

Annual Report of the Board of Directors

ANNUAL REPORT OF THE BOARD OF DIRECTORS FOR THE YEAR ENDED 31 MARCH 2017

The Board of Directors of Teejay Lanka PLC (formerly known as Textured Jersey Lanka PLC) ("the Company") has pleasure in presenting to the members their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "Group") for the year ended 31 March 2017.

FORMATION

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

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

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

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

NATURE OF THE BUSINESS OF THE COMPANY

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

FINANCIAL STATEMENTS

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

INDEPENDENT AUDITOR'S REPORT

The Independent Auditor's Report on the financial statements is given on page 85.

ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Company have been consistently applied from previous year. The significant accounting policies including any new accounting standards adopted in the preparation of financial statements are given on page 92 to 111.

REVIEW OF BUSINESS

The state of affairs of the Group and the Company as at 31 March 2017 and the financial performance for the year ended 31 March 2017 are set out in the statement of financial position and income statement on page 88 and page 86 respectively.

PROPERTY, PLANT AND EQUIPMENT

The movements in property, plant and equipment during the year are set out in Note 15 to the consolidated financial statements.

MARKET VALUE OF PROPERTIES

The Directors are of the opinion that the carrying amount of properties stated in Note 15 to the consolidated financial statements reflect their fair values.

SUBSIDIARIES

The Company's interest in subsidiaries as at 31 March 2017 is as follows:

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

DIVIDENDS

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

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

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

The Board of Directors wishes to propose the payment of LKR 1.25 per share as final dividend to the shareholders of the Company for the year ended 31 March 2017 subject to obtaining the approval of the shareholders at the forthcoming Annual General Meeting.

RESERVES

Total reserves and their composition are set out in the statement of changes in equity on pages 89 and 90 of the consolidated financial statements.

STATED CAPITAL

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

SHAREHOLDING

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

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

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

DIRECTORS

The Board of Directors of the Company consists of eight Directors as at end of the financial year with wide financial and commercial knowledge and experience. The following were the Directors of the Company as at 31 March 2017:

Mr Wing Tak Bill Lam - Chairman - Non-Executive

Mr Sriyan Joseph de Silva Wijeyeratne - CEO / Managing Director

Mr Mohamed Ashroff Omar - Non-Executive Director

Mr Wai Loi Wan - Non-Executive Director

Mr Kang Po Tsang - Non-Executive Director

Mr Hasitha Premaratne - Non-Executive Director

Mr Amitha Lal Gooneratne - Independent Non-Executive Director

Prof. Malik Kumar Ranasinghe - Independent Non-Executive Director

All the Directors held office for the whole of the year ended 31 March 2017.

DIRECTOR'S INTEREST IN TRANSACTIONS

The Directors of the Company have made general disclosures provided for in section 192 (2) of the Companies Act No. 07 of 2007. The Directors' interests in contracts and proposed contracts with the Company, both direct and indirect, are set out in Note 36 to the financial statements.

DIRECTOR'S REMUNERATION AND OTHER BENEFITS

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

DIRECTOR'S INTEREST IN SHARES

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

DIRECTORS' RESPONSIBILITY FOR FINANCIAL REPORTING

The Directors are responsible for the preparation of financial statements of the Group and to Company reflect a true and fair view of the state of its affairs. The Directors are of the view that these financial statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, Companies Act No. 7 of 2007, Sri

Lanka Accounting and Auditing Standards Act No. 15 of 1995, Inland Revenue Act No. 10 of 2006 and amendments thereto and the Listing Rules of the Colombo Stock Exchange.

The statement of directors responsibility for financial reporting is given in page 84.

INTEREST REGISTER

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

RISK MANAGEMENT

The Board has instituted an effective and comprehensive system of internal controls covering financial, operations, compliance control and risk management required to carry on the business activities of the Company and its subsidiaries in an orderly manner, safeguard its assets and secure as far as possible the accuracy and reliability of the records. The key financial risks management disclosures are given in Note 3 to the financial statements on pages 104 to 107.

CORPORATE GOVERNANCE

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

STATUTORY PAYMENTS

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

EMPLOYEE SHARE OPTION SCHEME

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

as may be decided by the Board or a Board committee appointed by the Board. This scheme was established on the recommendation of the Board having taken into consideration the benefits that will accrue to the Company by employees involved in the management of the Company participating in the equity of the Company and thereby in the profits of the Company. The maximum number of shares that can be issued to eligible employees under the ESOS is 27,090,851 share representing 4.1% of the issued shares of the Company as at 1 April 2015. During the financial year 2016/17 options were granted to 77 employees conferring them with the right to subscribe to upto 4,625,268.

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

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

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

ENVIRONMENTAL PROTECTION

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

DONATIONS

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

GOING CONCERN

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

EVENTS AFTER THE END OF REPORTING PERIOD

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

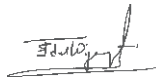
INDEPENDENT AUDITORS

The Audit Committee of the Company has recommended the re-appointment of Messrs PricewaterhouseCoopers Chartered Accountants as the auditors of the Company and a resolution relating to their re-appointment and authorising the Directors to fix their remuneration and to audit the financial statements for the accounting year ending 31 March 2018 will be proposed at the Annual General Meeting.

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

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

By Order of the Board



Sriyan Joseph de Silva Wijeyeratne
Chief Executive officer/Managing Director



Hasitha Premaratne
Director



Corporate Services (Private) Limited
Secretaries

11 July 2017