
At the beginning of the year		43,913	12,055	10,814	3,662
Increase in provision for impairment from related companies		52,975	18,042	-	3,748
Effect of movement in foreign exchange rates		(557)	13,816	1,106	3,404
<b>At the end of the year</b>		<b>96,331</b>	<b>43,913</b>	<b>11,920</b>	<b>10,814</b>

(b) Other receivables	Relationship	Group		Company	
		2023	2022	2023	2022
Adhishtan Investments India (Private) Limited	Affiliate	6,376	6,153	-	-
Brandix India Apparel City (Private) Limited	Affiliate	125,439	44,833	-	-
Teejay India (Private) Limited	Sub-Subsidiary	-	-	1,792,893	162,498
Digital Mobility Solutions Lanka (Private) Limited	Affiliate	447	-	447	-
Lanka Indian Oil Corporation PLC	Affiliate	46,698	-	26,888	-
Seeds Intimate Apparel India (Private) Limited	Affiliate	1,382	-	-	-
		<b>180,342</b>	<b>50,986</b>	<b>1,820,228</b>	<b>162,498</b>

(xi) Payables to related parties:

(a) Trade receivables	Relationship	Group		Company	
		2023	2022	2023	2022
Pacific Textiles Limited	Shareholder	17,255	27,932	17,255	578
Teejay India (Private) Limited	Sub-Subsidiary	-	-	655,896	110,833
Teejay Lanka Prints (Private) Limited	Subsidiary	-	-	543,937	235,648
Brandix Lanka Limited	Shareholder	6,601	4,964	1,552	279
Brandix Apparel Limited	Affiliate	86,852	42,653	69,648	24,170
Adhishtan Investments India (Private) Limited	Affiliate	593	380	-	-
Brandix Apparel Solutions Limited	Affiliate	10,500	217	10,129	138
Brandix India Apparel City (Private) Limited	Affiliate	337,768	146,304	-	-
Brandix Apparel India Limited	Affiliate	481	504	-	-
		<b>460,050</b>	<b>222,954</b>	<b>1,298,417</b>	<b>371,646</b>

**NOTES TO THE FINANCIAL STATEMENTS**

(All amounts in Sri Lanka Rupees '000)

**35. Directors' interest in contracts with the Company and related party transactions (contd.)****(xii) Loan given to related company:**

	Relationship	Group		Company	
		2023	2022	2023	2022
Teejay Mauritius (Private) Limited (Previously known as Ocean Mauritius Limited)	Subsidiary	-	-	<b>1,507,365</b>	1,304,568
		-	-	<b>1,507,365</b>	1,304,568

**(xiii) Key Management compensation:**

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

	Group		Company	
	2023	2022	2023	2022
Salaries and other benefits	<b>269,691</b>	200,983	<b>227,984</b>	200,983
Post-employment benefits	<b>7,111</b>	6,799	<b>6,011</b>	6,799
Share based payments	-	-	-	-
	<b>276,802</b>	207,782	<b>233,995</b>	207,782

**36 EVENTS AFTER THE END OF REPORTING PERIOD**

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

# SUPPLEMENTARY INFORMATION

- 216 Assurance Statement
- 218 Five Year Financial Summary – Group
- 219 Shareholding Information
- 221 GRI Content Index
- 231 Glossary of Financial Terms
- 232 Notice of Meeting

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## ASSURANCE STATEMENT



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### Independent Assurance Report to the Board of Directors of Teejay Lanka PLC

#### SCOPE

We have been engaged by Teejay Lanka PLC (“the Entity”) to perform a “limited assurance engagement,” as defined by Sri Lanka Standard on Assurance Engagements, here after referred to as the engagement, to report on the Economic, Environment, Social and Governance (EESG) indicators of the Entity’s Integrated Annual Report (the “Subject Matter”) as of 31 March 2023.

#### CRITERIA APPLIED BY TEEJAY LANKA PLC

In preparing the Subject Matter, Teejay Lanka PLC applied the following criteria (“Criteria”):

- The Global Reporting Initiative’s (GRI) Sustainability Reporting Guidelines, publicly available at GRI’s global website [www.globalreporting.org](http://www.globalreporting.org).

Such Criteria were specifically designed for purpose of assisting you in determining whether Entity’s Economic,

Environment, Social and Governance (EESG) indicators of the Entity’s Integrated Annual Report FY 2022/23 is in accordance with the relevant criteria; As a result, the subject matter information may not be suitable for another purpose.

#### TEEJAY LANKA PLC’S RESPONSIBILITIES

Teejay Lanka PLC’s management is responsible for selecting the Criteria, and for presenting the EESG indicators contained in the Integrated Annual Report in accordance with that Criteria, in all material respects. This responsibility includes establishing and maintaining internal controls, maintaining adequate records and making estimates that are relevant to the preparation of the subject matter, such that it is free from material misstatement, whether due to fraud or error.

#### ERNST & YOUNG’S RESPONSIBILITIES

Our responsibility is to express a conclusion on the presentation of the Subject Matter based on the evidence we have obtained.

We conducted our engagement in accordance with the Sri Lanka Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (SLSAE 3000 (Revised), and the terms of reference for this engagement as agreed with the Teejay Lanka PLC on 06 July 2023. Those standards require that we plan and perform our engagement to obtain limited assurance about whether, in all material respects, the Subject Matter is presented in accordance with the Criteria, and to issue a report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement, whether due to fraud or error.

