sunshine

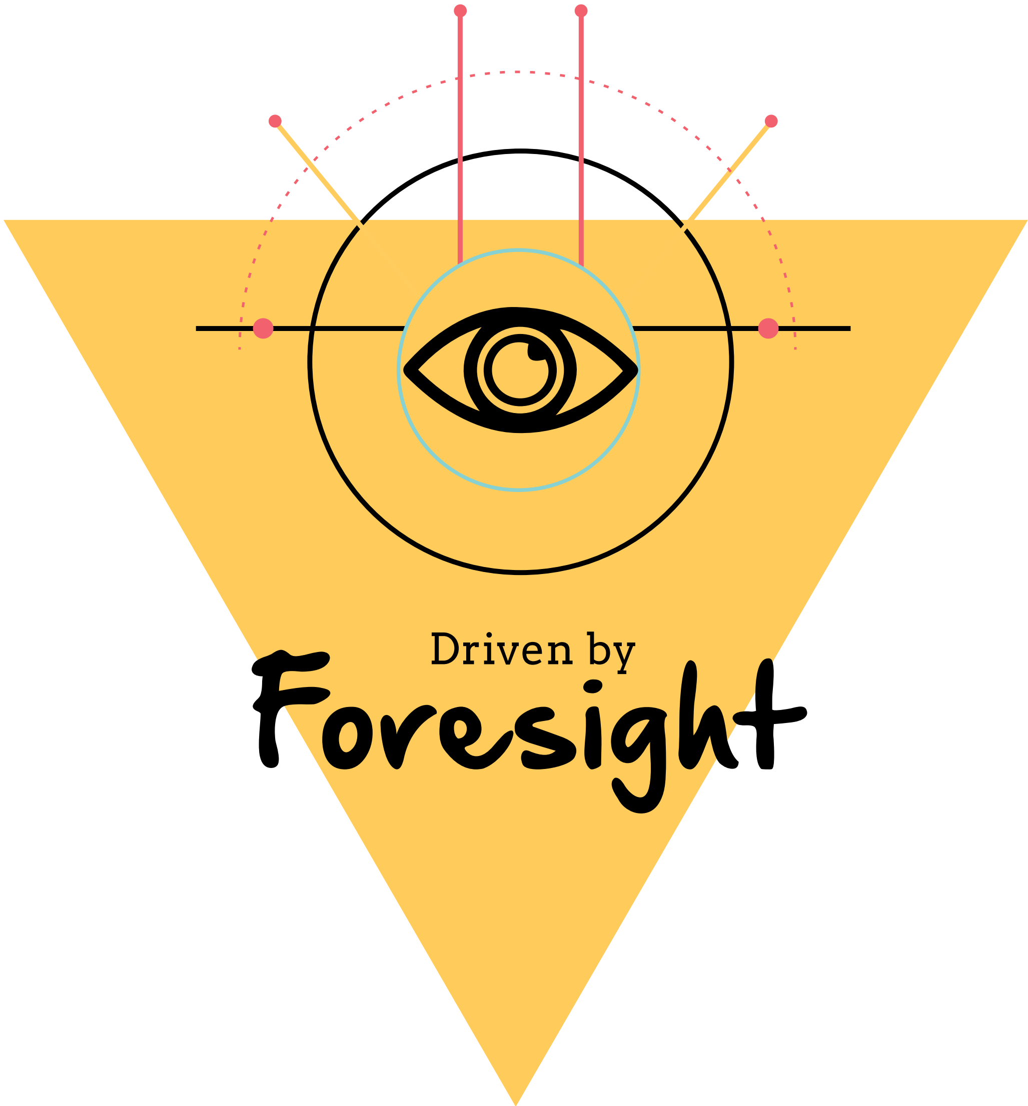
sunshine holdings plc

ANNUAL REPORT 2017/18

CELEBRATING 50
SINCE 1967
RESPONSIBLE ENTREPRENEURSHIP

Foresight is the key ingredient of our success. The unique ability to foresee future trends, then take accurate decisions and steer the company to greater achievements year after year defines who we are.

We are bold in our pursuit to bring about positive change in ourselves and the world around us, guided by foresight.



Inside

Report Outline

Committed to responsible reporting, Sunshine Holdings PLC presents the fifth integrated annual report for the financial year ended 31st March 2018. Our report, this year, continues to focus on our strategy, operational and financial performance and future plans across our diversified operations. We also highlight our commitment and the efforts taken to be a responsible corporate citizen. Upholding our triple-bottom-line approach in doing business, we report and highlight both financial and non-financial aspects of our operations, thus, enabling all our key stakeholders to be included and to benefit from our reporting initiatives.

Reporting Scope and Boundary

Our annual report encompasses the operations at the holding company level, Sunshine Holdings PLC, and the core business sectors operated through its subsidiary companies. This includes the operations of healthcare, consumer goods, agribusiness and energy.

The report content is developed based on the following guidelines:

- Integrated Reporting Framework as prescribed by the Integrated Reporting Council
- Sri Lanka Accounting Standards (SLFRS/ LKAS) issued by the Institute of Chartered Accountants of Sri Lanka
- Code of Best Practice on Corporate Governance 2017 issued jointly by the Institute of Chartered Accountants of Sri Lanka and the Securities and Exchange Commission of Sri Lanka
- Continuous Listing Rules of the Colombo Stock Exchange
- Applicable rules and regulations set out by the Companies Act No. 07 of 2007

Initiated in the financial year 2013/14, we continue to build and refine our reporting process to be in line with integrated reporting. Our report content has been developed on the basis of 'materiality' where we prioritise the most significant aspects of our operations both in terms of the Sunshine Group and the external stakeholders' standpoint. Accordingly, our report discloses on our strategic focused areas, management approach and performance results with respect to our core capitals that support our diversified value creation process across the Group. This year, we bring in three more capitals in to the reporting scope—intellectual, manufactured and relationship capitals, thereby, reporting on seven capitals as recommended by the guidelines. The report also discusses at length the macroeconomic environment and the business performance of our core sectors. We also present comprehensive reports on governance and risk management. Wherever relevant, we have carried out a comparative analysis vis-à-vis the trends and results of the preceding financial year.

Independent Assurance

The financial statements at the company and the group level are audited by M/s KPMG, Chartered Accountants. The independent auditors' report is set out on page 165 of this annual report.

Sunshine Holdings PLC Annual Report 2017/2018

Methodology

The report was prepared on the basis of the information and data compiled from the management information reports and the financial statements of Sunshine Holdings PLC and the subsidiaries. The information was also gathered from face-to-face interviews with the senior management and relevant teams. Desk research was carried out to access publicly available information and data. The accuracy, completeness and relevance of information and data presented in the report were confirmed by the Group Managing Director, the respective sector heads and the Group Executive Committee.

Forward-looking Statements

The Annual Report herein contains forward-looking statements and information. The reality of the operational backdrop may change our business expectations, future outlook, plans and forecasts. Shareholders and other stakeholders are advised to be cautious on placing too much emphasis on such statements as the reality may materially differ with the projected and anticipated information. The Company does not undertake to update publicly the forward-looking statements to reflect the changes after the date of this report, except, in compliance with the applicable rules and regulations set by the relevant statutory and regulatory bodies.

Contact

Any queries and clarifications on this annual report are to be directed to:

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Principled >>

Our future

To be the most admired conglomerate in Sri Lanka

Our purpose

Growing our enterprises to be industry leaders

Our values

Innovation
Continuous improvement through change

Perseverance
Never give up

Trust
The foundation upon which we grow

Responsibility
Accountable to all stakeholders

Integrity
Honest, open and transparent

Wisdom

Group Performance

Foresight driven by the wisdom of collective experience.

Sunshine Profile

Sunshine Holdings PLC celebrates half a century of achievement, a conglomerate holding diverse subsidiaries together, with each business evolving through responsible entrepreneurship. In 1967, the entrepreneurial quest began as Lanka Medical. Today, we excel in four vital sectors of our country's economy —focusing on healthcare, agribusiness, consumer goods and renewable energy. The companies within our Group have all succeeded in establishing a strong presence, positioning the businesses at the forefront of their respective sectors.

With humble beginnings, we have built and nurtured a conglomerate with strong family values that foster long-term human relationships. Our much valued team—talented, professional and dedicated—stands as our forte, taking up a pivotal role in our quest to grow our businesses to reach higher goals. We have also established solid partnerships and strategic alliances with leading global companies, bracing our operations and opening up opportunities for further progress.

We at Sunshine are committed to uphold entrepreneurial excellence and deliver sustainable value to meet our stakeholder expectations.

CELEBRATING 50 SINCE 1967
RESPONSIBLE ENTREPRENEURSHIP

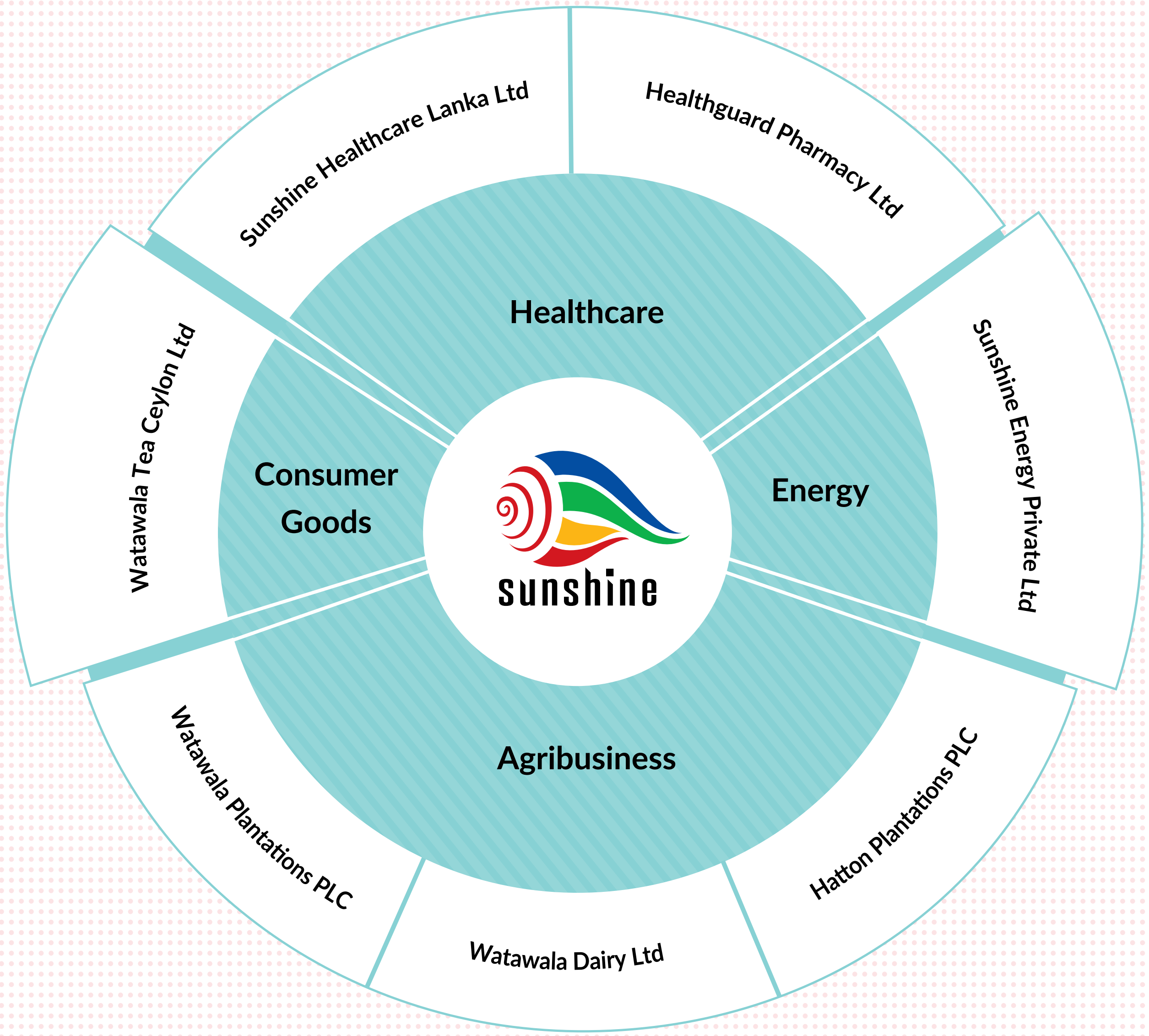
sunshine

50th Anniversary Celebrations

50th Anniversary Celebrations - 1st November 2017

Sunshine Holdings PLC Annual Report 2017/2018

Group Structure



Note - Detailed company structure shown on page 263

SUNSHINE HEALTHCARE LANKA LTD
(Limited Liability)

Marketing and promoting pharmaceutical and medical devices to the public and private healthcare sectors.

HEALTHGUARD PHARMACY LTD
(Limited Liability)

Retailer of pharmaceuticals, beauty and wellness products.

WATAWALA TEA CEYLON LTD
(Limited Liability)

Selling branded teas in the domestic and international markets.

WATAWALA PLANTATIONS PLC
(Public Limited Liability)

Engaged in tea plantations for exports, palm oil for the domestic market, and minor export crops.

HATTON PLANTATIONS PLC
(Public Limited Liability)

Engaged in tea plantations for exports.

WATAWALA DAIRY LTD
(Limited Liability)

Engaged in commercial dairy farming operations.

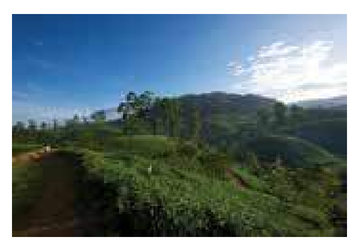
SUNSHINE ENERGY PRIVATE LTD
(Private Limited Liability)

Engaged in renewable energy-generating and supplying of hydropower to the Ceylon Electricity Board.

Strategic Alliances

Partners

Milestones



1967/68

Entrepreneurial quest begins as Lanka Medical

1992/93

Joint Venture with Tata Tea (Tata Global Beverages), by setting up Estate Management Services

1997/98

Acquired Watawala Plantations, a regional plantation company listed on the CSE

Entered the Branded Tea business with Zesta

2001/02

1.1Bn

Launched the popular Tea brand Watawala Kahata

Adopted the name 'Sunshine Holdings' as the holding company for its various vibrant subsidiaries

2002/03

Established Healthguard Pharmacy, a top of the line, value-added Health, Wellness & Beauty outlets in Greater Colombo

1.8 Bn

2007/08

Diversified into Telecommunications by acquiring 10% of Tata Communications Lanka

Aureos Capital acquired a 25% stake in Sunshine Holdings

Watawala Plantations achieved Super Brand status

7.2 Bn

2009/10

Sunshine Holdings announced a 1:10 stock split

Established Sunshine Energy

9.4 Bn

2011/12

Entered the Wellness segment by launching Surelife Wellness brands

Launched first own Wellness brand: 'Pedia Plus'

Commissioned the Group's first Renewable Energy plant at Lower Waltrim mini-hydro plant

10.8 Bn

2012/13

Maintained number two Branded Tea company in SL

Launched three additional Wellness brands : 'Mama Plus', 'Enlive Plus' and 'Diabeta Plus'

13.1 Bn

2014/15

Healthcare rebranded the company as Sunshine Healthcare Lanka

Consumer Goods 3 million kg's of Branded Tea sold #1 Branded Tea company in Sri Lanka

Inked a partnership with Diabetes Association to promote awareness

16.3 Bn

2015/16

JV with Duxton Asset Management to invest USD 11 million to develop a 1,000 milking cow commercial Dairy Farm

Watawala Tea became the largest brand in the country in terms of volume during the year

17.4 Bn

2016/17

Celebrating 50th anniversary

Commencement of second mini-hydropower plant in Upper-Waltrim region

Watawala Plantations PLC recorded highest profit for a plantation company in the history - 1.3 Bn

'Most Innovative Holding Group' by Global Banking and Finance Review, UK

Japan's SBI acquires a strategic stake of 11% of Sunshine Holdings PLC

SLIM Nielsen Peoples 'Hot Beverage Brand of the Year' award for Watawala Tea

18.9 Bn

2017/18

SUN increased the stake in EMSPL to 60% from 33%

Hatton Plantations PLC was listed in CSE in February 2018

Strategic Partnership with SBI Japan to establish a country office in Sri Lanka

21.2 Bn

The Big Picture

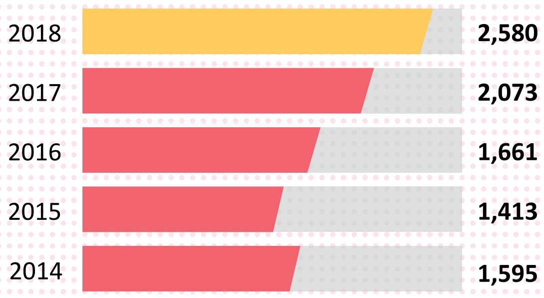
1.80

Proft After Tax

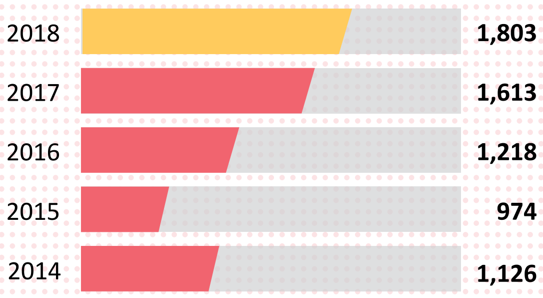
(LKR billion)

Group	*LKR million*
Revenue	21,236
EBIT	2,580
PAT	1,805
Total Comprehensive Income (TCI)	1,622
Profit for for equity holders	619
Total Assets	20,294
EPS - Continued operations	6.08
Employees	9,923

EBIT *(LKR million)*



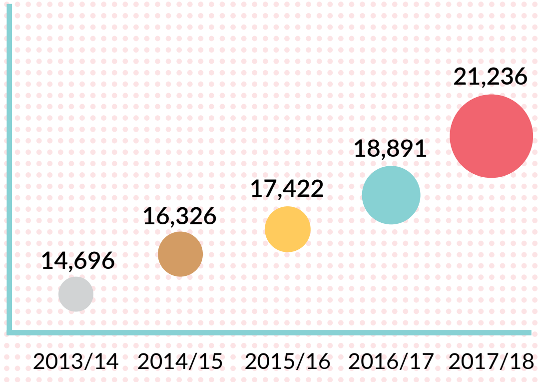
PAT *(LKR million)*



6.08 EPS
Continued Operations

1.8 PAT
(LKR billion)

Revenue *(LKR million)*

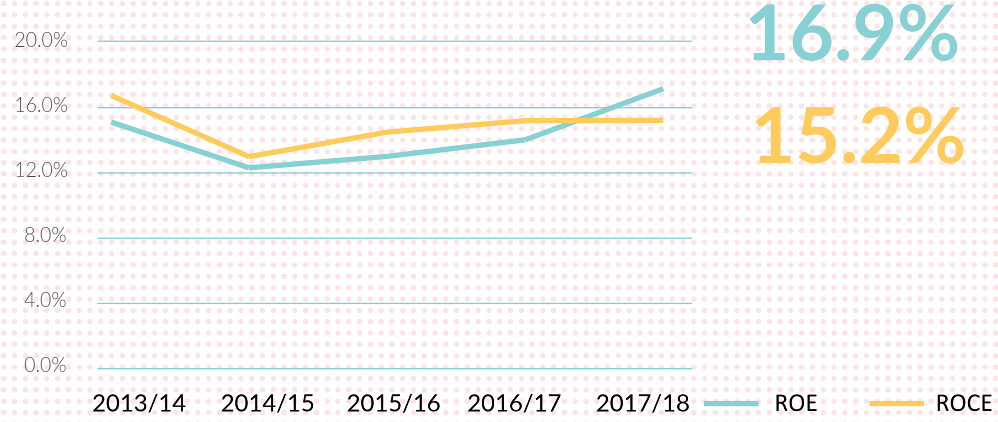


21.2

Group Revenue

(LKR billion)

ROE & ROCE *(Return %)*



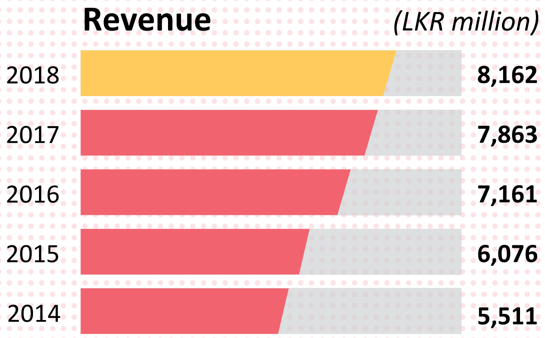
16.9%

15.2%

Sector Performance

PAT (LKR million)

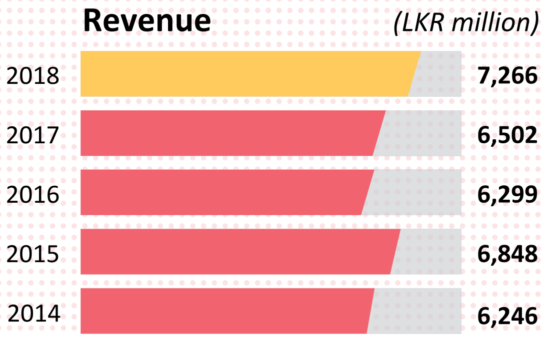
258



Healthcare	*(LKR million)*
Revenue	**8,162**
EBIT	**416**
PAT	**258**
Total Comprehensive Income (TCI)	**262**
Total Assets	**5,104**
Employees	**839**

PAT (LKR million)

1,179

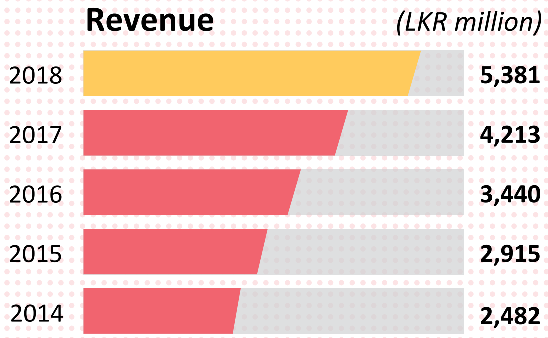


Agribusiness	*(LKR million)*
Revenue	**7,266**
EBIT	**1,566**
PAT	**1,179**
Total Comprehensive Income (TCI)	**1,212**
Total Assets	**10,241**
Employees	**8,842**

Sunshine Holdings PLC
Annual Report 2017/2018

PAT (LKR million)

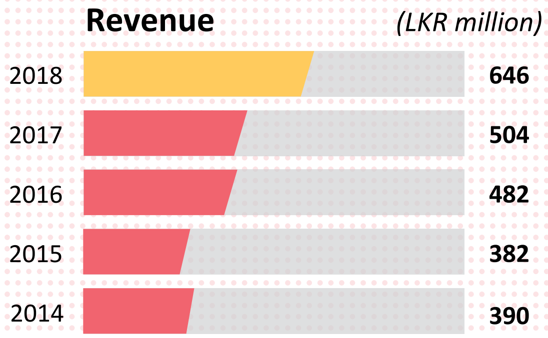
294



Consumer Goods	*(LKR million)*
Revenue	**5,381**
EBIT	**395**
PAT	**294**
Total Comprehensive Income (TCI)	**291**
Total Assets	**1,528**
Employees	**195**

PAT (LKR million)

73



Strategic Investments	*(LKR million)*
Revenue	**427**
EBIT	**204**
PAT	**73**
Total Comprehensive Income (TCI)	**(102)**
Total Assets	**3,421**
Employees	**47**

Financial Highlights

	Group		Company	
	2018 (LKR)	2017 (LKR)	2018 (LKR)	2017 (LKR)
Results for the year ended 31st March				
Revenue	21,235,736,058	18,890,754,460	395,125,164	414,779,815
Gross Profit	5,385,359,251	4,763,049,063	340,599,522	260,872,032
Gross Profit Margin %	**25.36%**	**25.21%**	**n/m**	**n/m**
EBIT	**2,580,028,236**	**2,072,983,275**	**122,912,751**	**107,404,856**
Net Finance Cost	(156,173,227)	(30,129,765)	25,645,590	83,395,975
Profit Before Tax	2,422,814,624	2,042,853,510	148,558,341	190,800,831
Income Tax	(618,292,028)	(430,088,964)	-	(342,692)
Profit for the Year	**1,804,522,596**	**1,612,764,546**	**148,558,341**	**190,458,139**
Profit Margin %	**8.50%**	**8.54%**	**n/m**	**n/m**
Other Comprehensive Income (Net of Tax)	68,902,742	94,713,453	35,762,731	6,968,821
Discountinued Operations	(210,824,830)	8,456,167	-	-
Total Comprehensive Income	**1,662,600,507**	**1,715,934,166**	**184,321,072**	**197,426,960**
Total Comprehensive Income Margin %	**7.83%**	**9.08%**	**n/m**	**n/m**
Profit for Equity Holders - Continuing Operations	829,362,966	563,802,278	148,558,341	190,458,139
Profit for Equity Holders - Discont. Operations	(210,824,830)	8,456,167	-	-
As at 31st March				
Stated Capital	798,504,357	730,939,657	798,504,357	730,939,657
Shareholders' Funds	5,524,254,109	5,518,784,930	2,131,368,284	2,183,543,938
Non-controlling Interest	3,479,364,692	5,340,766,263	-	-
Total Equity	**9,802,123,157**	**11,590,490,849**	**2,929,872,641**	**2,914,483,595**
Long Term liabilities				
- Debt	3,572,014,986	1,226,847,031	1,143,330,000	-
- Others	1,890,704,035	1,612,481,050	78,399,096	51,881,378
Current Liabilities				
- Debt	1,736,627,425	1,069,067,831	256,670,000	-
- Others	3,292,783,492	2,434,572,435	25,125,650	15,817,458
Total Equity & Liabilities	**20,294,253,095**	**17,933,459,199**	**4,433,397,391**	**2,982,182,431**
Non-Current Assets	11,588,343,192	9,721,305,170	3,673,606,132	2,010,153,586
Current Assets				
- Cash & Cash Equivalents	1,374,218,432	1,876,004,662	526,335,611	731,712,191
- Others	7,331,691,471	6,336,149,368	233,455,648	240,316,654
Total Assets	**20,294,253,095**	**17,933,459,199**	**4,433,397,393**	**2,982,182,431**

	Group		Company	
	2018 (LKR)	2017 (LKR)	2018 (LKR)	2017 (LKR)
For the Year Ended 31st March				
Cash Generated from Operations	2,777,876,302	1,773,121,527	237,664,735	163,032,475
Interest Paid	(378,837,123)	(222,486,761)	(41,781,020)	(2,335,771)
Income Tax Paid	(546,195,415)	(280,902,594)	-	(938,743)
Gratuity Paid	(146,131,600)	(149,790,009)	(170,850)	-
Net Cash Generated from Operations	**1,706,712,165**	**1,119,942,163**	**195,712,865**	**159,757,961**
Capital Expenditure	(2,136,064,143)	(1,659,611,475)	(1,861,384)	(2,104,095)
Net cash Generated from/ (used in) Investing Activities	**(3,407,092,050)**	**(763,514,132)**	**(1,632,157,420)**	**(180,187,179)**
Dividend Paid				
- Owners of Parent	(168,932,026)	(141,898,035)	(168,932,026)	(141,898,035)
- Non-controlling Shareholders	(193,990,990)	(282,481,955)	-	-
Net Cash Generated from / (used in) Financial Activities	**982,356,155**	**(233,766,752)**	**1,231,067,975**	**(141,898,035)**
Net increase/ (Decrease) in Cash	**(718,023,731)**	**122,661,277**	**(205,376,580)**	**(162,327,253)**
Per Ordinary Share				
EPS - Continued operations	6.08	4.13	1.09	1.40
Net Assets	46.32	45.79	21.47	21.35
Market Value	56.10	46.10	56.10	46.10
DPS	1.50	1.75	1.50	1.75
Ratio				
Debt: Equity Ratio	54.16%	19.81%	47.78%	0.00%
ROE	16.9%	13.91%	5.07%	6.53%
ROCE	15.2%	14.93%	2.84%	3.69%
Interest Cover	6.81x	9.32x	n/m	n/m
Liquid Assets Ratio	1.73x	1.29x	n/m	n/m
P/E Ratio	12.38x	11.00x	n/a	n/a
Market Capitalization (LKR)	7,657,216,908	6,292,294,108	n/a	n/a
Enterprise Value (LKR)	11,591,640,886	6,712,204,308	n/a	n/a

n/m - Not meaningful. n/a - Not applicable.

<< Thinking about tomorrow today

Chairman's Message

"We made significant structural changes, leveraged on our expertise and consolidated our position as a dominant diversified conglomerate in the country."

Dear Shareholder,
We witnessed a decisive financial year. We made significant structural changes, leveraged on our expertise and consolidated our position as a dominant diversified conglomerate in the country. Delivering a well-deliberated strategy across our businesses within a solid framework of good governance, we were able to steer through the challenges in our operating environment and to achieve entrepreneurial excellence, a hallmark nurtured over five decades.

Welcome to the 45th Annual General Meeting of Sunshine Holdings PLC. On behalf of the Board, I am pleased to present our Annual Report and the Financial Statements for the financial year ended 31st March 2018.

Operating Backdrop

The year 2017 saw the global economy firming up with upward trends in investments and trade. Consumer confidence was robust and markets were favourable along with lower deflationary pressures and accommodative financial conditions. Economic activity picked up across the board—from developed, emerging markets and developing economies. With the pick-up in oil prices, commodity economies also benefitted. Yet, the down-side risks, inter-alia, possible trade wars and tightening of financial markets combined with geopolitical tensions are still pertinent and may stifle global prospects.

In contrast to the upswing witnessed in the world economy, Sri Lankan economy continued to decelerate in the year, with GDP growth subdued at 3.1 percent. With adverse weather patterns, agriculture sector contracted with spill-over effects across the economy. The economic activity within the industry and service sectors also slackened. On the macroeconomic front, we saw key policy measures brought in to stabilise the imbalances. Tighter stance in monetary policy combined with revenue-led fiscal consolidation paved the way to contain inflationary pressures and private sector credit growth. The external sector performed well, with higher export earnings buoyed by better economic prospects in key markets and considerable inflows to the financial account. The balance of payment position recorded a surplus, with higher reserves after two consecutive years in deficit.

"Our core businesses remained susceptible to socio-political and macroeconomic volatilities along with sector specific down-side risks."

Strategic Delivery

Our core businesses remained susceptible to socio-political and macroeconomic volatilities along with sector specific down-side risks. The healthcare sector continued to grapple with the ad-hoc regulatory changes and price controls; the plantations had to reckon with the vagaries in weather, productivity issues and the ban on chemical weedicide; the consumer goods sector was pressured by intense competition and higher input costs given the upward price trends at the Colombo Tea Auctions; and the hydropower operations within the energy sector was impacted by drier weather patterns.

Responding to these challenges, the management across the Sunshine Group worked in concert to be more perceptive and agile in delivering a focused strategy and consolidating the presence at the forefront of the country's business arena. Our core competencies and professionalism , right investment decisions on scale, markets and technology, and more so, the dedication of our talented team, empowered the Group to manage risks, explore opportunities and secure our strategic aspirations.

In the year under review, we also sought to exert greater control and rationalise our businesses. In this light, we acquired a 26.85 percent stake held by our long-standing partner, TATA Global Beverage in our estate management company and increased our stake to 60 percent. Subsequent to this acquisition, we restructured and streamlined our plantation sector as discussed in detail by our Group Managing Director in his review.

Consolidated Results

The operating and financial results achieved in the year are a reflection of the Group's strength and stability. We made steady progress at a consolidated level with our revenue posting a year-on-year increase of 12.4 percent to LKR 21,236 million; net profits touched LKR 1,805 million. The group assets grew at 13.1 percent, reinforcing our financial position. We were able to make positive returns on equity investment of 16.9 percent.

This reporting year, we propose a final dividend of LKR 1.50 per share, taking the total dividends to LKR 205 million.

Upholding Corporate Values

Deeply committed to uphold our exemplary business values built over the years, we were unwavering in our efforts to create meaningful value in the interest of our stakeholders, be it, our shareholders, employees, customers, or the communities and environment in which we operate. We advocated our businesses to look beyond mere commercial gains and embrace sustainable management practices and champion corporate stewardship.

My Board stands committed to further strengthen the quality of our governance, befitting our positioning as a trusted conglomerate within the public domain. This year, we welcomed Mr. Amal Cabraal and Mr. Sanjeev Shishoo to the Board. I would like to thank Ms. R. M. Kobbekaduwa, who resigned from the board for her contribution.

With the changes taking place in the ownership structure at the holding company level, we looked at refining our Board balance and bracing our governance style aligned to the prescribed governance codes by our regulators. We also looked at enhancing our risk management process across the Group operations—developing a comprehensive risk management policy, internalising evaluations and setting out action plans to manage risks in each of the business segments with greater clarity, consistency and focus.

Future Outlook and Plans

With a fifty-year legacy of entrepreneurial prowess and spiritedness to achieve operational excellence, the Sunshine Group has a definitive future in the emerging Sri Lanka! Global uncertainty calls for our businesses to revisit and brace on their core competencies to manage the challenges proactively whilst focusing on growth opportunities to achieve our goals. We will further look at refining operational structures; divest unproductive businesses; scale up where there is growth potential; maintain lean overheads; reinforce and build on our strengths; and join forces with relevant stakeholders to lobby and resolve issues at the industry level.

With respect to our business segments, we see much promise for the healthcare sector in the ensuing years, despite the regulatory dynamics; and we intend to further expand our portfolio in both pharmaceuticals and medical devices whilst seeking to strengthen our retail footprint through the Healthguard pharmacy. We will invest further on building our tea brands to be the most 'sought-after' in each of their target markets. We look forward to see our plantations effectively manage their risks and bring in greater efficiency and returns to the tea and palm oil sub-sectors; whilst we expect to see the dairy farm project manage the teething issues and reach commercial viability. We are also eager to make better returns in our hydropower projects and look for new openings within the solar energy space.

Appreciation

With 50 years in the making, we have made our mark as an esteemed conglomerate in the country. As we usher in the next decade, it is time for us to reflect on our beginnings, on our timeless values that stand as our mainstay and on the people, who guided, shaped and supported our corporate journey, thus far.

It is only fitting for me to reiterate my sincere gratitude and pay tribute to our founder Mr. Govindasamy Sathasivam who instilled the entrepreneurial vision and worked tirelessly to take the Sunshine Group to the next level. My appreciation is extended to my colleagues on the Board for their guidance and unstinted support to secure better prospects and take our businesses to greater heights. A special thank you to our independent director who resigned this year, Mr. N. B. Weerasekara for his invaluable contribution to the Board. My heartfelt commendation to the management and the team for their enthusiasm, dedication and professionalism in reaching out to the Sunshine aspirations.

As we moved away from our strategic and valued partnership of 20 years with TATA Global Beverages, it is an opportune time to thank the TATA Board for their foresight and engagement, essentially supporting, boosting and underlining our success in diversified operations. I also place my gratitude to our long-standing customers, shareholders, business partners and other stakeholders for their confidence and trust placed in our organisation.

I look forward and call upon all our stakeholders to work with us and extend their continuous support to take our conglomerate to even higher echelons in our path ahead.

Munir Shaikh
Chairman,
Sunshine Holdings PLC
28th May 2018

<< Focused on achieving

Group Managing Director's Review

"Looking beyond short-term gains, we continued in the year to work towards greater sustainability in the way we create value."

Sunshine Holdings PLC marked a year of transition, restructuring, gaining greater control and delivering a more focused strategy. Resilient and smart, we reinforced our positioning and sought to take on the emerging opportunities in a volatile marketplace. Our key business sectors, well-poised in the face of challenges, met their respective corporate targets and achieved some significant milestones. Our core competencies, a dedicated team and deep commitment to our corporate values stood as our bedrock. It is in this backdrop that I present my review for the financial year 2017/18, highlighting our consolidated and sector performance along with our plans to secure a better future for the Sunshine Group.

Focused Strategic Delivery

We remained true to our well-integrated business model with a triple-bottom line standpoint. Looking beyond short-term gains, we continued in the year to work towards greater sustainability in the way we create value—blending in commercial viability with social and environmental goals. Our business strategy is built upon this premise, which in effect, is emulated by our business lines across the Sunshine Group.

This year, we looked at bringing in a greater focus and consolidation with our conglomerate. We took critical decisions on structure, scope, scale and costs, paving a more rationalised platform for our businesses to succeed amidst the dynamics of the present day operating and regulatory landscape. We concentrated on further developing our critical success factors—strengthening our expertise; reasserting our commitment to entrepreneurial and service excellence; reinforcing our key brands; and driving for efficiency across our operations. We relied on our systems and processes; innovation and creativity; and more importantly, in our talented team to support our efforts to stay current and competitive in the marketplace—taking on the emerging market opportunities and progressively gaining our market share.

Complementing this business strategy, we looked at improving our internal controls, risk management and compliance practices at an enterprise level across the Sunshine Group. As elaborated by our Chairman in his message, we upheld our timeless corporate values and remained committed to good governance. We also brought in more focus and structure to our social responsibility

"Gaining more control, we made arrangements to increase our stake in the Estate Management Services (Pvt) Ltd (EMSPL)."

initiatives, seeking to be more meaningful in our efforts to advocate social change and address environmental issues from a broader perspective. We also continued to take up a policy advocacy role to address industry issues, particularly, within the healthcare and plantation sectors.

Gaining Greater Control

Gearing to cope with the rapidly changing operating backdrop and leveraging on the emerging business opportunities, we looked at bringing in significant structural changes to our conglomerate in the reporting year. Gaining more control, we made arrangements to increase our stake in the Estate Management Services (Pvt) Ltd (EMSPL). The three-way joint venture holding company that manages our agribusiness and consumer brand segments. We purchased the EMSPL stake of 26.9 percent, divested by TATA Global Beverages, our partner for over 20 years, for a sum of LKR 2,867 million. We now have the controlling stake of 60.0 percent, an increase from 33.2 percent,; whilst the balance is held by the other joint venture partner, Pyramid Wilmar Plantations Ltd. Given the promising outlook for this business segment, particularly, considering the strong market positioning for our tea brands, we firmly believe that this was significant strategic move and an opportune investment.

Consolidated Performance

Notwithstanding the challenges in our business environment, we were steadfast in our strategic delivery and succeeded in record an outstanding performance in the year under review. Two of our key sectors, agribusiness and consumer goods, reported strong results whilst healthcare sector remained resilient, but more subdued given the market difficulties. Our consolidated revenue in the year grew significantly by 12.4 percent to touch LKR 21.2 billion vis-à-vis LKR 18.9 billion recorded in the previous financial year. Rebounding from the industry issues, our Healthcare sector led the top-line with a share of 38.0 percent of the consolidated revenue followed by Agribusiness with a share of 34.1 percent. The promising consumer goods sector took up 25.1 percent of our top-line.

Corresponding to our buoyant top-line results, our profitability in the year posted a notable increase. This was further complemented by our lean optimal cost structure that we strived to maintain across our businesses. The net profits in the year stood at LKR 1.8 billion, up by 11.9 percent over the preceding financial year. Our annualised Return on Equity reported an improvement by 21.5 percentage points to 16.9 percent whilst Earning per Share for continuing operations stood at LKR 6.08 per share compared to LKR 4.13 per share in the previous year. Our financial position as

at 31st March 2018 was sound and robust. Our asset base improved by 13.1 percent to LKR 20.2 billion, adequately covering our liabilities and supporting a healthy current ratio. Fitch Rating International rated our organisation as 'A-(lka)'with a stable outlook.

Sector Review

Healthcare

Healthcare, one of our flagship sectors, remained susceptible and had to further contend with the far-reaching impact of the regulatory changes along with the price controls placed on pharmaceuticals in the previous year and on medical devices on a limited scale . The steeper depreciation of the Sri Lankan rupee added on to the industry woes and hampered its potential progress. The market prices plummeted compared to the prices that prevailed prior to the controls. Yet, both our companies in the sector, Sunshine Healthcare Lanka Ltd and our retail arm, Healthguard Pharmacy Ltd remained pragmatic, agile and well-disciplined in their strategic delivery; the results achieved in the year although modest, were still commendable, especially considering the magnitude of market volatility. The healthcare top-line in the year moderated marginally by 3.8 percent year-on-year to LKR 8,162 million. However, given our stance on cost controls and internal efficiencies, the sector was able to post an improvement in net profits by 30.5 percent to LKR 258 million.

Consumer Goods

Reinforcing its positioning in three distinct market segments, Watawala Tea Ceylon Ltd within the consumer goods sector, made much progress in the year under review and posted a solid performance. The three key brands gained further market share and together, remained at the helm of Sri Lanka's tea industry. 'Watawala' reinforced its consumer appeal as the undisputed leading brand within the domestic market and was recognised as the 'People's Choice' at the 2017 SLIM-Nielson People's Awards for the 11th consecutive year. 'Zesta' continued to enjoy its up-market presence as a signature brand whilst 'Ran Kahata', our value brand, remained resilient in a price sensitive market.

Both higher sales volumes and prices in the year complemented the tea brands 'Watawala' and 'Zesta' to post strong revenue results, with an outstanding growth of 27.7 percent year-on-year, despite the challenges in the marketplace. We also stepped up our operations in terms of other consumer brands including our bottled water marketed under 'Zest' and the recently launched 'Tribe', the cinnamon product range. In this context, our overall consumer segment top-line grew by 27.7 percent to LKR 5.4 billion, whilst net profits improved by 6.7 percent to LKR 294 million, despite the increasing costs given the upward price trends at the Colombo Tea Auction.

Agribusiness

Prior to the ownership changes at the estate management company , we sought in the year to rationalise our resources in our agribusiness sector. We segregated the assets and liabilities of our subsidiary, Watawala Plantation PLC into two separate business lines for greater specialisation and efficiency. The tea plantations were brought under the purview of a newly established company, whilst palm oil, dairy and other agribusiness continued to be under Watawala Plantations PLC. Mirroring the shareholding, the new company, Hatton Plantation PLC was listed on the Main Diri Savi Board of the Colombo Stock Exchange with 236,666,671 ordinary shares at an indicative price of LKR 7.62 per share in February 2018.

In terms of operational performance, we saw our tea sector rebounding in the year, buttressing the agribusiness top-line. The tea industry, however, continued to be challenged with climate change, trade union demands and ground issues relating to the ban on chemical weedicides. Yet, the year recorded an overall improvement in crop production whilst bullish trends on the Colombo Tea Auction boosted the average selling price. With our consistent commitment to quality and standards, we were able obtain premium prices for our teas, in turn, bolstering our tea sector top-line and securing higher bottom-line profits. Our palm oil sub sector remained lucrative registering sound results in terms of higher yields, production and mill efficiency. However, the prices declined year-on-year, thus, moderating the sub-sector revenue and profitability. Our agribusiness sector on the whole posted a noteworthy revenue growth of 11.8 percent to LKR 7.3 billion; whilst net profits were stable at LKR 1.2 billon.

Renewable Energy

With erratic weather patterns, our energy sector entailing hydropower could not achieve the anticipated performance and fell short of the set targets for the year under review. Our hydropower plant in Lindula, Talawakelle along with the second plant commissioned in October 2016, generating 2.6 Mwh of power, Energy sector revenue was modest at LKR 248 million, an increase of 179.7 percent whilst recording a turn around profit of LKR 48 million from a loss of LKR 35 million in the preceding year.

Skills Training and Mentoring

Our team of over 10,000 engaged across the Sunshine Group stood as our mainstay and remained focal to our corporate strategy. Their expertise, dedication and hard work define Sunshine today, the feats we have achieved over five decades and the path we will take in the future. In this light, we stand committed to extend a progressive workplace, upholding equal opportunity, respect and professionalism.

We continued to give top priority, this reporting year, to build a well-rounded team with multi-disciplinary skills, encouraging greater workplace participation and more so, empowering them to be confident and passionate in their careers and in their role as future leaders. We gave much thought to succession planning across our operations. We looked at bringing in greater focus to learning and development initiatives and rolling out well-structured mentoring programmes for our high achievers. We strived to lay out a solid platform for the team at all levels, with required skills training—technical management and leadership skills—but, more importantly, strengthening their work values amidst the growing socio-economic complexities in the present-day context. We partnered with internationally acclaimed 'Centre for Creative Leadership', a US based organisation that offers tailor-made training and coaching programmes, to support our endeavours in this regard. We also extended other strategic training opportunities, in-house as well as external, along with cross placement exposure across the group companies. Our training investment in the year stood at LKR 24 million.

Relying on Technology

As a progressive Group, we rely and look to adopt latest in technology to automate, streamline our processes, modernise our product, refine our communication and enable effective decision-making. In the year under review, we continued to invest on 'cloud' solutions and on integrating systems across our business lines. Our consumer sector adopted upgraded the Enterprise Resource Planning (ERP) system from Microsoft Corporation . We also completed the integration of systems within the healthcare sector.

Recognition for Excellence

Seeking to uphold responsible entrepreneurship across the Sunshine Group, we continued to give precedence and invested on key measures including certifications and other structured programmes to refine and enhance our value creation process. This year, our tea plantation sector continued to be certified on agricultural and manufacturing practices, food safety, environmental, labour and social standards—through the Rainforest Alliance-Sustainable Farm, Ethical Tea Partnership, Fair Trade and ISO 22000. As initiated in the previous year, our palm oil operations worked towards obtaining certification under the 'Roundtable on Sustainable Palm Oil' (RSPO) programme. We also upheld best practices in our operations of healthcare and consumer goods—working closely with our suppliers to ensure that quality and standards are met within our procurement and distribution process.

Indeed, the awards and recognition we have gained both locally and internationally

over the years stand as our inspiration and testimony of our efforts to reach out to business astuteness and excellence. In the year under focus, the Global Banking Finance Review, once again, for the second consecutive year, recognised Sunshine Holdings PLC as the 'Most Innovative Holding Group' for the year 2017. We were also commended by the Institute of Chartered Accountants of Sri Lanka for our responsible reporting standards with a 'Silver' at the 53rd CA Annual Report Awards 2017 under the diversified holdings (groups up to 10 subsidiaries) category; whilst our subsidiary, Watawala Plantations PLC received the 'Bronze' under the plantation sector category. Watawala Tea Ceylon Ltd also clinched the Gold Award for 'Best Performance' at the Keells Supplier Convention 2018.

Dedicated Social Responsibility

As part of our celebrations of 50 years of responsible entrepreneurship, we launched the Sunshine Foundation for Good in October 2017, seeking to bring in greater focus to our social responsibility initiatives. Operating as a non-profit independent entity funded by the Group, the Foundation will work in two-focused areas—education, specially focusing on school drop-outs at the secondary school level; and healthcare, focusing on creating awareness and advocating lifestyle changes to prevent diabetics, a pressing health issue in today's context.

Future Outlook

With more upbeat trends witnessed in the global economy combined with our nation's potential to reach a economic prosperity with enhancements to the quality of life with increased levels of disposable income, we expect a more confident business climate in the medium-term. Of course, it is imperative to balance out the socio-political and economic uncertainties that are prevalent in our current operating environment today.

In this emerging economic backdrop, we as a diversified conglomerate, have immense potential to gain on opportunities, grow and achieve greater heights. Our expertise and drive for innovation, superior brands, group synergies and strategic partnerships combined with a solid mainstay will no doubt hold us in good stead amidst the challenges. We will further invest and build on our success factors in the ensuing years and drive a focused strategy across our businesses—reinforce our positioning in mature markets; expand and aggressively penetrate into new markets; explore new partnerships; and drive innovation to add value, develop new products and reach greater efficiency.

Sector Plans

Notwithstanding the regulatory dynamics, healthcare will remain a thrust sector and we will seek to foster our positioning at

"Of course, it is imperative to balance out the socio-political and economic uncertainties that are prevalent in our current operating environment today."

"We see much potential to invest further in our retail pharmaceutical arm-strategically expanding, promoting the Healthguard brand, and building a niche for our beauty and wellness products."

the helm. Our focus will be to expand our portfolio within the medical devices sub-sector, both within the private and public healthcare sectors. We see much potential to invest further in our retail pharmaceutical arm—strategically expanding, promoting the Healthguard brand, and building a niche for our beauty and wellness products. We will also continue with our role in policy advocacy—lobbying with relevant authorities to bring in a fair pricing mechanism and maintain the required balance between quality, availability and affordability of pharmaceutical products.
In an emerging economic backdrop, with upward trends in disposable income and shift in demographics skewed to the middle-class, our consumer goods sector shows much promise to grow its market share and reach higher growth targets. We are certainly bullish on this sector and we will continue to focus on our core brands— 'Watawala', 'Zesta' and 'Ran Kahata' in each of their targeted market segments in the domestic arena.

With clearer business segregation coming into play in the year under review, agribusiness sector is well poised to take up the industry challenges and work towards sustaining quality and standards in both tea and palm oil operations and secure premium pricing. We will continue to invest strategically in sustainable agriculture and manufacturing practices across estates, bring in greater mechanisation, strengthen systems and processes, add value to products and take forward our crop diversification programmes. We will rally with the industry stakeholders to address pressing issues, including the ban on chemical weedicides, worker productivity and the wage mechanism.

We also look forward to our dairy farm projects which we initiated and launched in the preceding financial year in partnership with Duxton Asset Management, Singapore—an organisation engaged in investing and managing global agriculture-based projects improving it's operational performance. We are confident that the project will come out of the teething stage and further stabilise through herd building and operational efficiencies in the ensuing years.
Within the renewable energy sector, we will look to expand on our hydropower opportunities . Our third plant expected to come into commercial operations in the middle of the year 2018 will add more capacity to the hydropower sector. We are also excited to seek opportunities in alternative energy sources, solar and wind power. Our efforts are aligned to the national policy on promoting renewable energy. We are currently looking into the feasibility of venturing into roof top solar power projects in the near future. We are also looking at a public-private partnership on ground mounted solar projects.

In Appreciation

We have completed five-decades in business; successfully and responsibly taking the Sunshine conglomerate to a stronger plateau against the headwinds that came our way. This is an opportune time to look back, in retrospect, and appreciate and thank all our stakeholders who have stood by us through the years, confident and being supportive of our mission.

My gratitude is extended to our Chairman and to my colleagues on the Board for their commitment, direction and leadership, paving the path to reach business excellence.
It is with deep respect that we parted ways with our long-standing partner, TATA Global Beverage in the year. We are sincerely indebted to the TATA Board for their invaluable contribution and service extended to enrich the Sunshine Group, whilst we continue the strategic partnership with TATA Communications Lanka Limited.

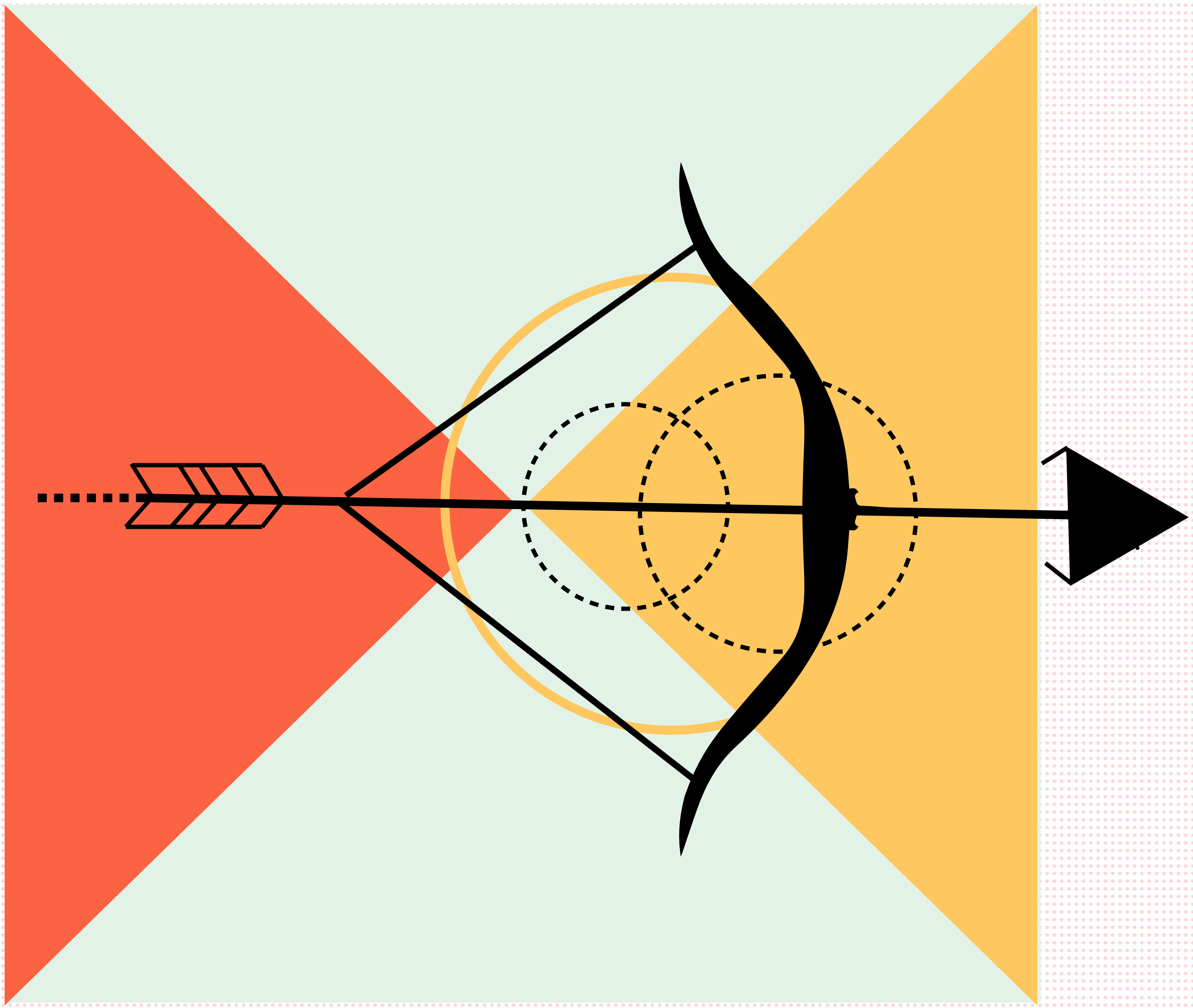
Our management and their respective teams across Sunshine group stayed committed, principled and worked tirelessly to accomplish our corporate goals.
A warm thank you to all employees for their role, support and contribution and I sincerely look forward to their enthusiasm and hard work in the ensuing year.

I take this opportunity to thank the officials at the Ministry of Finance, Securities and Exchange Commission of Sri Lanka and the Colombo Stock Exchange for their cooperation and assistance given in our efforts to restructure our organisation.

A warm thank you to our investors, loyal customers, suppliers and business partners for their unstinted support and confidence placed in our organisation.

To all stakeholders, thank you.

V. Govindasamy
Group Managing Director
Sunshine Holdings PLC
28th May 2018



Focused

Management Discussion & Analysis

Foresight guided by focused and disciplined thinking.

Sunshine Value Creation

Stakeholder Engagement

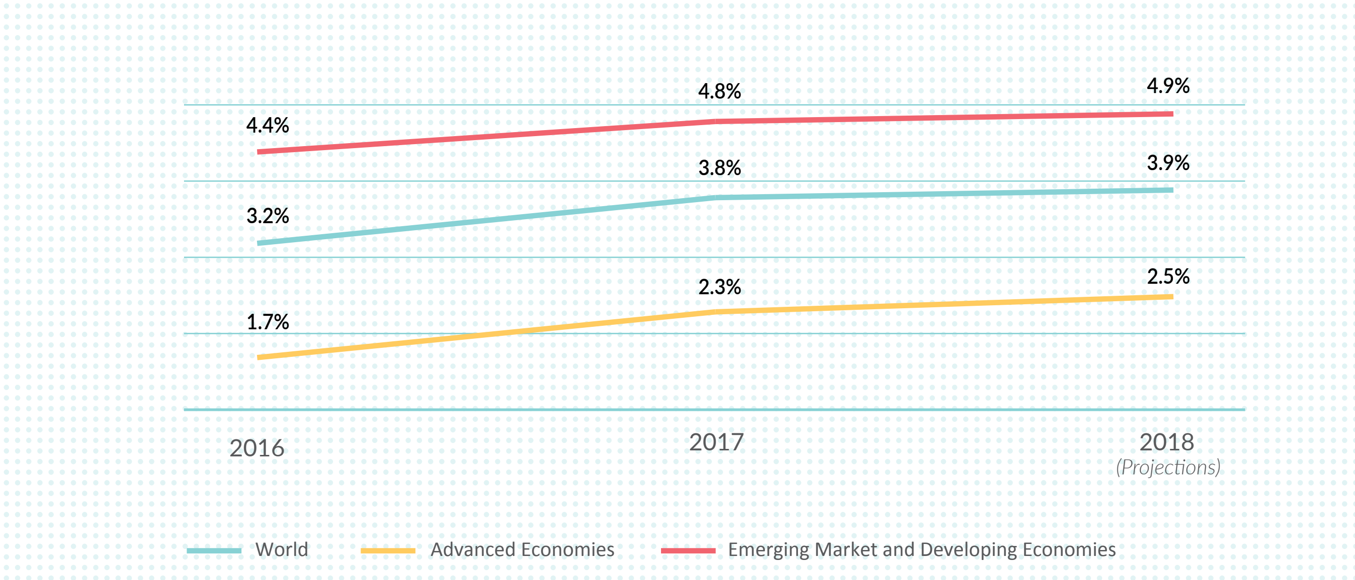
As a diversified conglomerate, the Sunshine Group has an extensive operation spanning key sectors of the economy. Given the scale of our businesses, sustaining good relationships with our key stakeholders and meaningfully engaging them, stand critical and highly warranted to ensure the long-term viability of the Group. The ties and relationships we have nurtured with our stakeholders along with our initiatives to proactively engage them, in effect, have underlined many of our milestones achieved over five decades in business. Our approach to stakeholder engagement is pragmatic, responsive and agile. We seek to bring in a 'strategic-fit' between our value creation goals and our diverse stakeholder expectations. We have prioritised and identified six groups of stakeholders, taking in to account both their level of significance and their influence on the Sunshine operations. This list is vetted by the management and validated during the corporate planning process carried out annually. The 'Stakeholder Engagement' table lists out our key stakeholders along with the method, frequency of engagement and their issues and concerns. Our disclosures in the report consider what is material to our stakeholders as identified during the engagement process.

Stakeholder Engagement				
Key Stakeholders	Method	Frequency	Material Issues/Concerns	Disclosure (Refer Sections)
Investors	• Investor forums • Annual report • Annual General Meeting • Extraordinary General Meeting • Press releases	• Quarterly • Bi-annually • Annually	• Operational viability and returns • Ethical and responsible corporate conduct • Timely disclosures	• Chairman's Message • Group Managing Director's Review • Group Performance • Sector Reviews • Capital Reviews • Corporate Governance • Risk Assessment and Management • Human Capital
Employees	• Staff meetings • Performance reviews • Training • Staff circulars • Newsletters • Employee surveys • Awards • Networking events • Intranet	• Daily • Monthly • Quarterly • Bi-annually • Annually	• Fair labour practices • Industry competitive compensation and benefits • Skills development • Career development	• Human Capital
Customers	• One-to-one meetings • Correspondence • Direct marketing • Advertising on print and electronic media • Official website • Brochures and leaflets • Press releases	• As and when required	• Quality and standards of products and services • Product Information • Customer service • Ethical business practices	• Sector Reviews • Relationship Capital

Stakeholder Engagement				
Key Stakeholders	Method	Frequency	Material Issues/Concerns	Disclosure (Refer Sections)
Government, Statutory and Regulatory Bodies	• Meetings • Correspondence • Filing disclosures • Audits	• As and when required	• Compliance with statutory and regulatory requirements • Uphold good governance and effective risk management practices	• Corporate Governance • Risk Assessment and Management • Relationship Capital
Business Partners	• Meetings • Correspondence • Site visits • Conferences • Workshops • Roadshows • Training • Annual report	• As and when required	• Corporate reputation and standing • Financial performance • Ethical business practices • Risk management	• Chairman's Message • Group Managing Director's Review • Sector Reviews • Relationship Capital • Corporate Governance • Risk Assessment and Management
Society	• Sponsorships • National Campaigns • Awareness programmes • Discussions with policy makers, community leaders and not-for-profit organisations • Community projects	• As and when required	• Creating business opportunities • Employment • Philanthropy • Environmental best practices • Policy advocacy	• Social Capital • Natural Capital

Economic Review

Global Economy



Source: World Economic Outlook, April 2018, IMF

Further consolidating, the global economy in the year 2017 witnessed broad based growth across most of the major economies, fully recovering from the downturn trends experienced since 2011. We saw upward movement in global trade and investments, greater consumer confidence, lower deflationary trends and accommodative monetary policy. Advanced nations, led by the United States of America, realized a more robust growth, above their potential; Euro area economies lessened their excess capacity; whilst the growth firmed up in emerging market and developing economies. We saw oil and commodity markets turn-around, supporting the commodity exporters to strengthen their economic performance.

The World Economic Outlook, April 2018, published by the International Monetary Fund (IMF) sets the global economic growth at 3.8 percent in 2017, a notable improvement as against 3.2 percent in 2016. Leading the world economic performance, emerging market and developing economies posted a growth of 4.8 percent whilst advanced nations registered a 2.3 percent growth.

Sri Lankan Economy

Key Indicators	2016	2017
GDP Growth (%)	4.5	3.1
Per Capita Income (US$)	3,857	4,065
NCPI - Annual Average Inflation (%)	4.0	7.7
Balance of Payment (US$ million)	-500	2,068
Exchange Rate (LKR/US$)	149.80	152.85
Budget Deficit (% of GDP)	-5.4	-5.5
Average Weighted Prime Lending Rate (%)	11.52	11.55

Source: Annual Report 2017, Central Bank of Sri Lanka

GDP Growth

Notwithstanding positive economic trends in the global economy, the Sri Lankan economy in 2017 continued to slow down, with real GDP reaching to 3.1 percent, notably below the growth of 4.5 percent achieved in 2016. The GDP per capita stood at US dollars 4,065.

With respect to sector trends, both industry and services sectors posted a subdued performance in comparison to the previous year. The services sector, accounting for the largest share of GDP, recorded a modest growth of 3.2 percent, down from 4.7 percent in the previous year. Under this sector, wholesale and retail trade and transportation together with financial services sub-sectors registered a notable contraction. The industry sector, saw a significant drop in the construction and mining and quarrying sub-sectors. Manufacturing sector growth was modest. This led the industry growth to contract to 3.9 percent as against 5.8 percent in the previous year. Agriculture sector remained susceptible to inclement weather conditions and thus, sector performance remained in the negative territory. Yet, increased forestry and logging and tea sector buoyancy with higher production levels supported the agriculture sector to register 0.8 percent negative growth, an improvement compared to 3.8 percent negative growth in the previous year.

Inflation

The year saw price levels continue to rise. The supply-side shortages due to adverse weather, indirect tax revisions combined with rising commodity prices intensified the inflationary trends. The Central Bank of Sri Lanka further tightened the monetary policy, seeking control of the excessive growth in private sector credit and to manage the demand-pressures on the price levels. In this setting, headline inflation measured by the National Consumers' Price Index (NCPI) (2013=100) settled at 7.3 percent year-on-year whilst the annual average rate stood at 7.7 percent compared to 4.0 percent in 2016.

"Sri Lanka further tightened the monetary policy, seeking control of the excessive growth in private sector credit and to manage the demand-pressures on the price levels."

External Sector

With Sri Lanka's key export markets turning-around together with the reinstatement of the GSP facility paved a more conducive platform to boost the external sector performance. Export earnings recorded an outstanding increase of double-digit growth. However, with higher import expenditure mainly on account of food and fuel imports, the trade deficit widened year-on-year. This together with the mediocre performance in tourism earnings and lower worker remittances widened the current account. Yet, higher foreign investment activity on the Government Securities Market and on the Colombo Stock Exchange along with the proceeds from the International Sovereign Bond and Extended Fund Facility from the IMF strengthened the financial account. This eased the balance of payment position to post a surplus of US dollars 2,068 million from a deficit in the past two years. The gross official reserve position stood at 4.6 months of imports.

With a market-based exchange rate policy stance, the stability of the Sri Lanka Rupee was broadly maintained in the year. With greater foreign outflows in the first few months of the year, the exchange rate came under intense pressure. However, higher inflows into the financial account in the second half of the year, strengthened the exchange rate. The rupee depreciation was limited to 2.0 percent against the US dollar to close at LKR 152.85 as compared to LKR 149.80 in 2016. The rupee also depreciated against all other major currencies.

Fiscal Performance

Revenue based fiscal consolidation programme remained intact. With tax reforms, tax revenue registered an increase as a percentage of GDP. Yet, given the reduction in the non-tax revenue, overall revenue and grants of 13.8 percent of GDP was below expectations and compared to the preceding year. The government expenditure and net lending reduced marginally to 19.4 percent of GDP. The overall budget deficit stood at 5.5 percent of GDP—just above the deficit in 2016. The deficit continued to be financed mainly through foreign sources.

Monetary Policy and Interest Rates

The Central Bank of Sri Lanka continued to follow through a tighter monetary policy, seeking to control credit expansion and thereby, the demand-driven inflationary impacts. Policy rates were adjusted upwards twice in the year along with an increase in the

"The port city project, Western Province Megapolis project, development of road systems, among others, are expected to lead the country towards economic prosperity. The growth is forecast to reach 6.0 percent from 2020 onwards."

Statutory Reserve ratio. Liquidity remained tight in the first half of the year, exerting pressure on the market rates. However, with proceeds from the International Sovereign Bond and foreign exchange purchases of the Central Bank, eased the market liquidity levels. The private sector credit growth stood at 14.7 percent at the end of 2017, moderating from 21.9 percent in 2016. Average Weighted Prime Lending Rate (AWPR) closed at 11.55 percent.

Economic Outlook

With greater optimism in the global economy, the next two years are expected to see stronger growth results across the nations. However, geopolitical tension, possibilities of tightening conditions in financial markets, trade tension amongst major economies and climate change impacts, inter-alia, will challenge the global economic prospects in the medium term. From the domestic standpoint, Sri Lanka will have to navigate through global economic risks, uncertainties that are prevalent in the socio-political front coupled with macroeconomic imbalances, to turn-around and meet a higher growth target of 5.0 percent as envisaged by the Central Bank of Sri Lanka for 2018. Moving forward, the country has much potential to roll out a synchronized development plan and achieve higher economic goals as aspired in the medium term. The port city project, Western Province Megapolis project, development of road systems, among others, are expected to lead the country towards economic prosperity. The growth is forecasted to reach 6.0 percent from 2020 onwards.

Sunshine Holdings PLC
Annual Report 2017/2018

Group Financial Review

Overview

During the concluded financial year, the Group leveraged on emerging business opportunities to bring in significant structural changes to the conglomerate by consolidating its stake in EMSPL (holding company for Consumer Goods and Agribusiness sectors) by purchasing shares held by Tata Global Beverages Ltd (TGBL), to increase its stake to 60 percent, with Pyramid Wilmar increasing its stake from 35 percent to 40 percent. The deal was completed on 28th December 2017, where EMSPL was valued at LKR 9.0 billion. The Transaction was completed in part with a share buyback by EMSPL, and the rest directly through Sunshine Holdings purchasing EMSPL shares from TGBL.

The Group recorded impressive results on both top and bottom lines during 2017/18, despite operating in a challenging environment. The Healthcare segment stabilized its operations in 2017/18, post NMRA price regulation on 48 separate molecules, which impacted the business in the latter half of 2016/17, with increased volumes offsetting the negative impact of the price reduction. On the Consumer Goods sector, strong brand equity helped the business to achieve phenomenal growth driven by both volumes and price. Growth in agribusiness was attributed to the Tea Sub-sector, despite subdued performance of the Palm Oil sub-sector due to lower prices.

Revenue

The Group's consolidated revenue increased by 12.4 percent YoY to LKR 21.2 billion for the financial year 2017/18 predominantly driven by the Consumer Goods and Agribusiness sector, despite Healthcare remaining the biggest contributor for the year with 38% of the share. The contribution of Agribusiness and Consumer Goods segments stood at 34 percent and 25 percent respectively. The increase of 27.7 percent in the Consumer Goods revenue was driven by their largest brand 'Watawala Tea', and their premium brand 'Zesta'. Strong brand equity, enhanced distribution reach, coupled with a strong sales team drove domestic sales volume up by 13.4 percent. Given significant increase in input cost due to higher prices at the Colombo Tea auction, the Company took several price increases during the year to preserve its profitability. Agribusiness sector revenue grew by 11.8 percent. The Tea sub segment was the primary driver of growth which came in the back of 8.0 percent growth in crop and 8.7 percent growth in Tea NSA. Revenue for the Palm Oil sub sector marginally contracted by 5.5 percent due to lower Palm Oil NSA during 2017/18, despite a moderate increase in crop of 1.1 percent during the year. The Dairy business, the latest venture of the group, started commercial operating during the year 2017/18. At the end of the year the farm housed 1,128 cattle, which includes 602 milking cows. Despite being in its gestation period, the Dairy business contributed LKR 174 million towards the Agribusiness top line. Healthcare sector remained as the largest contributor to group revenue with an YoY increase of 3.8 percent in 2017/18. The growth was supported by volume growth is the Pharma Sub segment, and strong growth in Healthguard, the Group's health and beauty retail chain.

Overall, Healthcare sector had contributed 38 percent (41 percent last year) of the Group revenue. Agribusiness remained the 2nd biggest sector with 34 percent (34 percent last year), followed by Consumer Goods sector which contributed 25 percent (22 percent last year).

Group Financial Highlights - 2017/18

Consolidated the stake in Estate Management Services (Pvt) Ltd, the holding company for the Consumer and Agribusiness sector, from 33 percent to 60 percent.

Healthcare sector posted moderate growth of 3.8% supported by volume increases.

Remarkable top line growth of 12.45 percent, with 11.8 percent increase in PAT

Agribusiness achieved 11.8 percent growth on the back of growth in NSA and volumes for the Tea sub sector, despite a slight drop in Palm oil sub sector.

With the second power plant operating for the full year, the Renewable Energy sector saw strong growth in revenue and profitability

Robust performance in the Consumer Goods sector stemming from both volume and price growth resulting in a 27.7 percent overall growth in top line.

Profitability

Gross profit margin had increased to 25.4 percent in 2017/18 compared to 25.2 percent in the previous year. Margin expansion is mainly attributed to the Healthcare sector which improved its margins by 118 basis points in 2017/18, where the margins for the previous year was adversely impacted by price controls regulation by the Ministry of Health and adjustments to the inventory value.

In Agribusiness, gross profit margin contracted by 248 basis points due to lower palm oil prices, despite increase in margins for the Tea sub sector as a result of strong prices achieved at the Colombo Tea auction. Higher volumes in the Tea sub sector has also contributed towards better margins in Tea.

The Consumer Goods segment's margins were negatively impacted by higher input cost with margins contracting by 147 basis points during 2017/18 compared to last year. The tea prices had increased unexpectedly in the 1st half of the financial year. Margins improved towards the latter part of the year with the company passing down the cost increase to the consumer during the middle of the year.

On an absolute basis, Gross Profit grew to LKR 5.4 billion in 2017/18, up 13.1 percent YoY mainly on the back of revenue growth with marginal improvement in margins.

Operating Profit

Group Operating profit (EBIT) is up 24.5 percent YoY to LKR 2,580 million in 2017/18 compared to LKR 2,073 million in 2016/17. This is above the management expectations and derived as a result of the gross margin increase. The escalation of the operating expenses was netted off with the increase in gross profit margins. The group EBIT margin stood at 12.1 percent in 2017/18 compared to 11.0 percent during last year. Growth in administration expenses, which accounts for bulk of the operational expenses, was curtailed to 1.5 percent YoY while selling and distribution expenses grew 38.6 percent to support the top line growth of both Healthcare and Consumer Goods sectors.

Finance Expenses

Net finance cost for the Group increased to LKR 156 million in 2017/18 compared to LKR 30 million in 2016/17. The main contributors to the growth were; Consumer Goods sector which funded its increased working capital requirement through short term borrowings, Energy sector which drew down on its long-term lending to construct the 3rd power plant, and the Group Holding company which leveraged its balance sheet for the EMSPL transaction in December 2017. Increase in interest cost had decreased the interest cover ratio to 7.0x in 2017/18 against 9.3x in the previous year.

Taxation

Income Taxes amounted to LKR 618 million in 2017/18, up 44.3 percent YoY because of higher profitability, and differed tax charge in the Agribusiness sector. The effective income tax rate stood at 25.6 percent for 2017/18 against 21.1 percent in 2016/7.

Group EPS stood at LKR 6.08 in 2017/18 against LKR 4.13 in the previous year. The growth in EPS stems from strong revenue growth, and increase in profitability of the Healthcare sector. The computation of EPS is given in Note 09 to the Financial Statements. EPS of the Holding Company amounted to LKR 1.09 per share in 2017/18 compared to LKR 1.40 per share in the previous year.

Dividends

The Directors have recommended a first and final dividend of LKR 1.50 per share, which includes a cash dividend of LKR 1.00 per share and a scrip dividend of LKR 0.50 per share. The gross dividend amounts to LKR 205 million in 2017/18 compared to LKR 236 million in 2016/17. The dividend payout ratio amounts to 137.8 percent of company profit for 2017/18 compared to 125.4 percent in 2016/17.

The company has accessed to necessary funds to finance the proposed dividend and the company's independent Auditors have certified that the company meets the requisite solvency levels for the payment of the proposed divided.

Return on Capital Employed (ROCE) for the Group increased to 15.2 percent for 2017/18, compared to 15.0 percent return in the previous financial year mainly on the back of increased financial leverage.

Leverage increased to 1.8x in 2017/18 compared to 1.6x in the previous year due to added long term debt to fund the EMSPL transaction. There was no major change in both profitability and asset turnover.

	2013/14	2014/15	2015/16	2016/17	2017/18
ROE	15.0%	12.2%	12.9%	15.0%	16.9%
Net margin	7.7%	6.4%	7.0%	8.5%	8.5%
Asset T/O	1.2x	1.2x	1.1x	1.1x	1.1x
Leverage	1.7x	1.6x	1.6x	1.6x	1.8x

Capital Expenditure

Group Capital Expenditure (CAPEX) which includes both acquisitions and Property, Plant and Equipment and field work in the Agribusiness sector amounted to LKR 2,136 million in period 2017/18, up 28.7 percent YoY from LKR 1,660 million in 2016/17. Agribusiness had invested heavily in capex, amounting to LKR 1.6 billion in 2017/18, where the major allocations were done for the Dairy farm. Capex in the Energy sector was in relation to the third mini-hydro power plant which is expected to commence commercial operations.

CAPEX (LKR million)	2015/16	2016/17	2017/18
Healthcare	154	190	132
Consumer Goods	80	37	12
Agribusiness	289	1,106	1,638
Energy	373	321	352
Packaging	2	3	-
Other	4	2	2
Total	**902**	**1,660**	**2,136**

Working Capital

	2013/14	2014/15	2015/16	2016/17	2017/18
Receivable Days	30	37	46	52	54
Inventory Days	74	73	77	78	82
Payables Days	33	43	59	58	62
WCC	71	66	64	72	75

Net working capital amounted to LKR 4.1 billion at the year end compared to LKR 4.0 billion at the beginning of the year. The marginal increase is due to the increased investment in inventory and receivable, despite the increase payables. As a result, Inventory days have increased to 82 days in 2017/18 compared to 78 days in the previous year, and Payable days have increased to 62 days compared to 58 days in the same priod last year. The Net Working Capital Cycle has increased to 75 days during 2017/18, compared to 72 days last year.

Capital Structure

Group capital employed amounted to LKR 15.1 billion at the end of 2017/18, of which 64.9 percent was funded through shareholder equity. Total group equity amounted to LKR 9.8 billion as at the end of the year, of which LKR 6.3 billion belongs to the shareholders of Sunshine Holdings and LKR 3.5 billion to minority shareholders who have invested in companies within the Group.

Borrowings

Interest bearing debt, including short term overdraft balances amounted to LKR 5.3 billion (35.1 percent of capital employed) at the end of the year 2017/18 up from LKR 2.3 billion at the beginning of the year. This includes LKR 4.4 billion of interest bearing bank borrowings and LKR 928 million of short term overdraft balances. The increase in borrowing is mainly attributed to the Group Holding Company, which borrowed for the EMSPL transaction.

Cash Management

Net operating cash flow for the year amounted to LKR 1.7 billion, from LKR 1.1 billion reported last year. The growth was mainly driven by a reduction in working capital investment with Trade & Other Payables increasing by LKR 902 million. Furthermore, growth in profit before tax by LKR 160 million also contributed towards the growth in net operating cashflow.
Net Cash Flow from Investing activities increased to LKR 3.4 billion in 2017/18 from LKR 761 million in the previous year. Majority of this increase relates to the investment LKR 1.6 billion to increase Sunshine's stake in EMSPL by purchasing the shares owned by TGBL. Furthermore, herd building at the dairy farm, and ongoing construction of the 3rd power plant resulted in the growth of cash outflow for investing.
Net cash in-flow from financing activity amounted to LKR 928 million in 2017/18 compared to and out-flow of LKR 234 million in 2016/17 with the Holding Company increasing its interest-bearing borrowings to finance the EMSPL transaction.

Share Price & Market Capitalization

The SUN share price closed at LKR 56.10 at the end of trading on 31st March 2018, higher than the start of the year, which stood at LKR 46.10. The 52-week high for the period was LKR 64.90 and a low of LKR 46.10. As a result, market capitalization as at the year-end amounted to LKR 7.6 billion.

Healthcare Performance Highlights - 2017/18

Training Medical Reps
Extended strategic training opportunities to employees including medical representatives, underscoring an empowered workplace.

Healthcare Portfolio Increased
by launching new molecules.

Top Performing Brands
Zydus Cadila, Abbott and Novonordisk remained the top most performing brands in the pharmaceutical sub-segment.

New Agencies
in both pharmaceutical and medical devices sub-sectors.

Training Surgeons With J&J And NHSL
Established a dedicated training facility for post-graduate level surgeons as a collaboration with Johnson & Johnson and the National Hospital of Sri Lanka.

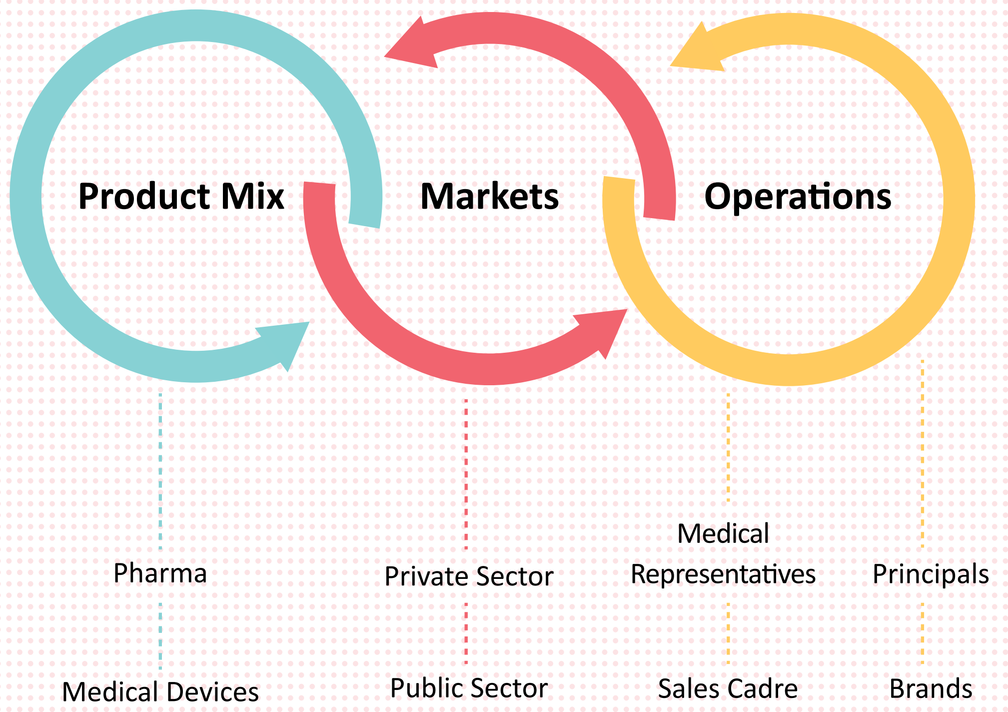
New Products for Pharmaceuticals and Medical Devices
were added on to the pharmaceutical portfolio in the field of Dermatology.

Healthcare

Overview

Established in 1967, Sunshine Healthcare Lanka Ltd (SHL) has made its mark at the forefront of Sri Lanka's healthcare industry. A fully-owned subsidiary of Sunshine Holdings PLC, Healthcare sector has built long term partnerships with internationally acclaimed healthcare principals to provide comprehensive solutions with trusted brands to both the public and private healthcare sectors. The product offer encompasses both pharmaceuticals and medical devices which includes surgical and diagnostics. Healthguard Pharmacy Ltd, fully owned subsidiary of Sunshine Healthcare covers the retail sector.

Business Model - Salient Features



Strategic Focus	Management Approach
Principal Relationships	Strengthen relationships with the existing healthcare principals and explore new openings to tie up with other reputed agencies.
Product Portfolio	Offer comprehensive healthcare solutions in both pharmaceuticals and medical devices with quality brands.
Product Responsibility	Comply with relevant laws, rules and regulations and ensure highest quality and standards of products.
Employee Development	Build an enabling workplace with emphasis on learning and development, team building and fair employee practices.
Technology	Deploy latest technology to bring greater efficiency to business processes and decision making.
Cost Controls	Maintain a lean cost structure through disciplined efforts to cut unnecessary overheads and leakages.

Risks

Imbalances in the macroeconomy and lower economic growth marring demand prospects for healthcare products

Devaluation of rupee, impact on the cost of imported healthcare products

Regulatory changes and price controls impacting business viability

Susceptible to negative business feasibility reviews from healthcare principals due to bureaucratic issues

Opportunities

Government's commitment to improve the healthcare industry including in rural areas

Market gaps in healthcare in rural areas

Increasing per-capita income levels boosting the demand for private sector healthcare

Changing lifestyles paving the demand for preventive healthcare and wellness products

Rising trends in non-communicable diseases

A higher demand for self-monitoring medical devices

Ageing population increasing the demand for healthcare products and facilities

Strengths

Market intelligence, marketing expertise and networking ability within the domestic healthcare industry

The Company's solid reputation and standing in the industry to attract and retain top healthcare principals

Trusted partnerships nurtured with public and private healthcare sectors

Commitment to be compliant with regulations and uphold quality and standards of the product

"Necessary investments were made to improve on the all-island distribution and logistics facilities; automate and secure process improvements; and build an enabling workplace, with strategic training for employees on product knowledge, service quality and professionalism."

Business Strategy

With the advent of the 'National Medicinal Drug Policy' in the preceding year, the healthcare industry continued to grapple with regulatory complexities. Price controls remained effective on 48 molecules within the pharmaceutical division whilst new controls were introduced on the medical devices division, albeit, to a lesser extent. The sharp depreciation of the rupee against the US dollar did not portend well on the industry prospects. Responding proactively to steer through these challenges, Sunshine Healthcare followed through a well-focused strategy, backed by its business acumen, expertise, and teamwork. Operations were re-organized to rationalize the structure of the two sub-segments—pharmaceutical and medical devices. This enabled greater focus, clarity and a 'best-fit' to manage distinct risks of each sub-segment, leverage on their strengths and explore and work on the opportunities more effectively and efficiently.

In this business backdrop, Sunshine Healthcare continued to strengthen and broad-base its product offer, with top-end brands in the fields of cardiology, diabetics & dermatology in pharmaceuticals and surgical & diagnostics. It was imperative for Sunshine Healthcare to focus on reinforcing its presence and drive for volumes to consolidate its market share. Medical devices sub-segment also sought to increase its exposure—targeting the emerging private healthcare sector and also, seeking to meet the market gaps present within the public healthcare sector. Sunshine Healthcare in the year continued to engage, reinforce and sustain ties with its multinational principals. This was highly warranted and significant in an uncertain business and regulatory backdrop. Much emphasis was placed and key measures were adopted to follow through with the guidelines prescribed by them on upholding quality and standards of the product portfolio and support services including storage, inventory control, quality assurance and distribution.

Following through a volume-driven strategy, marketing and promotions were given strategic precedence. This reporting year, Sunshine Healthcare reached out to most of the medical practitioners for referrals across the industry. Closely engaging them, necessary training opportunities were extended on the product as well as on the latest medical technology. A dedicated surgery training facility— 'Centre for Excellence' —was established and launched in the year to train post-graduate level surgeons as a collaboration with the principal at the National Hospital of Sri Lanka. In addition, approximately 5,500 nurses were trained across the island in managing advanced wound care.

Necessary investments were made to improve on the all-island distribution and logistics facilities; automate and secure process improvements; and build an enabling workplace, with strategic training for employees on product knowledge, service quality and professionalism. Maintaining a lean cost structure also remained a strategic priority. Sunshine Healthcare was diligent in its efforts to be efficient in managing overheads & optimizing resources. This in fact complemented the top-line strategy to cushion the healthcare sector viability, despite challenging market conditions.

Pharmaceuticals

Given the regulatory dynamics, the pharmaceutical division continued to be under pressure in the year under review. Yet, with a volume-driven strategy and focused marketing and promotions, the top brands leveraged on quality and performed ahead of the other market brands. This cushioned the sub-sector performance to achieve creditable results, despite the pricing issues

Medical Devices

Leading the overall performance, the medical devices division continued to make much progress in the year under review. The diagnostics arm, accounting for a stronger presence in both private and public healthcare sectors. The two principal partners, 'Siemens Healthineers' and 'GE Healthcare' continued to enjoy top rankings within diagnostics.

The surgical portfolio, within the medical devices, also registered a robust performance with 'Johnson & Johnson' and '3M' sustained its positioning. Minimally invasive surgery remained significant within this segment and in the year, intensive training was extended in laparoscopic procedures, engaging surgeons at the newly set up training facility as well as through overseas training. This year, Sunshine Healthcare also engaged nearly 5,500 nurses, extending training on advanced wound care techniques.

Future Outlook

In a burgeoning economy, the healthcare industry plays a critical role in reaching out to the nation's development goals. Both public and private healthcare sectors have an extensive and a vibrant presence with a myriad of opportunities to leverage on, be it in the pharmaceuticals or within the medical devices segment. Yet, the industry has to be alert and responsive to manage the evolving socio-economic and political uncertainties along with the changes taking place within the regulatory framework.

As the second largest healthcare organization in the country, with roots going back to over five decades, Sunshine Healthcare is well positioned to deliver comprehensive and responsible product solutions to meet the emerging needs of the healthcare industry. The Company has what it takes to move ahead, expand and drive for higher returns. Expertise, access to the world-renowned quality brands, strategic partnerships, a talented team, well-structured systems and processes, and more so, commitment to uphold business ethics and best practices will underline Sunshine Healthcare way forward.

To this end, the Company intends to further consolidate the pharmaceutical arm—strengthening ties with international agencies to build a stronger product portfolio and closely engaging retail pharmacies across the island for greater outreach. The Company will also continue to engage the Private Pharmacy Association and lobby with relevant regulatory authorities to iron out the pressing industry-wide issues.

Sunshine Healthcare will continue to focus on the medical devices sub-segment as a thrust area, seeking to leverage on the growing demand and greater innovation in the fields of diagnostics and surgery. There is much promise to scale up across the public and private sectors including in the rural areas. Sunshine Healthcare will further engage the existing principals to improve the product offer and take on opportunities with other principals.