We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

#### OUR INDEPENDENCE AND QUALITY CONTROL

We have maintained our independence and confirm that we have met the requirements of the Code of Ethics for Professional Accountants issued by CA Sri Lanka and have the required competencies and experience to conduct this assurance engagement.

Partners: D K Hulangamuwa FCA FCMA LLB (London), A P A Gunasekera FCA FCMA, Ms. Y A De Silva FCA, Ms. G G S Manatunga FCA, W K B S P Fernando FCA FCMA, B E Wijesuriya FCA FCMA, R N de Saram ACA FCMA, Ms. N A De Silva FCA, N M Sulaiman ACA ACMA, Ms. L K H L Fonseka FCA, Ms. K R M Fernando FCA ACMA, Ms. P V K N Sajeevani FCA, A A J R Perera ACA ACMA, N Y R L Fernando ACA, D N Gamage ACA ACMA, C A Yalagala ACA ACMA

Principals: T P M Ruberu FCMA FCCA MBA (USJ-SL), G B Goudian ACMA, Ms. P S Paranavitane ACA ACMA LLB (Colombo), D L B Karunathilaka ACMA, W S J De Silva BSc (Hons)-MIS MSc-IT, V Shakhivel B.Com (Sp)

A member firm of Ernst & Young Global Limited

## ASSURANCE STATEMENT

EY also applies International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### DESCRIPTION OF PROCEDURES PERFORMED

Procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Our procedures were designed to obtain a limited level of assurance on which to base our conclusion and do not provide all the evidence that would be required to provide a reasonable level of assurance.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls. Our procedures did not include testing controls or performing procedures relating to checking aggregation or calculation of data within IT systems.

A limited assurance engagement consists of making enquiries, primarily of persons responsible for preparing the subject matter and related information and applying analytical and other appropriate procedures.

#### Our procedures included:

- Validated the information presented and checked the calculations performed by the organisation through recalculation
- Performed a comparison of the content given in the Report against the criteria given in the selected sustainability standards/frameworks.
- Conducted interviews with relevant organisation's personnel to understand the process for collection, analysis, aggregation and presentation of data. Interviews included selected Key Management Personnel and relevant staff
- Read the content presented in the Report for consistency with our overall knowledge obtained during the course of our assurance engagement and requested changes wherever required.
- Provided guidance, recommendations and feedback on the improvement of the sustainability reporting indicators to improve the presentation standard.

We also performed such other procedures as we considered necessary in the circumstances.

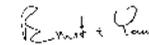
### EMPHASIS OF MATTER

Economic, Environment, Social management data/information are subject to inherent limitations given their nature and the methods used for determining, calculating and estimating such data.

We also do not provide any assurance on the assumptions and achievability of prospective information presented in the Integrated Annual Report.

### CONCLUSION

Based on our procedures and the evidence obtained, we are not aware of any material modifications that should be made to the Economic, Environment, Social and Governance (EESG) indicators of the Entity's Integrated Annual Report as of 31 March 2023 in order for it to be in accordance with the Criteria.



CHARTERED ACCOUNTANTS  
Colombo

27 July 2023

## FIVE YEARS FINANCIAL SUMMARY – GROUP

(All amounts in Sri Lanka Rupees Thousands)

	2023	2022	2021	2020	2019
<b>INCOME STATEMENT</b>					
Revenue	84,037,126	49,587,964	31,780,287	33,276,976	31,746,592
Profit before taxation	3,116,474	2,863,720	2,599,337	2,811,964	2,257,062
Current taxation	(989,743)	(332,470)	(459,735)	(428,180)	(398,345)
Profit after taxation	2,126,731	2,531,250	2,139,602	2,383,784	1,858,717
<b>STATEMENT OF FINANCIAL POSITION</b>					
<b>Assets</b>					
<b>Non-current assets</b>					
Property, plant and equipment	20,258,577	14,715,246	8,710,818	8,777,251	8,408,235
Right-of-use assets	1,740,026	1,341,498	899,016	910,400	-
Deferred tax assets	1,856,016	431,633	273,228	256,257	111,021
Other non-current assets	2,103,132	5,508,121	616,442	729,535	507,218
	25,957,752	21,996,498	10,499,504	10,673,443	9,026,474
<b>Current assets</b>	34,100,466	37,897,277	20,599,835	16,289,050	13,359,457
<b>Total assets</b>	60,058,217	59,893,775	31,099,339	26,962,493	22,385,931
<b>Equity</b>					
<b>Capital and reserves</b>					
Stated capital	4,442,234	4,442,234	4,248,787	4,056,683	4,056,683
Exchange equalisation reserve	18,047,539	15,219,688	6,225,275	5,263,417	4,171,784
Share option scheme	153,491	153,491	153,491	96,760	96,760
Retained earnings	9,400,088	8,410,456	7,136,671	6,231,783	5,600,028
<b>Total equity</b>	32,043,352	28,225,869	17,764,224	15,648,643	13,925,255

	2023	2022	2021	2020	2019
<b>Liabilities</b>					
<b>Non-current liabilities</b>					
Borrowings	6,238,676	5,581,171	197,620	412,192	801,182
Lease liabilities	1,340,989	930,430	654,657	627,993	-
Deferred tax liabilities	2,363,673	918,784	626,990	647,592	538,266
Retirement benefit obligations	568,559	424,817	520,422	377,583	251,932
	10,511,897	7,855,202	1,999,689	2,065,360	1,591,380
<b>Current liabilities</b>	17,502,968	23,812,704	11,335,426	9,248,490	6,869,296
<b>Total liabilities</b>	28,014,865	31,667,906	13,335,115	11,313,850	8,460,676
<b>Total equity and liabilities</b>	60,058,217	59,893,775	31,099,339	26,962,493	22,385,931
<b>Ratios and statistics</b>					
Annual growth in turnover (%)	69.5	56.0	-4.5	4.8	28.8
Gross profit margin (%)	8.1	9.2	11.9	12.7	11.6
Net profit margin (%)	2.5	5.1	6.7	7.2	5.9
Gearing ratio (%)	39.3	40.7	18.6	25.0	21.3
Earnings per share (LKR)	3.0	3.5	3.0	3.4	2.7
Dividend per share (LKR)	1.50	2.00	1.66	2.40	1.75
Net assets per share at year end (LKR)	44.7	39.4	25.2	22.3	19.8
Dividend pay out (%)	50.6	56.6	54.7	70.7	73.6
Return on equity (ROE) (%)	7.1	11.0	12.8	16.1	14.5
Return on assets (ROA) (%)	3.5	5.6	7.4	9.7	8.9

## SHAREHOLDER INFORMATION

### 1. SHAREHOLDING AS OF 31 MARCH 2023

Number of Shares held	Residents			Non-residents			Total		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
1 - 1,000	5,230	2,013,571	0.28	15	8,821	0.00	5,245	2,022,392	0.28
1,001 - 10,000	2,334	9,015,160	1.26	34	215,099	0.03	2,368	9,230,259	1.29
10,001 - 100,000	796	26,521,929	3.70	23	763,771	0.11	819	27,285,700	3.81
100,001 - 1,000,000	183	59,814,255	8.35	23	9,038,311	1.26	206	68,852,566	9.61
1,000,001 and Over	26	297,943,424	41.57	12	311,405,634	43.45	38	609,349,058	85.02
<b>Total</b>	<b>8,569</b>	<b>395,308,339</b>	<b>55.15</b>	<b>107</b>	<b>321,431,636</b>	<b>44.85</b>	<b>8,676</b>	<b>716,739,975</b>	<b>100.00</b>

### Categories of shareholders

Number of shares held	31 March 2023			31 March 2022		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
Individuals	8,456	101,889,421	14.22	8,073	93,419,268	13.03
Institutions	220	614,850,554	85.78	405	623,320,707	86.97
<b>Total</b>	<b>8,676</b>	<b>716,739,975</b>	<b>100.00</b>	<b>8,478</b>	<b>716,739,975</b>	<b>100.00</b>

### 2. SHARE TRADING INFORMATION

	2022/23		2021/22	
	Price (LKR)	Date	Price (LKR)	Date
Highest (LKR)	47.9	5 August 2022	58.50	20 January 2022
Lowest (LKR)	30.8	18 January 2023	37.50	30 June 2021
Closing (LKR)	32.0		39.80	
Number of transactions	17,486		31,552	
Number of shares traded	66,105,293		181,685,725	
Value of shares traded (LKR)	2,566,661,992		7,911,168,062	

## SHAREHOLDER INFORMATION

### 3. TOP 20 SHAREHOLDER LIST AS OF 31 MARCH 2023

No.	Name	Shares	%
1.	Brandix Lanka Ltd. – Number 1 Account	232,198,344	32.40
2.	Pacific Textured Jersey Holdings Limited	195,926,217	27.34
3.	BBH – Fidelity Funds	47,101,753	6.57
4.	Citibank New York S/A Norges Bank Account 2	22,518,426	3.14
5.	JPMCB NA – Fidelity Asian Values PLC	19,300,949	2.69
6.	Mr H Yusoof	8,200,944	1.14
7.	Pemberton Asian Opportunities Fund	7,000,000	0.98
8.	Employee's Provident Fund	6,979,333	0.97
9.	Rubber Investment Trust Ltd A/C No. 01	4,907,389	0.68
10.	Hatton National Bank PLC – Senfin Growth Fund	4,354,594	0.61
11.	Union Assurance PLC – Universal Life Fund	3,815,741	0.53
12.	Standard Chartered Bank Difc Branch S/A EFG Hermes Oman LLC	3,814,630	0.53
13.	J B Cocoshell (PVT) Ltd.	3,739,752	0.52
14.	SSBT – Sunsuper Pty. Ltd. As Trustee For Sunsuper Superannuation Fund	3,690,960	0.51
15.	Citibank Hong Kong S/A Hostplus Pooled Superannuation Trust	3,328,582	0.46
16.	Deutsche Bank AG – National Equity Fund	2,866,519	0.40
17.	GF Capital Global Limited	2,826,050	0.39
18.	Employees Trust Fund Board	2,677,561	0.37
19.	Sam Innovators (Pvt) Ltd.	2,500,000	0.35
20.	Mr S N P Palihena	2,366,842	0.33