Complementing the volume-led strategy, Sunshine Healthcare will continue to be disciplined in managing inventory and maintain a lean cost structure; maintain quality and standards of the product; improve distribution and logistics; follow through referral marketing initiatives; carry out focused employee training; and invest in latest technology to better the operational productivity.

Salient plans for 2018/19 are set out below:

Strategy and Plans 2018/19

Medical Devices
Focused efforts to promote and increase the share in the product-mix.

Pharmaceuticals
Register new brands and expand state sector exposure with good quality drugs.

Principals
Strengthen ties and bring in a flexible partner model to manage relationships. Value-Added Services, Strengthen after-sales service for diagnostics and surgical equipment.

Referral Marketing
Extend intensive training to medical practitioners on the product and latest medical technology.

Employee Training
Develop employee technical competencies and build capacity.

Product Responsibility
Ensure quality and standards, maintain certifications and comply with relevant regulations.

Technology
Invest and streamline systems and processes to build operational efficiency.

Healthguard Performance Highlights - 2017/18

Brand Positioning
Consolidated brand positioning as a trusted and reputed health and beauty retailer known for superior quality offerings.

Pharma Performance
remained resilient, despite the challenges in the healthcare industry.

Increased Conversion Rate
Noteworthy increase in customer counts and basket value in outlets with improved conversion rates.

Extended Strategic Training
opportunities to all employees on product knowledge and customer service to improve shopper experience

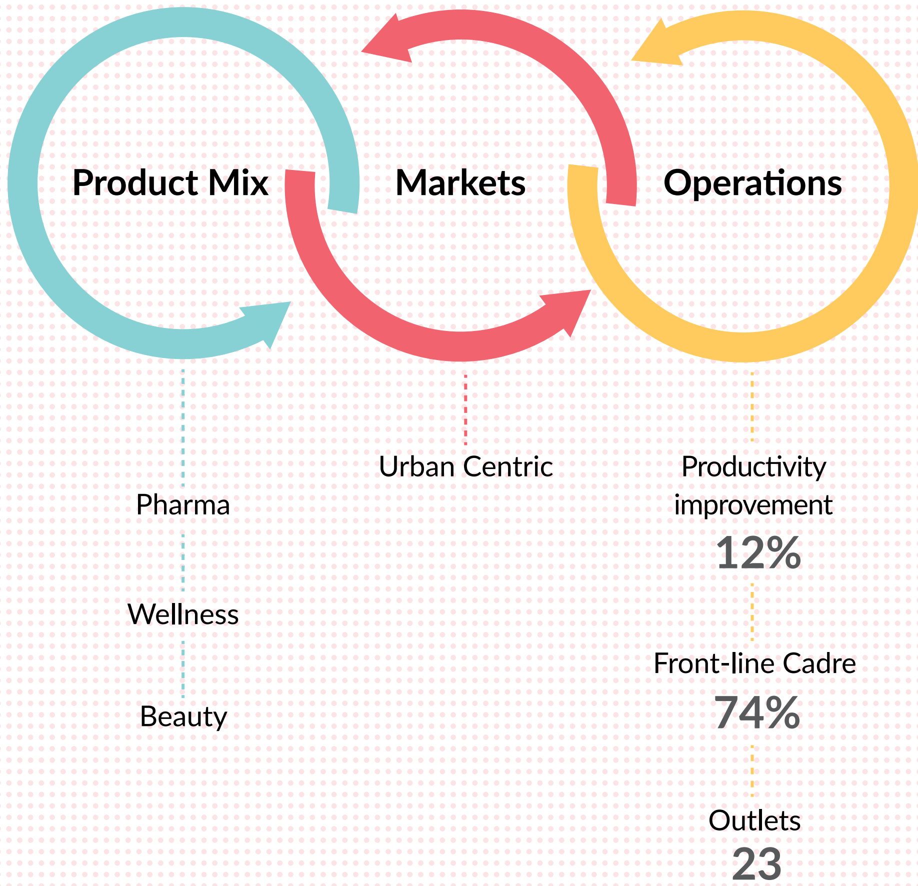
Double Digit Growth year-on-year
Beauty and wellness segments continued to deliver strong results posting double digit growth year-on-year

Healthguard

Overview

The retailing arm of the Group's healthcare sector, Healthguard is a fully owned subsidiary of Sunshine Healthcare Lanka Ltd. Established in 2004, Healthguard has progressively expanded its foot print, gained on market share and made its mark at the helm, as a trusted pharmaceutical, wellness and beauty retailer in the country. Currently operating 23 outlets, located strategically in Colombo and in the suburbs, Healthguard has set standards in the health & beauty retailing marketplace by delivering innovative solutions to the consumer.

Business Model - Salient Features



Strategic Focus	Management Approach
Retail Footprint	Establish outlets in strategic locations that aligns with Healthguard's shopper profile.
Product Offer	Offer a comprehensive health and beauty product range from reputed brands.
Product Responsibility	Exceed compliance of applicable laws, rules and regulations and adopt international best practices on product quality and standards.
Customer Experience	Enhance shopper experience through superior service. Focus on understanding customer needs in Health and Beauty and deliver on the needs through proper solutions.
Brand Communication	Focus marketing initiatives to showcase unique offering and strengthen brand positioning. Known as a trusted health and beauty retailer.
Cost Management	Focus on efficiency to improve operational productivity.
Technology	Leverage on technology to improve productivity and engage consumer
Employee Development	Enable a progressive workplace and extend opportunities to develop skills and build careers.

Business Strategy

Delivering a focused strategy in a volatile operating backdrop, Healthguard strived to reinforce its positioning in pharma, wellness and beauty sub-sectors. Much emphasis was placed in the year, on refining the product offer—introducing new top-end brands and giving the discerning consumer a choice to make a difference in the way they 'live', 'look' and 'feel'. Along with the product, Healthguard looked at strengthening its distribution network—improving the standards and perfecting the strategic design and layout of the stores to be more appealing to the consumer. Complementing these efforts, Healthguard continued to drive for productivity improvements with due investments in developing human resources, streamlining back-office functions and processes and building on marketing and communication to strengthen brand equity and create 'top-of-the-mind' recall.

Healthguard also remained steadfast in upholding quality and standards of the product, duly complying with regulatory requirements set under the 'National Medicines Regulatory Authority Act'. This year, the beauty products also came under the purview of this Act and necessary measures were taken to fall in line with the requirements and obtain the licenses and approvals accordingly. Wellness products followed through with the requisites set out by the 'Food Safety and Consumer Act'. Besides the domestic regulatory front, Healthguard remained selective in building its product portfolio. Due diligence measures were taken to ensure highest quality and standards along with the necessary certifications from the manufacturers and suppliers across India, UK, Israel and Australia.

Business Performance

Healthguard operations continued to be challenged by the lackluster economic activity; imbalances in the macroeconomic environment along with intense competition within the industry. The uncertainties brought on by the recent changes within the regulatory framework, complicated the operating backdrop. Yet, resilient and strong by the strength of the market positioning as a trusted health and beauty retailer, Healthguard in the financial year 2017/18 recorded a noteworthy performance. Pharma results remained modest amidst the market issues. Wellness and beauty segments, on the other hand, recorded strong growth results

Risks

Weaker rupee leading to higher costs of imported healthcare products

Rising cost of living contracting consumers' purchasing power and the demand for quality healthcare products

Lower brand loyalty for pharmaceutical products

The shortage of best-fit talent with technical skills and right attitude to take up job roles as pharmacists with customer appeal

Intense competition leading to employee retention issues and attrition

Ad-hoc regulatory changes may bring in uncertainties to operations and impact the business viability

Opportunities

Ageing population to support market growth

Market gap for quality products within the beauty retailing segment

Rising per capita income and lifestyle trends, perceptions and attitudes paving the demand for wellness and beauty products

Discerning consumer preferences for holistic product solutions and services

Increasing trends of tech-savvy consumers opting for online purchasing

Changing regulatory framework may inculcate best practices, quality and standards within the industry

Strengths

Solid brand positioning as a trusted health and beauty retailer

Shopper centric format and ambience of outlets

Versatility of the product offer

Knowledge led workforce that enhances shopper loyalty with every interaction

An integrated and automated distribution system with streamlined processes

Exceeding compliance in regulations

Future Outlook

Positioned at the forefront of the healthcare retail segment, Healthguard is well set and poised to balance out the volatilities in the operating environment and progressively reach out for higher and sustainable growth prospects in the ensuing years. With a trusted brand, consumer confidence, business acumen and the strength and the synergies within the Sunshine group will continue to bolster the Healthguard way forward.

In this backdrop, Healthguard will seek to further consolidate its presence as a speciality retailer whilst selectively expanding in emerging urban areas. The focus will remain on driving for higher growth targets in beauty and wellness segments whilst sustaining the pharma segment. The Company will continue to lay emphasis and invest well in key areas that will boost its competitive capabilities—in terms of scale, brick and mortar, brand, product offer, digital solutions, product quality and standards and the commitment to deliver exceptional customer service.

Salient plans for the next financial year, 2018/19 are set out below:

Strategy and Plans 2018/19

Brick and Mortar
Further consolidate and enhance the store outlook with strategic layout and right ambiance.

Renowned Brands
Explore and launch new agencies to bring in greater versatility to the product offer.

Brand Visibility
Focused marketing initiatives to showcase Healthguard as a unique retailer in healthcare, beauty and wellness.

Retail Footprint
Expand selectively taking advantage of the growing urban landscape.

Training
Intensive training to front-line staff on customer service and product knowledge.

Thrust Sectors
Focus on wellness and beauty, with closer and interactive customer engagement.

Systems and Processes
Invest in digital solutions to further streamline and integrate business processes.

Online Presence
Enhance the 'look and the feel' and interactivity of the online store, and use social media platforms for promotions.

Consumer Goods Performance Highlights - 2017/18

Outstanding Growth
The company revenue increased by 28 percent with the domestic business recording an outstanding performance, the best over the past 5 years, with a year-on-year domestic growth touching 36 percent.

36%

Strengthened Leadership Position
The three tea brands secured the leadership position with an exit market share of 36.6 percent improving by 190 percentage points over exit 2016/17 share.

Training Programmes
Extended intensive training to all employees averaging 20 hours per employee.

Number One Tea Brand
'Watawala' tea strengthened its leadership position as the number 1 tea brand in the country with 25.9 percent market share 310 bps higher than the Number 2 brand.

Increased Customer Conversions
In speaciality tea, basket value and customer conversions were increased to drive revenue at Zesta tea boutiques whilst consolidating operations in servicing Shangri-La hotel chain.

Performance
Strong brands combined with aggressive field sales initiatives, on time implementation, and team work contributed to the Comapny's success in a challenging environment.

Focused Communication Campaigns
Launched focused communication campaigns to promote the tea brands and build equity and 'top-of-the-mind' brand recall.

Hot Beverage Brand of the Year
'Watawala' was recognised as the SLIM-Nielsen People's Hot Beverage Brand of the year

Enhanced Consumer Engagement
'Zesta' enhanced its brand presence with effective promotions via 360 degree activations with a high digital presence to record strong results.

Consumer Goods

Overview

Watawala Tea Ceylon Limited (WTCL) is a joint venture between Sunshine Holdings and Pyramid Wilmar. Well positioned as the largest branded tea company in the country, WTCL has progressively moved forward since its inception in 1998. Catering to distinct consumer preferences, 'Watawala', 'Zesta' and 'Ran Kahata' have firmly established their presence as renowned and trusted household tea brands within the domestic tea market. The value-added range of specialty teas caters to the tea boutique and international market.

Business Model - Salient Features

Strategic Focus	Management Approach
Domestic Brands	Build and strengthen brand portfolio through focused communication, and promotional initiatives targeted at distinct consumer segments.
International (Specialty Teas)	Invest in expanding Zesta tea boutiques gaining from the growing tourism industry and explore opportunities in leveraging on established brand equity.
Distribution	Strengthen the all-island distribution of domestic brands in terms of availability and coverage.
Product Responsibility	Uphold highest product quality and safety standards delivering on the promise of each of our brands.
Employee Engagement	Enable a collaborative and inclusive workplace with emphasis on a flatter structure, fair employee practices and skill development.

Sunshine Holdings PLC

Annual Report 2017/2018

Risks

Intensely competitive business environment leading to price undercutting and trade battles for shelf space

Rising cost of living contracting consumers' purchasing power and the demand for branded teas

Rising trends in tea prices on the Colombo Tea Auctions leading to higher cost of purchasing teas and eroding profitability

Opportunities

Large unbranded segment for branded tea to penetrate

Brand building opportunities given the low brand loyalty in the tea market

Changing lifestyle trends paving the demand for value-added teas

Geographical opportunities to improve distribution and market share

Strengths

Strong brand equity of all three brands with a unique value proposition

Wide distribution network with a strong sales force

Superior tea selection and blending resource team

Commitment to uphold quality and standards

Partnership with Wilmar International

Business Strategy

As was the case across the domestic tea industry, WTCL operated under challenging market conditions. Higher purchasing costs due to upward price trends for western high grown teas that prevailed at the Colombo Tea Auctions, intense competition in the industry, combined with lower disposable incomes in an inflationary pressured economy, did not portend well on the sector performance. Both fast moving consumer goods sector and the food and beverage sub sector recorded distressing results over all four quarters of the year. Navigating through these market complexities, our consumer goods sector in the year under review delivered a focused strategy to record an outstanding top-line performance significantly surpassing the average industry results.

WTCL continued to build on the its brand equities and strived to strengthen its market leadership. To this end, a well-structured brand communication campaign was rolled out, to increase brand relevance and strengthen the value propositions of the brands— 'Watawala' as a trusted and an authentic tea brand; 'Zesta' as a flavourful and experiential brand; and 'Ran Kahata' as a value for money brand. The Company was aggressive in direct consumer marketing promotions and implemented targeted trade and consumer promotions to generate consumer pull and enhance its point of sales presence. Complementing these marketing initiatives, WTCL stepped up its measuring and monitoring mechanism to ensure that promotional and brand building activities met the targeted key performance indicators and secured the anticipated return on investment. Increasing availability and coverage was also a priority with many initiatives being implemented. Investment in skill development and team building enabled higher performance and building of a collaborative spirit.

In driving the growth of Specialty tea, the company also engaged in developing an e-commerce business. The 'look and feel' of the four existing tea boutiques were improved with steps being taken to improve customer conversions and basket value.

As a step towards diversification, the bottle water project was given due precedence in terms of significantly driving volumes, optimising capacity and reducing overheads enhancing the presence of the brand 'Zest'.

Business Performance

Surmounting the challenges that were prevalent in the operating backdrop, WTCL registered an exceptional performance, both in terms of volume and value, throughout the four quarters in the year under review. The domestic revenue growth of 36 percent was the highest growth recorded in the recent past. Both volumes and higher selling price buoyed the top-line.

Domestic

Achieving 36.6 percent share of the domestic tea category, WTCL's overall performance was a result of its portfolio strategy targeting 3 distinct need segments. Reinforced by the strength of the brand equities, the tea brands made headway, despite the upward price revisions and intense competition in the marketplace. The brands continued to uphold their brand positioning at the helm, as the market leader and achieved outstanding results. This performance was

Gift Tea Boutique at Bandaranaike International Airport

Gift Tea Boutique at Liberty Plaza

acclaimed across the industry as well as celebrated within the overall business domain. The top awards clinched by 'Watawala' and 'Ran Kahata' during the year stand as a testimony to the excellence in brand management.

Specialty Tea

The tea boutique business – own tea boutiques and counters at gift retailers in tourist areas, grew by 22.0 percent. Even though higher growth was expected, the results were impacted by the lower than expected tourist arrivals.

Future Outlook

With the Sri Lankan economy progressing towards a higher middle - high income population, the fast-moving consumer goods sector is expected to be more buoyant with better prospects. The solid positioning of the tea brands, business astuteness, professionalism and the synergistic support of the 'Sunshine' network will no doubt support WTCL to stand in good stead and reach out for higher growth goals in the ensuing years.

In this light, WTCL will continue to follow through a focused business strategy to further strengthen the tea brands to gain share and retain market leadership against the intense competition from almost 250 other brands in the domestic front. Brand building will be a strategic priority. The required investments will be made to build brand equity, enhance differentiation and cater to different market segments with distinct blends. The company will continue to uphold its commitment to maintain quality and standard even amidst a difficult market backdrop. The Company will also continue to focus on distribution and merchandising with a strong consumer and customer focus. Investment in skill development and team building will continue to enhance efficiency and team work with higher investment in technology and digital solutions.

Apart from the domestic tea business, WTCL places much hope on the prospects for the international market division. The company will invest in expanding the Tea Boutiques business through "shop in shop" counters at suitable locations and further developing its on-line Tea Boutique. The Company will leverage on experience gained from servicing Shangri-La chain of hotels to explore further opportunities in the international market.

Bracing the diversification plans, WTCL sees much potential to further expand the bottle-water venture with structured efforts to increase the retail market share and presence in the HORECA segment. The company will further evaluate brand building opportunities outside the tea category.

Salient plans for 2018/19 are set out below:

Watawala Tea - 'Best Hot Beverage Brand of 2018

'Watawala' clinched the Hot Beverages Category Award for the 2nd successive year at the SLIM-Nielsen People's Choice Awards 2018

Ran Kahata - Gold Effie Award

A rare Gold Award under the David vs Goliath Category at the 2017 Sri Lanka Effie Awards.

Best Performer Award to Watawala Tea Ceylon Ltd

'Best Performance' Award in the Gold tier, at the Keells Supplier Convention 2018.

No.1 Beverage Brand 2017

Kantar Worldpanel establishes 'Watawala Tea' as Sri Lanka's Number 1 Beverage Brand in 2017 through their Global Brand Footprint Research.

Strategy and Plans 2018/19

Brand Building
Continue to build brand equity through well-focused 360 degree marketing communication campaigns.

Product Responsibility
Uphold quality and safety standards in sourcing, blending and distribution of teas.

Market Share
Implement a differentiated strategy for strongholds and high opportunity geographies.

Training
Extensive training to build team competency and collaborative spirit.

Systems and Processes
Adopt digital solutions to simplify processes, market intelligence and business analytics.

International Market
Expand Tea Boutique outlets and explore opportunities in targeted international markets.

Diversification
Explore the feasibility of venturing into new products in tea and other catagories.

Bottled Water
Increase capacity utilisation of the bottled water plant and aggressively promote 'Zest' at retail and HORECA sectors to gain market share.

Agribusiness Performance Highlights - 2017/18

Established Dairy Farm
Completed the construction of the dairy farm, added capacity and commenced commercial operations.

Successfully Restructured
Watawala Plantations was successfully restructured through a de-merger - the first amongst the Regional Plantation Companies.

Higher Crop Volumes
Tea sector recorded higher crop volumes and leveraged on quality to attract premium prices at the Colombo Tea Auctions.

Hatton Plantation PLC
The upcountry tea business of agri sectore was listed on the Diri Savi Board of the Colombo Stock Exchange.

Sustainable Palm Oil
Made progress in the process of obtaining certification from the Roundtable on Sustainable Palm Oil.

Revenue Growth of 12%
Overall agribusiness revenue posted a growth of 12 percent to reach LKR 7 billion.

Largest Palm Oil Producer
Reinforced its positioning as the largest palm oil producer in the country and posted a resilient performance against downward price trends.

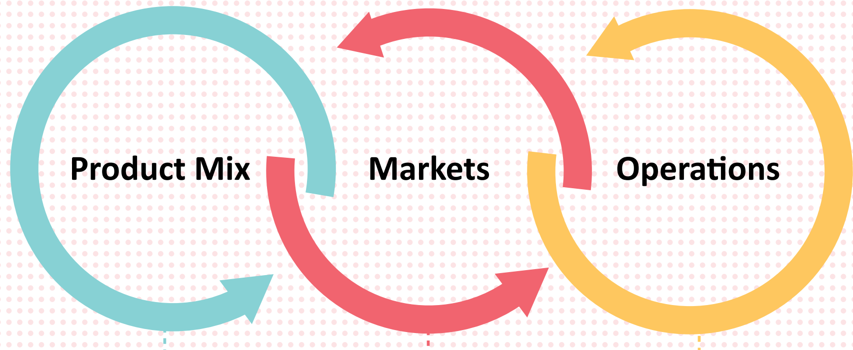
Upheld Guidelines
Upheld certification guidelines across all tea estates and factories.

Agribusiness

Overview

With sixteen estates spanning 12,016 hectares of tea and oil palm, along with other minor export crops and dairy farming, the agribusiness sector of the Sunshine Group came under the management purview of Watawala Plantations PLC—a public-quoted and diversified Regional Plantation Company—up until 30th September 2017. Subsequently, Watawala Plantations made arrangements to de-merge the primary business lines, seeking to bring in greater strategic focus to the agri-operations. Accordingly, the tea business came under the management of the newly listed company, Hatton Plantations PLC, whilst oil palm operations together with minor crops and the dairy business remained under the management of Watawala Plantations. Supported by the technical and marketing know-how of the strategic partners, Pyramid Wilmar and Duxton Asset Management from Singapore, the agri-businesses are well-positioned in their respective industries and are progressively moving forward to achieve their corporate goals, sustainably.

Business Model - Salient Features



Product Mix	Markets	Operations
Tea **8m kgs**	Export Tea **0.2m kgs**	Oil Palm Cultivated Extent **3,504.54 ha**
Palm Oil **11m kgs**	Domestic Palm Oil **11m kgs**	Tea Cultivated Extent **5,421.74 ha**
Dairy Farming **2m litres**		Cadre

Strategic Focus	Management Approach
Productivity Improvements	Follow through sustainable soil management practices to improve land productivity. Engage the workforce, motivate and ensure their wellbeing. Invest in technology to mechanise field operations and automate factory processes.
Product Responsibility	Uphold sustainable agriculture and manufacturing practices and follow certification guidelines. Comply with laws and regulatory requirements.
Community Engagement	Carry out social programmes to uplift the living standards of the resident communities and integrate operations with the neighbouring communities.
Environment Responsibility	Implement comprehensive measures to ensure environmental responsibility.
Diversification	Explore strategic partnerships to expand and diversify into new businesses.
Cost Controls	Reduce wastage, leakages and keep a lean cost structure.

Waltrim Tea Factory

Sunshine Holdings PLC
Annual Report 2017/2018

Risks

- Impacts of climate change on tea production and quality
- Impacts from economic and geo-political issues in key exports markets on demand for tea
- High input costs due to rupee depreciation
- Ageing tea fields, high cost of replanting and longer pay-back period
- An ageing estate workforce and labour shortage impacting productivity and crop production
- Labour unrest due to wage increase issues affecting productivity and competitiveness
- Resistance to convert loss-making rubber into oil palm plantations
- Government policy on import duty on oil palm impacting operational viability

Opportunities

- Brand legacy of 'Ceylon Tea' positioning Sri Lanka as premium black tea producer in the world
- Tea, a popular beverage in the world
- Growing affluence in Asia and the Middle East leading to higher demand
- Increasing demand for palm oil as a cooking oil, bio fuel and raw material
- Greater viability of oil palm crop due to its higher productivity and lower labour intensity in harvesting
- Potential for cinnamon as a diversified crop
- Dependence on imported powdered milk and market gap for quality local dairy

Strengths

- Diversified crop portfolio
- Largest producer of palm oil and tea
- Strategic business alliances with global industry leaders in the respective business fields.
- Loyal established buyers
- Sustainable agricultural and manufacturing practices in place
- Tea estates located in all three elevations and a well-balanced portfolio of tea grades
- Strong ties established with communities across estates and neighbouring villages
- Commitment to uphold best practices in environmental and social management as per certification guidelines

Business Strategy

The tea sector in the year rebounded—buttressed by greater optimism in key export markets together with the rising price trends on the Colombo Tea Auctions and higher production levels given the more favourable weather patterns that prevailed in the year. Yet, productivity remained a key concern along with adverse impacts from government policy directives—the ban on chemical weedicide, glyphosate, and the withdrawal of the fertiliser subsidy. In this backdrop, it was imperative for the tea sector to continue to follow its quality-focused strategy. This enabled the sector to leverage on the bullish trends on the Colombo Tea Auctions and obtain premium pricing. The palm oil market on the other hand, was more depressed compared to the preceding year. Therefore, a volume driven strategy for the palm oil sector was warranted and remained significant. The focus remained on expanding the land extent as well as on maximising the yields. Complementing the operational strategy, the Agribusiness sector continued to reinforce sustainable agricultural and manufacturing practices. Top strategic priority was given to enhance the level of productivity, both in terms of land and labour. Key measures were in place to bring and maintain operations in line with the quality and standards prescribed by well-renowned certification bodies. Necessary investments continued to be made to ensure the wellbeing of the workforce and the quality of life of the resident communities reaching over 50,000 across the high grown tea estates. Due precedence was also given to engage neighboring communities, particularly, seeking to create awareness and integrate oil palm operations with the village network, thereby, managing any adverse social opinions. Focused initiatives were followed through under the comprehensive environmental management framework—contending with climate change, conserving the non-renewable resources, protecting biodiversity and moving towards curtailing the carbon footprint across operations.

Business Performance

Sub-sector	Volume Growth (%)		Revenue Growth (%)	
	2016/17	2017/18	2016/17	2017/18
Tea	-14%	9%	16%	23%
Palm Oil	19%	1%	36%	-6%
Overall	n/a	n/a	15%	12%

Steering through operational challenges, the agribusiness sector recorded a sound operational and financial performance in the year under review. The buoyant tea results along with a resilient performance from palm oil, complemented the agri-business sector with an overall top-line increase of 12 percent over the preceding year to LKR 7 billion. Watawala Plantations revenue reached LKR 4,949 million after accounting for the tea sector results for the year ended 31st March 2018. The bottom-line profits after taxation stood at LKR 939 million. Hatton Plantations PLC for the six months recorded a revenue of LKR 2,317 million whilst profits reached LKR 241 million.

Tea

With 15 estates and 14 factories across high grown and low grown elevations, the tea sub-sector continued to make quality orthodox and CTC teas under 37 selling marks for the export market. In the financial year under review, the challenges in the operating backdrop continued to mar the sub-sector's potential performance. Yet, the bullish trends on the Colombo Tea Auctions and more conducive weather patterns brought solace to the sector. Tea production volumes recorded an increase of 9 percent to 8,097 million kilograms. The consistent drive to produce quality teas buttressed the prices obtained at the Auctions, taking Watawala Plantations and subsequently, Hatton Plantations to rank amongst the top-tier Regional Planation Companies. On the expenditure side, higher production costs continued to weigh down the sub-sector performance. The impact from the fertiliser subsidy and glyphosate issue along with a higher wage bill—due to the full-impact of the wage revision effected in the preceding year—further added on to the cost of production. However, concerted efforts were in place to maintain a lean overhead structure across the agribusiness sector.

Palm Oil

The oil palm plantations span across three estates; and the mill located in Nakiyadeniya processes crude palm oil for the domestic market. Reinforcing its positioning as the largest producer amongst the Regional Plantation Companies, palm oil operations continued to complement the overall agribusiness sector performance. In the financial year under review, the weather conditions remained favourable for oil palm crop production. Both crop volumes and yields posted strong results, supporting to retain the highest market share. However, given the recent changes in the tariff structure for imported palm oil, the average price per kilogram of palm oil fell by 8 percent compared to the previous year to LKR 189. This stifled the potential top-line performance of palm oil and the revenue growth in the year stood at -6 percent over the previous year. However mill efficiency was well managed and the overhead costs were well-controlled.

Dairy Farming

Supporting the nation building efforts to curtail foreign exchange earnings on importing powdered milk, the recent venture in dairy farming under Watawala Dairy Ltd took off ground commercially and made much progress in the year under review. The construction work of the farm infrastructure in the Lonach estate in Hatton is nearing completion. The herd capacity was increased by 968 cows including 602 milking cows from New Zealand and Australia under the government subsidy scheme. As at the year-end 31st March 2018, the total herd stood at 1,128 operating under the Total Mixed Ration (TMR) dairy model, the farm currently produces 15,000 litres per day at 60 percent capacity utilisation. The venture is expected to reach break-even levels in the next three to four years.

Watawala Dairy Ltd is a joint venture between Watawala Plantations—with an equity stake of 68 percent—and PADC Holdings, Singapore, a subsidiary of Duxton Asset Management, an investment management company in global agriculture-based projects.

Future Outlook

The operating backdrop will remain volatile and complex, challenging the way forward of the agribusiness sector. Macroeconomic imbalances, climate change, productivity issues, trade union activities, high cost of production and ad-hoc government policy directives will continue to impact the sector from reaching out to its potential. The global economic trends along with geopolitical issues, particularly, amongst the key markets, will also impact the export segment.

The Sunshine Group's agribusiness sector is well established and positioned to navigate and manage the challenges so prevalent in the operating backdrop. Both companies, Watawala Plantations and the newly floated Hatton Plantations are endowed with a strong capital base, expertise, innovativeness and more so, the commitment to uphold ethical business values and practices. These critical success factors will support the agribusiness companies to focus on driving for higher crop volumes and yields; ensure quality and standards of products; improve productivity; engage trade unions to adopt a more rational wage model; invest strategically in capital expenditure; look into the wellbeing of associates and communities; and follow through with environmental responsibility initiatives. Apart from operational aspects, the sector companies will also continue to work in concert with other stakeholders and advocate and lobby to resolve industry issues.

Salient plans for 2018/19 are set out below:

Strategy and Plans 2018/19

Expand Oil Palm
Exit from low yield and non-profitable crops and convert to oil palm.

Quality Teas
Focus on quality and greater value addition to manufacture specialty teas to meet buyer requirements.

Workforce Empowerment
Rationalise the cadre structure, drive for labour productivity and focus on performance management.

Resident Community Wellbeing
Follow through social development programmes to uplift community living standards.

Envrionmental Initiatives
Continue to uphold best practices under the environmental management framework.

Mechanisation
Invest in mechanisation to the extent possible in both tea and oil palm operations.

Dairy Farm
Increase capacity utilisation to reach break-even, lower feed costs and reap returns on the capital investment.

Village Communities
Support villages and integrate palm oil operations with the village network.

Certification Bodies
Comply, follow and maintain best practices prescribed by the certification bodies and obtain RSPO certification

Power and Energy Performance Highlights - 2017/18

6,160k Kwh
The hydropower plant in Waltrim, Lindula supplied 6,160k Kwh of electricity to the national grid.

8,940k Kwh
The hydropower plant in Upper Waltrim, Lindula supplied 8,940k Kwh of electricity to the national grid.

3rd Hydropower Plant
Completed 85 percent of the construction work of the Elgin (3rd) hydropower plant in Lippakelle estate.

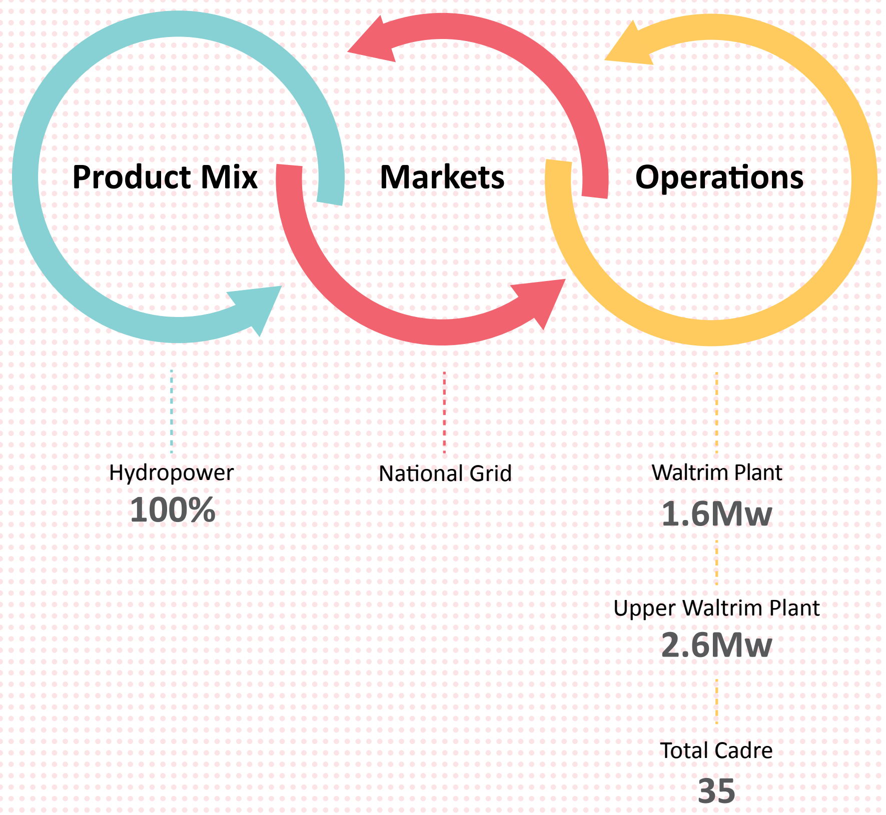
Solar Power Ventures
Due diligence studies were carried out to set up roof-top solar power ventures.

Power and Energy

Overview

Sunshine Energy (Pvt) Ltd (SEL) is a fully owned subsidiary of Sunshine Holdings PLC. Established in 2009, SEL manages the Group's renewable energy exposure. Two of SEL's subsidiaries, Waltrim Hydropower (Pvt) Ltd and Upper Waltrim Hydropower (Pvt) Ltd operate two mini-hydropower plants in Lindula, Talawakelle, with a combined capacity of 4.2Mw. The respective hydropower companies are subsidiaries of Waltrim Energy (Pvt) Limited (WEL). The WEL investment company has Mouldex (Pvt) Limited (a member company of Udeshi Group) with a 38 percent shareholding, whilst the balance 62 percent is held by Sunshine Energy (Pvt) Limited. Currently, a new plant is under construction in Lippakelle estate with a capacity of 2.4Mw under a new hydropower subsidiary, Elgin Hydropower (Pvt) Ltd.

Business Model - Salient Features



Strategic Focus	Management Approach
Hydropower	To complete the construction of the Elgin Hydropower Plant & consolidate. Thereafter to selectively expand to add capacity.
Alternate Renewable Energy	Explore feasibilities and venture into other forms of renewable energy projects - solar and wind power.
Strategic Partnerships	Explore strategic partnerships/JV opportunities and collaborate with relevant government agencies to Provide comprehensive renewable energy sector solutions.

Waltrim Hydropower Plant

Risks

Changes to weather patterns and climate change

Regulatory changes may bring in uncertainties to operations

Opportunities

Emerging demand for renewable energy projects (greater awareness)

The Country requirements to embrace renewable and cost-effective energy sources

Guaranteed buy-back through power purchase agreements with the Ceylon Electricity Board

Relatively lower cost of generating hydro energy vis-à-vis alternate energy sources

Conducive geo-climatic conditions enabling to tap diverse renewable energy sources

Strengths

Commitment/projects carried out in an environementally sustainable manner

Availability of water sources within the tea estates, along with experienced human capital - to manage/operate hydro proejcts.

Corporate reputation as a responsible and diversified group to attract Strategic partnerships in the energy sector

Business Strategy

Hydropower continued to dominate the renewable energy sector. With the present total capacity of 4.2 Mw, the strategy focused on optimising capacity utilisation of the two existing plants. Yet, as was the case in the preceding year, the weather patterns were not so conducive to the generation of hydropower. In this context, the Company sought to meticulously plan and be well prepared to optimise operations during the peak seasons – such as conducting planned overhauls/ maintenance work during low rainfall periods.

Focused efforts were also in place to accelerate the construction work of the third plant under the new subsidiary, Elgin Hydropower (Pvt) Ltd, however civil work was hampered due to heavy rains experienced in the 4th QTR of the financial year. The commercial operations are expected to commence in the ensuing financial year, 2018/19 with a capital commitment of LKR 650 million.

This plant will add capacity of 2.4 Mw, taking the total to 6.6Mwh.

Furthermore in seeking to step into alternative energy options, SEL continued to carry out feasibility and due diligence studies on venturing into solar power projects. The Company through the Sustainable Energy Authority (SEA) and the Ceylon Electricity Board considered investment opportunities in both ground-mounted solar power projects and roof-top solar projects. As such,, roof-top solar power projects were identified as initial feasible options to execute. The group has identified captive roof capacity of more than 1Mw – through initial desktop studies to carry out roof-top solar. Presently executing a pilot project on roof top solar to better understand the business intricacies involved.

Upper Waltrim Hydropower Plant

Construction of Elgin Hydropower Plant

Business Performance

Hydropower sector performance was affected by unfavourable weather patterns that prevailed in the year under review. The first half of the year witnessed dry weather conditions. At a national level, hydropower generation (during the period Jan to August 2017) declined by over 40 percent compared to the preceding year due to drought conditions.

In this operating backdrop, the Group's energy sector performance remained subdued in the year under review. As a result the operational results in the first two quarters were below the budgeted levels. Supported by the second and third and fourth quarter positive weather patterns , the total electricity generated and supplied to the national grid by both plants (against budget) was at 90.0 percent level. A total of 15,100k Kwh was supplied to the national grid. The revenue from the hydropower sector in the financial year under review increased by 179.9 percent to LKR 248 million.

Future Outlook

With the nation set on a growth trajectory, the demand for electricity is definitely on the rise. According to the Ceylon Electricity Board statistics, the demand is generally expected to grow at an average of 18.0 percent in the next ten years. Currently, the country's electricity is predominantly sourced through thermal power, accounting for nearly 60.0 percent of the energy mix. Thermal power is reliant on non-renewable fossil fuels with serious repercussions in terms of higher foreign exchange outflows for fuel imports (Having an Impact in the trade deficit) as well as the adverse environmental implication through green house gas emissions, climate change and global warming.

It is in this light that successive governments have focused and advocated renewable energy as an alternative to thermal power. The Ceylon Electricity Board has a considerable exposure to hydropower generation which is widely accepted to be a 'greener' source of energy. Yet, the capacity is not sufficient to fulfill the growing energy demands of the nation.

The mini hydropower plants essentially support to meet the gaps of the growing electricity demand through sustainable means. The guaranteed buy-back agreements entered with Ceylon Electricity Board—covering 20 years—underscore a secured market for the electricity generated by SEL's hydropower operations. In the ensuing years, both in the short to medium term, the two plants in Lindula and the plant under construction in Lippakelle have immense operational potential to provide a stable return on investment. Yet, climate change may adversely impact the earning potential. Hence, any future expansions on the hydro sector will consider the Group hurdle rate –for internal rate of return at the time of evaluation.

The energy sector is also bullish in taking on the opportunities within the solar space -either through organic investments or through strategic partnerships. The sector will also leverage on other opportunities to partner like-minded investors in considering viable wind-power projects in Sri Lanka.

Salient plans for 2018/19 are set out below:

Strategy and Plans 2018/19

Public-Private Partnerships
Explore opportunities through the PPP model to venture into mega-scale alternate energy projects.

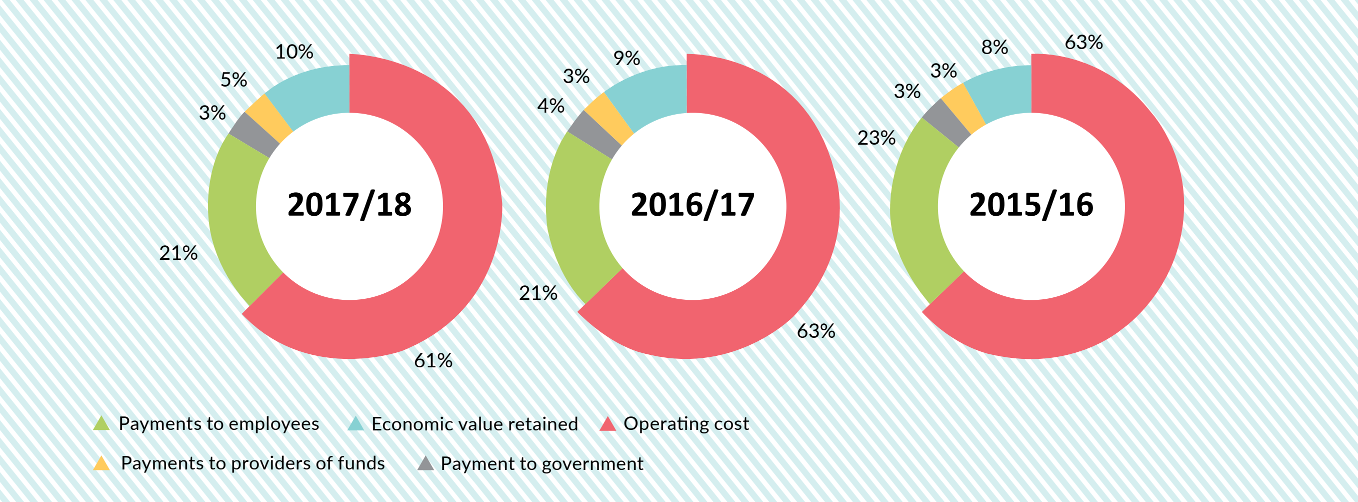
Adding Capacity
Commission the Elgin power plant in Lippakelle and commence commercial operations in July 2018

Strategic Collaborations
Seek strategic partnerships and draw on captive resources within the Group to commence Rooftop solar power projects.

Responsible Operations
Comply with relevant laws, rules and regulations.
Being environmentally sustainable.

Economic Value Statement

For the year ended 31st March	2018 LKR	2017 LKR	2016 LKR
Direct economic value generated			
Revenue	21,235,736,058	18,890,754,460	17,422,249,764
Interest income	210,384,328	192,356,996	109,014,813
Profit on sale of assets	22,869,231	18,337,926	34,851,506
Other income	517,315,439	215,597,479	123,709,777
Total	21,986,305,057	19,317,046,861	17,689,825,860
Economic value distributed			
Payments to external sources for materials & services			
- Operating cost	13,296,796,668	12,165,831,702	11,133,711,097
	13,296,796,668	12,165,831,702	11,133,711,097
Payments to employees			
- Salaries, Wages & Other benefits	4,661,336,163	4,108,059,287	4,025,790,238
	4,661,336,163	4,108,059,287	4,025,790,238
Payments to providers of funds			
- Interest to money lenders	295,619,555	241,141,996	176,960,928
- Dividend to minority shareholders	193,990,990	282,481,955	229,598,634
- Dividend to owners of parent	236,496,726	141,898,035	128,383,937
Total	726,107,271	665,521,986	534,943,499
Payment to government			
- Income tax	546,195,414	280,902,593	296,199,966
- Value Added tax	91,608,791	48,600,419	44,020,158
- Nation Building Tax	160,089,783	132,922,440	114,003,816
- JEDB/SLSPC lease rentals	70,938,000	73,493,292	71,981,676
- ESC & other taxes	155,704,353	98,919,294	7,694,687
Total	1,024,536,341	634,838,038	533,900,303
Economic value retained			
- Profit after dividend	1,635,590,571	1,188,384,557	952,077,122
- Depreciation & amortisation	641,938,043	554,411,291	509,403,601
Retained for reinvestment/growth	2,277,528,614	1,742,795,848	1,461,480,723

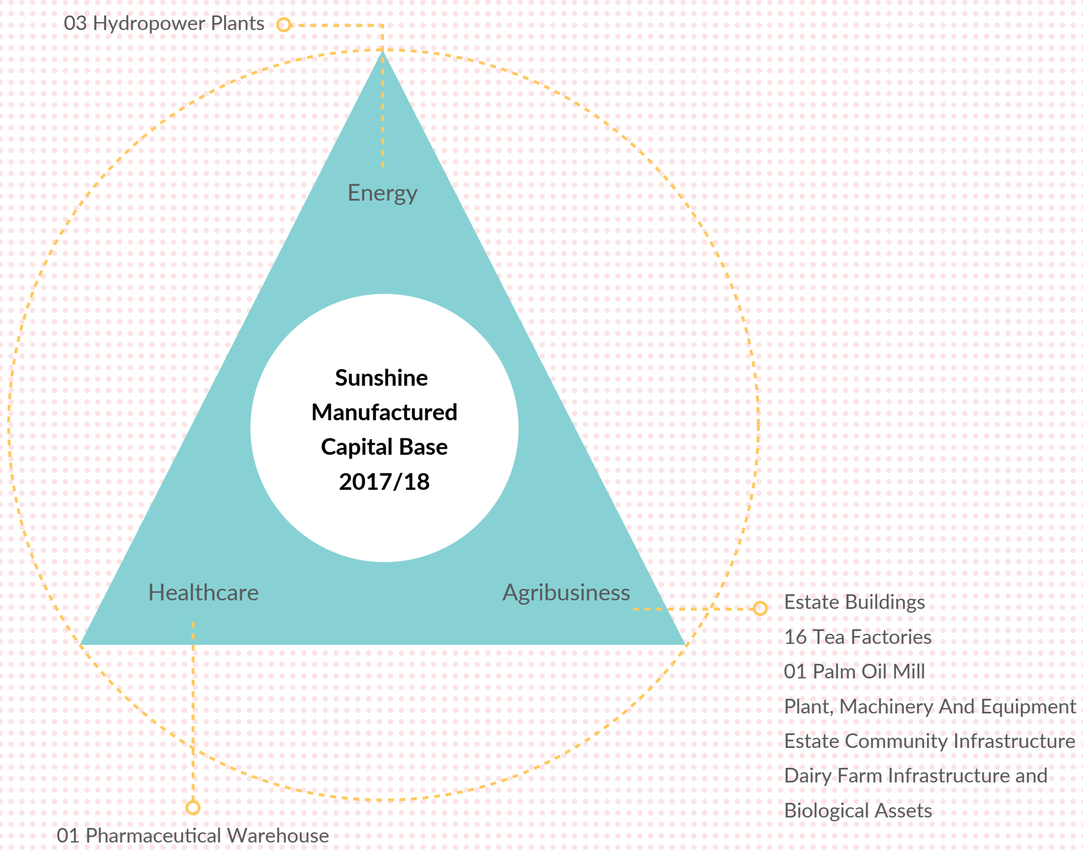


Manufactured Capital Performance Highlights - 2017/18

Manufactured Capital

Overview

With extensive operations in key sectors in the economy, we depend on our manufactured capital base including corporate and factory buildings, processing plants, machinery and equipment and biological assets to support our value creation process. We are conscientious in the way we manage and maintain our manufactured resources, so that we could optimise on our productivity levels, lower our production cost and in turn, boost our viability across the businesses. Hence, our capital expenditure (capex) is well-planned out—focusing on investing in new buildings and plant and machinery for expansions and new ventures as well as for upgrading, replacing and maintaining the existing base.



Strategic Focus	Management Approach
Environmental Best Practices	Invest in new buildings, plant and machinery for expansions of the existing businesses and new ventures by upholding best practices in procurement and contracts.
Upgrades,Replacements and Maintenance	Adopt modern technology and upgrade and replace the existing buildings, plant and machinery to enhance productivity and value creation.
	Ensure timely maintenance of the existing manufactured capital base to ensure smooth flow of operations.

Expansions and New Ventures

As a progressive conglomerate, we are focused in exploring and securing new growth opportunities within our core business sectors as well as stepping into new lucrative ventures. In this endeavour, we plan our projects and invest wisely, paying close attention to the capex component; ensuring that it is in line with the overall corporate strategy and the project objectives; realistic budgets; and sound return on our investment. We carryout due diligence studies on capex requirements and follow through best practices in procurement including in selecting and awarding contracts for infrastructure projects. In terms of major procurement, we call for tenders whilst we call for three-quotations for minor procurement. We are conscious of the quality and therefore we give equal or more precedence to quality over costs during the procurement stage. With respect to plant and machinery, we look at inter-alia, the technology, capacity levels, availability of spares, maintenance training support, energy consumption levels and health and safety aspects. We also scrutinize manufacturer credentials including their corporate stability, business ethics and values, operational processes and their certifications for quality and standards. For infrastructure projects, we also look for contractors' credentials, delivery time-lines, quality of materials used and rates. Our key investments this year included the completion of the dairy farm infrastructure in the agri-business sector; construction of our third hydropower plants in Lindula and Lippakelle; We also spent on social infrastructure development, particularly, supporting our resident communities living within the high grown tea estates. liance Sustainable Agriculture Network.

Upgrades, Replacements and Maintenance

Our approach to upgrades and replacements of our manufactured capital is pragmatic and systematic. We look into the feasibilities and invest strategically in new technology to upgrade the existing factory processes. We are also diligent and structured in carrying out timely maintenance work, ensuring the availability of spares and the training aspects of engineering and technical teams. We closely engage the manufacturers, particularly to claim on warranties and for after-sale services.

Overall CAPEX

In the year under review. we incurred a sum of LKR 1.4 billion as capex on a consolidated level.

Pleas reffer note 10 to the financial statement for details

Intellectual Capital

Overview

With 50 years in business and positioned as a leading conglomerate within the diversified sector of this country, we have nurtured a strong intellectual capital base. Entailing intangible assets, this capital has stood as an enabler to differentiate our organisation and gain a competitive advantage amidst a complex market landscape. We fully recognise and give top strategic precedence to optimise and manage our intangible assets—our expertise, corporate reputation, brands and key investments in technology—essentially paving a platform to support us in our strategic delivery, boosting the value we create and our markets, from a long-term perspective.

> > > Nurturing the Corporate Reputation

Over an extensive span of five decades, from humble beginnings in the 1960s, we have nurtured our organisation with solid fundamentals to reach out to entrepreneurial excellence. Today, we stand well poised at the helm of the business arena in the country. We have become one of most trusted and respected conglomerates, with a strong presence in key business sectors—Healthcare, Agribusinees, Consumer Goods and Renewable Energy. With complexities and challenges so prevalent in our operating backdrop, our sound corporate reputation we have built essentially stands as our pillar of strength—paving the way for our businesses to manage the adversities, be competitive, both on growth opportunities and achieve higher business goals. Therefore, we are unwavering in our commitment to uphold our ethical business values and practices from policy making, governance to daily operations across the Sunshine network. This in turn, further adds on, and reinforces our corporate reputation, thus, our stakeholder confidence.

It is in this light that we have to appreciate the Group's efforts and investments in the year to further strengthen our corporate standing as a responsible citizen. As we celebrated 50 years in business, we firmed our commitment to give more meaning to our corporate social responsibility. As discussed under the 'Social Capital' section of this report, we carried out an extensive audit to support our efforts to integrate and bring greater connection between social and environmental initiatives we carry out with our commercial operations. Aligned to the audit recommendations and marking our anniversary, we launched the 'Foundation for Good' as a collaborative and a dedicated initiative across the Sunshine network.
This year, we also looked at strengthening our governance framework in line with best practices as prescribed by our regulatory authorities. We firmed up our Board structure with two new independent directors and brought in a more relevant and organised risk management system across the Group.

Intellectual Capital Performance Highlights - 2017/18

ERP Systems
Invested on Enterprise Resource Planning systems to bring in greater automation and efficiency to operational processes.

Business Excellence
Recognised with coveted corporate awards for business excellence and for accountability in reporting.

Environmental and Social Management
Maintained well-acclaimed certifications to ensure best practices in environmental and social management.

Foundation for Good
Sunshine Group came together to launch the 'Foundation for Good', a dedicated social responsibility initiative.

Marketing Communication Campaigns
Invested in marketing communication campaigns to build the tea brands for 'top-of-the-mind' recall.

Management Training Programmes
Extended extensive training and learning opportunities to develop management skills and to enhance their knowledge.

Awards and Recognition

Sunshine Holdings PLC
Silver Award
Reporting Excellence
Diversified Category
CA 53rd Annual
Report Awards 2017

Watawala Plantations
Bronze Award
Reporting Excellence
Plantations Sector Category
CA 53rd Annual Report
Awards 2017

Strategic Focus	Management Approach
Nurturing the Corporate Reputation	Nurture and leverage on the strength of our corporate reputation to gain stakeholder confidence and market share.
Relying on Expertise	Develop and reinforce our expertise in core business sectors to manage risks and secure growth opportunities.
Building Brand Equities	Build our brands with effective marketing communication and promotional measures to spur 'top-of-the-mind' recall.
Leveraging Technology	Invest in appropriate technology to enable smart digital solutions and facilitate greater productivity and efficiency through streamlined operational processes.

Relying on the Expertise

Our business foresight which we have fostered over the years stands as our forte, underlining our strength and stability as a well-grounded organisation. We have a strong leadership at the Board and at the senior management level—endowed with business acumen to identify potential risks and threats along with the opportunities—guiding our conglomerate decisively through the uncertainties and the challenges prevalent in today's context. The management team across the Group have the expertise in their respective business sectors to move forward, reinforce the critical success factors and deliver a focused strategy. We have in place a well-structured strategic planning framework, bringing together the learning, experience and market insight to formulate a progressive strategy and to support smart and agile management decision making.

We extend extensive training and learning opportunities to the management level. This includes mentoring and succession planning as discussed in detail under the 'Human Capital' section herein the report. Further complementing our management expertise, our certification programmes, particularly in the Agribusiness sector and our long-standing links with well-reputed principals in the healthcare business along with our other strategic partners give us immense exposure to latest know-how, market intelligence and more so, to globally accepted current and best practices.

Building Brand Equities

Positioned as a leading diversified operation, we have over the years built strong brand equities within our core businesses. This is more so within the consumer goods sector, where our tea brands have made a distinct mark in its targeted market segments. 'Watawala' tea, the people's choice as acclaimed by the SLIM-Nielsen People's Awards, has built a strong presence amongst the authentic tea market segment whilst 'Zesta' has made its name as a more refined flavoured tea brand in the up-market segment; 'Ran-Kahata' has penetrated the masses as a value-for-money brand. The three brands together hold the market leadership with a share reaching to 36 percent within the domestic market. We also extend necessary training to our front-line staff to uphold our brand values, be consistent in their service and ensure a 'positive-word-of-mouth. Our specialty teas under the brand 'Zesta Connoisseur' is progressively marking its presence in the international arena.

With respect to our healthcare sector, we have established a strong presence as a trusted partner in both private and public healthcare sectors. Our business franchises, marketing and distributing leading brands in pharmaceuticals and medical devices, have taken us to the forefront of the healthcare marketplace. We are today the second largest healthcare sector company in the country. Our retail

Healthcare Retail (Health, Beauty and Wellness)

Consumer Goods

arm, Healthguard has also established a strong brand presence for healthcare, beauty and wellness products within the more discerning urban market segment.

Positioned amongst the top-tier plantation companies, we produce finest quality teas in keeping with the brand 'Pure Ceylon Tea'. We give precedence to maintain quality and standards across our tea estates and factories. Our certification programmes and our strategic partnerships guide our operations in this regard. We have built and maintain solid relationships with our buyers and brokers and command confidence in the Colombo Tea Auctions. We are also well-established within the palm oil sector in the domestic market.

Building our brand equities, we make due investments to communicate brand identities, reinforcing the 'top-of-mind' recall in the targeted segments. We deploy both direct marketing tactics as well as above-the-line measures in this regard.

Leveraging Technology

As a progressive conglomerate, we rely on technology as a business enabler, supporting our business verticals to be agile and receptive to the mounting challenges in our evolving business environment. Managed as a centralised function, we seek to leverage on technology to streamline our processes, automate and bring greater flexibility, efficiency, innovation and cost effectiveness into operational and administration tasks. We continue to give strategic priority and seek to invest smartly on the latest systems, upgrades and digital solutions, with due diligence on its relevance to support our organisational goals across the Sunshine network. This has indeed paved the way to enhance quality and standards in our businesses—thus, differentiating our products and complementing our efforts to be competitive in the marketplace.

Digital Strategy Recent Initiatives

Cloud Transformation
Switched from the on-premise information systems to cloud data centers to achieve greater availability, mobility, scalability, security and cost benefits.

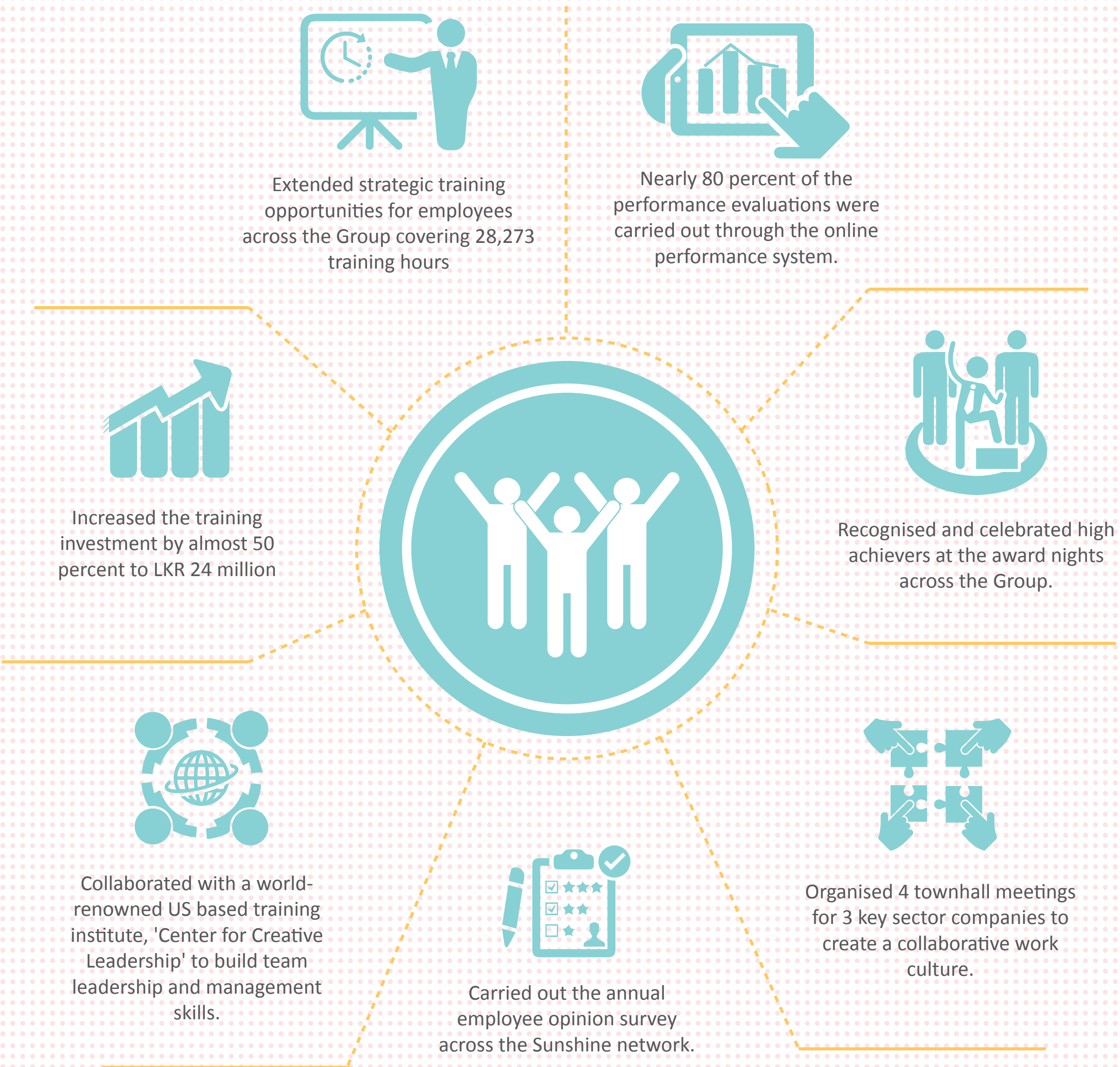
Online Collaboration
implemented a group-wide cloud-based platform to centralise key operational data, streamline communication and coordinate decision making within the Sunshine network.

Business Intelligence
Provided real-time data and analytics on operations across the Group to support the management decision making and to improve execution of strategy and secure greater competitiveness

Enterprise Resource Planning
Initiated multiple cloud-based ERP solutions to improve and streamline business processes for greater agility, accessibility, mobile-friendly and secured business environment.

Information Security
Strengthened information security to protect corporate and customer information.

Human Capital Performance Highlights - 2017/18



Human Capital

Overview

Supported by a talented team, the Sunshine Group is well poised to reach for higher goals against the complexities so prevalent in the present day operating backdrop. Our team is central to our strategy. We are focused and pragmatic in our efforts to extend an enabling workplace within our businesses, ensuring that our team has the right working culture to learn, develop their skills, perform at their best and move on to the next level.

At Sunshine, the HR function is centralised at the holding company level. The business partners attached to the individual businesslines support and advise the teams on all areas of HR and form the link between 'Centres of Expertise' and the individual business lines.

Strategic Focus	Management Approach
Respecting Diversity	Uphold 'equal opportunity', respect diversity and build an inclusive workplace
Recruitment	Attract the right-profiled candidates and follow a well-structured and a fair recruitment process.
Learning and Development	Build a well-rounded team with comprehensive skills training in collaboration with reputed training institutes and in-house and external resource persons.
Performance Culture	Nurture a performance-based work culture in line with current best practices.
Employee Retention	Create an enabling work environment, extend fair compensation and rewards linked to performance and foster employee wellbeing.

Cadre Structure

As at the reporting year end, 31st March 2018, Sunshine Group's cadre stood at 9923 employees. The majority of the cadre is employed within the agribusiness sector, accounting for almost 89 percent, followed by 8 percent within the healthcare sector. Sunshine Holdings represents less than one percent of the total cadre. In terms of employee contracts, over 86 percent of the cadre is employed on a permanent basis, reflecting contribution of the Group towards creating a stable work environment for its employees.

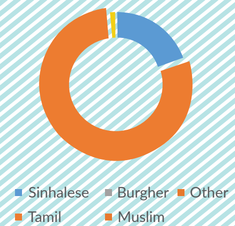
Respecting Diversity

As an 'equal opportunity' employer, we advocate an inclusive workplace. Diversity is encouraged and nurtured across the businesses as an integral part of our ethos. Our HR policies, strategy and related actions reflect our commitment to nurture diversity, be it in our recruitment, promotions, training, compensation and rewards. We are not prejudices and do not discriminate employees based on gender, age, ethnicity or any other socio-economic or political facets. We encourage all employees to respect diversity at the workplace and foster a collaborative spirit across operations. The cadre diversity in terms of gender, age and ethnicity is graphically set out below:

Gender Mix

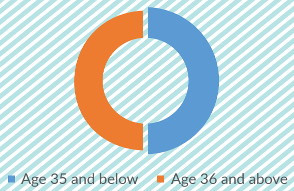
With the majority of staff falling into the estate worker category, the cadre is well represented by females.

Ethnicity Mix



Given the cadre structure within the plantations, the cadre is skewed towards the minority groups.

Age Mix



Fair representation in terms of age with a good balance, combining maturity of the senior staff with the vitality of our younger members.

Recruitment Facets - 2017/18					
	Gender		Contract Type		Total
	Male	Female	Permanent	Contract	
Sector Companies					
Retail	23	14	34	3	37
Healthcare	160	27	159	28	187
Agribusiness	23	8	22	9	31
Consumer Goods	39	10	48	1	49
Holding Company	2	1	2	1	3
Overall	247	60	265	41	307

As a leading conglomerate, we seek to recruit the most talented individuals with a 'best-fit' to our Group culture. Our recruitment strategy gives prominence to 'equal opportunity'. Our recruitment is competitive, transparent and is purely based on merit. We have in place structured guidelines and a dedicated HR team to support the Group's recruitment needs. The evaluations of applications, interviews and subsequently, selections are all carried out systematically on predefined metrics—candidates' qualifications, skills, experience and personality traits to match the job descriptions of the vacancies. However, we give priority to internal candidates over external recruitments, if our existing employees meet the recruitment criteria. Due promotions and cross placements are carried out within the Sunshine network. In the reporting year, the Sunshine Group recruited 307 new employees, mainly for the Healthcare and consumer goods sectors. Out of the total, 20 percent comprised female employees; whilst 86 percent was absorbed into the permanent cadre. We also promoted employees and made cross placements within the Group.

Remuneration and Benefit Obligations

We give top strategic priority to maintain a fair compensation structure across the Group companies—well in line with the respective industry standards. Our compensation is determined objectively, considering the level of employee competence, experience and job responsibilities. All salary increments, rewards and incentives are linked to performance, and evaluated through a transparent scheme as will be discussed below. The Group compensation for the year reached LKR 4.4 billion excluding gratuity provision which is disclosed in note 7 of the Group Financial Statements. We are conscientious in meeting our defined benefit obligations responsibly. In the reporting year, our contributions stood at LKR 320 million for Employee Provident Fund and Employee Trust Fund. The Gratuity provision stood at LKR 231 million for the year under review and accumulated provision remains at LKR 1,063 million.

"Theme.: 50 years"

Annual Healthcare Sector Awards were held at the Waters Edge on 10th June 2017. Mr. Vish Govindasamy, Group Managing Director graced the occasion as the Chief Guest along with the group excom, principals and staff.

Award Categories:
Chairman's Awards - Best Manager Sales, Best Manager Marketing, Best Front Line Sales, Best Front Line Marketing, etc.
MD Awards -Best Performing Suport Staff , Best Performaing Supply Chain, Best Senior Manager Sales, Best Senior Manager Marketing etc.

"Theme – One Team One Spirit One Goal"

Watawala Tea Ceylon Annual Convention was held at the Grand Ballroom – Galadari on 21st April 2017. Mr. Vish Govindasamy, Group Managing Director graced the occasion as the Chief Guest along with the group excom, principals and staff

Award Categories:
Chairman's Trophy, Gold Category, Silver Category, Performance Excellence, Service Excellence- Non Sales, Best Team, Best Turnaround Team, Most Successful Initiatives etc.

Performance Management

In keeping with best and current practices, we continued in the reporting year to fine-tune our performance management process. We worked closely with the HR division and the business line across the Group companies to improve our online performance appraisal system. Through this system, we were able to coordinate the final ratings, salary increments, rewards and recognition for each business unit, centrally. At present, we carry out nearly 80 percent of our performance evaluations through the online system.

Our performance evaluations are structured to monitor employee performance in line with our business goals. We carry-out bi-annual performance evaluations based on pre-agreed performance goals and targets, aligned with the corporate plans of the business units and the Group's collective goals. This accounts for 70.0 percent of the employee rating whilst the balance 30.0 percent is evaluated on a competency framework. The entire evaluation process is transparent and interactive, encouraging employees and the management to deliberate openly on their progress, career prospects and grievances.

Learning and Development

Training Facets				
Company	Training Hours		Training Investments (LKR million)	
	2016/17	2017/18	2016/17	2017/18
Healthcare	12,673	14,191	7.7	5.5
Retail	3,095	4,387	0.5	1.9
Agribusiness	1,956	3,702	2.8	7.4
Consumer Goods	4,832	5,367	4.1	6.6
Holding Company	160	626	1.0	2.8
Total Sunshine Group	22,719	28,273	16.1	24.1

Key Training Programmes	
Training Programme	Training Institute/Resource Person
Rockefeller Programme	Fasttrack
7 Habits	FranklinCovey
Leadership Programmes	Centre for Creative Leadership
Out Bound Training for Agribusiness, Healthcare and Consumer Goods sectors	Che Adventure Park
Supervisory Skill Development	Che Adventure Park and H2Consultancy Services
Business Communication	British Council

In a rapidly evolving operating backdrop, developing a strong team is critical to ensure the long-term viability of the Sunshine Group. Our HR strategy therefore places top strategic priority to build a learning and development work culture where we could nurture a well-rounded team with multi-disciplinary skills, agility and perceptiveness. Our training initiatives are well-structured and focused. We broadly follow the '70:20:10' rule where we give precedence to on-the-job training followed by mentoring and classroom training, respectively. Our training programmes range from technical to soft skills including leadership, teamwork, inter-personal and intra-personal skills, communication, innovation, emotional intelligence and business ethics and business etiquette. As a diversified conglomerate, we are able to provide comprehensive training for our employees through on-the-job, rotations and cross placements across the group. Our strategic links to world renowned corporates give them solid exposure and enable them to adopt best business practices. We also encourage our team leaders to be steadfast in coaching and mentoring their staff. Our 'train the trainer' programmes give the necessary training, confidence and impetus to be effective in this task.

Our class-room training entails both internal and external training programmes which are well-thought out and structured to address specific training needs and skills gaps as ascertained during the annual performance evaluation process. The training calendar and the curriculum are developed accordingly and due investments are made without compromise.

In the financial year under review, we covered 28,273 training hours across the Group with an investment of LKR 24 million. We gave foreign training exposure on leadership and management skills to 4 of our high achievers including middle-level and senior managers. Our partnership with the US based 'Centre for Creative Leadership', supported our endeavours in this regard.

HGL - Outbound Training

Professional Development

Qualification Analysis	
Qualification	**Number of Employees**
Master in Business Administration	61
Doctorate	1
Bachelor of Arts/Science/Law	170
Professional Qualifications in Finance and Management (CA/ACCA/CFA/ACMA)	57
Diplomas	292
Other Qualifications	529

We have a well-qualified set of employees within our cadre. Over 60.0 percent of our employees possess academic, professional or technical qualifications excepting our Estate workers. Through our professional development scheme, we guide our staff to further their academic and professional studies at well-recognised universities and institutions. We also encourage them to obtain memberships in key professional bodies. We give the necessary support and funding in terms of loans on concessionary terms and even offer scholarships

Mentoring

As a diversified conglomerate, mentoring and succession planning warrant a focused approach. Senior Management and the Board of Directors are fully engaged in this endeavour. High achievers with management and leadership personality traits are earmarked, and special training opportunities are extended along with focused mentoring under senior managers. Our annual performance evaluations, strategic training and professional development scheme discussed above support our endeavours in this regard. Our management trainee programme is comprehensive with on-the-job exposure and skills development on management aspects. Currently, we have four management trainees under our Group network.

Interactive Work Culture

Appreciating and fostering a collaborative workplace, the Sunshine Group stands committed to come together as a team and work towards achieving collective goals. Our intensive team building efforts nurture trust and confidence between employees and encourage them to share their learning, experiences and work practices—inspiring each other in their work-life. As initiated in the preceding year, our 'townhall' meetings ensued quarterly, extending a solid platform for all employees across all business sectors to gather, deliberate on performance, network and resolve workplace grievances. In the year, we successfully organised 4 meetings covering Healthcare, Consumer Goods and Agribusiness sectors Our welfare societies also complement our efforts to build a collaborative work culture. Our management is fully supportive and encourages the staff to support and engage in these activities. In the year, our welfare societies organised some key events including Christmas Carols, Wesak , Art Competition for employees' Children, Blood Donation , Cricket match, Christmas Party, and Medical camp collaboration with Udugama team etc.

Welfare society activities/events

Blood Donation

Cricket Match

Christmas Party

Sunshine Holdings PLC
Annual Report 2017/2018

Employee Wellbeing

At Sunshine, we stand committed to nurture employee wellbeing, encouraging our employees to adopt healthier life styles and strike a balance between work and life. Our initiative to make Saturday a non-mandatory working day continued whilst we supported our team to adopt better time management, plan and avail their annual leave more effectively. We also continued to extend comprehensive welfare benefits across all staff grades.

Key Welfare Benefits - Permanent Employees	
Executive and above Grade	**Non-Executive Grade**
• Death Benifits	• Death Benifits
• Wedding gift, gift for new born babies	• Wedding gift, gift for new born babies
• Tea Allowance	• Free medical benefits from the Estate Dispensary
	• Tea Allowance

Employee Opinion Survey

Our annual Employee Opinion Survey was carried out across the key business sectors, covering all employee categories. The survey was concluded successfully with a total number of 940 employees participating and this was the first time the employee opinion survey was digitally enabled where the staff completed the survey online.

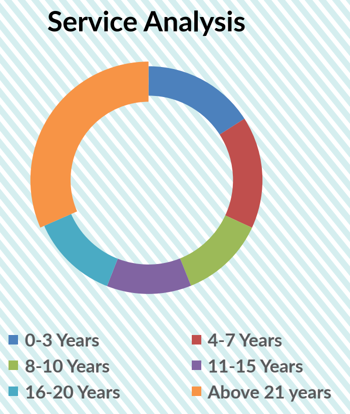
Company	Score
Healthcare	68%
Retail	60%
Agribusiness	67%
Consumer Goods	63%
Holding Company	75%

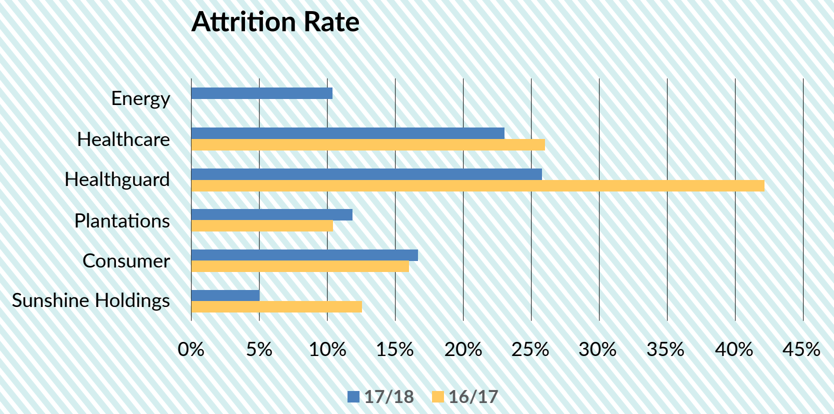
Going online for the first time

Attrition

We operate in an intensely competitive business environment and retaining our talented and trained employees within the Group stands critical to our corporate strategy. Retention issues are more intense in specialised sectors such as the healthcare business and our pharmacies, where technical expertise is essential and loss of staff will have serious negative implications on the business sustenance. This is also the case with the consumer goods sector where marketing relationships and networking ties take center-stage in operations. Our focused strategy and efforts to be a progressive employer, closely engaging the team and upholding best policies and practices in managing labour relations are deemed significant and warranted.

The overall average attrition rate stood at 17.4 percent. According to our service analysis, over 60 percent of the employees have a solid service record of eight years or above with consistent levels of proformance; reflecting the stability of the Group.





Level of Compliance

The Sunshine Group is steadfast in complying with Labour Laws in Sri Lanka and the rules and regulations set by other statutory and regulatory bodies. The Group complies with the minimum age of employment and does not engage in child labour. The Group also does not to use any form of forced or compulsory labour. Due remuneration, defined benefit obligations and incentives are met conscientiously.

The Group did not record any incidents of discrimination over gender, age or any other socio-economic and cultural facets. The Group was not fined or sanctioned due to non-compliance with laws, rules and regulations in labour management and relations. An open-door policy is followed across the businesses along with a structured grievance redressal mechanism in place.

Relationship Capital

Overview

Well-poised as a leading diversified conglomerate with a strong presence in Healthcare, Consumer Goods, Plantations and Renewable Energy, we have a diverse set of stakeholders; it is imperative that we engage and manage them responsibly, thereby, ensuring sustainable value creation. Our quest is not merely to reach commercial gains; but we seek to blend best corporate practices as an integral part of our operations across our business sectors. We are committed to uphold ethical values in all our transactions and in managing relationships be it with customers, business partners, investors and statutory and regulatory authorities. This is a critical success factor in a complex business backdrop.

Customer/Buyer Relationships

In keeping with Sunshine legacy, we engage our customers and buyers responsibly; gaining their confidence and trust—essentially underlining our success in a highly competitive business environment. We give strategic precedence to offer a quality and an inclusive product. We are focused in our customer approach, extending the best in service, thereby, building a positive customer experience. We are also responsible in our communications and we duly obtain their feedback, enabling us to cater to their needs with 'best-fit' products. We invest well in training our employees to refine their skills in customer service and on product knowledge. We are committed to uphold best practices and comply with relevant rules and regulations to ensure customer health and safety and their rights.

Product Quality and standards

Agribusiness Sector

- Seven estates are Fair Trade certified
- All estates are certified Rainforest Alliance - Sustainable Agriculture Network
- All estates are certified under Ethical Tea Partnership.
- All factories come under the ISO 22000 Food Safety Management System.
- Pending certification for palm oil under Roundtable on Sustainable Palm Oil programme

Healthcare Sector

- Agency links with internationally reputed principals for medical devices
- Premium brands in pharmaceutical products
- Due diligence on quality certifications obtained by suppliers and manufacturers.
- Compliance with the regulations set under National Medicines Regulatory Authority Act

Consumer Sector

- Well-qualified quality assurance team to ensure quality of purchased tea on the Colombo Tea Auctions
- Due quality assurance on packaging process
- Follow rules and regulations in terms of food safety

As advocated across the Group, our businesses operate on an integrated approach—bringing together economic as well as social and environmental considerations into their value creation process. Most of the companies have adopted and pledged their allegiance to internationally accepted certification programmes to ensure highest quality and standards in their production, culminating in the product offer.

Our tea estates within the Agribusiness sector have aligned their operations with Fair Trade, Rainforest Alliance, Ethical Tea Partnership and ISO 22000 Food Safety Management System. The palm oil operations are currently looking at obtaining certification under the Roundtable on Sustainable Palm Oil. Healthcare sector gives top strategic priority to uphold highest quality and standards in the product offer. The sector is extremely brand conscious. The products be it pharmaceuticals, beauty and wellness or medical devices are sourced from internationally well-reputed and trusted healthcare principals. Due diligence studies are carried out on suppliers/manufacturers with emphasis on their credentials including their certifications. This sector follows and complies with the

Relationship Capital Performance Highlights - 2017/18

prescribed guidelines, rule and regulations set for the pharmaceutical industry under the 'National Medicines Regulatory Authority Act. The Consumer Goods sector is well-acclaimed and positioned as leaders for their quality tea brands within the domestic market. The sector ensures that all teas purchased at the Colombo Tea Auction are of highest quality. An expert team is in place to carry out due quality checks on the purchased tea prior to packaging. The recognition from the internationally acclaimed Shangri-La Hotels and Resorts for the speciality brand, 'Zesta Connoisseur', stands as a testimony in this regard.

We give due precedence to disseminate product information responsibly. All pharmaceuticals as well as cosmetics and wellness products carry the necessary labelling information including ingredients, dosage, usage instructions, production and expiration dates and claims. Our pharmacists and customer service staff are well trained and have the necessary product knowledge to engage and support customers with product advice. Apart from the Healthcare sector, our Consumer Goods also carry the necessary labelling information on the packaging including the ingredients, production and expiration dates and pricing. We have in place the necessary systems and processes and controls to support our endeavours in this regard. The recently established customer call centre for the Healthguard operations, our official websites and our marketing materials also complement our efforts to disseminate product information.

Product Distribution

With a comprehensive distribution channel covering strategic locations, most of our products reach out to wide customer base in the target markets. Healthcare sector distribution is extensive and well equipped with cold storage facilities and a specialised team of over 500 medical marketing and sales representatives. Our healthcare retail arm, operates well-designed and planned distribution outlets reaching out to the urban upper-mid tier market. The tea brands have a wide outreach in three distinct market segments across the country through super markets and retail shops.

Distribution Network – 2017/18

Sector	Sub-Sectors	Distribution Network		Provinces Covered
		Type	Number	
Healthcare	Medical Devices	• Government Hospitals • Private Hospitals	109	**All provinces**
	Pharmaceuticals	• Government Hospitals • Private hospitals • State pharmacies • Retail chemists • Private Clinics	3,646	**All provinces**
	Retail	• Healthguard outlets	23	**Western**
Consumer Goods	Tea Brands	• Super markets • Retail Stores	73,361	**All provinces**
	Bottle Water	• Super markets • Retail Stores	73,000	**All provinces**

Marketing Communications and Promotions

Upholding fair competition, our marketing communications and promotions focus on building the brands to spur 'top-of-mind' recall in the targeted market segments. Our initiatives are a combination of above-the-line activities on print and electronic media as well as below-the-line measures with brochures and leaflets on product information and direct marketing tactics.

In the year under review, our Consumer Goods sector rolled out above-the-line marketing campaigns to promote their tea brands. We also relied on more-tailored direct marketing campaigns, targeting consumers as well as traders. The Healthcare retail sector also relied on direct marketing and brochures to promote their health, beauty and wellness products. We invested a total of LKR 1.4 billion on marketing promotions and distribution on a consolidated basis. All our marketing campaigns were well thought-out and ensured integrity and accountability.

Product Compliance

In the year under review, the Sunshine Group did not record any fines for non-compliance with laws and regulations with respect to products and services. The Group did not incur any incident of non-compliance with regulations and voluntary codes with respect to marketing communications.

Business Partners

Over the years, we have built strong relationships and collaborated strategically with our business partners to strengthen our value creation process and complement our positioning at the forefront of the country's business domain. Therefore, we give much thought and strategic focus on managing our partnerships. We are conscientious in our selection process. We do the necessary background checks and initiate relationships only with the best-in-class partners who have the necessary expertise, responsibility and solid corporate standing both locally and internationally. In turn, we are also prompt and responsible to uphold our obligations to secure better partner relationships.

Joint Venture Partners

Our joint venture partners at present, Pyramid Wilmar Plantations Ltd, Singapore in the estate management operations and Duxton Asset Management Ltd with respect to the dairy farm project are internationally acclaimed leading corporates. They have supported us with capital infusion to kick-start our ventures, given us technical know-how, market insights and best international practices, in turn, underscoring our efforts to achieve operational excellence.

Business Franchising Partners

We have an extensive network of business franchises supporting our healthcare sector operations. We have formed long standing relationships with globally recognised and acclaimed principals in healthcare, inter-alia viz., Johnson and Johnson and Siemens. Their presence within the sector with high quality products has truly complemented our operations, reinforcing our positioning at the helm of the industry. As at the reporting year-end, we held 34 principals.

Suppliers

We follow best practices in selecting and maintaining relationships with our suppliers. We pay attention to quality aspects of our supplies, reliability, delivery timelines and cost and benefits. We also look into the supplier's credentials, their corporate values and their conformance to relevant environmental and social aspects. As a Group policy, we give first preference to local suppliers if and when they meet our procurement criteria.

Investor Relations

As a public quoted company, our Board of Directors and members of the management team fully recognise our responsibility towards our investors, both institutional and retail. We seek to manage our operations with strategic insight and align our Group operations with best business practices and relevant rules and regulations— thus, enabling higher returns on their investment as a well transparency and accountability in our investor dealings. Our investor relations team at the corporate office is conscientious in filing mandatory disclosures along with price sensitive information with the Colombo Stock Exchange and the Securities and

Exchange Commission of Sri Lanka. Our Board of Directors are also accessible to engage investors and address their grievances, if and when necessary.

Earnings and Dividends

In the year under review, we achieved outstanding financial results on a consolidated basis, despite the challenges of our operating backdrop. We posted LKR 21.2 billion in revenue and our net profits after tax reached LKR 1.8 billion. This supported us declare sound dividends for the year, totalling to LKR 205 million. Our dividend pay-out ratio is at 25 percent. Our earnings per share increased by 47.1 percent to LKR 6.08 whilst price earnings ratio touched 9.8 percent.

Share performance

Notwithstanding the mixed signals on the Colombo Stock Market, Sunshine Holdings share performance was stable. As at 31st March 2018, our share price closed at LKR 56.10 per share as against LKR 46.10 per share in the preceding year. The highest price stood at LKR 64.90 per share whilst the lowest touched LKR 46.10 per share. We traded in the year 8.4 million shares for LKR 484 million. Our market capitalisation stood at LKR 7.6 billion, accounting for 0.29 percent of the total market capitalisation.

Statutory and Regulatory Bodies

Operating under a quality governance framework, Sunshine Holdings along with its subsidiaries stand committed to uphold highest ideals of corporate stewardship. We have in place a 'Code of Conduct and Ethics' for Board of Directors, management as well as for employees. The Code underlines our business values— integrity, accountability and professionalism. The level of compliance with the Code is monitored through an annual audit carried out by the respective business units and at the holding company level. In the reporting year, we did not record any incidents of violations of the Code across the Group.

Apart from the internal code, the Group also complies with the regulatory requirements both at the mandatory and voluntary levels. This includes the regulations prescribed by the Securities and Exchange Commission of Sri Lanka, the Continuous Listing Rules of the Colombo Stock Exchange and the directives of the Companies Act No. 07 of 2007. As elaborated within the Corporate Governance section herein the report, we did not record any violations of the Corporate Governance Code for listed companies and were not subject to any fines or non-monetary sanctions for non-compliance with rules and regulations.

Social Capital Performance Highlights - 2017/18

Uplifting Living Standards
continues investment to uplift living standards and build capacity of the resident communities in the tea estates.

Sponsorships
Gold sponsor of the Colombo International Tea Convention 2017

Support Flood Victims
Raised LKR 8.8 million to support flood victims within the Sunshine network.

New Employment
90 percent of our new recruits for the Consumer Goods and Agribussiness were employed from the local communities.

Contribution towards Economic Awarness
Platinum partner of Ceylon Chamber of Commerce, Sri Lanka Economic Summit 2017

Community Service Initiatives
Employees across the Sunshine Group volunteered, in support of the community initiatives with 3,168 volunteer hours.

Social Capital

Overview

Committed to our corporate values nurtured over five decades, we are steadfast in our efforts to be an exemplary corporate citizen. We strive to uphold corporate social responsibility through our community engagement initiatives in areas where we operate; community recruitment; and through our policy advocacy role to address and resolve social issues, particularly issues relevant to our business lines.

Strategic Focus	Management Approach
Community Engagement	Closely engage communities in areas that we operate and support to uplift the living standards of the underprivileged.
Community Recruitment	Give precedence to community-based recruitments across the Consumer Goods and Agribussiness sectors.
Policy Advocacy	Take up an advocacy role, create awareness and address social issues relevant to our businesses and with wider implications to society.

Community Engagement

Waste Management Programme, Carolina Estate

As a diversified group, with an extensive operational footprint in key industries, engaging and building trusted relationships with communities are highly warranted and stand significant. Our approach to community engagement is two-fold. Firstly, we carry out focused social initiatives to uplift the resident communities within our estates in the plantation sector and secondly, we engage in philanthropic activities to support the needy and the underprivileged communities, particularly in the areas we operate.

Resident Communities

Having a large community base with over 50,000 people living within our tea estates in the high grown regions, our community engagement is extensive and intense. Our community-based initiatives are structured to uplift resident communities with better living conditions and higher quality of life. These initiatives are focused on supporting communities with basic amenities including housing, water and sanitation infrastructure facilities. We put in place well-planned out healthcare and educational programmes to build capacity and ensure their wellbeing. In the reporting year; both our plantation companies, Watawala Plantations and Hatton Plantations implemented such resident community development initiatives.

"The Sunshine Group has a long and well-established legacy of responsible entrepreneurship and over the years we have worked diligently to expand this basic principle into all aspects of our business."

Vish Govindasamy

Group Managing Director

Visionary Housing Scheme

Watawala Plantations in collaboration with Sunshine Holdings initiated an extensive housing programme to provide improved housing infrastructure and other basic amenities in the Dickoya estate in the Nuwara Eliya District. Modular in design, the one-bedroom houses are constructed on seven-perch blocks with a built-up area of 550 square feet, at an estimated cost of LKR 640,000 each. The houses will have pipe-borne water and will be surrounded by a three-perch home garden plot. This project will support and enhance the living standards of 100 families to be relocated from the Lonach Estate. This was initiated after due-diligence on socio-economic and environmental aspects and it is in line with the Government aspirations to provide greater land ownership and improved housing to plantation sector employees. Over 35 percent of the project is completed as at the financial year-end. The total investment is estimated at LKR 44 million. As at date, Watawala Plantations housing initiatives have provided 2,010 houses in a land area of 35.58 hectares.