### Public shareholding

	31 March 2023		31 March 2022	
Number of shares	285,069,377	39.77%	284,258,903	39.66%

### Directors' shareholding

Directors	31 March 2023		31 March 2022	
	Number of shares	%	Number of shares	%
Ajit Demon Gunewardene	713,723	0.10	713,723	0.10
M A Hasitha Premaratne	40,000	0.01	40,000	0.01
<b>Total</b>	<b>753,723</b>	<b>0.11</b>	<b>753,723</b>	<b>0.11</b>

## GRI CONTENT INDEX

Statement of use	Teejay Lanka PLC has reported in accordance with the GRI Standards for the period 1 April 2022 to 31 March 2023.					
GRI 1 used	GRI 1: Foundation 2021					
Applicable GRI Sector Standard(s)	N/A					
GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	

### GENERAL DISCLOSURES

#### GRI 2: General Disclosures 2021

2-1	Organisational details	About Teejay (page 3), About this Report (page 5)		
2-2	Entities included in the organisation's sustainability reporting	About Teejay (page 5), About this Report (page 5)		
2-3	Reporting period, frequency and contact point	About this Report (page 5)		
2-4	Restatements of information	About this Report (page 5)		
2-5	External assurance	About this Report (page 5)		
2-6	Activities, value chain and other business relationships	Suppliers (page 54)		
2-7	Employees	Managing Our Human Capital (page 123)		
2-8	Workers who are not employees	Managing Our Human Capital (page 123)		
2-9	Governance structure and composition	Corporate Governance – Governance Structure (page 37)		
2-10	Nomination and selection of the highest governance body	Corporate Governance – GRI Governance Disclosures (page 54)		
2-11	Chair of the highest governance body	Corporate Governance – GRI Governance Disclosures (page 54)		
2-12	Role of the highest governance body in overseeing the management of impacts	Corporate Governance – GRI Governance Disclosures (page 54)		
2-13	Delegation of responsibility for managing impacts	Corporate Governance – GRI Governance Disclosures (page 54)		
2-14	Role of the highest governance body in sustainability reporting	Corporate Governance – GRI Governance Disclosures (page 54)		

**GRI CONTENT INDEX**

Statement of use		Teejay Lanka PLC has reported in accordance with the GRI Standards for the period 1 April 2022 to 31 March 2023.				
GRI 1 used		GRI 1: Foundation 2021				
Applicable GRI Sector Standard(s)		N/A				
GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
<b>2-15</b>	Conflicts of interest	Corporate Governance – GRI Governance Disclosures (page 54)				
<b>2-16</b>	Communication of critical concerns	Corporate Governance – GRI Governance Disclosures (page 54)				
<b>2-17</b>	Collective knowledge of the highest governance body	Corporate Governance – GRI Governance Disclosures (page 54)				
<b>2-18</b>	Evaluation of the performance of the highest governance body	Corporate Governance – GRI Governance Disclosures (page 54)				
<b>2-19</b>	Remuneration policies	Corporate Governance – GRI Governance Disclosures (page 54)				
<b>2-20</b>	Process to determine remuneration	Corporate Governance – GRI Governance Disclosures (page 54)				
<b>2-21</b>	Annual total compensation ratio	Corporate Governance – GRI Governance Disclosures (page 54)				
<b>2-22</b>	Statement on sustainable development strategy	Chairman’s Review (page 15)				
<b>2-23</b>	Policy commitments	Chairman’s Review (page 15)				
<b>2-24</b>	Embedding policy commitments	Sustainability Integration – Embedding Policy Commitments (page 87)				
<b>2-25</b>	Processes to remediate negative impacts	Sustainability Integration – Processes to Remediate Negative Impacts (page 87)				
<b>2-26</b>	Mechanisms for seeking advice and raising concerns	Sustainability Integration – Processes to Remediate Negative Impacts (page 87)				
<b>2-27</b>	Compliance with laws and regulations	Sustainability Integration – Precautionary Principle and Compliance with Laws and Regulations (page 87)				
<b>2-28</b>	Membership associations	About Teejay (page 9)				

## GRI CONTENT INDEX

Statement of use		Teejay Lanka PLC has reported in accordance with the GRI Standards for the period 1 April 2022 to 31 March 2023.				
GRI 1 used		GRI 1: Foundation 2021				
Applicable GRI Sector Standard(s)		N/A				
GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
	<b>2-29</b> Approach to stakeholder engagement	Sustainability Integration – Approach to Stakeholder Engagement (page 87)				
	<b>2-30</b> Collective bargaining agreements	Sustainability Integration – Labour Practices and Social Responsibility (page 92) Communication and Performance Assessments (page 127)				

## MATERIAL TOPICS

<b>GRI 3: Material Topics 2021</b>	<b>3-1</b> Process to determine material topics	Sustainability Integration – Materiality Assessment Methodology (page 89)				
	<b>3-2</b> List of material topics	Sustainability Integration – Prioritised Material Topics (page 90)				