Dikoya Visionary Housing Scheme

Housing Scheme Laying Corner Stone Ceremony

New houses for differently abled/widowed families

Key Resident Community Initiatives 2017/18

Basic Infrastructure
Road development, housing, water and sanitation
- Beneficiaries: Plantation community, workforce and children
- Expected outcome: Improved living conditions

Healthcare
Medical camps and prevention of anemia
- Beneficiaries: Children and adults in the villages
- Expected outcome: Mental and physical wellbeing of the estate workers and communities

Nutrition
Awareness building on communicable and non-communicable diseases and dengue prevention
- Beneficiaries: Children and young adults in the area
- Expected outcome: Mental and physical wellbeing of the resident communites

Well-woman Clinics
Prenatal and postnatal care
- Beneficiaries: Pregnant Women, Young mothers and fathers
- Expected outcome: Empowered women and healthy infants

Education
Counselling, scholarships, providing free-books and meals
- Beneficiaries: Children above 6 years and their parents
- Expected outcome: Reduced school-drop outs

Capacity Building
Vocational training, supporting self-employment and time and stress management
- Beneficiaries: Estate Community and special needs community
- Expected outcome: Empowered estate community

Safety Programmes
First-aid, awareness on chemical usage and organic fertiliser
- Beneficiaries: Estate workforce
- Expected outcome: Safer workplace and estates with lower injury rate

Child care
Day care facilities, upgrading child development centres and awareness on child rights, safety, health and nutrition
- Beneficiaries: Families in the community
- Expected outcome: Healthy, secured and confident children in estates with both parents generating an income.

Financial Management
Training on managing finances and inculcating savings habits
- Beneficiaries: Women in Nakiyadeniya and Udugama region
- Expected outcome: Better household cash management and higher savings

Village Communities

Apart from the residents, we also carry out structured activities to support tea smallholder communities in the low grown regions as well as to support the neighbouring villages linked to our oil palm value chain. We support them in their village level activities including funding for religious and cultural festivals, sports events etc. We extend awareness building programmes on pertinent socio-economic and environmental issues. We also collaborate with them in their initiatives to develop the village, keep the environment clean and protect their living environment. In the reporting year, we invested rs 2.5 million on local village level activities.

Philanthropy

Flood Relief for Colleagues
Standing up in times of need, all employees across the Sunshine Group volunteered to contribute a 'day's pay' to support their colleagues affected by floods in May 2017. A total of 96 employees were affected across the Sunshine Group. The funds collected amounting to a sum of rs. 8.8 million were distributed fairly—assessed on a scientific basis from damage to property structures, wear-and-tear on property and loss or damage of goods. Apart from funds, the Group also distributed dry rations and medicine to the flood victims. Sunshine Group together with the welfare societies across the business sectors coordinated this initiative.

Blood Donation Campaign
Led by Watawala Plantations, a blood donation campaign was organised at Nakiyadeniya Estate Community Centre in Udugama, Galle. This initiative was a collaboration between the National Blood Transfusion Service Sri Lanka and the Group with the participation of employees at the estate and at the corporate office along with the members from the community. This initiative enabled the collection of 111 pints of blood from more than 115 donors.

Donations to Cancer Hospital
The Group donated hospital furniture, essential medical equipment and medicine to the new Endoscopy Unit and the Intensive Care Unit of the National Cancer Institute

in Maharagama. The donations were funded by the Company along with the funds raised by the employees during a networking event, 'Friday Casual Wear Day'. The Chief Executive Officer and the volunteering employees of the Company participated at the donations. The Deputy Director and other hospital officials were also present.

Sunshine Foundation for Good
Celebrating 50 years in business, we sought in the year to bring in greater structure and meaning to our corporate social responsibility initiatives. This is in keeping with the findings and recommendations set out by the sustainability audit carried out across the Sunshine Group in June 2017 by Good Karma. In this light, we initiated and launched the 'Sunshine Foundation for Good' where we intend to centralise all our social responsibility activities at the Group level. The Foundation is currently in the process of being registered as a 'not-for-profit' entity under Sunshine Holdings. The funding for the entity will sourced from the profits generated by the holding company and the subsidiary operations. The sustainability committee with representation from the Sunshine Group will oversee the functions of the Foundation whilst the day-to-day management will come under the secretariat at the holding company level. As per the mandate, the Foundation will focus on and initiate activities and programme in two key areas pertinent in the present-day context—health and education. In addition, the Foundation will also look into activities and programmes in support of national level emergencies including floods and other natural disasters.

Under these focused areas, the Foundation is currently looking at rolling out campaigns to create awareness and prevent diabetes; and also, to have structured educational programmes to curtail the secondary school level drop-out rate.

Our logo reflects the four colours of the corporate logo, the Conch, and depicts the Sunshine Group's core values

Green - Responsibility
Red - Integrity and Innovation
Blue and Yellow - Trust and Perseverance

The Tree connotes good health, bright future and positive energy. It also represents balance, learning, growth and harmony.

Community Recruitment
Our recruitment strategy across the Sunshine Group gives due precedence to community recruitment for the Consumer Goods and Agribussiness Sectors , if and when the job description criteria are met. This is significant, given our presence in key sectors across the country. Community recruitment enables us to reach out and engage communities better and build more loyal business relationships. This is more so for the consumer goods sector for which we have recruited many of our marketing and sales staff from the areas in which we operate. In the tea plantation sector, nearly 86 percent of the workforce comes from the resident communities. Our oil palm operations are also well integrated with the surrounding village communities.

In the year under review, 90 percent of our new recruitments were employed based on our community recruitment strategy.

Policy Advocacy

Key Sector	Industry Association/ Government Agency/ Policy Making Institutions	Role of the Company	Key Issues
Healthcare	Sri Lanka Healthcare Association	Member	Regulatory challenges under the new medicinal act Price controls Quality and availability of pharmaceuticals
Plantation	Plantation Association	Executive Committee	Wage negotiations on productivity Revenue-share model Ban on chemical weedicide
Corporate	Ceylon Chamber of Commerce	Member	Macroeconomic stability Corporate taxation

Standing at the forefront of the corporate domain, Sunshine Holdings and the subsidiary operations have a pivotal role to play in policy making. In the year under review, the senior management across the Group proactively, engaged and collaborated with relevant stakeholders to lobby for policies and resolve pressing issues at their industry level. We also continued to take an active role and participate in, volunteer and sponsor industry related projects and campaigns.

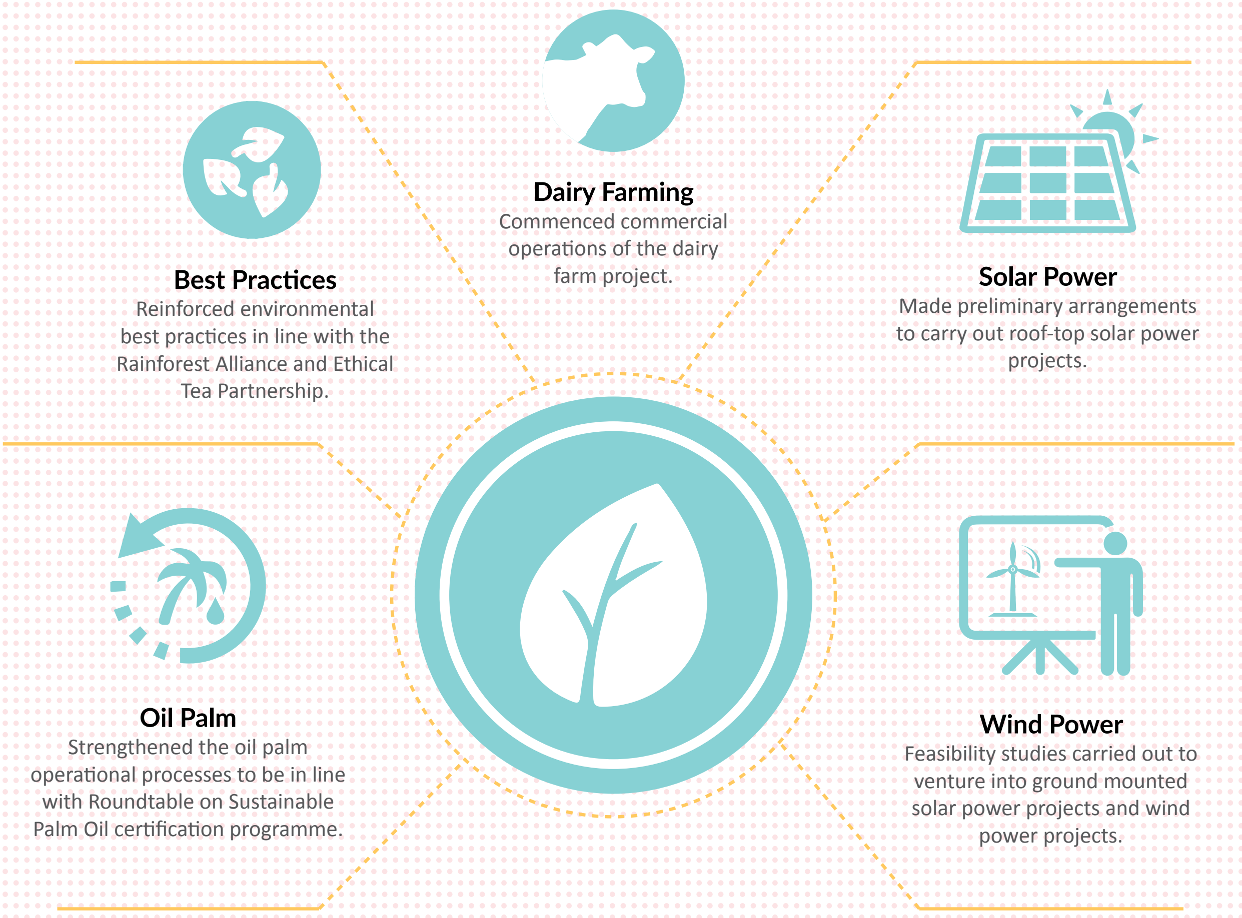
Sponsoring Sri Lanka Economic Summit
Sunshine Holdings sponsored the Sri Lanka Economic Summit 2017 for the third consecutive year. This year, we were a platinum sponsor. Organised by the Ceylon Chamber of Commerce in July 2017, the event brought together policy makers, academics, professionals, top corporate managers and leading public sector officials for a dialogue on the circumstances shaping the current business landscape of Sri Lanka. Our senior and middle management team participated at the summit. Mr. Vish Govindasamy, our Group Managing Director joined in as a panelist to discuss and deliberate on 'Transformative Opportunity for Sri Lanka'.

Sponsoring Colombo International Tea Convention 2017
Watawala Tea Ceylon and Watawala Plantations were Gold sponsors for the Colombo International Tea Convention held in August 2017. Organised by the Colombo Tea Traders' Association in collaboration with the Sri Lanka Tea Board. The convention coincided with the 150th anniversary celebrations of Ceylon Tea. We saw the participation of over 1,500 including tea producing and consuming nations along with the domestic tea industry stakeholders. Our Group Managing Director along with the senior and middle management team of the two companies participated at this convention which focused and deliberated on key challenges and opportunities faced by the industry—the heritage of Sri Lankan tea, sustainability of the industry, new technologies, global forces, logistics and its impact on the tea industry, and local and global tea trends.

Compliance - Society
In the year under review, we did not record any fines or non-monetary sanctions for non-compliance with laws and regulations.

Sunshine Holdings PLC
Group Mnaging Director Vish Govindasamy as a Panelist at the Tea Convention and the Sri Lanka Economic Summit 2017

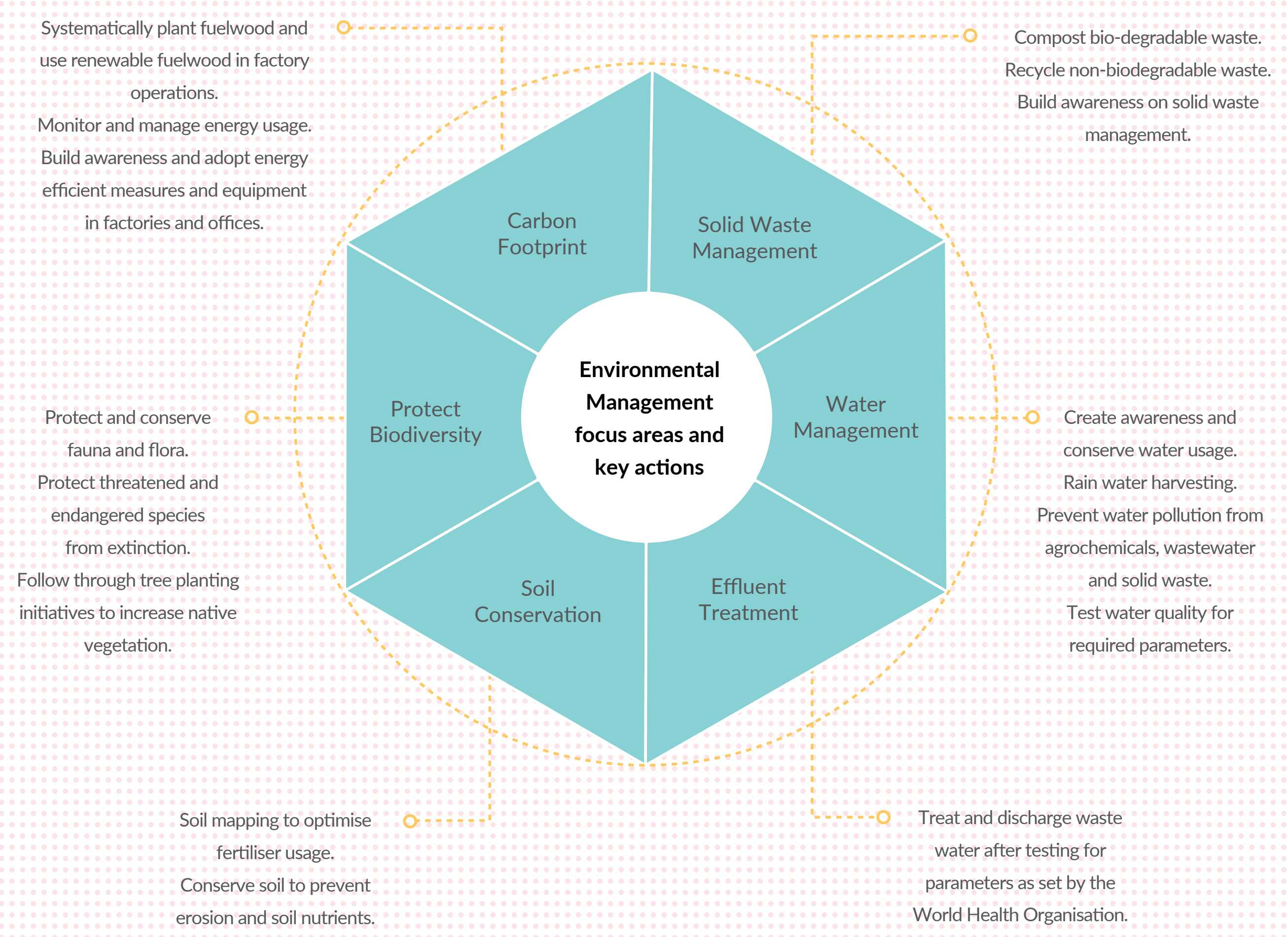
Natural Capital Performance Highlights - 2017/18



Natural Capital

Overview

As a diversified conglomerate, our environmental footprint is extensive. Our core businesses including agribusiness, dairy farming and energy are dependent on natural resources. Our corporate strategy therefore factors in environmental considerations, both in terms of optimising our natural capital in the value creation process, as well as driving for environmental stewardship to be more efficient and responsible in the way we use our resources, dispose our waste, treat effluents, manage energy and water, protect biodiversity and reduce our carbon footprint.



Strategic Focus	Management Approach
Environmental Best Practices	Adopt and follow environmental best practices and international standards to minimise our operational impacts on the environment and curtail our green-house gas emissions.
Climate Change	Respond and adapt to climate change to ensure greater sustainability of our businesses.
Renewable Energy	Further our hydropower operations and invest in other renewable energy opportunities including solar and wind power.
Natural Capital Based Ventures	Explore and secure new business opportunities leveraging the extensive natural capital base.
Environmental Compliance	Comply with relevant environment related laws, rules and regulations.

Advocating environmental stewardship, it is of strategic importance to minimise our environmental impacts and our footprint across the Sunshine Group. To this end, we stand committed to adopt and follow best practices in environment management. Most of our business sectors have adopted key measures in their operations to be environmentally responsible in the way they create value. This is more so within our agribusiness sector where the operations are more distinctly connected to the environment. This sector in fact has a well-structured environmental management framework with policies and procedures to ensure that there is effective integration of environmental considerations with strategic decision making as well as in daily operations. These considerations include solid waste management, water management, effluent treatment, soil conservation, usage of chemical fertiliser, weedicides and pesticides, fuelwood felling, conservation of biodiversity including the protection of threatened and endangered species.

Complementing this framework, most of the estates have obtained internationally recognised certifications on environment management. All tea estates are certified and follow the guidelines prescribed by the Rainforest-Alliance Sustainable Agriculture Network. This certification covers a wide spectrum of environmental considerations in both field and factory operations. These estates have also pledged their allegiance to the Ethical Tea Partnership programme. The palm oil sub-sector is currently in the process of obtaining certification from the Roundtable on Sustainable Palm Oil programme.

Climate Change

Agribusiness is a core sector of the Sunshine conglomerate. This sector operations are susceptible to the vagaries in weather patterns. Climate change and global warming—bringing in adverse weather conditions from dry weather to heavy rain fall— have a significant bearing on the sector viability. Tea yields, production volumes and the leaf quality are all impacted by adverse weather, in turn, impacting our planned financial results. Oil palm production as well as other agriculture crops are also vulnerable. In the reporting year, weather conditions were favourable to both tea and oil palm production and therefore we saw higher production levels compared to the lows recorded in the preceding year. Similarly, energy sector led by hydropower is an emerging sector within the Sunshine Group. Prolonged period of dry weather conditions due to climate change will affect the hydropower generation and thereby, the sector prospects. In the reporting year as well as in the preceding year, we saw hydropower operations record more subdued results given the drought conditions that prevailed. In responding proactively, we are focused and make due investments to adopt effective measures and best practices to fight against climate change and lessen its impacts on our operations. We are also conscious of the need

"Necessary investments were made to improve on the all-island distribution and logistics facilities; automate and secure process improvements and build an enabling workplace, with strategic training for employees on product knowledge, service quality and professionalism."

to reduce our carbon footprint and thereby minimise our impact on climate change. In our field operations, we use heat resistant cultivar, conserve soil and planting trees to manage climate change. In the factories, we focus on managing our energy usage and water.

Renewable Energy

With the rapid depletion of non-renewable fossil fuels and the impacts of climate change and global warming, it is imperative to harness renewable energy sources. Our exposure and investments in the renewable energy space is timely and highly warranted. Hydropower is widely accepted to be a clean energy source. Therefore, our mini hydro operations complement the Sunshine Group's commitment to be environmentally friendly and support our efforts to minimise our carbon footprint. We also advocate renewable fuelwood in our factory operations and we follow through well-planned out fuelwood planting initiatives in our estates. Our plan to invest in solar power and wind power projects in the coming years will reaffirm our commitment to renewable energy and support our drive to be carbon neutral in operations.

Natural Capital Based Ventures

With a large extent of land, 5,267 hectares within the agribusiness sector, we have an extensive natural capital base. We have much potential to further scale-up and diversify our value creation within this sector. With ideal climatic conditions, in the Lonach estate in Hatton, our dairy farm commenced TMR (Total Mixed Ration) operations and made much progress in the year. The sector also looked towards firming up its diversification planning, particularly, cinnamon thereby leveraging and optimising our natural capital base.

Compliance

We have given strategic precedence to develop and nurture our natural capital base. We follow through best practices and standards, complying with applicable environmental laws, rules and regulations along with the guidelines set by internationally acclaimed certification bodies. The Sunshine Group in the year under review did not report any fines and was not subjected to non-monetary sanctions for non-compliance with environmental laws, rules and regulations.

Strategic Outlook for 2018/19

> > >

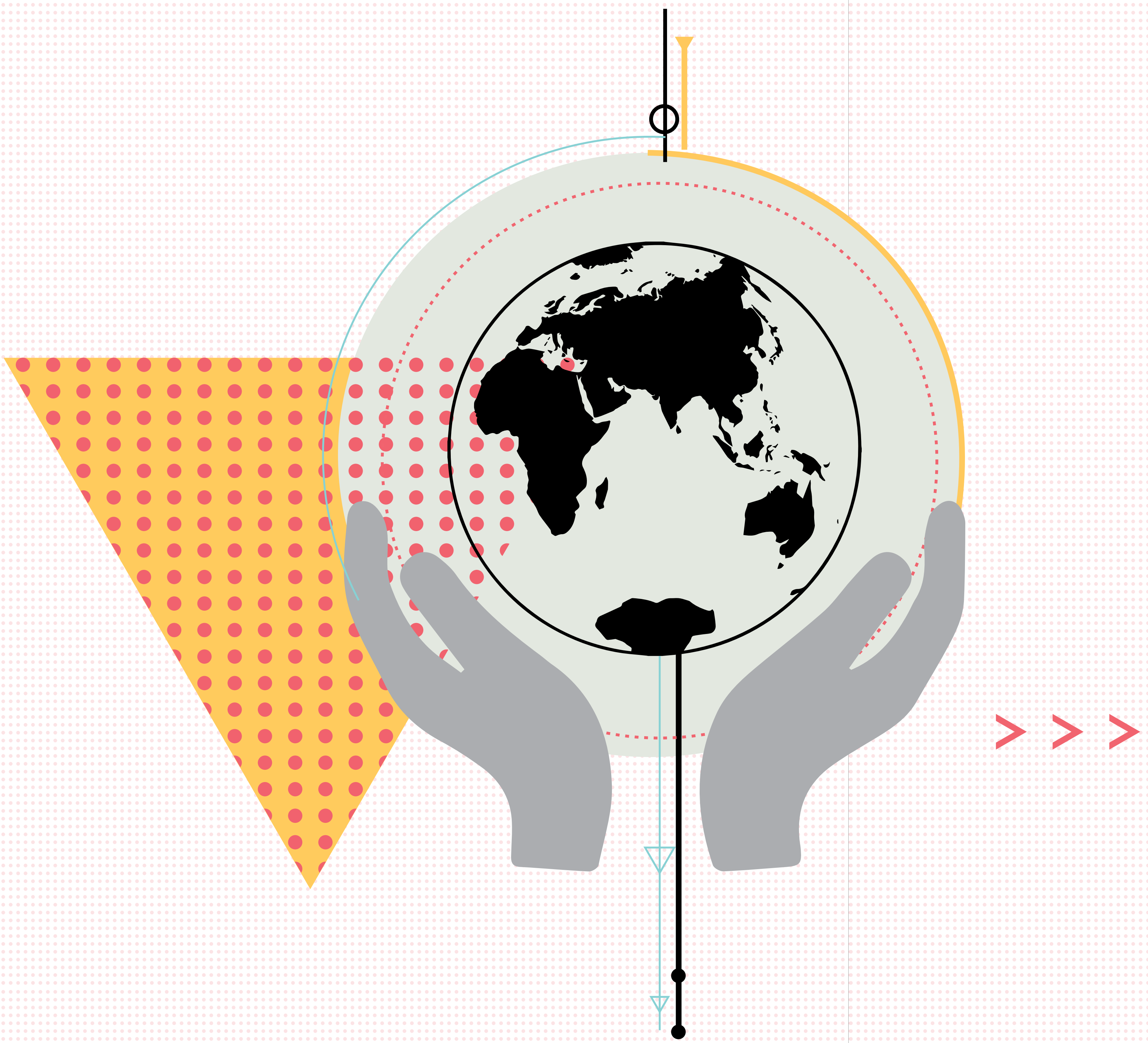
Sunshine Holdings PLC identified and enumerated on its strategies last year as those which are relevant to generate maximum value to all its stakeholders. These strategic imperatives remain current and relevant for the short to medium term and the future as well. We give below in summary, an update of our actions towards these strategies and immediate plans for the year ahead.

Increase the diversity of the Group's portfolio to maximise returns and mitigate risks.	In Healthcare the group has further reduced dependency on the Pharma sub-sector as a result of strong growth in the Devices and Retail sub-segments. This has somewhat reduced the impact of the drug price control levied on pharma products. > > > > In Consumer Goods, dependency on our star brand Watawala Tea was reduced by strong growth in premium brand Zesta. Furthermore, International sales, and strengthening distribution and sales of Zest water, helped expand the width of the revenue mix. > > > > The group also ventured into branding and retail of cinnamon based products under the 'Tribe' brand with 2 retail outlets targeting high tourist flow areas. > > > > Watawala Dairy farm has commenced commercial operations and expects to be stabilized in the next financial year with the 1,000 milking cows coming fully online.	Introduce new molecules and principles in Healthcare, and build our brands in the Wellness sub-sector. The group is also looking for opportunities in the healthcare industry for inorganic growth especially in the devices sector. > > > > Focus on the Zesta Connoisseur brand to create brand awareness in the international market. > > > > Support fledgling 'Tribe' brand, the new Cinnamon product range, to further support the product diversity. > > > > The group is evaluating options to extend down the value chain in dairy, given its strengths in brand building.

Increase the diversity of the Group's portfolio to maximise returns and mitigate risks.	The segregation of the Palm Oil business and the Tea Plantation business in to Watawala Plantations PLC and Hatton Plantations PLC will enhance the focus on each crop to further improve efficiencies. > > > > Commencement of operations of our second mini-hydro power plant has increase the revenue stream from the renewable energy business, and reduced dependency on a single plant.	The Renewable energy sector is focused on further enhancing their portfolio with commencement of the third MHP plant mid next year, and continuing to evaluate opportunities in other forms of renewable energy.
Increase the diversity of the Group's portfolio to maximise returns and mitigate risks.	Taking the Zesta Connoisseur brand to many countries around the world. > > > > The Consumer Goods sector incorporated subsidiaries in Hong Kong and China to strengthen its operations in the Far-East.	Build on the success of the Shangri-La rollout to get more partners in the HORECA segment.
Enhance wealth for all our stakeholders and remain amongst the top conglomerates in Return on Equity (ROE)	ROE increased to 16.9 Percent during 2017/18 due to better profitability in Agribusiness and Consumer Goods sectors coupled with stable returns in Healthcare. > > > > Maintained a consistent dividend policy from each sector and proposed to pay out a dividend of LKR 1.50 per share this year compared to LKR 1.75 paid last year.	Further consolidate operations in the Consumer Goods sector by venturing into businesses in which we can leverage our brand strengths through organic or inorganic growth. > > > > Further growth in palm oil volumes are expected by way of increased land productivity as the average age of the fields reach optimum levels.

Enhance wealth for all our stakeholders and remain amongst the top conglomerates in Return on Equity (ROE)	The Tea sub-segment of Watawala Plantations was split-off and incorporated and listed on the CSE as Hatton Plantations. > > > > Consolidated SUN's stake in EMSPL, the holding company for both the Consumer Goods and Agribusiness sectors. > > > > Increase in leverage to fund the EMSPL transaction has boosted ROE with the increase of the equity multiplier.	The 3rd Hydropower plant will commence operations in mid 2018 which will further enhance the scale of the Renewable Energy Sector. Once the third plant stabilizes, the total capacity will increase to 7MW. > > > > The group is exploring opportunities in other forms of renewable energy, namely solar and wind power.
Enhance the value of our human and natural capital.	Lower attrition rates achieved last year were maintained throughout the current year as a result of further fine tuning working culture. Emphasis was given to induction training and skills development in all levels. > > > > Operated two MHP projects utilizing two water bodies located on our own plantations. > > > > Leverage on the favourable climatic conditions in the Lonach Estate, which are ideal for Dairy Farming, to expand the commercial Dairy operation to 1,000 milking cows. > > > > Continued with Triple Bottom Line initiatives on our estates such as good agronomic practices and social sustainability projects. Details are elaborated in Page 110	Progressive and structured recruitment to develop a talent pool. > > > > Training and Development based on a competency matrix, and the business needs of the present, and the future. > > > > Proactively establishing an open communication culture among employees. > > > > Greater engagement through feedback from culture surveys. Institutionalized system to enhance employee professional development. > > > > Measures to increase worker retention and productivity on plantations.

Enhance the value of our human and natural capital.		Expand our presence in renewable energy through hydro and Solar power to further reduce our carbon footprint by leveraging natural resources. > > > > RSPO certification in recognition of the sustainable agri practices deployed to growth the Palm Oil business.
Leverage on and continue to strengthen relationships with all our stakeholders which include customers, partners, principals, investors, employees and society at large.	Improved the Group website to enhance communication with all stakeholders. > > > > Increased the customer footfall at retail outlets by providing superior customer service to our retail customers. > > > > Frequent investor relations meetings during 2017/18, while quarterly updating through the Group website. > > > > Attended two Invest Sri Lanka investor forums organized by the CSE to promote FDI in Sri Lankan listed companies. > > > > A detailed description of how the Group engaged society towards achieving sustainable growth is depicted in Page 110	Further increase our interaction with all our stakeholders by: a. attending supplier conferences b. developing investor relations c. interacting with society at large by way of meaningful and sustainable CSR projects. > > > > Leverage on Willmar's distribution network in China to penetrate into the Branded Tea market.



Trust

Corporate Governance

Foresight steered by responsibility and trust.

« Leading the way

The Board of Directors

Standing left to right : A.D.B Talwatte, B. A. Hulangamuwa, V. Govindasamy, S. G. Sathasivam. Seated : S. A. Munir

Standing left to right : D. A. Cabraal, S. Shishoo, H. D. Abeywickrama, N. B. Weerasekera. Seated : G. Sathasivam

Profile of The Board Of Directors

> > > > > > > > > > > >

Munir Shaikh - *Chairman*

Mr. Munir Shaikh was the Managing Director of Abbott Pakistan from 1970 to 1977. He was the Regional Manager-Caribbean and West Indies for Abbott based in Puerto Rico from 1977 to end 2008 and was posted to Abbott's headquarters in Chicago as Director Business Development from 1978 to 1982. He was the Regional Director for Pacific and Far East, based in Chicago, from 1983 to 1988 and then promoted as the Vice President Asia Pacific and Africa based in Singapore. Mr. Munir Shaikh is now retired from Abbott, a major healthcare company after 40 years of service but continues as the Chairman of the Board of Abbott India and Pakistan.

G. Sathasivam - *Director*

Mr. G. Sathasivam began his career in the pharmaceutical sector. Over the 50 years of success and innovation, he established Sunshine Healthcare Lanka Limited (SHL) into a leader in Sri Lanka's pharmaceutical industry. Not content to rest on his laurels, he drove the Group's diversification into uncharted territories – moulding Sunshine Holdings
into the pride of the nation.

Mr. Sathasivam's business acumen is recognized both in Sri Lanka and abroad. A testimony to the vote of confidence in his abilities is his close relationship with the TATA Group – an Indian and global corporate giant involved in a multitude of sectors. With confidence in the good stewardship of Mr. Sathasivam, the TATA Group initially joined hands with Sunshine Holdings to acquire a single regional plantation company in Sri Lanka. The fact that the TATA Group has subsequently moved into launching several joint ventures with Sunshine Holdings further underscores the recognition given to the management of Sunshine Holdings and the faith in its Founder.

V. Govindasamy - *Group Managing Director*

Mr. V. Govindasamy pioneered the Group's diversification into newer but key economic sectors such as renewable energy, telecommunications and Consumer Goods. In recognition of his achievements, the TATA Group invited Mr. V. Govindasamy to sit on several key committees in the House of TATA – a truly rare honour for a person in the corporate sector globally.

His international experience coupled with his innate managerial capability and innovative qualities enabled him to transform the plantation business, achieving perceptible improvement in quality, production standards and penetration into new markets. Under his managerial direction, the company established several new brands and consolidated and expanded its share in both domestic and international markets.

He holds a Bachelor of Science in Electrical Engineering and an MBA from the University of Hartford, USA. He is a Fellow Member of the Institute of Certified Professional Managers of Sri Lanka.

A. D. B. Talwatte - *Director*

Mr. A. D. B. Talwatte is a fellow member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Chartered Institute of Management Accountants of the UK, has served as the Country Managing Partner of Ernst & Young for over a decade. Besides his distinguished career of more than 37 years in Assurance, Business Risk and Advisory Services, Talwatte has served as the head of numerous leading industry bodies and has been closely associated with the development of Corporate Governance in Sri Lanka.

A former President of the Institute of Chartered Accountants of Sri Lanka (ICASL) (in 2002/2003) and the Chartered Institute of Management Accountants (in 1995/96), he now functions as the Chairman of Management Systems (Pvt) Limited (MSL) and also chairs the Committee reviewing the applicability of Integrated Reporting in Sri Lanka and the Committee reviewing the Corporate Governance Code.

N. B. Weerasekera - *Director*

(Resigned w.e.f. 28th May 2018)

Mr. N. B. Weerasekera is the Managing Director responsible for Sri Lanka and Bangladesh of The Abraaj Group, a leading investor in growth markets managing USD 7.5 billion in assets, operating through 31 offices in Asia, Africa, Latin America and the Middle East.

He is a Fellow Member of the Chartered Institute of Management Accountants, UK. He graduated from the University of Peradeniya in Physics and holds a Masters Degree in Economics from the University of Colombo.

B. A. Hulangamuwa - *Director*

Mr. B. A. Hulangamuwa is also a Director of Watawala Plantations PLC. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Certified Fraud Examiner (USA) and holds a Masters Degree in Business Administration the from University of Colombo.

S. G. Sathasivam - *Director*

Mr. S. G. Sathasivam is the Managing Director of Sunshine Healthcare Lanka Limited (SHL), Healthguard Pharmacy Limited and Watawala Tea Ceylon Limited. He graduated from The London School of Economics & Political Science, UK and holds a Masters in Business Administration from Kellogg School of Management, USA.

H. D. Abeywickrama - *Director*

Air Chief Marshal (Retd) Harsha Duminda Abeywickrama is a graduate of the Air Command & Staff College at Air University, Maxwell Air Force Base, Alabama, USA and the Royal College of Defense Studies, London UK. He holds a Master of Arts degree in

International Studies from King's College, the University of London and a Master of Science degree in Management from the Kotalawala Defense University, Sri Lanka.

Sanjeev Shishoo - *Director*

Mr. Sanjeev Shishoo is a qualified healthcare management professional holding a B. Pharma, M. Pharma and MBA from the Indian Institute of Management – Calcutta, a leading business school in India.

He was the Corporate Vice President, Global Shared Services, at Novo Nordisk a global healthcare company with more than 90 years of innovation and leadership in diabetes care. Headquartered in Denmark, Novo Nordisk employees approximately 41,700 people in 77 countries and markets its products in more than 165 countries.

He has previously been the Vice President, Business Area Oceania & South East Asia, based in Kuala Lumpur, Vice President, Regional Officer Far East based in Bangalore and Vice President of the Regional Office in India.

Mr. Sanjeev Shihoo has a track record of creating high performing teams that deliver ambitious targets and is skilled in Marketing strategy & implementation. Building healthcare brands has been his passion and was responsible for making Novo Nordisk's insulin, Mixtard, the number 1 Pharma brand in India.

Amal Cabraal - *Director*

Mr. Amal Cabraal is the former Chairman and CEO of Unilever Sri Lanka from tenure 2006 to 2013. He holds over 3 decades of business experience in general management, marketing and sales and currently serves as an independent non-executive director in many boards including John Keells Holdings PLC, Hatton National Bank PLC and Ceylon Beverage Holdings PLC.

Mr. Amal Cabraal holds a MBA from University of Colombo and Chartered Marketer and a Fellow of the Chartered Institute of Marketing – UK

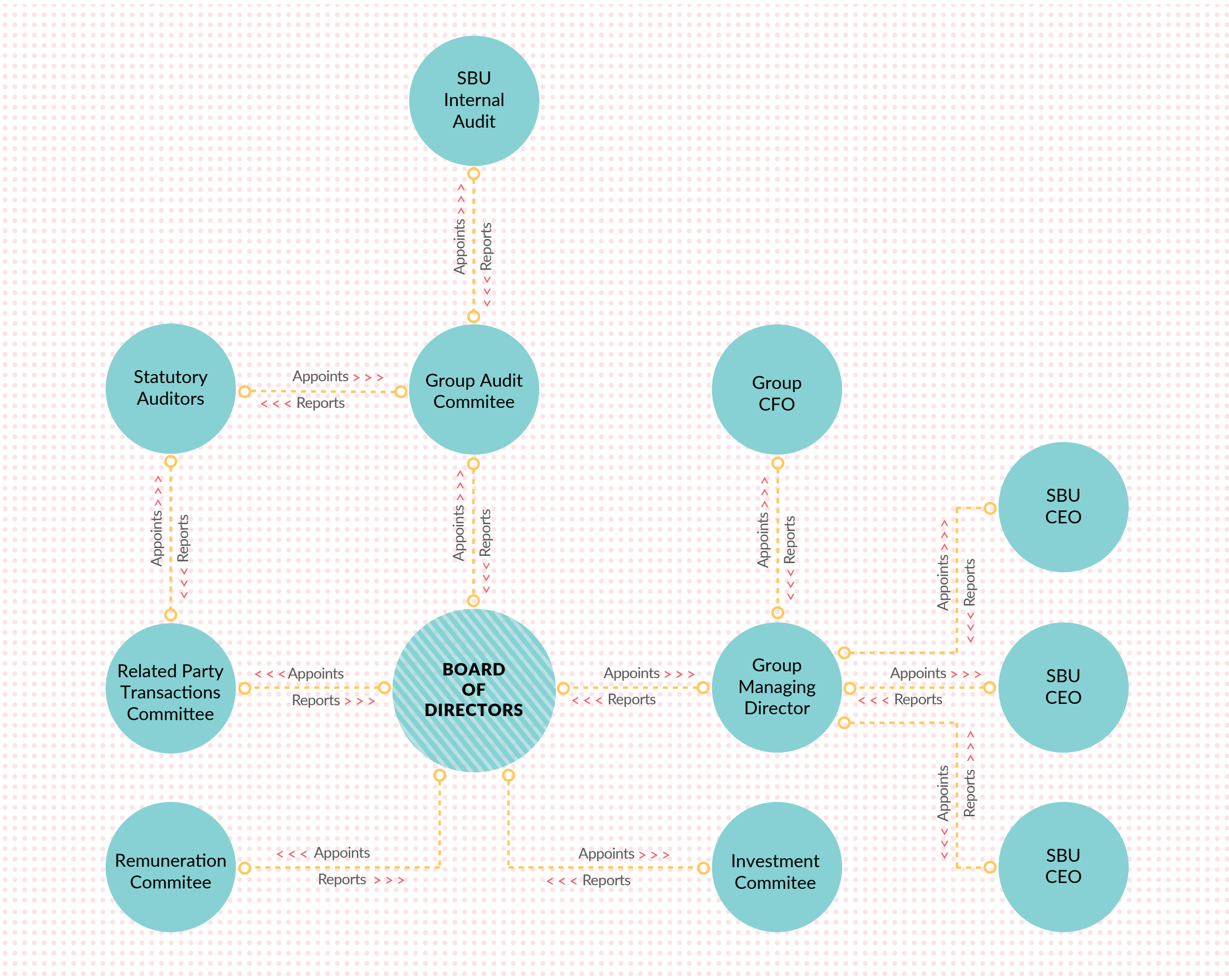
Corporate Governance Review

Sunshine Holdings PLC (SUN) is the holding company of four subsidiaries namely Sunshine Healthcare Lanka Limited, Estate Management Services (Pvt) Limited, Sunshine Packaging Lanka Limited and Sunshine Energy (Pvt) Limited. The Businesses of the Group companies are given on pages 46 to 81 of this report.

SUN believes that an important aspect of communication with stakeholders and other interested parties, is in compliance with best practice on corporate governance issued by the Institute of Chartered Accountants of Sri Lanka in 2017, the rules set out in Section 07 of the Listing Rules of the Colombo Stock Exchange and compliance with the Country's Legislative and Regulatory requirements relevant to the Group.

The Group's corporate governance framework provides the directors and the corporate management guidance on their responsibilities and duties. It defines the matters which requires board approval, delegate to management and requiring review by board sub-committee.

The SUN corporate governance framework is given in the following diagram.



The Board of Directors

The Company's business and operations are managed under the supervision of the Board, which consists of members with experience and knowledge in the areas of business, in which the company is engaged, with specific acumen in terms of commercial, financial and or technical expertise.

Board Responsibilities and Rights

The Board has the following powers to execute its responsibilities.

Strategic Direction

The Board provides vision, strategic direction and stewardship to the institution whilst transparency and accountability is maintained. The Board also reviews and monitors the Company's activities.

Business Performance

Reviews business results on a regular basis and guides the management by giving appropriate direction in achieving it's goals.

Management of Risks

With the consultation of the Audit Committee, a risk management system was developed and periodically reviewed. Review of the risk management is depicted in Page 155 of this report. Further, the Audit Committee report is also given in Page 160.

Code of Conduct and Ethics

The Company communicates it's code of conduct and ethics to all levels of the employees including it's board of directors.

Financial Performance of the Company

The Board meets at a minimum, once in three months to review the financial performance of the company. The Quarterly Financial Statements are reviewed by the Audit Committee before recommending to the Board of Directors for adoption and release to the public. Final dividends and interim dividends are considered and recommended by the Board of Directors.

Investor Rights and Relations

The Company communicates periodically with its shareholders through the quarterly reports. The Annual Report provides a comprehensive assessment of the Company's performance during the year.

Audit

An independent statutory audit is carried out annually and the appointment of auditors for the ensuing year is recommended to the shareholders at the Annual General Meeting.

Budget

The Board is responsible for approval of annual budgets, capital budgets and new projects.

Corporate Governance

Monitoring and reviewing Corporate Governance in accordance with the best practice framework issued by the Institute of Chartered Accountants of sri lanka.

Composition and Attendance at Meetings

The Board met quarterly to discharge its duties effectively. In addition, special Board Meetings are also held whenever necessary. A total of five (5) meetings including the Annual General Meeting were held in the financial year ended 31st March 2018. The attendances of Directors at these Meetings were as follows;

Attendance		
Name of Director	**No.**	**%**
Mr. Munir Shaikh	5/5	100%
Mr. G. Sathasivam	5/5	100%
Mr. V. Govindasamy	5/5	100%
Mr. S. G. Sathasivam	5/5	100%
Mr. N. B. Weerasekera*	4/5	80%
Mr. A.D. B. Talwatte	5/5	100%
Mr. B.A. Hulangamuwa	5/5	100%
Mr. H. Abeywickrama	5/5	100%
Mr. A. Cabraal	3/3	100%
Mr. S. Shishoo**	1/1	100%
Ms. R. Kobbekaduwa***	4/4	100%
Dr. T. Senthilverl****	0/1	0%

* Mr. N. B. Weerasekera resigned from the Board w.e.f. 28th May 2018

** Mr. S. Shishoo appointed to the Board w.e.f. 18th December 2017

*** Ms. R. Kobbekaduwa resigned from the Board w.e.f. 31st December 2017

**** Dr. T. Senthilverl resigned from the Board w.e.f. 31st May 2017

Financial Acumen

The Board comprises of two Senior Chartered Accountants and both of them serve as members of the Audit Committee and Related Party Transaction Review Committee.

Board Balance

The Board consists of ten (10) members. Eight (8) members are Non-Executive Directors (including the Chairman) and two (2) are Executive Directors. Six (6) Non-Executive Directors are independent as defined under the Listing Rules of the Colombo Stock Exchange.

The Non-Executive Independent Directors are;

Mr. Munir Shaikh
Mr. N. B. Weerasekera
Mr. S. Shishoo**
Mr. H. Abeywickrama
Mr. A.D.B Talwatte
Mr. A. Cabraal

**Appointed to the Board with effect from 18th December 2017.

The Company maintains a Board balance of executive, non executive and independent Directors as required under Listing Rules of the Colombo Stock Exchange. Together, the Directors with their wide experience in both the public and private sectors and diverse academic backgrounds provide a collective range of skills, expertise and experience, which is vital for the successful direction of the Group.

There is a distinct and clear division of responsibility between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority. The roles of the Chairman and the Group Managing Director are separated and clearly defined. The Chairman is responsible for ensuing Board effectiveness and conduct whilst the Group Managing Director has overall responsibilities over the operating units, organizational effectiveness and implementation of Board policies and decisions.

Supply of Information

Directors are provided with quarterly reports on performance, minutes of quarterly meetings and such other reports and documents as necessary. The Chairman ensures all Directors are adequately briefed on issues arising at Meetings.

Re-election of Directors

The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next annual general meeting and seek re-appointment by the shareholders at that meeting. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/re-appointment. Retiring Directors are generally eligible for re-election. In addition, a newly appointed Director is required to submit himself for retirement and re-election at the Annual General Meeting immediately following his appointment. The Managing Director does not retire by rotation.

Directors Remuneration

The objectives of the Company's policy on Directors remuneration it to attract and retain Directors of the caliber needed to direct the group successfully. In the case of the executive Director, the component parts of the remuneration are structured so as to link rewards to corporate and individual performance. Performance is measured against profits and other targets set from the Company's annual budget and plans, and from returns provided to shareholders. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Director concerned.

The Remuneration Committee recommends to the Board the frameworks of the Executive Director's remuneration and the remuneration package for the Executive Director. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of the executive Director. The Director's remuneration is disclosed in Note No. 34.4 of the Financial Statements.

Company Secretaries

The services and advice of the Company secretaries are made available to Directors as necessary. The company secretaries keep the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.

Corporate Services (Private) Limited having their registered office at No, 216, De Saram Place, Colombo 10 are the Company secretaries since 1st April 2016.

Going Concern

The Directors after making necessary inquiries and reviews including reviews of the Group's budget for the ensuring year, capital expenditure requirements, future prospects and risks, cash flows and borrowings facilities, have a reasonable expectation of the Company's existence in the foreseeable future. Therefore, the going concern basis is adopted in the preparation of the Financial Statements.

Internal Control

The Board is responsible for the Company's internal controls and for reviewing their effectiveness. Internal control is established with emphasis placed on safeguarding assets, making available accurate and timely information and imposing greater discipline on decision making. It covers all controls, including financial, operational and compliance control and risk management. It is important to state, however that any system can ensure only reasonable and not absolute, assurance that errors and irregularities are prevented or detected within a reasonable time.

Communication with Stakeholders

Shareholders are provided with quarterly Financial Statements and the Annual Report which the Group considers as its principle communication with them and other stakeholders. These reports are provided to the Colombo Stock Exchange and also published in print media. Shareholders may bring up concerns they have, either with the Chairman or Group Managing Director as appropriate. Sunshine Holdings PLC's website www.sunshineholdings.lk and websites of listed companies within the Group serve to provide a wide range of information on the Group. The Company has reported a fair assessment of its position via the published audited Financial Statements and quarterly accounts. In preparation of these documents, the company has complied with the requirements of the Companies Act No. 07 of 2007 and in accordance with the Sri Lanka Accounting Standards.

Delegation of Board Authority - Board Committees

The Board in discharging its duties, establishes various Board Committees. The function and terms of reference of the Board Committee are clearly defined and where applicable, comply with the recommendations of the code of best practice on corporate governance. The group has four Board sub committees,

Audit Committee
Nomination & Remuneration Committee
Investment Committee
Related Party Transactions Committee

However, the Board of Directors are collectively responsible for the decisions taken on the recommendation by Board Sub Committees.

Audit Committee

The Audit Committee provides an oversight on the Financial Statements and other related information prepared for presentation for external financial reporting, review the work of the internal audit function and ensures that the external auditor carry out their statutory duties in an independent and objective manner, It also assists the Board in ensuring a sound system of internal control. The Committee has full access to the auditors both internal and external who, in turn, have access at all times to the Chairman of the Committee. The Committee meets with the external auditors without any executives present except for the Group Secretaries, at least once a year. The report on the Audit Committee is presented on page 143 and the duties of the Audit Committee are included therein.

Nomination and Remuneration Committee
The Nomination Committee reviews the board composition to ensure board balance and adequacy of skills and experiences among the members of the Board. It recommends any new appointments to the Board.

The Remuneration Committee recommends to the Board, the remuneration policy and the remuneration to be paid to each Executive director. The Remuneration Committee reviews the Group's remuneration policy and the remuneration packages of executive employees of the Group.

Investment Committee
The role of the Investment Committee is to review capital expenditure budgets and new projects and make recommendations to the Board of Directors.

Related Party Transactions Committee
The Committee exercises oversight on behalf of the Board, that all Related Party Transactions (RPTs, other than those exempted by the CSE listing rules on the RPTs) are carried out and disclosed in a manner consistent with the CSE Listing Rules.

Membership of Sub Board Committees are listed below.

	Appointment to The Board	Nomination & Remuneration Committee	Audit Committee	Investment Committee	Related Party Transactions Committee
Executive					
V. Govindasamy	08/02/2000				
S. G. Sathasivam	13/06/2006				
Non-Executive					
G. Sathasivam	08/02/2000	x			
B. A. Hulangamuwa	01/02/2002		x		x
Independent Non-Executive					
Munir Shaikh	16/07/2010	x			
N. B. Weerasekara***	21/11/2008	x	x	x	x
S. Shishoo*	18/12/2017		x		x
Mr. A. Talwatte	30/05/2016	x	x	x	x
R. Kobbekaduwa**	30/05/2016		x		x
A. Cabraal	30/05/2017			x	
H. Abeywickrama	30/06/2014		x		x

*Appointed w.e.f 18th December 2017. **Resigned w.e.f. 31st December 2017. ***Resigned w.e.f. 28th May 2018.

Corporate Governance Disclosure
The Company has published quarterly financial statements with the necessary explanatory notes as required by the rules of the Colombo Stock Exchange and the Securities and Exchange Commission of Sri Lanka to all stakeholders. Any other financial and non-financial information, which is price sensitive or warrants the shareholders and stakeholders' attention and consideration is promptly disclosed to the public.

Subject	Rule/ Code No	Compliance Requirement	Compliance Status	Section	Page No
The Board of Directors	A 1	Company to be headed by an effective Board to direct and control the company.	Complied	Profile of the Board	129
	A 1.1	Regular Board meetings	Complied	Composition & attendance	132
	A 1.2	Responsibilities	Complied	Board Responsibility	132
	A 1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	Complied	Annual Report of the Board of Directors	147
	A 1.4	Access to Company Secretary	Complied	Communication with stakeholders	134
	A 1.5	Bring Independent judgment on various business issues and standards of business conduct	Complied	The Directors are permitted to get professional advice when necessary and the Directors of SUN group has obtained professional advice for certain matters during the year and coordinated through company secretaries.	134
Chairman and Group Managing Director (GMD)	A 2	Chairman and GMD's division of responsibilities to ensure a balance of power and authority	Complied	The Chairman does not involve himself in day-to-day operations of the Group and acts as an independent Non-Executive Director. The GMD executes powers given by the Chairman and the Board to run the operation.	133
Chairman's Role	A 3	Facilitate the effective discharge of Board functions	Complied	The Chairman is responsible for conducting meetings effectively and he preserves order and implements board decisions taken.	133
	A 3.1	Ensure Board proceedings are conducted in a proper manner	Complied	The Chairman is responsible for the effective participation of both executive & non-executive directors, their contribution for the benefit of the group, balance of power between executive & non-executive directors and control of group's affairs and communicate to stakeholders.	133
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Profile of the Board	129
Board Balance	A 5.1	Non-Executive Directors	Complied	Eight (8) out of Ten (10) are Non-Executive Directors	133

Subject	Rule/ Code No	Compliance Requirement	Compliance Status	Section	Page No
	A 5.2	Independent Non-Executive Directors	Complied	Six (6) out of Eight (8) Non-Executive Directors are independent	133
	A 5.3	Independent Non-Executive Directors	Complied	All independent Non-Executive Directors are in fact free of any business with the group and are not involved in any activity that would affect to their independence.	133
	A 5.4	Annual Declaration	Complied	Submitted the declarations as prescribed	133
	A 5.5	Determination of independence of the Directors	Complied	The independence of Directors is determined based on declarations submitted by the Non-Executive Directors.	133
Supply of Information	A 6.1	Provide appropriate & timely information to the Board	Complied	Directors are provided quarterly performance reports, minutes of review meetings and other relevant documents in advance to the board meeting	133
	A 6.2	Adequate time for effective conduct of Board meeting	Complied	The minutes, agenda and reports for the board meeting are provided well before the meeting date.	133
Appointments to the Board	A 7	Formal and transparent procedure for Board appointments	Complied	Nomination committee makes recommendations to the Board on new Board appointments	135
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied	Nomination committee makes recommendations to the Board on new Board appointments	135
	A 7.2	Assessment of the capability of the Board to meet strategic demands of the company	Complied	Profile of the Board	129
	A 7.3	Disclosure of New Board member profile and interests	Complied	Profile of the Board	129
Re election	A 8 – 8.2	Board members should be subject to election, and re-election by shareholders	Complied	Re-election of Directors	133
Appraisal of Board performance	A 9 – 9.3	Existence of Board evaluation methods and execution	Complied	The Chairman & Remuneration committee evaluates the performance of the Executive Directors	135
Disclosure of information in respect of Directors	A 10 – 10.1	Profiles of Directors Directors' interests Board meeting attendance Board committee memberships	Complied	Profile of the Board	129
Appraisal of GMD	A 11 – 11.2	Appraisal of the GMD against the set strategic targets	Complied	Evaluation is done by the Chairman & Remuneration committee based on the financial & non-financial targets set with the discussion of the committee.	135
Directors' Remuneration	B 1	Establishment of the Remuneration Committee			135

Subject	Rule/ Code No	Compliance Requirement	Compliance Status	Section	Page No
	B 1 – 1.3	Membership of the remuneration committee to be disclosed and should only comprise of Non-Executive Directors	Complied	Discussed under sub committees	135
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Discussed under sub committees	135
Relations with Shareholders	C 1.1	Counting of proxy votes	Complied	A Form of Proxy accompanies the Annual Report, when they are dispatched to the shareholders. The Chairman makes and announcement of the proxies received at the commencement of the General Meeting	298
	C 1.2	Separate resolution to be proposed for each item	Complied	The Company propose a separate resolution at the AGM on each significant issue.	296
	C 1.3	Heads of Board subcommittees to be available to answer queries	Complied	Sub-committee Chairmans are present at the AGM	298
	C 1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute	Complied	A copy of Annual Report including financials, Notice of Meeting and the form of Proxy are sent to shareholders 15 working days prior to the date of the AGM.	298
	C 1.5	Summary of procedures governing voting at General Meetings to be informed	Complied	Circulated through Notice of the Annual General Meeting	296
Major Transactions	C 2 - 2.1	Disclosure of all material facts involving any proposed acquisition, sale or disposal of assets	Complied	Major transactions of the Group were disclosed to all stakeholders through the Colombo Stock Exchange, print media, and the Company website	143
Accountability & Audit	D 1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	Complied	Annual Report of the Board of Directors	147
	D 1.2 – 1.5	Declaration by the Directors that the company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary	Complied	Annual Report of the Board of Directors	147
	D 1.3	Statement of Directors' responsibility	Complied	Directors' Responsibility report	163
	D 1.4	Management Review & Preview	Complied	Segment Analysis	145

Subject	Rule/ Code No	Compliance Requirement	Compliance Status	Section	Page No
Internal Control	D 2.1	Annual review of effectiveness of the system of internal control.	Complied	Internal Auditors carry out an independent review, and report directly to the Audit Committee.	143
Audit Committee	D 3.1	Audit Committee composition	Complied	Composition of Audit Committee	134
	D 3.2	Terms of reference, duties and responsibilities	Complied	Clearly documented to Audit Committee charter	134
Communication with Shareholders	E 1 – 1.1	Regular dialogue to be maintained with shareholders	Complied	Shareholders are provided Quarterly Financial Statements and the Annual Report. These reports are also available in the Group website & provided to the Colombo Stock Exchange.	134

Levels of Compliance with the CSE's Listing Rules Section 07 - Rules on Corporate Governance are given in the following table.

Subject	Rule No.	Applicable Requirement	Compliance Status	Details	Page No
Non-Executive Directors	7.10.1	At least one third of the total number of Directors should be Non-Executive Directors	Complied	Eight (8) out of Ten (10) Directors are Non-Executive Directors	133
Independent Directors	7.10.2 (a)	Two or one-third of Non- Executive Directors, whichever is higher should be independent	Complied	Six (6) out of Eight (8) Non-Executive Directors are independent	133
Independent Directors	7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/ non-independence in the prescribed format	Complied	Non-Executive Directors have submitted these declarations	133
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Please refer page 133	133
Disclosure relating to Directors	7.10.3 (b)	The basis for the Board to determine a director is independent, if criteria specified for independence is not met	Complied	Given in page 133 under the heading of Board balance	133
Disclosure relating to Directors	7.10.3 (c)	A brief resume of each director should be included in the Annual Report and should include the Director's areas of expertise	Complied	Profile of Directors	129

Subject	Rule No.	Applicable Requirement	Compliance Status	Details	Page No
Disclosure relating to Directors	7.10.3 (d)	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (d) to the CSE	Complied	Brief resumes have been provided to the Colombo Stock Exchange	129
Remuneration Committee	7.10.5	A listed company shall have a Remuneration Committee	Complied	Remuneration Committee comprises of Mr. Munir Shaikh Mr. N. B. Weerasekera Mr. G. Sathasivam Mr. A.D. B. Talwatte	135
Composition of Remuneration Committee	7.10.5 (a)	Shall comprise Non-Executive directors a majority of whom will be independent	Complied	All members are Non-Executive and Three (3) out of Four (4) are independent	135
Remuneration Committee Functions	7.10.5 (b)	Shall recommend the remuneration of the GMD and the Executive Directors	Complied	As above	135
Disclosure in the Annual Report relating to Remuneration Committee	7.10.5 (c)	The Annual Report should set out Names of Directors comprising the Remuneration Committee.	Complied	Please refer page 135	135
		Statement of Remuneration Policy.	Complied	Please refer page 133	133
		Aggregated remuneration paid to Executive and Non-Executive Directors.	Complied	Note No 34.4 of Financial Statement	279
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Please refer Report of the Audit Committee on page 143	143
Composition of Audit Committee	7.10.6 (a)	Shall comprise of Non-Executive Directors, majority of whom will be independent	Complied	Four (4) out of Five (5) Directors are Independent Non-Executive Directors	135
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an Independent Non-Executive Director	135
		GMD and Group Chief Financial Officer should attend Audit Committee Meetings	Complied	GMD and Group Chief Financial Officer attend meetings by invitation	135

Subject	Rule No.	Applicable Requirement	Compliance Status	Details	Page No
		The Chairman of the Audit Committee or one member should be a member of a professional Accounting body	Complied	Two (2) members are Qualified Accountants	129
Audit Committee functions	7.10.6 (b)	Should be as outlined in the section 7.10 of the listing rules	Complied	The terms of reference of the Audit Committee have been ratified by the Board	143
Disclosure in the Annual Report relating to Audit Committee	7.10.6 (c)	a. Names of the Directors comprising the Audit Committee	Complied	Please refer page 135	135
		b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Complied	Please refer Audit Committee Report on page 143	143
		c. The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions.	Complied	Please refer Audit Committee Report on page 143	143

Report of the Nomination and Remuneration Committee

The Nomination and Remuneration Committee appointed by the Board of Directors comprises four Directors namely Messrs. Munir Shaikh, N. B. Weerasekera, G. Sathasivam and A.D.B Talwatte. Other Directors attend Committee Meetings by invitation. The Secretaries of the company act as Secretaries for the Nomination and Remuneration Committee. The minutes of the Nomination and Remuneration Committee and a summary of papers approved by the said Committee are circulated and affirmed by the Board of Directors.

As per the Charter of the Nomination and Remuneration Committee of the Company, the Committee is responsible for setting the remuneration policy of the Company and determining remuneration packages of all Senior Managers and Directors. The Committee also discusses and advises the Senior Directors and Group Managing Director on structuring remuneration packages for the corporate management. This enables the Company to attract, retain and motivate high calibre individuals with the skills and abilities required to lead the organization.

The Committee recommends the appointment of Directors to the Board. The Committee has the authority to seek external independent professional advice on matters within its purview.

Munir Shaikh
Chairman
28th May 2018

Report of the Audit Committee

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The Audit Committee was established in 2006. The Committee consists of five (5) members and two members are Senior Chartered Accountants. The Committee is chaired by Mr. A.D. B. Talwatte, and Corporate Services (Private) Limited, the Secretaries of the Company function as the Secretaries to the Audit Committee. The Group Managing Director attends meetings by invitation. The Group Chief Financial officer, and other Head of Finance personal of the Group attend meetings as and when required. The input of statutory auditors is obtained where necessary. The Charter for the Audit Committee is in line with the code of best practices. The Audit Committee reviews the charter annually and is updated to reflect current developments and other matters considered necessary by the Committee.

Meetings

The Audit Committee met eight (8) times during the year. Attendance of the Committee members at each of these meetings is as follows.

Attendance

A.D. B. Talwatte (Chairman) - Independent Non-Executive
08 of 08 meetings

N. B. Weerasekera (Member) – Independent Non-Executive
(Resigned on 28th May 2018)
08 of 08 meetings

H. Abeywickrama (Member) - Independent Non-Executive
08 of 08 meetings

B. A. Hulangamuwa (Member) - Non-independent Non- Executive
07 of 08 meetings

S. Shishoo (Member) - Independent Non-Executive
Appointed to Audit Committee w.e.f. 08th February 2018

R Kobbekaduwa (Member) - Independent Non-Executive
(Resigned on 31st December 2017)
06 of 06 meetings

The Audit Committee and its Responsibilities

The main objective of the Audit Committee is to ensure that the Company complies with applicable financial reporting standards and relevant laws and regulations governing financial reporting. The Audit Committee obtains the representation from the Group Chief Financial Officer on the adequacy and effectiveness of internal control systems, fraud, and going concern. The committee reviews the published financial statements, assess compliance with regulatory requirements, considers the impact of risks, fraud and errors in the financial statements, Internal Audit Reports and recommends the appointment and remuneration of the external auditors.

The Report of the Audit Committee to the Board of Directors of Sunshine Holdings PLC

Management of Sunshine Holdings PLC is responsible for its internal control and financial reporting including the preparation of consolidated financial statements. Independent Auditors are responsible for auditing annual consolidated financial statements in accordance with generally accepted auditing standards and ensuring that the financial statements truly and fairly present the results of operations and the financial position of the Company. The independent auditors are also responsible for issuing an opinion on those financial statements. The Audit Committee monitors and oversees these processes. The Audit Committee annually recommends to the Board for its approval an independent accounting firm to be appointed as the Company's independent auditors.

To fulfill its obligations the Audit Committee carried out the following activities

• Reviewed and discussed with the Company's management and the independent auditors, the consolidated financial statements for the financial year ended 31st March 2018. Reviewed the management's representations to ensure that the consolidated financial statements are prepared in accordance with Sri Lanka Financial Reporting Standards, truly and fairly present the results of operations and the financial position of the Company.

•Recommended that Board Select KPMG Chartered Accountants as independent auditors to audit and report on the annual consolidated and the company's financial statements and forward copies of the Annual Report to the Colombo Stock Exchange prior to the Annual General Meeting.

• Reviewed the procedures for identifying business risk and management of its impact on the Group.

• Reviewed the operational effectiveness of internal controls.

• Reviewed and discussed with the Management, the annual and the quarterly financial statements prior to their release, including the extent of compliance with the Sri Lanka Accounting Standards and the Companies Act, No. 7 of 2007.

• Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. The Group Chief Financial Officer submitted to the Audit Committee on a quarterly basis, a report on the extent to which the Company was in compliance with mandatory statutory requirements.

External Auditor

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from the Sunshine Holdings PLC and its subsidiaries. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka. The Committee also met the External Auditors without management being present, prior to the finalisation of the financial statements.

Conclusion

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and the reported financial results present a true and fair view. The Audit Committee concurs that the adoption of the going concern premise in the preparation of the Financial Statement is appropriate. The Audit Committee recommends to the Board of Directors that the financial statements as submitted be approved.

On behalf of the Audit Committee;

A.D. B. Talwatte
28th May 2018

Related Party Transactions Review Committee Report

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The Board Related Party Transactions Review Committee (the Committee) has been established in terms of the Section 9 of the Listing Rules of the Colombo Stock Exchange (the “Rules”). The Committee comprises Four (4) Non- Executive Independent Directors and One (1) Non-Executive Non Independent Director, further Two (2) committee members are Senior Chartered Accountants. The Committee’s composition as at 31st March 2018 is:

- A.D. B. Talwatte (Chairman) - Independent Non-Executive
- N. B. Weerasekera (Member) - (Resigned on 28th May 2018) Independent Non-Executive
- H. Abeywickrama (Member) - Independent Non-Executive
- B. A. Hulangamuwa (Member) - Non-Independent Non- Executive
- S. Shishoo* (Member) - Independent Non- Executive
- R. Kobbekaduwa (Member) – (Resigned on 31st December 2017)

*Appointed to Audit Committee W.e.f. 08th February 2018

The above composition is in compliance with the provisions of the Code and the Rules regarding the composition of the Committee. Brief profiles of the members are given on page 129 to 130 of the Annual Report. The Company Secretary functions as the Secretary to the Committee.

Meetings

The Committee met four (4) times during the year. Attendance of the Committee members at each of these meetings is as follows.

- A.D. B. Talwatte - 04 of 04 meetings
- N. B. Weerasekera - 04 of 04 meetings (Resigned on 28th May 2018)
- H. Abeywickrama - 04 of 04 meetings
- B. A. Hulangamuwa - 04 of 04 meetings
- R. Kobbekaduwa – 03 of 03 meetings (Resigned on 31st December 2017)
- S. Shishoo - Appointed on 08th February 2018

Terms of Reference

The role and functions of the Committee are regulated by the Rules.

Role and Responsibilities

The mandate of the Committee is derived from the Rules and includes mainly the following:

1. Developing and maintaining a Related Party Transactions Policy consistent with the provisions of the Rules for adoption by the Board of Directors of the Company (the Board) and its subsidiaries.

2. Reviewing all proposed Related Party Transactions (“RPTs”) in compliance with the provisions of the Rules.

3. Advising the Board on making immediate market disclosures and disclosures in the Annual Report where necessary, in respect of RPTs, in compliance with the provisions of the Code and the Rules, Procedures and Directives/ Guidelines adopted by the Committee for reviewing RPTs.

4. Ensuring that Procedures/Directives/ Guidelines are issued to compel all RPTs to be referred to the Committee for review.

Review Function of the Committee

Review of the relevant RPTs by the Committee takes place quarterly. The Committee has communicated its observations to the Board RPTs published in the Note 34.2 to the Financial Statements.

Reporting to the Board

The minutes of the Committee meetings are tabled at Board meetings enabling all Board members to have access to same.

Professional Advice

The Committee has the authority to seek external professional advice on matters under its purview. The RPTs are audited by the Group external auditors, Messrs KPMG as part of the annual audit process.

On behalf of the Board Related Party Transactions Review Committee

A.D. B. Talwatte
Related Party Transactions Review Committee
28th May 2018

Annual Report of the Board of Directors

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The Directors have pleasure in presenting the 45th annual report of your company together with the audited financial statements of Sunshine Holdings PLC (SUN), and the audited consolidated financial statements of the group for the year ended 31st March 2018. The details set out herein provide the pertinent information required by the Companies Act No.7 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices

General

Sunshine Holdings PLC was incorporated on 16th June 1973 as a limited liability company engaged in travel business under the name of Sunshine Travels Ltd and subsequently converted to a public limited liability company.

Principal Activities

Sunshine Holdings PLC is the group's holding company. The principle activities of the company during the year under review were investment in subsidiaries and other investments where the group's interest in equity capital is less than 20 percent or where the group does not exercise significant influence or control over the financial and operating policies, which together constitute the Sunshine Holdings Group. The company and its business activities are described in the Annual Report.

Powerful Vision & Beliefs

The company's Powerful Vision & Beliefs are given on page 1 of this report. The business activities of the company are conducted with the highest level of ethical standards in achieving its Vision and Beliefs.

Review of Business Segments

The statement of accounts was approved by the Board of Directors on 28th May 2018. The financial and operational performance and outlook of the company and the sectors, and its business units are best described in the Management Review and Preview section of the Annual Report. This report, together with the audited financial statements, reflects the state of affairs of the company and the group.

Segment wise contribution to group revenue, results, assets and liabilities is provided in Note 31 to the financial statements.

Financial Statements

The financial statements which include the statement of profit or loss and other comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity and the notes to the financial statements of the company and the group for the financial year ended 31st March 2018 are set out on page 173 to 282.

Audit Reports

The report of the Independent Chartered Accountants on the financial statements is given on page 165.

Significant Accounting Policies

The accounting policies adopted in the preparation of the financial statements are given on page 185 to 282 There were no changes in the accounting policies adopted in the previous year for the company and the group, other than the ones stated.

Donations

The company made donations of LKR 2.4 million to National Health Development Fund – Cancer Hospital and LKR 2.6 million for a Higher education project by Higher Institute of Technology (Gurantee) Limited during the year 2017/18.

Directors

The Board of Directors of the company as at 31st March 2018 and their brief profiles are given in the Board of Directors section of the Annual Report.

Mr. Munir Shaikh is over 70 years of age, and a resolution is proposed that the age limit stipulated in Section 210 of the Companies Act No 7 of 2007 shall not apply to him and that he be re-elected as a director of the company. In accordance with Article 104 of the Articles of Association of the company, Mr. G. Sathasivam, Mr. S. G. Sathasivam and Mr. A.D.B. Talwatte retire by rotation and, being eligible, offer themselves for re-election. As a newly appointed director, Mr. S. Shishoo offers himself for re-election in accordance with article 110 of the Articles of Association of the company.

The group directory details the names of persons holding office as Directors of the company and all its subsidiary and associate companies as at 31st March 2018 and the names of persons who were appointed or who ceased to hold office as Directors during the period.

The Directors are responsible for the preparation of financial statements of the company and the 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 and the Listing Rules of the Colombo Stock Exchange.

Directors

The Directors of the Company as at 31st March 2018 were:

- Mr. Munir Shaikh – Chairman
- Mr. G. Sathasivam
- Mr. V. Govindasamy - Group Managing Director
- Mr. S. G. Sathasivam
- Mr. A. Hollingsworth (Resigned w.e.f. 17th April 2017)
- Mr. N. B. Weerasekera (Resigned w.e.f. 28th May 2018)
- Mr. H. D. Abeywickrama
- Dr. T. Senthilverl (Resgined w.e.f. 31st May 2017)
- Mr. B. A. Hulangamuwa
- Mr. A.D. B. Talwatte
- Ms. Roshini Kobbekaduwa (Resigned w.e.f. 31st December 2017)
- Mr. D.A. Cabraal (Appointed w.e.f. 31st May 2017)
- Mr. S. Shishoo (Appointed w.e.f. 18th December 2017)

The profile of the Directors are given on pages 129 to 130.

Directors Interest in Contracts and Proposed Contracts

Except as stated in Note 34.2 to these Financial Statements, during and at the end of the financial year 2018, none of the directors were directly interested in contracts or proposed contracts connected with the Company's business.

Directors and Key Management Remuneration

The Directors and the Key management remuneration, in respect of the Company and the Group for the financial year 2018, are given in Note 34.4 of the Financial Statements.

Directors' Shareholding

The details of shares held by the Directors as at the end of the financial year are as follows:

	2018	2017
Mr. Munir Shaikh	–	–
Mr. G. Sathasivam	3,030	1,000
Mr. V. Govindasamy	447,763	443,330
Mr. S. G. Sathasivam	1,010	1,000
Mr. A.D. B. Talwatte	1,010	1,000
Mr. N. B. Weerasekera	–	–
Mr. B. A. Hulangamuwa	57,524	56,955
Mr. H. D. Abeywickrama	–	–
Mr. D.A.Cabraal	–	–
Mr. S. Shishoo	–	–

None of the Directors other than those mentioned above hold any shares in the Company.

Revenue

Revenue generated by the company amounted to LKR. 395 million (2016/17 - LKR. 415 million), whilst group revenue amounted to LKR. 21.2 billion (2016/17 - LKR. 18.9 billion). Contribution to group revenue, from the different business segments is provided in Note 4.3 to the financial statements.

Result and Appropriation

The total comprehensive income of the holding company was LKR. 184 million (2016/17 - LKR. 197 million) whilst the group profit attributable to owners of the parent for the year was rs. 873 million (2016/17 – LKR. 597 million). The results for the year under review and changes in equity are stated in the Statement of Profit or Loss and Other Comprehensive Income and in the Statement of Changes in Equity on pages 177 and 180 respectively.

Dividend

The Directors recommend that a final cash dividend of LKR 136,492,280 equivalent to LKR 1.00 per ordinary share and in the form of scrip dividend LKR 68,246,140 equivalent to LKR 0.50 per ordinary share (2016/17 LKR 236,496,726 equivalent to cash dividend of LKR 1.25 and scrip dividend of LKR 0.50 per ordinary share) to be paid to those shareholders on the register of shareholders at the close of business on the ex-dividend date.

Prior to recommending the dividend and in accordance with Section 56(2) and (3) of the Companies' Act No. 7 of 2007, the Board of Directors signed a Certificate stating that, in their opinion, based on available information, the Company will satisfy the solvency test immediately after the distribution is made and have obtained a certificate from the Auditors in terms of Section 57 of the Companies' Act. Shareholder approval will be sought on the day of the AGM, to declare and pay a cash dividend of LKR 1.00 and scrip dividend of LKR 0.50 per share. Detailed description of the results and appropriations are given below.

	Group		Company	
	2018 (LKR)	2017 (LKR)	2018 (LKR)	2017 (LKR)
Revenue	21,235,736,058	18,890,754,460	395,125,164	414,779,815
Profit & Appropriations				
Profit before Interest & Income Tax	2,580,028,236	2,072,983,276	122,912,751	107,404,856
Less: Net Finance Cost	(156,173,226)	(30,129,765)	25,645,590	83,395,975
Profit Before Income Tax	2,422,814,625	2,042,853,511	148,558,341	190,800,831
Income Tax	(618,292,028)	(430,088,964)	-	(342,692)
Profit for the Year	1,804,522,596	1,612,764,547	148,558,341	190,458,139
Other Comprehensive Income (Net of Tax)	68,902,741	94,713,453	35,762,731	6,968,821
Total Comprehensive Income	1,662,600,507	1,715,934,167	184,321,072	197,426,960
Less: Profit for non-controlling shareholders	(998,181,138)	(1,109,914,580)	-	-
Profit for Owners of the Company	664,419,369	606,019,587	184,321,072	197,426,960
Less: Appropriations				
Dividend Paid		(236,496,726)		(236,496,726)
Proposed Dividend	(204,738,420)		(204,738,420)	
Balance Carried Forward	459,680,949	369,522,861	(20,417,348)	(39,069,766)

Property, Plant and Equipment, Leasehold right to bare land, Biological Assets and Intangible Assets

The carrying value of Property, Plant and Equipment, Leasehold right to bare land, Biological Assets and Intangible Assets as at the reporting date amounted to LKR 10.2 billion and LKR 4.1 million (2016/17 - LKR 8.7 billion and LKR 7.4 million) for the Group and Company respectively. Capital Expenditure for the Group and Company amounted to LKR 2.1 billion and LKR 1.9 million (2016/17 – LKR 1.6 billion and LKR 2.1 million) respectively. Details of Fixed Assets and their movements are given in Note 10 to 14 to the Financial Statements.

Investments

Investments of the company in subsidiaries, and other external equity investments amounted to LKR 1.72 billion (2016/17 – LKR 357 million). Detailed description of the long term investments held as at the financial position date, are given in Note 15 to 18 to the Fnancial Statements.

Shareholders' Funds

Total shareholders' fund as at 31st March 2018 for the company and group amounted to LKR 2.9 billion (2016/17 - LKR 2.9 billion) and LKR 6.3 billion (2016/17 - LKR 6.2 billion), respectively. The movement and composition of the capital and revenue reserves are disclosed in the statement of changes in equity.

Share Capital

Details of the changes in the issued ordinary share capital of the Company during the year are set out in Note 25 to the Consolidated Financial Statements. The issued share capital as at 31st March 2018 was LKR 798,504,357 divided into 136,492,280 shares (2016/17 LKR 730,939,657 divided into 135,140,986 shares). The rights attached to the Company's ordinary shares in addition to those conferred on their holders by law, are set out in the Company's Articles of Association (the "Articles"), a copy of which can be obtained on request from the Company Secretaries.

The Articles contain certain restrictions on the transfer of ordinary shares and on the exercise of voting rights attached to them, including where the Company has exercised its right to prohibit transfer following the omission of their holder or any person interested in them to provide the Company with information requested by it in accordance with the Companies Act No.07 of 2007.

Share Information

Information relating to the composition and distribution of shareholders of the Company as at 31st March 2018 is given on page 285 of this Report. The percentage of shares held by the public was 48.13 percent (2016/17 – 7.01 percent).

Substantial Share Holdings

At 31st March 2018, the number of registered Shareholders of the company included 1,615 ordinary voting shareholders. An analysis of the distribution, percentage of public holding and 20 largest ordinary voting Shareholders of the company is provided in this Annual Report on page 286.

Events after Reporting Date

No material events have taken place subsequent to the date of reporting which require an adjustment to or disclosure in the financial statements other than those described in Note 38 to the Financial Statements

Related Party Transactions

Related party transactions in respect of the Group and the Company, for the financial year ended 31st March 2018 are given in Note 34 of the Financial Statements, on page 268 of the Annual Report.

Compliance with Laws and Regulations

The company has not engaged in any activity which is harmful to the environment. Measures taken to protect the environment are given in the Management Review and Preview on pages 32 to 124.

Contingent Liabilities and Capital Commitment

The Commitments made on account of capital expenditure and the Contingent Liabilities as at 31st March 2018 are given in Note 35 and 36 to the Financial Statements.

Summary of Financial Information

A summary of the published results and of the assets and minority interests of the Group for the last ten financial years as extracted from the Audited Financial Statements and reclassified as appropriate is set in page no 13

Directors' Interest and the Interest Register

The relevant interest of each Director in the share capital of the Company has been notified by the Directors to the Colombo Stock Exchange in accordance with section 7.8 of the Listing Rules and the relevant entries made in the Interest Register accordingly. The Company has maintained an Interests Register as contemplated by the Companies Act No 7 of 2007, and this Annual Report also contains particulars of entries made in the Interests Registers of subsidiaries which are public companies or private companies which have not dispensed with the requirement to maintain an Interests Register as permitted by Section 30 of the Companies Act No 7 of 2007.

Particulars of entries in the Interest Register include interests in contracts. The Directors have all made a general disclosure to the Board of Directors as required by Section 192 (2) of the Companies Act No 7 of 2007 and no additional interests have been disclosed by any director

Board Committees

The composition of the Board and other Committees as at 31st March 2018, are given below:

Audit Committee
Mr. A. D. B. Talwatte
Mr. N. B. Weerasekera
Mr. H. D. Abeywickrama
Mr. B. A. Hulangamuwa
Mr. S. Shishoo

Remuneration Committee
Mr. Munir Shaikh
Mr. G. Sathasivam
Mr. N. B. Weerasekera
Mr. A.D. B. Talwatte

Investment Committee
Mr. N. B. Weerasekera
Mr. A. D. B. Talwatte
Mr. D. A. Cabraal

Related Party Transactions Committee
Mr. A. D. B. Talwatte
Mr. N. B. Weerasekera
Mr. H. D. Abeywickrama
Mr. B. A. Hulangamuwa
Mr. S. Shishoo

Corporate Governance Directors' declarations

The Directors declare that:
a) the company complied with all applicable laws and regulations in conducting its business,

b) the directors have declared all material interests in contracts involving the company and refrained from voting on matters in which they were materially interested,

c) the company has made all endeavours to ensure the equitable treatment of shareholders,

d) the business is a going concern with supporting assumptions or qualifications as necessary, and

e) has conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

The Corporate Governance report is given under the Governance section of the Annual Report.

Sustainability

The Group pursues its business goals under a stakeholder model of business governance. As per this model, the Group has taken specific steps, particularly in ensuring the conservation of its natural resources and environment as well as addressing material issues highlighted by its stakeholders.

Employment

The group has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Employee ownership in the company is facilitated through the employee share option plan. Details of the group's human resource initiatives are detailed in the Management Review and Preview.

Statutory Payments

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 reporting date have been paid or, where relevant provided for, except as specified in Note 8 to the Financial Statements, covering contingent liabilities.

Auditors

Messrs. KPMG, Chartered Accountants, are willing to continue as Auditors of the company, and a resolution proposing their reappointment will be tabled at the Annual General Meeting. The Auditors Report is found in the Financial Information section of the Annual Report.

The group works with two firms of Chartered Accountants across the group, namely, KPMG and Pricewaterhouse Coopers. etails of audit fees are set out in Note 7.2 of the Financial Statements. The Auditors do not have any relationship (other than that of an Auditor) with the company or any of its subsidiaries. Further details on the work of the Auditor and the Audit Committee are set out in the Audit Committee Report given on page 143 of the Annual Report.

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 the Group that would impair their independence.

Internal Control

The Board, through the involvement of the Group Executive committee, takes steps to gain assurances on the effectiveness of control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal controls in the group, compliance with laws and regulations and established policies and procedures of the group. The Board has direct access to the chairman of the Audit Committee. Reports of the internal auditors are also reviewed by the Committee on matters pertaining to the company.

Going Concern

The Directors are satisfied that the company and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these financial statements.

Annual Report

The Board of Directors approved the consolidated financial statements on 28th May 2018. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board on 4th June 2018.

Annual General Meeting

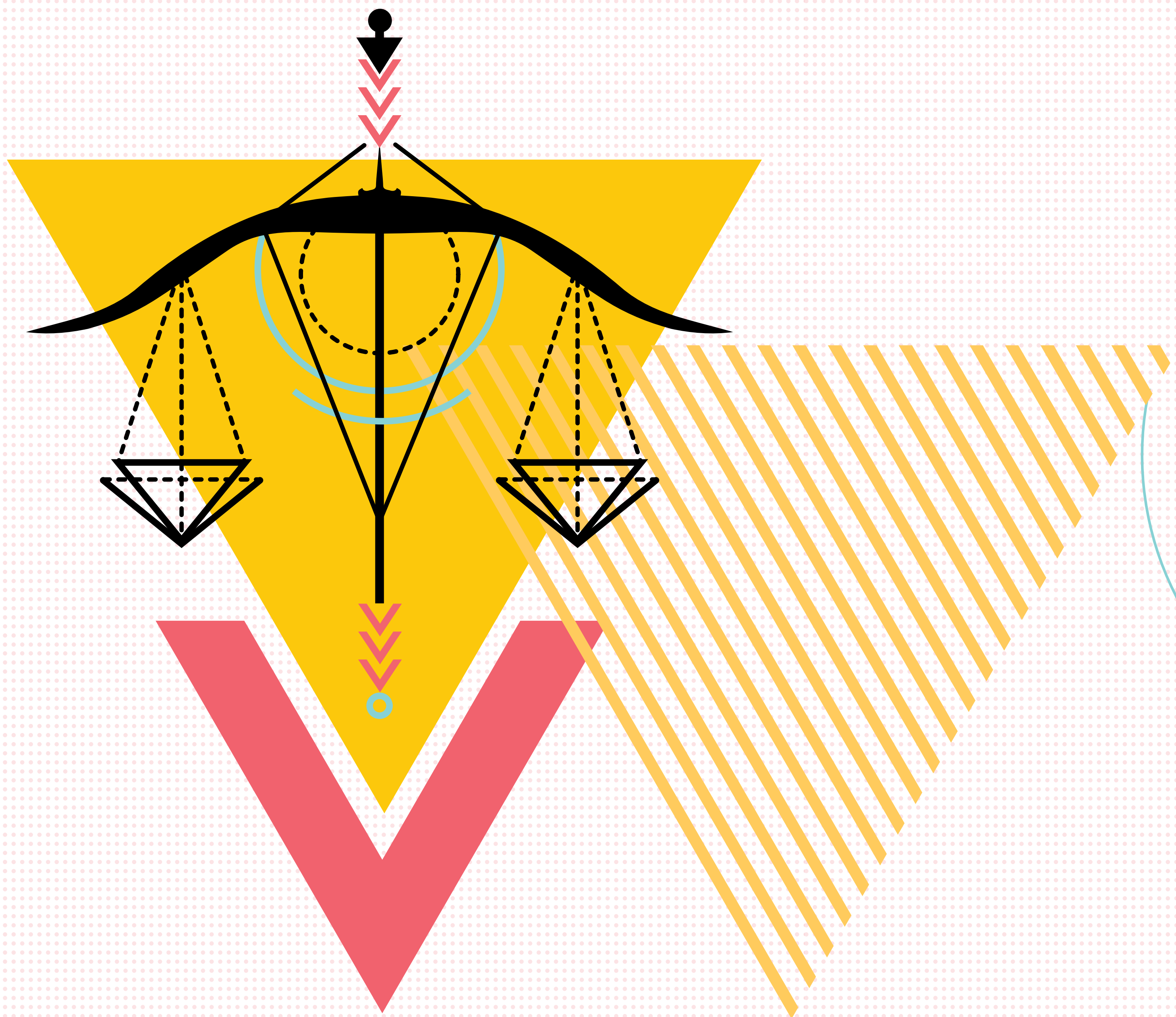
The annual general meeting will be held at the 'Committee Room B', Bandaranaike Memorial Conference Hall, Bauddhaloka Mawatha, Colombo 07, on Thursday, 28th June 2018 at 2.30 p.m. The notice of meeting appears in the Supplementary Information section of the integrated Annual Report. This annual report is signed for and on behalf of the Board of Directors.

By Order of the Board.

Munir Shaikh
Chairman

V. Govindasamy
Group Managing Director

Director
Corporate Services (Private) Limited.
Secretaries
28th May 2018
Colombo



Balance

Risk Management

Foresight navigated by evaluation and prioritising.