## Economic performance

<b>GRI 3: Material Topics 2021</b>	<b>3-3</b> Management of material topics	Sustainability Integration – Management of Material Topics (page 91) www.teejay.com.				
<b>GRI 201: Economic Performance 2016</b>	<b>201-1</b> Direct economic value generated and distributed	Financial Capital – Economic Value Added (page 104)				
	<b>201-2</b> Financial implications and other risks and opportunities due to climate change	Financial Capital – Financial Impacts of Physical and Transition Risks of Climate Change (page 105)				
	<b>201-3</b> Defined benefit plan obligations and other retirement plans	www.teejay.com				
	<b>201-4</b> Financial assistance received from Government		Full disclosure omitted	Information unavailable/incomplete	Teejay did not receive assistance from the Government	

**GRI CONTENT INDEX**

Statement of use		Teejay Lanka PLC has reported in accordance with the GRI Standards for the period 1 April 2022 to 31 March 2023.				
GRI 1 used		GRI 1: Foundation 2021				
Applicable GRI Sector Standard(s)		N/A				
GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
<b>Anti-corruption</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b>	Management of material topics	www.teejay.com			
<b>GRI 205: Anti-corruption 2016</b>	<b>205-1</b>	Operations assessed for risks related to corruption	www.teejay.com			
	<b>205-2</b>	Communication and training about anti-corruption policies and procedures	www.teejay.com			
	<b>205-3</b>	Confirmed incidents of corruption and actions taken	Precautionary Principle and Compliance with Laws and Regulations (page 87)			
<b>Materials</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b>	Management of material topics	www.teejay.com			
<b>GRI 301: Materials 2016</b>	<b>301-1</b>	Materials used by weight or volume	Raw Material Usage (page 144)			
	<b>301-2</b>	Recycled input materials used	Raw Material Usage (page 144)			
	<b>301-3</b>	Reclaimed products and their packaging materials	Raw Material Usage (page 144)			
<b>Energy</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b>	Management of material topics	www.teejay.com, Energy Consumption and Management (page 145)			
<b>GRI 302: Energy 2016</b>	<b>302-1</b>	Energy consumption within the organisation	Energy Consumption and Management (page 145)			
	<b>302-2</b>	Energy consumption outside of the organisation	Full disclosure omitted	Information unavailable/incomplete		

## GRI CONTENT INDEX

Statement of use		Teejay Lanka PLC has reported in accordance with the GRI Standards for the period 1 April 2022 to 31 March 2023.				
GRI 1 used		GRI 1: Foundation 2021				
Applicable GRI Sector Standard(s)		N/A				
GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
	<b>302-3</b> Energy intensity	Energy Consumption and Management (page 145)				
	<b>302-4</b> Reduction of energy consumption	Energy Consumption and Management (page 145)				
	<b>302-5</b> Reductions in energy requirements of products and services	Energy Consumption and Management (page 145)				
<b>Water and effluents</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b> Management of material topics	www.teejay.com, Water Management (page 147) Management of Material Topics (page 91)				
<b>GRI 303: Water and Effluents 2018</b>	<b>303-1</b> Interactions with water as a shared resource	www.teejay.com, Water Management (page 147)				
	<b>303-2</b> Management of water discharge-related impacts	www.teejay.com, Water Management (page 147)				
	<b>303-3</b> Water withdrawal	Water Management (page 147)				
	<b>303-4</b> Water discharge	www.teejay.com, Effluent Discharge (page 148)				
	<b>303-5</b> Water consumption	Effluent Discharge (page 148)				
<b>Emissions</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b> Management of material topics	www.teejay.com				
<b>GRI 305: Emissions 2016</b>	<b>305-1</b> Direct (Scope 1) GHG emissions	Emissions Management (page 150)				
	<b>305-2</b> Energy indirect (Scope 2) GHG emissions	Emissions Management (page 150)				
	<b>305-3</b> Other indirect (Scope 3) GHG emissions		Full disclosure omitted	Information unavailable/incomplete	Teejay intends to report on this in the near future	

**GRI CONTENT INDEX**

Statement of use		Teejay Lanka PLC has reported in accordance with the GRI Standards for the period 1 April 2022 to 31 March 2023.				
GRI 1 used		GRI 1: Foundation 2021				
Applicable GRI Sector Standard(s)		N/A				
GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
	<b>305-4</b> GHG emissions intensity	Emissions Management (page 150)				
	<b>305-5</b> Reduction of GHG emissions	Emissions Management (page 150)				
	<b>305-6</b> Emissions of ozone-depleting substances (ODS)	Emissions Management (page 150)				
	<b>305-7</b> Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Emissions Management (page 150)				
<b>Waste</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b> Management of material topics	www.teejay.com, Waste Management (page 148)				
<b>GRI 306: Waste 2020</b>	<b>306-1</b> Waste generation and significant waste-related impacts	Waste Management (page 148)				
	<b>306-2</b> Management of significant waste-related impacts	Waste Management (page 148)				
	<b>306-3</b> Waste generated	Waste Management (page 148)				
	<b>306-4</b> Waste diverted from disposal	Waste Management (page 148)				
	<b>306-5</b> Waste directed to disposal	Waste Management (page 148)				
<b>Supplier environmental assessment</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b> Management of material topics	www.teejay.com				
<b>GRI 308: Supplier Environmental Assessment 2016</b>	<b>308-1</b> New suppliers that were screened using environmental criteria		Full disclosure omitted	Information unavailable/incomplete	Teejay intends to report on this in the near future	
	<b>308-2</b> Negative environmental impacts in the supply chain and actions taken		Full disclosure omitted	Information unavailable/incomplete	Teejay intends to report on this in the near future	