Risk Management

Sector	Related Risk	Risk	Implication/ consequences of not addressing the identified related risk	Risk Control Measure/ Mitigation Action	Probability of the risk	Impact of the risk
Healthcare	Regulatory and Compliance Risk	Delay in registration of products or import licences	Unavailability of products in the market could result in loss of sales	Comply with all regulations relating to the product and develop close relationships with the regulator.	High	High
		Price control of pharmaceutical and medical devices	Significant reduction in revenue	Closer relationship with the regulator to identify the price controlling actions in advance.	Low	High
	Supply Chain Risk	Physical disruptions, Environmental and Industrial disruption or loss of key suppliers	Unavailability of adequate inventory levels could result in loss of sales and loss of credibility while it hinders the ROI on investment in promotional activities	Improve demand planning function & establish strong relationships with principals.	Medium	Medium
		Disruption to logistics and damage to inventory	Natural disaster (Floods) or fire which could result in loss or damage the inventory	Ensuring all safety measures are being taken according to the international standards. Insurance cover.	Low	Medium

Sector	Related Risk	Risk	Implication/ consequences of not addressing the identified related risk	Risk Control Measure/ Mitigation Action	Probability of the risk	Impact of the risk
	Product Risk	Risk of product failures and declining demand for existing products.	Product may fail due to substandard performance and withdrawal of product from markets due to FDA requirements	Continuous monitoring and communication with business partners.	Low	High
	Attrition	Reduction in staff	Loss in service quality and increase cost of recruitment	Periodic remuneration reviews to be in-line with market wages coupled with Training and development. Timely performance appraisal & evaluations.	Low	Low
	Exchange Rate	Depreciation of the Sri Lankan Rupee	Decrease in margin due to higher input cost. Exchange loss relating to payables	Forward contacts and renegotiations with principals for better rates.	High	High
	Interest Rate	Increase in interest rates and borrowings	Higher finance cost on working capital	Renegotiations with the banks for favourable terms and consider multiple financing options. Stock optimization.	Medium	Medium

Sector	Related Risk	Risk	Implication/ consequences of not addressing the identified related risk	Risk Control Measure/ Mitigation Action	Probability of the risk	Impact of the risk
	MIS System Risk	Critical decisions made based on inaccurate data	Business operates in an unsuitable platform and damaging the operational health	Continuous revalidation of the data generated through the systems.	Low	Low
Consumer Goods	Commodity Price Risk	Increase in input cost	A sudden hike in input cost cannot be fully passed down to the consumer. This will result in contraction in margins in the short run	Taking price increases based on market dynamics. Use of Tea swaps derivative instruments to periodically lock in the input cost.	High	High
	Supply Chain Risk	Reduction in brand loyalty due to unavailability of products on shelf	Reduction in sales coupled with decrease in market share	Stronger engagement with distributors and retailers. Inventory optimization for finished goods	Low	Medium
	High Competition	Loss of market share	Reduction in revenue and profitability	Marketing and promotions.	Medium	Medium
	Capital & Finance	Liquidity & credit risk	Payment delays by debtors will lead to high pressure on the working capital cycle and increase collection risk	Continuous follow up on debtors settlement with more secure payment terms for international trade.	Low	Low

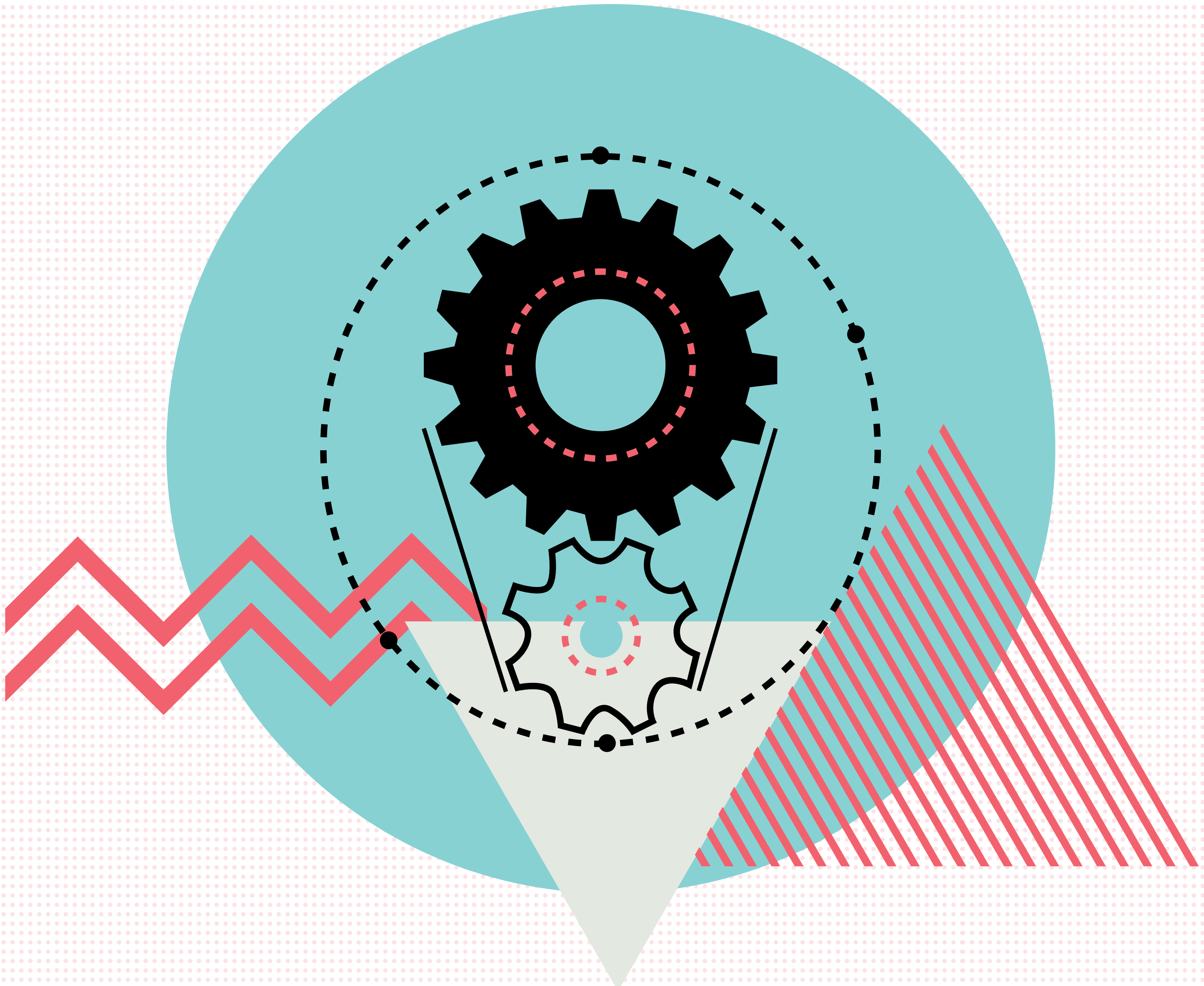
Sunshine Holdings PLC
Annual Report 2017/2018

Sector	Related Risk	Risk	Implication/ consequences of not addressing the identified related risk	Risk Control Measure/ Mitigation Action	Probability of the risk	Impact of the risk
	Product Quality	Quality Risk	Deterioration in the brand equity	Management of stringent quality control activities at manufacturing plant. Prompt response on customer inquiries while implementing total quality control measurements.	Medium	High
Agribusiness	Weather & Climate	Unpredictable extreme weather unfavourable to agriculture	Decrease in crop and revenues will result in reduced profits	Follow sustainable agricultural practices including RSPO recommendations. Conservation of environment and water resources.	High	High
	Price Risk	Volatility in price due to demand and supply dynamics	A decrease in price could lead to contraction in margins, given higher fixed cost	Forward contract to sell Palm oil. Tea Swaps derivative instruments to hedge tea price. Value addition and branding of tea by the Consumer Goods segment.	High	High
	Energy Cost	Increase in energy cost	High cost resulting in contracting margins	Use of cheaper energy sources, use of internal hydro power, briquettes and solar power.	Medium	High

Sector	Related Risk	Risk	Implication/ consequences of not addressing the identified related risk	Risk Control Measure/ Mitigation Action	Probability of the risk	Impact of the risk
	Regulation on Agrochemicals	Non availability of agrochemicals without proper alternatives	Higher cost incurred for manual weeding	Resorting to manual weeding etc.	Low	Medium
	Labour Shortage	Operational disruption	Reduction in output and quality	Increase in wages and automation of the processes.	Medium	Medium
	Land Availability	Limitation in new planning for revenue growth	Decrease in revenue growth in the medium to long term	Actively look for suitable land outside the RPC with proper agroclimetic conditions.	High	Low
	Feed Cost	Increase in feed purchase price due to seasonality of crops	Increase in cost resulting in contracting in margins	Stock optimization at farm to counter crop seasonality Dependence on crop grown in the farm Close relationship and engagement with out grower farmers to increase their efficiency and reduce cost.	High	High

Sunshine Holdings PLC
Annual Report 2017/2018

Sector	Related Risk	Risk	Implication/ consequences of not addressing the identified related risk	Risk Control Measure/ Mitigation Action	Probability of the risk	Impact of the risk
	Milk Quality	Decrease in milk quality	Lower milk price by customers	Use of good quality feeding ration/industry practices/staff training, state of the art milking parlour with no room for contamination.	Low	High
Energy	Interest rate risk	Increase in interest rate will increase the finance cost	Reduction in profits stress on cash flows	Re-finance of long term debt with preferential terms.	Low	Medium
	Machine Breakdowns	Inability of supplying electricity to the grid	Reduction in revenue and profits	Continuous maintenance.	Medium	Medium
	Weather & Climate	Reduction of power generation	Reduction in profits stress on cash flows	Maintenance of sufficient cash reserves to cover debt service payments.	High	High



Accuracy

Financial Information

Foresight strengthened by accuracy and prudence.

Statement of Directors' Responsibility

This statement of Directors' Responsibility is to be read in conjunction with the Report of the Auditors and, is made to distinguish the respective responsibilities of the Directors and of the Auditors, in relation to the financial statements contained in this Annual Report.

The Directors are required by the Companies Act No. 07 of 2007, to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year, and of the income and expenditure of the Company and of the Group for the financial year.
The Directors confirm that the Financial Statements of the Company for the year ended 31st March 2017 presented in the report have been prepared in accordance with the Sri Lanka Accounting Standards/ SLFRS and the Companies Act No. 07 of 2007. In preparing the Financial Statements, the Directors have selected appropriate accounting policies and have applied them consistently. Reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis.

The Directors are of the view that adequate funds and other resources are available within the company for the company to continue in operation for the foreseeable future.
The Directors have taken all reasonable steps expected of them to safeguard the assets of the Company and of the Group and to establish appropriate systems of internal controls in order to prevent, deter and detect any fraud, misappropriation or other irregularities. The directors have also taken all reasonable steps to ensure that the Company and its subsidiaries maintain adequate and accurate accounting books of record which reflect the transparency of transactions and provide an accurate disclosure of the company's financial position.

The Directors are required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate for the purpose of enabling them to give their Audit Report. The Directors are of the view that they have discharged their responsibilities in this regard.

Compliance Report

The Directors confirm that, to the best of their knowledge, all taxes and levies payable by the company and all contributions, levies and taxes payable on behalf of the employees of the company, and all other known statutory obligations as at the reporting date have been paid or provided for in the Financial Statements. As required by section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the company satisfies the Solvency Test immediately after the distribution, in accordance with Section 57 of the Companies Act No 7 of 2007.

By Order of the Board

V. Govindasamy

A. D. B. Talwatte
28th May 2018

Group Managing Director's and Group Chief Financial Officer's Responsibility Statement

The Consolidated Financial Statements of Sunshine Holdings PLC are prepared in compliance with Sri Lanka Accounting Standards/ SLFRS issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act, No 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, and the Listing Rules of the Colombo Stock Exchange. The Accounting Policies used in the preparation of the Consolidated Financial Statements are appropriate and are consistently applied by the Company (material departures, if any, have been disclosed and explained in the notes to the Consolidated Financial Statements). There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been re-classified wherever necessary to comply with the current presentation.

The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with our External Auditors and the Audit Committee. The Board of Directors, the Audit Committee and the Group Chief Financial Officer of the Company accept responsibility for the integrity and objectivity of these Consolidated Financial Statements. The estimates and judgments relating to the consolidated financial statements were made on a prudent and reasonable basis, in order that the Consolidated Financial Statements reflect in a true and fair manner, the forms and substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Subsidiaries Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal controls and accounting.

The Consolidated Financial Statements of the Company were audited by Messrs. KPMG, Chartered Accountants and their report is given on page 165 of the Annual Report. The Audit Committee of the company meets periodically with the internal audit team and the External Auditors to review their audit plans, assess the manner in which these Auditors are performing their responsibilities and to discuss their reports on, internal controls and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matters of substance.

The Audit Committee pre-approves the audit and non-audit services provided by our External Auditors KPMG in order to ensure that the provision of such services does not impair the External Auditor's independence. We confirm that the Company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company other than those disclosed in the Financial Statements in the Annual Report.

V. Govindasamy
Group Managing Director

Aruna Deepthikumara
Group Chief Financial Officer
28th May 2018

KPMG

KPMG
(Chartered Accountants)
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Independent Auditors' Report

To the shareholders of Sunshine Holdings PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sunshine Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at March 31, 2018, and the statement of profit or loss and comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, and a summary of significant accounting policies and other explanatory information set out in pages 173 to 282.

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

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 are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

01. Impairment of Investment in Subsidiaries

Risk Description	Our Response
Group holds Investments in subsidiaries as detailed in the note 15 in the financial statements the value amounts to LKR 3,108 Mn as at March 31, 2018 (2017: LKR 1,399 Mn), Refer page 187 for accounting policies. Investments in subsidiaries are significant to the group due to investments held by Sunshine Holdings PLC, Estate Management Services (Private) Limited, Sunshine Healthcare Lanka Limited, Watawala Plantations PLC, Sunshine Energy (Private) Limited & Waltrim Energy Limited. Investments which doesn't generate adequate returns is an indication of Impairment. Due to Investments being material to the Group it will have a significant impact on financial performance & position of the Group.	Our Audit procedures included, • Assessing the recoverability of investments made in subsidiaries based on Net assets valuation. • Review of future business plans with regard to subsidiaries which haven't started operations yet. • We challenged management's forecasted revenues, growth rates, profit margins, tax rates and discount rates based on our knowledge of the CGUs' operations, and compared them against historical forecasts and performance, regional indices and industry benchmarks. This included obtaining an understanding of management's planned strategies around business expansion, revenue stream growth strategies and cost initiatives, the progress of negotiations with target customers, the review of secured and lost contracts, and the analyses of the impact to the recoverable amounts when breakeven or independently derived discount rates were applied • Discussions with Audit committee, Group Management & Component Management with regard to recoverability of the investments.

KPMG

02. Valuation of Available for Sale investments

Risk Description	Our Response
Group holds Available for Sale Investments as detailed in the note 17.1 in the financial statements and the value amounts to LKR 555 Mn as at March 31, 2018 (2017: LKR 520 Mn), Refer page 249 for accounting policies. Investments in Available for Sale Investments are significant to the group due to investments held by Sunshine Holdings PLC. 85% of the Company's Other long term investments are held in shares where no quoted market price is available. Unquoted investments are measured at fair value, which is established using Discounted forecasted cash-flow method. There is a significant risk over the valuation of these investments since the valuation involves significant judgement.	Our Audit procedures included, • Challenging the assumptions used in deriving at the forecasted cash-flows by comparing key underlying financial data inputs and obtaining Investee Company audited financial statements and management information as applicable. • Documenting and assessing the design & implementation of the processes and controls in place over unlisted investment valuation. • Discussions with Audit committee, Group Management & Component Management with regard to recoverability of the investments.

03. Carrying Value of inventories

Risk Description	Our Response
Group holds Inventories as detailed in the Note 21 in the financial statements the value amounts to LKR 3,971 Mn as at March 31, 2018 (2017: LKR 3,141 Mn), Refer page 222 for accounting policies. Inventories are significant to the group due to inventories held by Sunshine Healthcare Lanka Limited, Watawala Plantations PLC & Watawala Tea Ceylon Limited. Judgment is exercised with regard to categorization of stock as obsolete and/or slow moving to be considered for provision; estimates are then involved in arriving at provisions against cost in respect of slow moving and obsolete inventories to arrive at valuation based on lower of cost and net realizable value. Given the level of judgments and estimates involved this is considered to be a key audit risk.	Our Audit procedures included, • Testing Key Control over Inventory Valuation. • Testing the Group's controls designed to identify slow moving and/or obsolete inventories. • Comparison of inventory levels, by product group, to sales data to corroborate whether slow moving and obsolete inventories had been appropriately identified and challenge the Group's categorization as obsolete or slow moving. • Assessing the realizations of inventories during the period and after the period end, in particular of clearance categories, and compare these to the Group's expected recoveries for inventory categorized as obsolete and/or slow moving at the period end date to assess whether the provision for obsolete and slow moving stock is appropriate. • Assessing whether the group's accounting policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgment and estimation made in respect of inventory provisioning.

04. Recoverability of Trade Receivables	
Risk Description	**Our Response**
Group's trade receivables as detailed in the note 22.1 in the financial statements the value amounts to LKR 2,065 Mn as at March 31, 2018 (2017: LKR 2,012 Mn), Refer page 223 for accounting policies. Trade Receivables are significant to the Group due to trade Receivables at Sunshine Healthcare Lanka Limited & Watawala Tea Ceylon Limited. The Group has significant levels of trade receivables and judgment is exercised with regard to calculation of the bad & doubtful debt provision which requires a significant level of judgment as it sells products to a wide customer base. The recoverability of trade receivables is dependent on the credit worthiness of customers and their ability to settle the amounts due. This area is a key audit matter due to the inherent subjectivity that is involved in the consolidated entity making judgments in relation to credit risk exposures to determine the recoverability of trade receivables.	Our Audit procedures included, • Testing the adequacy of the provisions for bad debt recorded against trade receivable balances by taking into account the ageing of receivables at year end and cash received after year end, as well as the controls over its calculation. Testing Key controls within the credit control and approval processes. • Assessing the historical accuracy of provisions for bad debt recorded by examining the utilization or release of previously recorded provisions. • Assessing whether the group's policies had been consistently applied and the adequacy of the Group's disclosures in respect of the judgment and estimation made in respect of trade receivable provisioning. • Assessing the adequacy of the consolidated entity's disclosures in respect of credit risk.

05. Recoverability of Deferred Tax Asset	
Risk Description	**Our Response**
Group's Deferred Tax Assets as detailed in the note 19 in the financial statements the value amounts to LKR 74 Mn as at March 31, 2018 (2017: LKR 76 Mn), Refer page 219 for accounting policies. Group had recognized significant deferred tax assets in respect of the future benefit of deductible temporary differences and accumulated tax losses which management considered would probably be utilised or recovered in the future through the generation of future taxable profits by the relevant group entities or by set-off against deferred tax liabilities. Deferred Tax Asset are significant to the Group due to accumulated tax losses at Healthguard Pharmacies Limited & Sunshine Packaging Lanka Limited. The recognition of deferred tax assets relies on the exercise of significant judgement by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profit being generated and future reversals of existing taxable temporary differences. We identified the recognition of deferred tax assets as a key audit matter because of its significance to the consolidated financial statements and because of the significant management judgement and estimation required in the forecasting future taxable profits which could be subject to error or potential management bias.	Our Audit procedures included, • Assessing and challenging the assumptions and judgements exercised by management in respect of the forecasts of future taxable profits by comparing the assumptions adopted by management with our understanding of the Group's business and the industry in which the Group operates. • Assessing whether the Group's disclosures in the consolidated financial statements of the application of judgement in estimating recognized and unrecognized deferred tax asset balances appropriately reflect the Group's deferred tax position with reference to the requirements of the prevailing accounting standards.

KPMG

06. Risk of reliance of a single customer for palm oil sales	
Risk Description	**Our Response**
Watawala Plantation PLC sells its crude palm oil exclusively to a single customer, Pyramid Wilmar (Private) Limited who is a related party. Palm oil is the main and highest profit driver of the Company. There is a risk that such sales and profits may not be sustainable in the future, in the event the Company fails to maintain the relationship with the sole customer. We focused on this area as Watawala Plantation PLC results contributes a significant amount to the Group results.	Our Audit procedures included, • Checking the pricing arrangements with the related party to determine if the pricing are at commercial terms. • Testing the historical sales volumes and terms to assess if there are any deterioration of the relationship. • Testing the subsequent realisation of crude palm oil inventory held at year end date. • Discussions with management and challenged their assessment of risk of depending on a related party as a sole customer for palm oil.

07. Carrying value of immature and mature plantation	
Risk Description	**Our Response**
As stated in Note 13.3 of the financial statements the carrying value of bearer plants stood at LKR 3,123 Mn (2017:LKR 2,955 Mn). Bearer plants mainly include mature and immature tea trees in identified plantation fields. Refer page 206 for accounting policies. We have focused in this area due the significant management judgment involved in determining the point at which a plant is deemed ready for commercial harvesting. As per the industry practice, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point of which commercial harvesting could start depend on the soil condition, weather patterns and plant breed. Appropriate transfer from immature to mature plantations has a significant impact on the carrying value of the bearer plants and the reported profits as capitalisation of costs will cease from the point of transfer and the mature plantations are depreciated over the useful lives of the plants.	Our Audit procedures included, • Obtaining a schedules of costs incurred and capitalised under immature plantations as well as cost transferred to mature plantations by each estate and reconciled these balances to the general ledger On sample basis test reconciling items and obtained explanations from management for any significant variances identified. • Assessing the accuracy of the budgeted cost by comparing actual costs transferred to mature plantations from immature plantations to budgeted costs included in annual board approved budgets to assess if the actual costs are consistent with management expectations at the beginning of the financial year. • On a sample basis, testing immature to mature cost transfer worksheet for selected estate to check whether the amounts transferred during the year was consistent with the company accounting policy and industry norms. • Assessing the adequacy of the financial statements disclosure

KPMG

08. Valuation of Biological Assets	
8.1. Valuation of Livestock	
Risk Description	**Our Response**
Refer to note 13.5 and 206 to the consolidated financial statements and accounting policies. The carrying value of livestock as at 31 March 2018 amounted to LKR 540 Mn (2017:LKR 25 Mn) and is measured at each reporting date at its fair value less costs to sell. The Group livestock consist of local and cattle imported from Australia. Market-determined prices or values are not readily available for imported cattle, as the value would determine on conditions such as the breed, expenses incurred for quarantine, which could be different to the conditions in Sri Lanka. The management engaged independent external valuer to calculate the faie value of the Group's biological assets as at reporting date. The calculation of the fair value of biological assets involves a significant degree of judgment, particularly in respect of age of cattle, average milk production volumes , milk market prices, lactation period, weight and estimated selling price of the cattle end of the fifth lactation, cost of cattle feed, veterinary medicine and other directly attributable costs and the discount rate applied. We identified the valuation of biological assets as key audit matter because the valuation is dependent on certain key assumptions, which required the exercise of significant judgment and are subject to an inherent risk of error or potential management bias.	Our Audit procedures included, • Understanding management's process for collecting the information to support the key assumptions and inputs adopted in the valuation of biological assets and assessing the information based on our knowledge; • Evaluating the reasonableness yield consideration by inquiring from independent subject matter expert Also compared and challenged the yield curve plotted by the management to a normal life cycle of a milking cow obtained from publicly available data. • Evaluating revenue projections by tracing performing following; - price per litter of Milk used by management with the agreements entered with customers and with rates published by National Livestock Development Board. - cost projections were compared with the current year actual results. - Testing a sample of invoices relating to cattle feed and other expenses to corroborate the cost estimates. - Assessing the reasonability of time value of money the inflation rate was compared with the data published by the Central Bank of Sri Lanka. - Challenging the the likelihood of sale of entire stock of milking cows at the end of the fifth lactation cycle and the corresponding selling price estimation used for the valuation. - Assessing the adequacy of the disclosures made on the fair value of biological assets in the financial statements.

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8.2. Valuation of Consumable Biological Assets	
Risk Description	**Our Response**
Refer to note 13.4 and 206 to the consolidated financial statements and accounting policies The carrying value of consumable biological assets stood at LKR 717 Mn (2017:LKR 649 Mn). The timber trees on estates managed by the Group are classify as consumable biological assets and are measured at each reporting date at fair value less cost to sell. The trees younger than 5 years are carried at cost less impairment as the fair value cannot be reliably measured. Timber trees include both immature and mature plantations. The market for timber trees are impacted by factors such as topographical characteristics of the land, age and condition of timber trees and the economic conditions that drives the supply and demand. Management engaged a subject matter expert who is an incorporated valuer and a member of The Institute of Valuers of Sri Lanka to perform an independent valuation of the consumer biological assets of the Company as at 31 March 2018. Key judgements and assumptions are used by the independent valuer in the following areas; - Discount rates - Estimation of height and girth of trees to arrive volume of timber - Value per Cubic meter We consider the valuation of consumables biological assets as a key audit matter due to the significant judgments and assumptions.	Our Audit procedures included, • Evaluating the competence, capabilities and objectivity of the independent valuer. • Obtaining estate wise reports for timber trees from the E Plantation System and compared the number of timber trees with the valuation report to ensure the completeness and accuracy of the data. We also checked the accuracy of valuation formulae contained in the valuation report. • Physical verify sample of trees during estate visits to assess the girth and height of the respective trees and confirmed with estate management. • Assessing the assumptions used in estimating girth and height were compared with the market projections and industry norms that are generally accepted in determining volume of timber. • Evaluating the key assumptions used in the valuation, in particular the discount rate and market price. • Assessing the adequacy of the disclosures made on the fair value of biological assets in the financial statements.

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Other Information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to report that fact.

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 financial statements, management is responsible for assessing the 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 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 skepticism throughout the audit. We also:

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

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 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 Group to cease to continue as a going concern.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is 2618.

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
28th May 2018

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
For the year ended 31st March	Note	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Continuing operations					
Revenue	4	21,235,736,058	18,890,754,460	395,125,164	414,779,815
Cost of sales		(15,850,376,807)	(14,127,705,397)	(54,525,642)	(153,907,783)
Gross profit		**5,385,359,251**	**4,763,049,063**	**340,599,522**	**260,872,032**
Other operating income	5	540,184,670	233,935,405	251,875,699	149,419,482
Administration expenses		(1,934,801,279)	(1,905,872,448)	(401,589,825)	(281,043,841)
Selling and distribution expenses		(1,410,714,406)	(1,018,128,745)	-	-
Impairment of investment in subsidiary		-	-	(67,972,645)	(21,842,817)
Results from operating activities		**2,580,028,236**	**2,072,983,275**	**122,912,751**	**107,404,856**
Finance income	6	210,384,328	192,356,996	67,426,610	85,731,746
Finance expense	6	(366,557,555)	(222,486,761)	(41,781,020)	(2,335,771)
Net finance income/ (expense)		**(156,173,227)**	**(30,129,765)**	**25,645,590**	**83,395,975**
Share of profit/(loss) of equity accounted associate (net of income tax)		(1,040,385)	-	-	-
Profit before income tax expenses	**7**	**2,422,814,624**	**2,042,853,510**	**148,558,341**	**190,800,831**
Income tax expense	8	(618,292,028)	(430,088,964)	-	(342,692)
Profit for the year		**1,804,522,596**	**1,612,764,546**	**148,558,341**	**190,458,139**
Discountinued operations					
Profit or (loss) on discontinued operations, net of tax	37	(210,824,830)	8,456,167	-	-
Other comprehensive income					
Items that will not be re-classified to Profit or Loss					
Actuarial gain/(loss)		37,314,385	98,789,460	889,542	(14,601)
Taxes related to other comprehensive income		(3,647,362)	(11,059,429)	-	-
Items that are or may be re-classified to Profit or Loss					
Exchange gain/(loss) on foreign operation tranlation		362,529	-	-	-
Fair value change in available for sale financial assets		34,873,189	6,983,422	34,873,189	6,983,422
Total other comprehensive income for the year net of tax		**68,902,741**	**94,713,453**	**35,762,731**	**6,968,821**
Total comprehensive income for the year		**1,662,600,507**	**1,715,934,166**	**184,321,072**	**197,426,960**

		Group		Company	
For the year ended 31st March	Note	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Profit attributable to:					
Continuing operations					
Equity holders of the Company		829,362,966	563,802,278	148,558,341	190,458,139
Non-controlling interest		975,159,630	1,048,962,268	-	-
Discontinued operations					
Equity holders of the Company		(210,824,830)	8,456,167	-	-
Non-controlling interest		-	-	-	-
Total other comprehensive income attributable to:					
Equity holders of the Company		45,881,233	33,761,141	35,762,731	6,968,821
Non-controlling interest		23,021,508	60,952,312	-	-
Total comprehensive income for the year		**1,662,600,507**	**1,715,934,166**	**184,321,072**	**197,426,960**
Earnings per share - continuing operations	9	6.08	4.13	1.09	1.40
Earnings per share - discontinued operations	9	(1.54)	0.06	-	-

Figures in brackets indicate deductions.
The accounting policies and notes set out in the pages 185 to 282 form integral part of these Financial Statements.

Statement of Financial Position

As at 31st March	Note	Group 2018 LKR	Group 2017 LKR	Company 2018 LKR	Company 2017 LKR
Assets					
Non-current assets					
Property, plant and equipment	10	5,451,893,463	4,754,397,651	3,290,687	5,901,315
Investment property	11	327,205,000	-	-	-
Leasehold land	12	190,997,000	198,473,000	-	-
Biological assets	13	4,379,456,000	3,629,026,000	-	-
Intangible assets	14	215,178,822	168,765,418	780,372	1,533,497
Investment in subsidiaries	15	-	-	3,017,900,921	1,376,748,442
Investment in associate	16	7,959,615	-	9,000,000	-
Other investments	17	653,396,456	636,733,332	642,633,456	625,970,332
Investment fund	18	288,595,000	258,319,000	-	-
Deferred tax asset	19	73,661,838	75,590,768	-	-
Total non-current assets		**11,588,343,194**	**9,721,305,169**	**3,673,605,436**	**2,010,153,586**
Current assets					
Assets held for sales	20	53,813,314	-	-	-
Inventories	21	3,970,538,868	3,141,301,725	-	-
Biological assets-growing crops on bearer plants	13	49,033,962	35,757,000	-	-
Trade and other receivables	22	3,241,398,411	3,060,992,146	59,406,436	45,161,397
Income tax recoverable		12,267,362	14,631,908	3,158,748	3,158,748
Amounts due from related parties	23	4,639,556	83,466,589	170,891,162	191,996,509
Cash and cash equivalents	24	1,374,218,432	1,876,004,662	526,335,611	731,712,191
Total current assets		**8,705,909,905**	**8,212,154,030**	**759,791,957**	**972,028,845**
Total assets		**20,294,253,099**	**17,933,459,199**	**4,433,397,393**	**2,982,182,431**
Equity and liabilities					
Capital and reserves					
Stated capital	25	798,504,357	730,939,657	798,504,357	730,939,657
Reserves		390,893,755	331,838,036	364,012,083	329,138,894
Retained earnings		5,185,526,424	5,186,946,893	1,767,356,201	1,854,405,044
Equity attributable to owners of the company		**6,374,924,536**	**6,249,724,586**	**2,929,872,641**	**2,914,483,595**

As at 31st March	Note	Group 2018 LKR	Group 2017 LKR	Company 2018 LKR	Company 2017 LKR
Non controlling interest		3,427,198,621	5,340,766,263	-	-
Total equity		**9,802,123,157**	**11,590,490,849**	**2,929,872,641**	**2,914,483,595**
Non-current liabilities					
Deferred taxation	19	450,547,170	333,473,307	-	-
Interest bearing borrowings	26	3,572,013,985	1,226,846,031	1,143,330,000	-
Retirement benefit obligations	27	1,062,640,865	1,085,479,743	78,399,096	51,881,378
Deferred income and capital grants	28	377,516,000	193,528,000	-	-
Total non-current liabilities		**5,462,718,020**	**2,839,327,081**	**1,221,729,096**	**51,881,378**
Current liabilities					
Interest bearing borrowings	26	808,963,649	357,644,252	256,670,000	-
Trade and other payables	29	3,122,273,801	2,220,439,606	25,125,656	15,817,458
Income tax payable		168,509,469	214,132,832	-	-
Amounts due to related parties	30	2,001,227	-	-	-
Bank overdrafts	24	927,663,776	711,424,579	-	-
Total current liabilities		**5,029,411,922**	**3,503,641,269**	**281,795,656**	**15,817,458**
Total liabilities		**10,492,129,942**	**6,342,968,350**	**1,503,524,752**	**67,698,836**
Total equity and liabilities		**20,294,253,099**	**17,933,459,199**	**4,433,397,393**	**2,982,182,431**

Figures in brackets indicate deductions.
The accounting policies and notes set out in the pages 185 to 282 form integral part of these Financial Statements.
It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 7 of 2007.

Group Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.
Approved and signed for and on behalf of the Board Sunshine Holdings PLC,

Chairman
28th May 2018
Colombo

Group Managing Director

Statement of Changes in Equity

For the year ended 31st March 2018	Stated Capital	Capital accretion reserve	Reserve on exchange gain/ (loss)	Reserve on rearrange-ment	Fair value gain or (loss) reserve on AFS	General reserve	Retained earnings	Total	Non controlling interest	Total equity
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Group										
Balance as at 31st March 2016	**730,939,657**	**399,837**	**-**	**-**	**323,596,889**	**857,888**	**4,725,795,249**	**5,781,589,520**	**4,168,557,293**	**9,950,146,813**
Total comprehensive income for the year										
Profit/ (loss) from continuing operations	-	-	-	-	-	-	563,802,278	563,802,278	1,048,962,268	1,612,764,546
Profit/ (loss) from discontinued operations	-	-	-	-	-	-	8,456,167	8,456,167	-	8,456,167
Total other comprehensive income for the year	-	-	-	-	6,983,422	-	26,777,719	33,761,141	60,952,312	94,713,453
Capital accretion reserve transfer to general reserve	-	(399,837)	-	-	-	399,837	-	-	-	-
Dividend paid- 2015/16	-	-		-	-	-	(141,898,035)	(141,898,035)	(282,481,955)	(424,379,990)
Effect on share issue NCI shareholders by the subsidiaries	-	-	-	-	-	-	-	-	348,789,860	348,789,860
Effect on percentage change in holding of Energy Group	-	-	-	-	-	-	4,013,515	4,013,515	(4,013,515)	-
Balance as at 31st March 2017	**730,939,657**	**-**	**-**	**-**	**330,580,311**	**1,257,725**	**5,186,946,893**	**6,249,724,586**	**5,340,766,263**	**11,590,490,849**

For the year ended 31st March 2018	Stated Capital	Capital accretion reserve	Reserve on exchange gain/ (loss)	Reserve on rearrange-ment	Fair value gain or (loss) reserve on AFS	General reserve	Retained earnings	Total	Non controlling interest	Total equity
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Balance as at 1st April 2017	**730,939,657**	**-**	**-**	**-**	**330,580,311**	**1,257,725**	**5,186,946,893**	**6,249,724,586**	**5,340,766,263**	**11,590,490,849**
Total comprehensive income for the year										
Profit/ (loss) from continuing operations	-	-	-	-	-	-	829,362,966	829,362,966	975,159,630	1,804,522,596
Profit/ (loss) from discontinued operations	-	-	-	-	-	-	(210,824,830)	(210,824,830)	-	(210,824,830)
Other comprehensive income	-	-	217,517		34,873,189	-	10,790,527	45,881,233	23,021,508	68,902,741
Dividend paid - 2016/17	-	-		-	-	-	(236,496,726)	(236,496,726)	(193,990,990)	(430,487,716)
Reserve on re-arrangement in Hatton Plantations PLC	-	-	-	23,965,012	-	-	(13,240,669)	10,724,343	(10,724,343)	-
Re-purchase of shares by Estate Management Services (Pvt) Ltd from NCI	-	-	-	-	-	-	-	-	(1,350,000,000)	(1,350,000,000)
Effect on Percentage change in holding of EMSPL Group on Acquisition	-	-	-	-	-	-	(330,574,954)	(330,574,954)	(1,275,925,046)	(1,606,500,000)

Statement of Changes in Equity (Contd)

For the year ended 31st March 2018	Stated Capital	Capital accretion reserve	Reserve on exchange gain/ (loss)	Reserve on rearrange-ment	Fair value gain or (loss) reserve on AFS	General reserve	Retained earnings	Total	Non controlling interest	Total equity
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Re-purchase of shares by Watawala Plantations PLC from NCI	-	-	-	-	-	-	-	-	(193,546,782)	(193,546,782)
Effect of percentage change in WPL group due to share repurchase	-	-	-	-	-	-	(37,792,518)	(37,792,518)	37,792,518	-
Opening stock adjustment in Hatton Plantations PLC	-	-	-	-	-	-	(12,273,910)	(12,273,910)	(14,767,090)	(27,041,000)
Effect on percentage change in holding of Energy Group	-	-	-	-	-	-	(370,354)	(370,354)	370,354	-
Share issue, in form of scrip dividend - 2016/17	67,564,700	-	-	-	-	-	-	67,564,700	-	67,564,700
Effect on share issue to NCI shareholders by the subsidiaries									89,042,599	89,042,599
Balance as at 31st March 2018	**798,504,357**	**-**	**217,517**	**23,965,012**	**365,453,500**	**1,257,725**	**5,185,526,424**	**6,374,924,536**	**3,427,198,621**	**9,802,123,157**

For the year ended 31st March 2018	Stated Capital	Capital accretion reserve	Fair value gain or (loss) reserve on AFS	General reserve	Retained earnings	Total
	LKR	LKR	LKR	LKR	LKR	LKR
Company						
Balance as at 31st March 2016	730,939,657	399,837	320,897,747	857,888	1,805,859,541	2,858,954,670
Total comprehensive income for the year						
Profit for the year	-	-		-	190,458,139	190,458,139
Total other comprehensive income for the year	-	-	6,983,422	-	(14,601)	6,968,821
Capital accretion reserve trans-fer to general reserve	-	(399,837)	-	399,837	-	-
Dividend paid to owners - 2015/16	-	-	-	-	(141,898,035)	(141,898,035)
Share issue	-	-	-	-	-	-
Balance as at 31st March 2017	**730,939,657**	**-**	**327,881,169**	**1,257,725**	**1,854,405,044**	**2,914,483,595**
Total comprehensive income for the year						
Profit for the year	-	-		-	148,558,341	148,558,341
Total other comprehensive income for the year	-	-	34,873,189	-	889,542	35,762,731
Dividend paid to owners - 2016/17	-	-	-	-	(236,496,726)	(236,496,726)
Share issue, in form of scrip dividend - 2016/17	67,564,700	-	-	-	-	67,564,700
Balance as at 31st March 2018	**798,504,357**	**-**	**362,754,358**	**1,257,725**	**1,767,356,201**	**2,929,872,641**

Figures in brackets indicate deductions.
The accounting policies and notes set out in the pages 185 to 282 form integral part of these Financial Statements.

Statement of Cash Flows

Accounting Policy

The Statement of Cash Flow has been prepared using the "indirect method". Interest paid is classified as an operating cash flow. Grants received, which are related to purchase and construction of property, plant & equipment are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows. Dividends received by Sunshine Holdings PLC, which is an investment Company, are classified as operating cash flows and are not disclosed separately in the Company Statement of Cash Flows.

For the year ended 31st March	Note	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
Cash flows from operating activities					
Profit before income tax expense (Note a)		2,211,989,794	2,051,546,620	148,558,341	190,800,831
Adjustments for;					
Interest income		(210,641,202)	(195,050,401)	(67,426,610)	(85,731,746)
Share of loss of equity accounted associate		1,040,385	-	-	-
Profit on disposal of property, plant and equipment		(22,869,231)	(19,842,013)	(1,733,615)	-
Write off of property, plant and equipment		343,006	-	343,006	-
Provision for other receivable		5,190,824	-	5,190,824	-
(Gain)/loss on fair value of biological assets		(30,745,000)	(6,161,000)	-	-
Interest expense		378,837,123	241,141,996	41,781,020	2,335,771
Depreciation & amortisation		641,938,041	554,411,291	3,292,269	2,938,950
Opening stock adjustment		(27,041,000)	-	-	-
Fair value adjustment on loan		(3,295,000)	-	-	-
Fair value (gain)/ loss on investment property		(127,092,307)	-	-	-
Write-off of receivables due to discontinued operations		70,773,192	-	-	-
(Profit)/ loss on disposal of investments		-	1,085,114	-	920,612
Biological assets-growing crops on bearer plants		(13,276,962)	(35,757,000)	-	-
Impairment of investment in subsidiaries		-	-	67,972,645	21,842,817
Impairment of biological assets		2,687,000	-	-	-
Provision / (reversal) for bad and doubtful debts		29,133,824	1,271,972	-	-

For the year ended 31st March	Note	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
Amortisation of deferred income and capital grants		(56,996,000)	(10,041,000)	-	-
Amortisation of leasehold right to bare land		7,476,000	7,035,000	-	-
Profit of sales of biological assets		(72,625,000)	(20,320,000)	-	-
Fair value gain / (loss) on livestock		(31,785,000)	2,591,000	-	-
Gratuity (payments) /recepts on staff transfer		(224,021)	-	14,944,783	-
Provision for gratuity excluding actuarial gain/loss		160,831,128	206,880,210	12,633,327	8,668,251
Fair value (gain)/ loss fair value through profit or loss		1,131,063	9,113,674	1,131,063	9,113,674
Devidend income		(5,188,091)	-	-	-
Exchange Gain /(Loss)		362,529	-	-	-
		2,909,955,095	2,769,250,228	226,687,053	150,889,160
Changes in;					
Inventories		(829,237,143)	(249,128,686)	-	-
Trade and other receivables		(285,504,105)	(684,549,078)	(19,435,863)	(6,987,089)
Amounts due from related parties		78,827,033	495,733	21,105,347	16,408,410
Trade and other payables		901,834,195	(64,263,042)	9,308,198	4,082,397
Amounts due to related parties		2,001,227	(1,377,033)	-	(1,360,403)
Cash generated from/ (used in) operations		2,777,876,302	1,770,428,122	237,664,735	163,032,475
Interest paid		(378,837,123)	(241,141,996)	(41,781,020)	(2,335,771)
Income tax paid		(546,195,414)	(280,902,593)	-	(938,743)
Gratuity paid		(146,131,600)	(149,790,009)	(170,850)	-
Cash generated from operating activities		1,706,712,165	1,117,248,759	195,712,865	159,757,961
Cash flows from investing activities					
Interest received		210,641,202	195,050,401	67,426,610	85,731,746
Investment in other investments		17,079,001	658,001,450	17,079,001	93,404,450
Investments in subsidiaries		-	-	(1,709,125,124)	(357,219,280)

For the year ended 31st March	Note	Group		Company	
		2018 LKR	2017 LKR	2018 LKR	2017 LKR
Investments in associates		(9,000,000)	-	(9,000,000)	-
Dividend received		5,188,091	-	-	-
Investment gratuity fund		(30,276,000)	(23,950,000)	-	-
Immature plantations expenditure		(388,927,000)	(350,708,000)	-	-
Investment in livestock		(241,889,000)	-	-	-
Acquisition of property, plant & equipment		(1,440,069,281)	(1,199,366,160)	(1,861,384)	(2,014,095)
Acquisition of intangible assets		(65,178,862)	(109,537,315)	-	(90,000)
Acquisition of EMSPL stake from TATA		(1,606,500,000)	-	-	-
Proceeds from disposal of biological assets		85,087,000	39,693,000	-	-
Proceeds from disposal of property, plant & equipment		56,752,104	29,995,898	3,323,477	-
Net cash from / (used in) investing activities		(3,407,092,745)	(760,820,726)	(1,632,157,420)	(180,187,179)
Cash flows from financing activities					
Proceeds from issue of shares to non-controlling shareholders		89,042,599	348,789,860	-	-
Repurchase of shares by subsidiaries		(1,543,546,782)	-	-	-
Receipts of interest bearing borrowings		5,488,458,921	474,783,208	1,400,000,000	-
Repayments of interest bearing borrowings		(2,672,938,981)	(620,577,585)	-	-
Lease rentals paid		(15,737,588)	(12,382,244)	-	-
Dividend paid		(168,932,026)	(141,898,035)	(168,932,026)	(141,898,035)
Dividend paid to non-controlling shareholders		(193,990,990)	(282,481,955)	-	-
Net Cash from / (used in) financing activities		982,355,153	(233,766,751)	1,231,067,974	(141,898,035)
Net Increase/(decrease) in cash and cash equivalents		(718,025,427)	122,661,282	(205,376,581)	(162,327,253)
Cash and cash equivalents at the beginning of the year	24	1,164,580,083	1,041,918,801	731,712,191	894,039,444
Cash and cash equivalents at the end of the year	24	446,554,656	1,164,580,083	526,335,610	731,712,191

For the year ended 31st March	Group		Company	
	2018 LKR	2017 LKR	2018 LKR	2017 LKR
Note a : Profit before income tax expense				
Continuing operations	2,422,814,624	2,042,853,510	148,558,341	190,800,831
Discontinued operations	(210,824,830)	8,693,110	-	-
Total	**2,211,989,794**	**2,051,546,620**	**148,558,341**	**190,800,831**

Figures in brackets indicate deductions.

The accounting policies and notes set out in the pages 185 to 282 form integral part of these Financial Statements.

Notes to the Financial Statements

1.0 Reporting Entity

Sunshine Holdings PLC (the "Company") is a public limited liability Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The address of the Company's registered office is No. 60, Dharmapala Mawatha, Colombo 03. The Consolidated Financial Statements of Sunshine Holdings PLC as at and for the year ended 31st March 2018 encompass the Company and its subsidiaries (together referred to as the "Group").

The Group primarily is involved in the importing and selling of pharmaceuticals, managing portfolio of investments, cultivation and marketing of tea, rubber, palm oil and related products such as dairy farming, lease out properties and generation of power.

There were no significant changes in the nature of the principle activities of the Company, however, Sunshine Packaging Lanka Limited a subsidiary of the Company has discontinued their metal packaging business and has commenced lease out the premises during the financial year under review in the Group.