## GRI CONTENT INDEX

Statement of use		Teejay Lanka PLC has reported in accordance with the GRI Standards for the period 1 April 2022 to 31 March 2023.				
GRI 1 used		GRI 1: Foundation 2021				
Applicable GRI Sector Standard(s)		N/A				
GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
<b>Employment</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b>	Management of material topics	www.teejay.com, Managing Our Human Capital (page 123)			
<b>GRI 401: Employment 2016</b>	<b>401-1</b>	New employee hires and employee turnover	Managing Our Human Capital (page 123)			
	<b>401-2</b>	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Managing Our Human Capital (page 123)			
	<b>401-3</b>	Parental leave	Parental Leave (page 133)			
<b>Occupational health and safety</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b>	Management of material topics	www.teejay.com			
<b>GRI 403: Occupational Health and Safety 2018</b>	<b>403-1</b>	Occupational health and safety management system	Sustainability integration – Labour Practices and Social Responsibility (page 92), Occupational Health and Safety (page 130)			
	<b>403-2</b>	Hazard identification, risk assessment, and incident investigation	www.teejay.com, Occupational Health and Safety (page 130)			
	<b>403-3</b>	Occupational health services	Occupational Health and Safety (page 130)			
	<b>403-4</b>	Worker participation, consultation, and communication on occupational health and safety	Occupational Health and Safety (page 130)			
	<b>403-5</b>	Worker training on occupational health and safety	Occupational Health and Safety (page 130)			
	<b>403-6</b>	Promotion of worker health	Occupational Health and Safety (page 130)			
	<b>403-7</b>	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety (page 130)			

**GRI CONTENT INDEX**

Statement of use		Teejay Lanka PLC has reported in accordance with the GRI Standards for the period 1 April 2022 to 31 March 2023.				
GRI 1 used		GRI 1: Foundation 2021				
Applicable GRI Sector Standard(s)		N/A				
GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
	<b>403-8</b> Workers covered by an occupational health and safety management system	Occupational Health and Safety (page 130)				
	<b>403-9</b> Work-related injuries	Occupational Health and Safety (page 130)				
	<b>403-10</b> Work-related ill health	Occupational Health and Safety (page 130)				
<b>Training and education</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b> Management of material topics	www.teejay.com				
<b>GRI 404: Training and Education 2016</b>	<b>404-1</b> Average hours of training per year per employee	Training and Development (page 127)				
	<b>404-2</b> Programmes for upgrading employee skills and transition assistance programmes	Training and Development (page 127)				
	<b>404-3</b> Percentage of employees receiving regular performance and career development reviews	Communication and Performance Assessments (page 127)				
<b>Diversity and equal opportunity</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b> Management of material topics	www.teejay.com				
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	<b>405-1</b> Diversity of governance bodies and employees	Diversity and Inclusion (page 124)				
	<b>405-2</b> Ratio of basic salary and remuneration of women to men	Diversity and Inclusion (page 124)				
<b>Non-discrimination</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b> Management of material topics	www.teejay.com				
<b>GRI 406: Non-discrimination 2016</b>	<b>406-1</b> Incidents of discrimination and corrective actions taken	Diversity and Inclusion (page 124)				

## GRI CONTENT INDEX

Statement of use		Teejay Lanka PLC has reported in accordance with the GRI Standards for the period 1 April 2022 to 31 March 2023.				
GRI 1 used		GRI 1: Foundation 2021				
Applicable GRI Sector Standard(s)		N/A				
GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
<b>Child labour</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b>	Management of material topics	www.teejay.com			
<b>GRI 408: Child Labor 2016</b>	<b>408-1</b>	Operations and suppliers at significant risk for incidents of child labour	Diversity and Inclusion (page 124)			
<b>Forced or compulsory labour</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b>	Management of material topics	www.teejay.com			
<b>GRI 409: Forced or Compulsory Labour 2016</b>	<b>409-1</b>	Operations and suppliers at significant risk for incidents of forced or compulsory labour	Diversity and Inclusion (page 124)			
<b>Local communities</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b>	Management of material topics	www.teejay.com			
<b>GRI 413: Local Communities 2016</b>	<b>413-1</b>	Operations with local community engagement, impact assessments, and development programmes	Corporate Social Responsibility (page 137)			
	<b>413-2</b>	Operations with significant actual and potential negative impacts on local communities	Our Commitment and Vision (page 138)			
<b>Supplier social assessment</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b>	Management of material topics	www.teejay.com			

**GRI CONTENT INDEX**

Statement of use		Teejay Lanka PLC has reported in accordance with the GRI Standards for the period 1 April 2022 to 31 March 2023.				
GRI 1 used		GRI 1: Foundation 2021				
Applicable GRI Sector Standard(s)		N/A				
GRI Standard/ Other Source	Disclosure	Location	Omission			GRI Sector Standard Ref. No.
			Requirement(s) Omitted	Reason	Explanation	
<b>GRI 414: Supplier Social Assessment 2016</b>	<b>414-1</b> New suppliers that were screened using social criteria		Full disclosure omitted	Information unavailable/incomplete	Teejay intends to report on this in the near future	
	<b>414-2</b> Negative social impacts in the supply chain and actions taken		Full disclosure omitted	Information unavailable/incomplete	Teejay intends to report on this in the near future	
<b>Customer health and safety</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b> Management of material topics	www.teejay.com				
<b>GRI 416: Customer Health and Safety 2016</b>	<b>416-1</b> Assessment of the health and safety impacts of product and service categories	Customers (page 134)				
	<b>416-2</b> Incidents of non-compliance concerning the health and safety impacts of products and services	Customers (page 134)				
<b>Customer privacy</b>						
<b>GRI 3: Material Topics 2021</b>	<b>3-3</b> Management of material topics	www.teejay.com				
<b>GRI 418: Customer Privacy 2016</b>	<b>418-1</b> Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customers (page 134)				

## GLOSSARY OF FINANCIAL TERMS

### A

#### ACCOUNTING POLICIES

Specific principles, bases, conventions, rules and practices adopted by an enterprise in preparing and presenting Financial Statements.

### C

#### CAPITAL EMPLOYED

Total assets less interest free liabilities.

#### CAPITAL RESERVES

Profits of a company that, for various reasons, are not regarded as distributable to shareholders as dividends. These include gains on revaluation of capital assets.

#### CASH AND CASH EQUIVALENT

Short-term highly liquid assets those are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

#### CONTINGENCIES

A condition or situation existing at the reporting date where the outcome will be confirmed only by occurrence or non-occurrence of one or more future events.

#### CURRENT RATIO

Current assets divided by current liabilities.

### D

#### DEBT TO EQUITY RATIO

Interest bearing borrowings divided by equity.

#### DEFERRED TAXATION

Sum set aside for tax in the accounts of an entity that will become liable in a period other than that under review.

#### DIVIDEND COVER

Profit attributable to equity holders divided by gross dividend. Measures the number of times dividend is covered by distributable profit.

#### DIVIDEND PAYOUT RATIO

Dividends per share divided by earnings per share.

### E

#### EARNINGS PER SHARE

Profits attributable to ordinary shareholders divided by the number of ordinary shares in issue and ranking for dividend.

### G

#### GROSS DIVIDEND

Portion of profits, inclusive of tax withheld, distributed to shareholders.

### I

#### INTEREST COVER

Earnings before interest, tax, divided by finance expenses.

### N

#### NET ASSETS PER SHARE

Shareholders' funds divided by the number of ordinary shares issued.

### O

#### OPERATING PROFIT MARGIN

Operating Profit divided by turnover.

### P

#### PRICE EARNINGS RATIO

Market price of a share divided by earnings per share.

### R

#### RELATED PARTIES

Parties who could control or significantly influence the financial and operating policies of the business.

#### RETURN ON ASSETS

Net profit for the year divided by assets.

#### RETURN ON EQUITY

Net profit for the year divided by equity.

#### REVENUE RESERVES

Reserves considered as being available for distributions and investments.

### S

#### SHAREHOLDERS' FUNDS

Total of issued and fully paid up capital and reserves.

### V

#### VALUE ADDITIONS

The quantum of wealth generated by the activities of the group and its application.

### W

#### WORKING CAPITAL

Capital required to finance the day to day operations (current assets minus current liabilities).

## NOTICE OF MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of Teejay Lanka PLC will be held online via a virtual platform on Friday, 18 August 2023, at 2.30pm 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 2023 together with the Report of the Auditors thereon.
2. To reappoint Messrs PricewaterhouseCoopers, Chartered Accountants, as the Auditors of the Company, to hold office until the conclusion of the next Annual General Meeting of the Company at a remuneration to be agreed upon with them by the Board of Directors and to audit the Financial Statements of the Company for the ensuing year.
3. To propose the following resolution as an ordinary resolution for the reappointment of Mr A L Gooneratne who has reached the age of 71 years.  

“IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 shall not apply to Mr A L Gooneratne who has reached the age of 71 years prior to this Annual General Meeting and that he be reappointed as a Director of the Company”.
4. To declare a final dividend of LKR 0.75 per share for the financial year ended 31 March 2023 as recommended by the Board.
5. To consider and if thought fit to pass the following as a Special Resolution to amend Article 15 of the Articles of Association of the Company.

### Special Resolution:

IT IS HEREBY RESOLVED THAT Article 15 be deleted in its entirety and be substituted with the following Article 15.

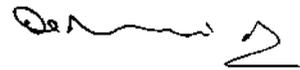
### Method of holding meetings

A meeting of shareholders (including a meeting where it is intended to propose a resolution as a special resolution) may be held either:

- (a) by a number of shareholders who constitute a quorum, being assembled together at the place, date, and time appointed for the meeting; or
- (b) by means of audio or audio and visual communication by which all shareholders participating and constituting a quorum, can simultaneously hear each other throughout the meeting.

6. To authorise Directors to determine contributions to charities.

By order of the Board,



**Corporate Services (Private) Limited**  
Secretaries

**Teejay Lanka PLC**  
Colombo

27 July 2023

### Note:

Any shareholder entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote/speak in his/her stead and a form of proxy is sent herewith for this purpose. A proxy need not be a shareholder of the Company. A completed Form of Proxy must be deposited at the registered office of the Company, at Block D8 – D14, Seethawaka, Export Processing, Zone, Avissawella or emailed to [corporateservices@corporateservices.lk](mailto:corporateservices@corporateservices.lk) not less than 48 hours before the time appointed for the holding of the Meeting.

## NOTICE OF MEETING

### Meeting guidelines

- (A) The Meeting is to be held on line with the guidelines given by the Colombo Stock Exchange and the health authorities and as per the applicable laws.
- (B) The Annual General Meeting will be held in the manner set out below:
- (i) The shareholders who wish to participate at the Meeting will be able to join the Meeting through audio or audio and visual means via Zoom. In order for us to forward the access information necessary for participation at the Meeting, which shall include the Meeting identification number, access password, and access telephone number, please forward the duly completed registration form including your email address and contact telephone number to the registered address of the Company **not less than 48 hours before** the time appointed for the holding of the Meeting, so that the login information could be forwarded to the email addresses so provided.
- (ii) In terms of circular No. 4 of 2022 from the Colombo Stock Exchange, the Company will not be sending printed copies of the Annual Reports to the shareholders. A shareholder who requires a hardcopy of the Annual Report must forward the duly completed Request Form to the secretaries.
- The Annual Report, Notice of Meeting, Form of Proxy and Registration Form and the Form of Request will be published on the website of the Colombo Stock Exchange (<https://www.cse.lk/pages/company-profile/company-profile-component.html?symbol=TJL.N0000>) and the website of the Company ([www.teejay.com](http://www.teejay.com)).
- (iii) Proxy forms are forwarded to the shareholders together with the Notice of Meeting and Registration form. Proxy forms have been uploaded to the Company's website ([www.teejay.com](http://www.teejay.com)) and should be duly completed as per the instructions given therein and sent to the registered address of the Company or emailed to [corporateservices@corporateservices.lk](mailto:corporateservices@corporateservices.lk) **not less than 48 hours before** the time appointed for the holding of the Meeting and the Proxy so appointed shall participate at the Meeting through audio or audio visual means only.
- (i) The shareholders who are unable to participate at the Annual General Meeting via Zoom could send their queries, if any, to email address [corporateservices@corporateservices.lk](mailto:corporateservices@corporateservices.lk) at any time before the meeting time and the responses to the same will be included in the minutes of the Meeting.
- (ii) Voting in respect of the items in specified in the agenda to be passed will be registered by using the audio or audio and visual means (Zoom) or a designated ancillary online application. All of such procedures will be explained to the shareholders prior to the commencement of the Meeting.
- (iii) Shareholders can use the "Q&A Forum" to communicate your questions/concerns as and when required.
- (iv) For any questions please contact Riyas Ahmed of Teejay Lanka PLC on +94 76 603 6366 during office hours.



# FORM OF PROXY

\*I/We .....

..... of .....

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

1. Mr A D Gunewardene
2. Mr Mohamed Ashroff Omar
3. Mr M Okutomi
4. Mr Hasitha Premaratne
5. Mr Kit Vai Tou
6. Mr Amitha Lal Gooneratne
7. Prof Kulatilleke Arthanayake Malik Kumar Ranasinghe

or failing him,  
or failing him,

..... of .....

as \*my/our Proxy to attend and vote/speak at the Annual General Meeting of the Company to be held online via a virtual platform on 18 August 2023 at 2.30pm held and at any adjournment thereof.

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 2023 together with the Report of the Auditors thereon.
2. To reappoint Messrs PricewaterhouseCoopers as the Auditors of the Company and to audit the Financial Statements for the ensuing year and authorise the Directors to fix their remuneration.
3. To reappoint as a Director Mr A L Gooneratne in terms of Section 210 of the Companies Act No. 07 of 2007.
4. To declare a final dividend of LKR 0.75 per share as recommended by the Board.
5. To pass the special resolution
6. To authorise the Directors to determine contributions to charities.

For	Against
<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... 2023.

.....

Signature/s

## Instructions as to completion

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



# CORPORATE INFORMATION

## NAME

Teejay Lanka PLC

## LEGAL FORM

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

## COMPANY REGISTRATION NO.

PV 7617 PB/PQ

## STOCK EXCHANGE LISTING

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

## REGISTERED OFFICE

Block D8 – D14, Seethawaka  
Export Processing Zone,  
Avisawella.

## DIRECTORS

Ajit Damon Gunewardene – Chairman  
Mr Mohamed Ashroff Omar  
Mr Masaru Okutomi  
Mr Hasitha Premaratne  
Mr Kit Vai Tou  
Prof Malik Kumar Ranasinghe  
Mr Amitha Lal Gooneratne

## SECRETARIES

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

## AUDITORS

PricewaterhouseCoopers,  
Chartered Accountants

## ATTORNEYS

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

## BANKERS

The Hongkong and Shanghai Banking Corporation Ltd.  
Deutsche Bank AG  
Standard Chartered Bank  
Bank of Ceylon  
People's Bank  
DFCC Bank PLC  
National Development Bank PLC  
Nations Trust Bank PLC  
Commercial Bank of Ceylon PLC  
Hatton National Bank  
ICICI Bank Limited  
Canara Bank  
Seylan Bank PLC

## INVESTOR RELATIONS

Pubudu De Silva  
Salman Nishtar



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# teejay

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