Sunshine Holdings PLC does not have an identifiable parent of its own. The financial statements of all Companies in the Group are prepared for a common financial year, which ends on 31st March.

2.0 Basis of Preparation

2.1 Statement of compliance
The Consolidated Financial Statements of the Group and the separate Financial Statements of the Companies have been prepared and presented in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLFRS's and LKAS's) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL), and with the requirements of the Companies Act No. 7 of 2007.

The Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company and its Subsidiaries as per provisions of Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards (SLFRSs/LKASs).

The Board of Directors acknowledges this responsibility as set out in the 'Statement of Directors' Responsibility for Financial Statements', 'Annual Report of the Board of Directors' and in the statement appearing with the Statement of Financial Position of this Annual Report.

The financial statements were authorized for issue by the directors on 28th May 2018.

2.2 Basis of measurement
The Consolidated Financial Statements have been prepared on the historical cost basis, except for the following material items in the Statement of Financial Position.

- Lands are measured at cost at the time of the acquisition and subsequently lands are revalued.
- Investment properties are measured at cost at the time of the acquisition or construction and subsequently investment properties are measured at fair value.
- Available for sale financial assets measured at fair value.
- Non-derivative financial instruments measured at amortised cost.
- Biological assets except bearer are measured at fair value less costs to sell.
- Leasehold rights to bare land of JEDB/ SLSPC estates have been revalued as at 18th June 1992
- Immovable estate assets on finance lease from JEDB/ SLSPC have been revalued as at 18th June 1992

Where appropriate, the specific policies are explained in the succeeding notes. No adjustments have been made for inflationary factors in the Consolidated Financial Statements.

2.3 Functional and presentation currency
The Consolidated Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Group's functional currency, except for the foreign subsidiary whose functional currency is different as it operates in a different economic environment.

2.4 Critical accounting estimates and judgments
The preparation of financial statements in conformity with SLFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimates uncertainties that have a significant risk of resulting in a material adjustment in the financial statements are included in the table below:

Critical accounting estimate/ judgment	Disclosure reference	
	Note	Page
Income tax expenses	8.0	194
Property, plant and equipment	10.2	197
Biological assets	13.0	206
Intangible assets	14.0	210
Deferred tax assets / liabilities	19.0	219
Employee benefits	27.0	239

2.5 Measurement of fair value
A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has an established control framework with respect to the measurement of fair values.

This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Management.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of LKAS/ SLFRSs including the level in the fair value hierarchy in which such valuations should be classified. Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes: Note 32.4.

2.6 Materiality and aggregation
Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately, unless they are immaterial.

3.0 Group Consolidation

The accounting policies set out below have been applied consistently by the Group entities to all periods presented in these Consolidated Financial Statements, unless otherwise indicated.

3.1 Basis of consolidation

The Consolidated Financial Statements (referred to as the "Group") comprise the Financial Statements of the Company and its Subsidiaries.

The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions/events in similar circumstances and where necessary, appropriate adjustments have been made in the Consolidated Financial Statements.

3.1.1 Business combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration the substantive rights that give the ability to direct the activities of the subsidiaries.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a gain on bargain purchase is recognised immediately in Statement of Profit or Loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in Statement of Profit or Loss. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in Statement of Profit or Loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operations within that unit is disposed of, the goodwill associated with the operations disposed is included in the carrying amount of the operations when determining the gain or loss on disposal of the operations. Goodwill disposed of in this circumstance is measured based on the relative values of the operations disposed of and the portion the cash-generating unit retained.

3.1.2 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. Entities that are subsidiaries of another entity which is a subsidiary of the Company are also treated as subsidiaries of the Company. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

3.1.3 Non-controlling interest

The interest of outside shareholders in Group Companies is disclosed separately under the heading of "Non- controlling Interest". Non-controlling Interest is measured at the proportionate share of the acquiree's identifiable net assets. Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

The non-controlling interests are presented in the Consolidated Statement of Financial Position within equity, separately from the equity attributable to the ordinary shareholders of the Company. Non-controlling interests in the profit or loss of the Group are disclosed separately in the Statement of Profit or Loss.

3.1.4 Equity accounted investees

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in Associates are accounted for using the Equity Method and are recognised initially at cost. The cost of the investment includes transaction costs. The Consolidated Financial Statements include the Group's share of the profit or loss and Other Comprehensive Income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3.1.5 Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealised income and expenses arising from intra-Group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

3.2.1 Presentation currency

The individual Financial Statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The Consolidated Financial Statements are presented in Sri Lankan Rupees (LKR), which is also the Company's functional currency.

3.2.2 Foreign currency transactions

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions.

At each reporting date, monetary items denominated in foreign currencies are translated at the closing rate.

Non-monetary items measured at fair value are translated at the rates on the date when the fair value was determined.

Non-monetary items measured at historical cost are translated at the rates that prevailed on the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in Statement of Profit or Loss for the period except for the Group's net investment in foreign operations/ subsidiaries. Exchange differences arising on the translation of non-monetary items carried at fair value are included in Statement of Profit or Loss for the period except for the differences which are recognised in Other Comprehensive Income.

3.2.3 Foreign operations/ subsidiaries

The results and financial position of foreign operations that have functional currency different from the presentation currency (LKR) of the Consolidated Financial Statements are translated in to rupees as follows;

- Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition, are translated to Sri Lankan Rupees at the exchange rate at the reporting date;
- Income and expenses are translated at the average/ spot exchange rates for the period.
- Foreign currency differences are recognised in Other Comprehensive Income.
- When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is re-attributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is re-classified to profit or loss.
- Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in Other Comprehensive Income.

3.3 New standards and interpretations not yet adopted

Standard issued but not yet effective up to the reporting date are listed below. This listing is of standards issued, which the Company reasonably expects to be applicable at a future date. The company intends to adopt those standards when they become effective.

3.3.1 SLFRS 9 – Financial Instruments: Classification and Measurement

SLFRS 9 brings together all three aspects of the accounting for the financial instruments i.e. classification and measurement, impairment and hedge accounting. SLFRS 9 is effective for annual periods beginning on or after 1st January 2018, with early application is permitted. Except for hedge accounting, retrospective application is required, but providing comparative information is not compulsory. For hedge accounting the requirements are generally applied prospectively with some limited exceptions.

The Directors of the Company anticipate that the application of SLFRS 9 in the future may have no major impact on the amounts reported and disclosures made in these financial statements. This assessment is based on currently available information and may be subject to changes arising from further analysis.

The Company plans to adopt the new standard on the required effective date.

3.3.2 SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard will supersede the current revenue recognition guidance including LKAS 18 'Revenue' and LKAS 11 'Construction Contracts' and the related Interpretations when they become effective.

The core principle of SLFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition.

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under SLFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SLFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SLFRS 15.

The Directors of the Company anticipate that the application of SLFRS 15 in the future may have an impact on the amounts reported and disclosures made in these financial statements.

The Group believe that the adoption of the SLFRS 15 will have an impact on the recognition of revenue for the following key items;

- Free issuance of product on volume contracts as a promotional strategy to increase the volume.
- Volume discounts in meeting the targets
- Free issuance of the ancillary devices and equipment to gear up the consumable volume
- Free sample issuance and sales returns on expiry
- Warranty offered for some of the products sold
- Loyalty program; the probability of redeeming the loyalty points

The Company plans to apply the cumulative effect method when transitioning to the new standard without restating the comparative period amounts.

3.3.3 SLFRS 16 – Leases

SLFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor').

SLFRS 16 is effective from 1 January 2019. A company can choose to apply SLFRS 16 before that date but only if it also applies SLFRS 15-Revenue from Contracts with Customers (which is effective from 01st January 2018).

SLFRS 16 replaces the existing leases Standard, LKAS 17 Leases, and related interpretations.

The Company is currently in the process of evaluating the potential effect of these standards on its financial statements and the impacts of the adoption of these standards have not been quantified as at the reporting date.

4.0 Revenue

4.1 Accounting Policy

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

The Group has adopted following policies and methods to determine the time at which the entity transfer the significant risks and rewards of ownership of goods.

4.1.1 Dividend income

Sunshine Holdings PLC's revenue comprises net dividends received from Group Companies and other equity investments. Dividend income is recognised in Statement of Profit or Loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

4.1.2 Perennial crops

Revenue and profit or losses on perennial crops are recognised in the financial period of harvesting. Revenue comprises the invoice value net of brokerage, public sale expenses, blending charges and other levies related to revenue.

- Sale of tea at auction

As per the Tea by laws and conditions issued by the Ceylon Tea Traders' Association (section 17) the highest bidder is accepted and a sale shall be completed at the fall of the hammer. The sale is valued at the price and quantity agreed up on and raising the sale note.

- Sale of rubber at auction

As per the Rubber by laws and conditions issued by the Colombo Rubber Traders' Association the highest bidder is accepted and a sale shall be completed at the fall of the hammer. The sale is valued at the price and quantity agreed up on and raising the sale note.

- Sale of palm oil

The revenue is recognised when the cash is received and the oil is ready for delivery to the buyer. Usually buyer arranges the transport while acknowledging the quantity.

- Exports

If the export is on FOB terms the revenue is recognised when the goods being cleared the port of shipment and the documents of title are delivered to buyer and incase of LC when the documents are handed over to the local bank. The Group's responsibility over the goods being export will end when the goods are actually loaded in the ship at the port of shipment.

If the export is on CIF terms, the Group delivers the goods to the port of shipment providing export clearance while arranging and paying for the carriage and insurance. Since the Group bears the cost of transit, the Group bears the risk until the goods reaches the buyer's destination. Hence the revenue is recognised on delivery to the buyer or transfer of the documents of title to the goods, whichever is earlier.

Also, if the buyer is the named beneficiary for the insurance, revenue is recognised when the goods are loaded in the ship at the port of shipment and if the Group is the named beneficiary for insurance, the revenue is recognised when the goods are unloaded at the port of destination.

4.1.3 Livestock

Revenue from the sale of livestock is measured at the fair value of the consideration received or receivable.

4.1.4 Harvesting of timber plantation

Revenue from sale of timber is recognised when legal ownership and the risk of loss transfer to the buyer and the quantity sold is determinable. Revenue on harvesting of timber is recognised in two different instances.

Under a pay-as-cut contract, the buyer acquires the right to harvest specified timber on a tract, at an agreed-to price per unit. The sale and any related advances are recognised as revenue as the buyer harvests the timber on the tract.

Under a lump-sum sale, the parties agree to a purchase price for all the timber available for harvest on a tract of land. Normally the purchase price is paid when the contract is signed. Title to the timber and risk of loss transfers to the buyer as the timber is cut. Therefore the revenue under lump-sum sale is recognised each month based on the timber harvested compared to total estimated timber available to be harvested on a tract of land over the term of the contract.

4.1.5 Commission income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the commission made by the Group and income is recognised on completion of job on an accrual basis.

Rental income is recognised in Statement of Profit or Loss as it accrues.

4.1.6 Wholesale and retail

Wholesale and retail revenue is recognised on an accrual basis at the point of invoicing.

For the year ended 31st March		Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
4.3	Revenue				
	Healthcare	8,161,804,449	7,862,698,302	-	-
	Plantations	7,265,782,000	6,501,765,000	-	-
	Investment	395,125,164	414,779,815	395,125,164	414,779,815
	Consumer Goods	5,381,457,699	4,212,730,806	-	-
	Property	2,730,000	-	-	-
	Energy	248,380,460	88,848,902	-	-
	Gross revenue	**21,455,279,772**	**19,080,822,825**	**395,125,164**	**414,779,815**
	Less: Inter company revenue	(219,543,714)	(190,068,365)	-	-
	Net revenue	**21,235,736,058**	**18,890,754,460**	**395,125,164**	**414,779,815**

5.0 Other Operating Income

5.1 Accounting Policy
All other income are recognised on an accrual basis.

5.1.1 Gains and losses on disposal of an item of property, plant & equipment
Profit or loss is determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipment and are recognised net within "other operating income" in Statement of Profit or Loss.

5.1.2 Grants
Grants are recognised initially as deferred income when there is a reasonable assurance that they will be received and that the Group will comply with the conditions associated with the grant. Grants that compensate the Group for expenses incurred are recognised in Statement of Profit or Loss on a systematic basis in the periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in Statement of Profit or Loss on a systematic basis over the useful life of the asset.

5.1.3 Gains and losses on the disposal of investments
Such gains and losses are recognised in Statement of Profit or Loss.

For the year ended 31st March		Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
5.2	Other operating income				
	Profit on disposal of property, plant and equipment	22,869,231	18,337,926	1,733,615	-
	Write off of PPE	(343,006)	-	(343,006)	-
	Amortisation of capital grants	56,995,000	10,041,000	-	-
	Royalty income	569,578	3,564	-	-
	Fair value gain/(loss) on investment property (Note 11.2)	127,092,307	-	-	-
	Sale of trees (Note 5.3)	72,625,000	20,320,000	-	-
	Service income	-	-	251,615,718	159,453,768
	Income from investment fund	29,733,000	37,015,000	-	-
	Income from short term investment	-	20,933,000	-	-
	Dividend income	5,188,091	-	-	-
	Biological asset-gain/(loss) on fair valuation (Note 5.4)	30,745,000	6,161,000	-	-
	Fair value gain/(loss) on livestock	31,785,000	3,983,000	-	-
	Profit/ (loss) from sale of shares	-	(1,085,114)		(920,612)
	Sundry income	111,597,532	94,133,703	435	-
	Fair value gain /(loss) on quoted investments	(1,131,063)	(9,113,674)	(1,131,063)	(9,113,674)
	Hydro power income	52,459,000	33,206,000	-	-
	Total other operating income	**540,184,670**	**233,935,405**	**251,875,699**	**149,419,482**

5.3 Income from sale of trees of Watawala Plantations PLC, a subsidiary of the Company, represents the disposal of trees recognised as consumable biological assets and bearer biological assets at the reporting date.

5.4 The gain/(loss) on fair value of trees of Watawala Plantaions PLC, a subsidiary of the Company, represents the unrealized gain from valuation of trees/timber at the reporting date.

6.0 Net Finance Income/ (Expense)

6.1 Accounting Policy

6.1.1 Borrowing costs
Borrowing costs are recognised as an expense in the period in which they are incurred, except to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset, in which case they are capitalized as part of the cost of that asset.

6.1.2 Operating leases
Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the lease term are classified as operating leases. Payments made under operating leases are recognised in Statement of Profit or Loss on a straight-line basis over the term of the lease.

6.1.3 Finance cost
Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in Statement of Profit or Loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in Statement of Profit or Loss using the effective interest method.

The interest expense component of finance lease payments are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Foreign currency gains or losses are reported on a net basis.

For the year ended 31st March		Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
6.2	Net finance income/(expense)				
	Finance expense				
	Interest on overdrafts & loans	293,877,744	155,086,806	41,781,020	2,335,771
	Interest on finance lease	1,741,811	1,575,955	-	-
	Interest on leasehold rights payable to JEDB/SLSPC	70,938,000	65,824,000	-	-
	Total finance expense	**366,557,555**	**222,486,761**	**41,781,020**	**2,335,771**
	Finance income				
	Finance income on loans given to related companies	-	-	3,437,196	8,908,804
	Interest income on bank deposit	195,091,015	177,336,379	63,989,414	76,822,942
	Exchange gain	15,293,313	15,020,617	-	-
	Total finance income	**210,384,328**	**192,356,996**	**67,426,610**	**85,731,746**
	Total Net Finance income/(expense)	**(156,173,227)**	**(30,129,765)**	**25,645,590**	**83,395,975**

7.0 Profit from Operating Activities

7.1 Accounting Policy

All expenditure incurred in the running of the business has been charged to income in arriving at the profit for the year. Repairs and renewals are charged to Statement of Profit or Loss in the year in which the expenditure is incurred.

For the year ended 31st March			Group		Company	
			2018	2017	2018	2017
			LKR	LKR	LKR	LKR
7.2	**Profit from operating activities**					
	Is stated after charging all expenses including the following;					
	Auditors' remuneration					
	- Statutory audit	-KPMG	4,395,000	4,146,500	1,375,000	1,250,000
		- Other auditors	6,320,138	6,398,883	-	-
	- Audit related	-KPMG	1,189,812	945,289	1,189,812	945,289
	- Non audit	-KPMG	3,288,208	3,731,263	737,423	1,658,750
		- Other auditors	1,178,346	2,400,060	-	1,686,060
	Amortization - Leasehold right to bare land		7,476,000	7,035,000	-	-
	Provision/(reversal) for doubtful debtors/other receivable		34,324,648	1,271,972	5,190,824	-
	Provision/ (reversal) for investments		-	-	67,972,645	21,842,817
	Depreciation					
	-Property plant and equipment		454,421,583	405,666,285	2,539,144	2,190,572
	- Immovable lease assets		14,965,000	17,100,000	-	-
	-Biological assets-bearer		168,751,000	137,034,000	-	-
	Amortization of intangible assets		18,765,458	11,711,006	753,125	748,378
	Personnel costs include;					
	- Defined benefit plan - gratuity		160,831,128	206,880,210	12,633,327	8,668,251
	- Defined contribution plan - EPF & ETF		320,104,034	316,885,645	23,383,402	14,514,005
	- Salaries and wages & other staff costs		4,110,083,499	3,584,072,119	235,611,552	145,099,812

8.0 Tax Expense

8.1 Accounting Policy

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in Statement of Profit or Loss except to the extent that it relates to a business combination, or items recognised directly in equity or in Other Comprehensive Income.

8.1.1 Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Current tax relating to items recognised directly in equity is recognised in equity and not in the Statement of Profit or Loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

8.1.2 Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

8.1.3 Withholding tax on dividends

Tax withheld on dividend income from subsidiaries and equity accounted investees is recognised as an expense in the Statement of Profit or Loss at the same time as the liability to pay the related dividend is recognised.

For the year ended 31st March		Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
8.2	**Income tax expense**				
	Current income tax expense (Note 8.3)	415,832,228	312,680,705	-	-
	Deferred taxation charge / (reversal) for the year (Note 19)	119,002,793	66,801,856	-	-
	Unclaimable ESC	-	5,407,000		-
	WHT on dividend	57,758,272	61,368,133	-	-
	Under provision/ (over provision) in respect of previous year	29,346,097	(5,109,301)		342,692
	Total income tax expense	**621,939,390**	**441,148,393**	**-**	**342,692**
	Income tax (expense) / saving on other comprehensive income	(3,647,362)	(11,059,429)	-	-
	Tax expenses on Profit or Loss	618,292,028	430,088,964	-	342,692
8.3	Current taxes				
	(a) Company - In terms of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto, the Company is liable for income tax at 28% (2017- 28%) on its taxable income.				
	(b) Group - In accordance with the provisions of the Inland Revenue Act No.10 of 2006 the local subsidiary companies of the Company are liable for income tax at the following rates;				

	Tax Rate 2018	Tax Rate 2017	Effective tax rate with effect from 1st April 2018
Sunshine Healthcare Lanka Limited	28%	28%	28%
Estate Management Services (Private) Limited - Interest income	28%	28%	28%
Watawala Plantations PLC - Profits from cultivation	10%	10%	14%
- Profits from bulk tea exports	28%	28%	14%
- Profits from packeted tea exports	10%	10%	14%
- Profits from other activities	28%	28%	28%
Healthguard Pharmacy Limited	28%	28%	28%
Watawala Tea Ceylon Limited - Export & tea packet less than 500g	10%	10%	28%
- Other activities	28%	28%	28%
Sunshine Packaging Lanka Limited - Export	12%	12%	-
- Other activities	28%	28%	28%
Sunshine Energy (Private) limited	28%	28%	28%
Waltrim Energy Limited	28%	28%	28%
Waltrim Hydropower (Private) Limited - Income from energy supply	Exempt	Exempt	20%
- Interest income	28%	28%	28%
Upper Waltrim Hydropower (Private) Limited - Income from energy supply	Exempt	Exempt	Exempt
- Interest income	28%	28%	28%
Elgin Hydropower (Private) Limited - Interest income	28%	28%	28%

Watawala Tea Australia Pty Ltd. is liable for Income Tax at 30% as per the Tax regulation in Australia.

Waltrim Hydropower (Private) Limited

Pursuant to the agreement entered in to with the Board of Investments (BOI) of Sri Lanka, profit of the Waltrim Hydropower (Pvt) Ltd, is exempt from Income Tax for a period of 5 years reckoned from the year of assessment as may be determined by the Board, in which the subsidiary commences to make profits or any year of assessment not later than 2 years from the date of commencement of commercial operations of the subsidiary, whichever is earlier. As such, the exemption period commenced from financial year 2013/14 at the earliest.

Upper Waltrim Hydropower (Private) Limited

Pursuant to the agreement entered into with the Board of Investments (BOI) of Sri Lanka, Upper Waltrim Hydropower (Pvt) Ltd shall qualify for a tax exemption period of Seven (07) years as stipulated in Inland Revenue Act No.10 of 2006 as amended by Inland Revenue (Amendment) Act No.8 of 2012 (Sec.17A) based on the proposed investment of more than Sri Lankan Rupees Five Hundred Million (LKR 500 Mn.) in fixed assets in the Project.

For the above purpose, the "year of assessment" shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date of commencement of commercial operations whichever is earlier as such, the exemption period would commence from financial year 2017/18 at the earliest.

Elgin Hydropower (Private) Limited

Pursuant to the agreement entered into with the Board of Investments (BOI) of Sri Lanka, the Elgin Hydropower (Pvt) Ltd shall qualify for a tax exemption

period of Seven (07) years as stipulated in Inland Revenue Act No.10 of 2006 as amended by Inland Revenue (Amendment) Act No.8 of 2012 (Sec.17A) based on the proposed investment of more than Sri Lankan Rupees Five Hundred Million (LKR 500 Mn.) in fixed assets in the Project.

For the above purpose, the "year of assessment" shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date of commencement of commercial operations whichever year is earlier as determined by the Commissioner General of Department of Inland Revenue.

However, the Company has informed the Board of Investment (BOI) the commencement of its commercial operations by 31st March 2018 as required by the BOI Agreement entered on 18th December 2014, to claim the tax benefits as stipulated above, based on the ground evidence supported.

Further, Elgin Hydropower (Private) Ltd is not liable for income tax on their business profits as they are yet to commence commercial operations.

Watawala Tea Ceylon Limited cliam tax relief under section 16 of Inland revenue act No 10 of 2006.

		Group 2018 LKR	Group 2017 LKR	Company 2018 LKR	Company 2017 LKR
8.4	**Reconciliation between accounting profit and taxable profit**				
	Accounting profit before tax	2,422,814,624	2,042,853,510	148,558,341	190,800,831
	Inter Group adjustments	1,364,536,592	634,894,497	-	-
		3,787,351,216	2,677,748,007	148,558,341	190,800,831
	Aggregate disallowable items	926,926,486	925,913,272	100,256,848	60,894,222
	Aggregate allowable items	(1,210,545,402)	(1,629,647,786)	(2,123,843)	(1,531,816)
	Aggregate exempt income	(1,566,201,140)	(367,229,513)	(340,599,522)	(260,872,032)
	Profit / (loss) from business	1,937,531,160	1,606,783,980	(93,908,176)	(10,708,795)
	Less tax loss utilised during the year	(9,857,160)	(83,996,845)	-	-
	Taxable profit	1,927,674,000	1,522,787,135	(93,908,176)	(10,708,795)
	Taxation at 28%	129,877,504	112,168,069	-	-
	Taxation at 10%	32,189,623	29,618,144	-	-
	Taxation at effective rates	253,765,101	170,894,492	-	-
	Total income tax expense	**415,832,228**	**312,680,705**	**-**	**-**
	Tax loss				
	Balance as at begining of the year	1,172,549,895	1,224,852,230	169,616,620	159,566,849
	Reassessment of previous year tax lossess	(21,730,563)	(651,598)	(8,084,802)	(659,024)
	Tax loss for the year of assessment	597,180,248	32,346,108	93,908,176	10,708,795
	Tax loss claimed during the year	(9,857,160)	(83,996,845)	-	-
	Balance as at end of the year	**1,725,330,876**	**1,172,549,895**	**255,439,994**	**169,616,620**

9.0 Earnings per Share

9.1 Accounting Policy
The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue for the effects of all dilutive potential ordinary shares.

9.2	Earnings per share
	The earnings per share is computed on the profit attributable to ordinary shareholders after tax divided by the weighted average number of ordinary shares in issue during the year.

		Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
	Profit attributable to ordinary shareholders (LKR) - Continuing operations	829,362,966	563,802,278	148,558,341	190,458,139
	Profit attributable to ordinary shareholders (LKR) - Discontinuing operations	(210,824,830)	8,456,167	-	-
	Weighted average number of ordinary shares in issue during the year	136,492,280	136,492,280	136,492,280	136,492,280
	Earnings per share (LKR) - Continuing operations	6.08	4.13	1.09	1.40
	EPS per share (LKR) - Discontinued operations	(1.54)	0.06	-	-

10.0 Assets and Basis of their Valuation

10.1 Accouting Policy
Assets classified as current assets in the Statement of Financial Position are cash, bank balances and those which are expected to be realized in cash during the normal operating cycle of the Company's business or within one year from the reporting date, whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond a period of one year from the reporting date.

10.1.1 Property, plant and equipment

10.1.1.1 Recognition and measurement
Property, Plant and Equipment are recorded at cost less accumulated depreciation and accumulated impairment losses if any;

10.1.1.2 Freehold assets
Cost
The cost of Property, Plant and Equipment is the cost of purchase or construction together with any expenses incurred in bringing the asset to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets. When parts of an item of property, plant & equipment have different useful lives, they are accounted for as separate items or major components of property, plant & equipment. The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Restoration costs
Repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

10.1.1.3 Capital work-in-progress
Capital work-in-progress is stated at cost and not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for the intended use. These are expenses of a capital nature directly incurred in the construction of buildings, major plants/ machineries and system developments awaiting capitalization. Capital work-in-progress is stated at cost less any accumulated impairment loss.

10.1.1.4 Leasehold assets
The determination of whether an arrangement is, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Profit or Loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The cost of improvements on leased hold property is capitalised and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is lower.

Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss on a straight-line basis over the lease term.

10.1.1.5 Subsequent costs
The cost of replacing a component of an item of property, plant & equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

10.1.1.6 De-recognition
The carrying amount of an item of property, plant & equipment is de-recognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on de-recognition are recognised in Statement of Profit or Loss and gains are not classified as revenue.

10.1.1.7 Depreciation
Depreciation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipment.

Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Expected useful life of lease assets are determined by reference to comparable owned assets or over the term of lease, which is shorter. As no finite useful can be determined related carrying value of freehold land is not depreciated though it is subject to impairment testing.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is de-recognised. The estimated useful lives for the current and comparative periods are as follows:

Freehold Assets

Buildings	15 - 40 Years
Roads & bridges	40 Years
Sanitation, water & electricity	20 Years
Plant & machinery	13 Years
Furniture & fittings	05 - 10 Years
Equipment	05 - 08 Years
Computer equipment	03 - 05 Years
Computer software	04 - 06 Years
Motor vehicles	04 – 05 Years

Electrical equipment	02 Years
Diagnostics and analyzer equipment	04 Years
Medical equipment	04 Years
Hydropower plant	20 Years
Fence and security lights	03 Years

Leasehold Assets

Bare land	53 Years
Roads & bridges	40 Years
Improvements to land	30 Years
Vested other assets	30 Years
Buildings	25 Years
Plant & machinery	13 Years
Sanitation, water & electricity	20 Years
Water supply system	20 Years
Mini-hydro power plant	10 Years
Motor vehicles	04 – 05 Years

Depreciation methods, useful life and residual values are re-assessed at the reporting date. 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.

10.1.1.8 Impairment of financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that they might be impaired.

10.1.1.9 Calculation of recoverable amount

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A cash generating unit is the smallest identifiable asset Group that generates cash flows that are largely independent from other assets and Groups.

10.1.1.10 Impairment/ Reversal of impairment

An impairment loss is recognized, if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in Statement of Profit or Loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

10.2 Property, plant & equipment

10.3 Group

10.3.1 Cost

	Balance as at 01.04.2017	Additions	Disposal	Transfers	Balance as at 31.03.2018
	LKR	**LKR**	**LKR**	**LKR**	**LKR**
Freehold assets					
Land	311,972,691	-	-	(119,731,875)	**192,240,816**
Buildings	1,174,253,091	371,892,812	-	235,166,652	**1,781,312,555**
Plant & machinery	1,866,325,178	217,254,453	(49,076,371)	(125,064,674)	**1,909,438,586**
Power plant	1,252,476,859	1,141,912	-	-	**1,253,618,771**
Tools	19,347,000	-	-	(19,347,000)	**-**
Machinery oil project	2,399,658	-	-	(2,399,658)	**-**
Factory equipments	10,932,848	-	(711,888)	(10,220,960)	**-**
Furniture & fittings	177,255,909	20,782,977	(38,189)	1,248,678	**199,249,375**
Equipment	241,855,283	27,959,353	(2,770,659)	5,029,427	**272,073,404**
Water tank	158,435	-	-	(158,435)	**-**
Computer equipment	131,249,209	12,741,132	-	(2,729,914)	**141,260,427**
Motor vehicles	850,274,350	73,480,000	(36,210,151)	(152,750)	**887,391,449**
Electrical equipment	28,681,322	5,350,227	-	-	**34,031,549**
Capital work in progress	579,124,795	514,065,572	-	(373,271,580)	**719,918,787**
Medical equipment	191,527,498	63,240,843	-	-	**254,768,341**
Others	184,123,100	132,160,000	-	31,366,000	**347,649,100**
Total freehold assets	**7,021,957,226**	**1,440,069,281**	**(88,807,258)**	**(380,266,089)**	**7,992,953,160**

	Balance as at 01.04.2017	Additions	Disposal	Transfers	Balance as at 31.03.2018
	LKR	LKR	LKR	LKR	LKR
Leasehold assets					
Roads & bridges	484,000	-	-	-	484,000
Improvements to land	3,340,000	-	-	-	3,340,000
Vested other assets	3,305,000	-	-	-	3,305,000
Buildings	93,279,000	-	-	-	93,279,000
Water supply system	3,838,000	-	-	-	3,838,000
Machinery	32,506,000	-	-	-	32,506,000
Mini-hydro power Plant	1,540,000	-	-	-	1,540,000
Motor vehicles	34,787,340	-	-	-	34,787,340
Mature plantations	406,633,000	-	-	-	406,633,000
Total leasehold assets	**579,712,340**	**-**	**-**	**-**	**579,712,340**
Total cost	7,601,669,566	1,440,069,281	(88,807,258)	(380,266,089)	8,572,665,500

		Balance as at 01.04.2017	Charge for the year	On disposal	Transfers	Balance as at 31.03.2018
		LKR	LKR	LKR	LKR	LKR
10.3.2	Accummulated depreciation					
	Freehold assets					
	Buildings	248,604,180	45,434,496	-	(17,687,102)	276,351,574
	Plant & machinery	936,189,451	124,722,997	(28,322,711)	(70,758,579)	961,831,158
	Power plant	153,177,312	62,676,179	-	-	215,853,491
	Tools	18,188,620	512,718	-	(18,701,338)	-
	Machinery oil project	1,349,356	92,295	-	(1,441,651)	-
	Factory equipment	5,858,093	527,763	(98,076)	(6,287,780)	-
	Furniture & fittings	107,156,280	17,265,715	(10,873)	(3,732,677)	120,678,445
	Equipment	164,441,647	14,446,943	(2,312,407)	(1,089,229)	175,486,954
	Water tank	142,990	906	-	(143,896)	-
	Computer equipment	80,183,200	19,085,250	-	(2,207,129)	97,061,321
	Motor vehicles	466,238,673	106,778,134	(26,939,279)	(1,188,734)	544,888,794
	Electrical equipment	30,739,435	4,928,747	-	-	35,668,182
	Medical equipment	135,500,901	30,027,951	-	-	165,528,852
	Others	52,537,264	4,259,000	-	-	56,796,264
	Total depreciation on freehold assets	**2,400,307,402**	**430,759,094**	**(57,683,346)**	**(123,238,115)**	**2,650,145,035**

		Balance as at 01.04.2017	Charge for the year	On disposal	Transfers	Balance as at 31.03.2018
		LKR	LKR	LKR	LKR	LKR
	Leasehold assets					
	Roads & bridges	289,000	14,000	-	-	303,000
	Improvements to land	2,750,000	110,000	-	-	2,860,000
	Vested other assets	1,108,000	44,000	-	-	1,152,000
	Buildings	92,460,000	1,058,000	-	-	93,518,000
	Water supply system	3,838,000	-	-	-	3,838,000
	Machinery	32,506,000	-	-	-	32,506,000
	Mini-hydro power plant	1,540,000	-	-	-	1,540,000
	Motor vehicles	9,513,513	8,697,489	-	-	18,211,002
	Mature plantations	302,960,000	13,739,000	-	-	316,699,000
	Total depreciation on leasehold assets	**446,964,513**	**23,662,489**	**-**	**-**	**470,627,002**
	Total depreciation	**2,847,271,915**	**454,421,583**	**(57,683,346)**	**(123,238,115)**	**3,120,772,037**
10.3.3	Carrying value	4,754,397,651				5,451,893,463

10.3.4 Assets in estates that are held under leasehold right to use have been taken into books of the Company retroactive from 18th June 1992. For this purpose the Board of Directors of Watawala Plantations PLC decided at its meeting on 8th March 1995 that those assets would be taken at their book value as they appeared in the books of the JEDB / SLSPC, on the day immediately preceding the date of formation of Watawala Plantations PLC.

10.3.5 The assets shown above include assets vested in the Watawala Plantations PLC and Hatton Plantation PLC the subsidiaries of the Company, by Gazetted notification on the date of formation of the subsidiary (18th June 1992) and all the investments made in the fixed assets by subsidiary since its formation.The assets taken over by way of estate leases have been set out in note 10 and 12.

10.3.6 Investment by the Group on mature and immature plantations are shown separately under biological assets - mature / immature plantations.

10.3.7 The transfer of immature plantations to mature plantations commences at the time the plantation is ready for commercial harvesting.

		Balance as at 01.04.2017	Additions	Disposal	Balance as at 31.03.2018
		LKR	LKR	LKR	LKR
10.4	Company				
10.4.1	Cost				
	Freehold assets				
	Furniture & fittings	2,780,980	6,000		2,786,980
	Equipment	1,115,269	979,793	(521,109)	1,573,953
	Computer equipment	4,515,245	875,591		5,390,836
	Motor vehicles	3,500,000		(3,500,000)	-
	Total freehold assets	**11,911,494**	**1,861,384**	**(4,021,109)**	9,751,769

		Balance as at 01.04.2017	Charge for the year	On disposal	Balance as at 31.03.2018
		LKR	LKR	LKR	LKR
10.4.2	**Accummulated depreciation**				
	Furniture & fittings	1,373,427	555,584		1,929,011
	Equipment	560,781	346,993	(178,103)	729,671
	Computer equipment	2,792,956	1,009,444		3,802,400
	Motor vehicles	1,283,015	627,123	(1,910,138)	-
	Total accummulated depreciation	**6,010,179**	**2,539,144**	**(2,088,241)**	6,461,082
10.4.3	Carrying value	5,901,315			3,290,687

11.0 Investment Property

11.1 Accounting Policy

Investment properties are measured initially at cost, including transaction costs. The carrying value of an investment property includes the cost of replacing part of an existing investment property, at the time that cost is incurred if the recognition criteria are met, and excludes the costs of day to- day servicing of the investment property. Subsequent to initial recognition, the investment properties are stated at fair values, which reflect market conditions at the reporting date.

Gains or losses arising from changes in fair value are included in the income statement in the year in which they arise. Fair values are evaluated at least every 3 years by an accredited external, independent valuer.

Investment properties are derecognised when disposed, or permanently withdrawn from use because no future economic benefits are expected. Any gains or losses on retirement or disposal are recognised in the income statement in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use for a transfer from investment property to owner occupied property or inventory (WIP). The deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property or inventory (WIP), the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use. Where Group companies occupy a significant portion of the investment property of a subsidiary, such investment properties are treated as property, plant and equipment in the consolidated financial statements, and accounted using Group accounting policy for property, plant and equipment.

Fair value of the investment property is ascertained by independent valuations carried out by Chartered valuation surveyors, who have recent experience in valuing properties of akin location and category. Investment property is appraised in accordance with LKAS 40, SLFRS. In determining the fair value, the current condition of the properties, future usability and associated re-development requirements have been considered. Also, the valuers have made reference to market evidence of transaction prices for similar properties, with appropriate adjustments for size and location. The appraised fair values are rounded within the range of values.

The changes in fair value recognised in the Statement of Profit or Loss. The determined fair values of investment properties, using investment method, are most sensitive to the estimated.

11.2	Investment property			
		Land	Buildings	Total
		LKR	LKR	LKR
	Cost			
	Balance as at 1st April 2017	-	-	-
	Transfer	119,731,875	80,380,818	200,112,693
	Balance as at 31st March 2018	119,731,875	80,380,818	200,112,693
	Fair value adjustment			
	Balance as at 1st April 2017	-	-	-
	Fair value gain during the year	82,418,125	44,674,182	127,092,307
	Balance as at 31st March 2018	82,418,125	44,674,182	127,092,307
	Fair value of investment property as at 01st April 2017	-	-	-
	Fair value of investment property as at 31st March 2018	202,150,000	125,055,000	327,205,000

12.0	Leasehold right to land of JEDB / SLSPC estates			
	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Cost				
As at 1st April	372,840,000	372,840,000	-	-
As at 31st March	372,840,000	372,840,000		
Accumulated amortization				
Balance at the beginning of the year	174,367,000	167,332,000	-	-
Amortization for the year	7,476,000	7,035,000	-	-
Balance at the end of the year	181,843,000	174,367,000	-	-
Carrying value	190,997,000	198,473,000	-	-

The leases of JEDB/SLSPC estates handed over to Watawala Plantations PLC for a period of 53 years have all been executed. The leasehold rights to the land on all these estates have been taken into the books of Watawala Plantations PLC as at 18 June 1992 immediately after formation of the subsidiary. The bare land has been recorded at the value established for each land by valuation specialist, D R Wickramasinghe, just prior to the formation of the subsidiary.

The leasehold rights to land is recorded in accordance with the Statement of Recommended Practice for the Right-To-Use of land on lease which was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19th December 2012. Corresponding liability is shown as a lease payable to JEDB/SLSPC.

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13.0 Biological Assets

13.1 Accounting Policy
Biological assets shall be qualified for recognition if the Group controls the assets as a result of past event. It is probable that future economic benefits associated with the assets will flow to the Group and fair value or cost of the asset can be measured reliably.

13.1.1 Livestock
A Biological Asset is a living animal or plant. Livestock are measured at their fair value less estimated costs to dispose with any change therein recognized in Statement of Profit or Loss. Estimated costs to dispose includes all costs that would be necessary to dispose the asset such as transport cost, commission etc.

Fair value of Livestock is determined on yield basis valuation which considers the present value of the net cash flows expected to be generated throughout the lactation lifecycle of the cattle. The expected net cash flows are discounted using a risk adjusted discount rate.

13.1.2 Mature & immature plantations
The costs directly attributable to re-planting and new planting are classified as immature plantations up to the time of harvesting the crop.

Since the market determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable, the Group measures immature and mature plantations of bearer biological assets such as tea, rubber, oil palm etc. at its cost less any accumulated depreciation and any accumulated impairment losses on initial recognition in line with the ruling given by the Institute of Chartered Accountants of Sri Lanka to measure bearer biological assets under LKAS 16, Property, Plant & Equipment.

Nurseries are carried at cost as the fair value cannot be easily determined. The costs consist of direct materials, direct labour and appropriate proportion of other directly attributable overheads. Once the fair value of such a biological asset becomes reliably measurable, the Group measures it at its fair value less cost to sell.

All expenses incurred in land preparation, planting and development of crops up to maturity or up to the harvesting of the crop are capitalized as biological assets. All expenses subsequent to maturity are recognised directly in Statement of Profit or Loss. General charges incurred on the re-plantation and new plantations are apportioned based on the labour days spent on respective re-planting and new planting and capitalized on immature areas. The remaining portion of the general charges is expensed in the accounting period in which it is incurred.

Where infilling results in an increase in the economic life of a relevant field beyond its previously assessed standard of performance, the costs are capitalized and depreciated over the remaining useful life at rates applicable to mature plantations. Infilling costs that are not capitalized are charged to the Statement of Profit or Loss in the year in which they are incurred.

The cost of areas coming into bearing are transferred to mature plantations and depreciated over their useful lives as follows:

	Freehold	Leasehold
Tea	33 Years	30 Years
Rubber	20 Years	20 Years
Palm Oil	20 Years	20 Years
Caliandra	10 Years	-
Coconut	33 Years	-

13.1.3 Timber plantation
Timber plantation is measured at fair value on initial recognition and at the end of each reporting period at fair value less cost to sell which includes all the cost that would be necessary to sell the assets including transportation costs.

Gain or loss arising on initial recognition of timber plantations at fair value less costs to sell and from the change in fair values less costs of plantations at each reporting date are included in the Statement of Profit or Loss for the period in which they arise. All costs incurred in maintaining the assets are included in Statement of Profit or Loss in the year in which they are incurred.

13.1.4 Impairment of assets
Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash - generating units).

13.2 Biological assets

	2018 LKR	2017 LKR
Carrying value		
Biological assets - Bearer (Note 13.3)	3,122,533,000	2,955,251,000
Biological assets - Consumables (Note 13.4)	717,321,000	648,831,000
Biological assets - Live stock (Note 13.5)	539,602,000	24,944,000
Total biological assets	**4,379,456,000**	**3,629,026,000**

13.3 Biological assets -Bearer - Group

	Nursaries LKR	Immature plantations LKR	Mature plantations LKR	Total LKR
Cost				
As at 1 April 2016	**13,447,000**	**508,148,000**	**3,059,069,000**	**3,580,664,000**
Additions	14,147,000	302,886,000	-	317,033,000
Disposal	-	-	(34,287,000)	(34,287,000)
Transfers frrom immature to mature	-	(3,168,000)	3,168,000	-
As at 31 March 2017	**27,594,000**	**807,866,000**	**3,027,950,000**	**3,863,410,000**
Additions	1,128,000	350,054,000	-	351,182,000
Impairment losses and write-downs	-	(1,500,000)	(1,187,000)	(2,687,000)
Disposal	-	(303,000)	(52,219,000)	(52,522,000)
Transfers from nursaries to immature	(15,482,000)	15,482,000	-	-
Transfers frrom immature to mature	-	(153,939,000)	153,939,000	-
As at 31 March 2018	**13,240,000**	**1,017,660,000**	**3,128,483,000**	**4,159,383,000**
Accumulated depreciation				
As at 31 March 2016	**-**	**-**	**(786,039,000)**	**(786,039,000)**
Charged for the year	-	-	(137,034,000)	(137,034,000)
Disposal	-	-	14,914,000	14,914,000
As at 31 March 2017	**-**	**-**	**(908,159,000)**	**(908,159,000)**
Disposal	-	-	40,060,000	40,060,000
Charged for the year	-	-	(168,751,000)	(168,751,000)
As at 31 March 2018	**-**	**-**	**(1,036,850,000)**	**(1,036,850,000)**
Carrying value				
As at 31 March 2017	27,594,000	807,866,000	2,119,791,000	2,955,251,000
As at 31 March 2018	**13,240,000**	**1,017,660,000**	**2,091,633,000**	**3,122,533,000**

(a) Investments in biological assets -plantations since the formation of the Company have been classified as shown above and includes bearer biological assets comprising mainly tea and palm plantations. Bearer biological assets together with any unmanaged biological assets are stated at cost.

The requirement of recognition of bearer biological assets at its fair value less cost to sell under LKAS 41 was superseded by the ruling issued on 2nd March 2012, by the Institute of Chartered Accountants of Sri Lanka. Accordingly, Watawala Plantations PLC, a subsidiary of the Company has elected to measure the bearer biological assets at cost using LKAS 16 - "Property, Plant and Equipment".

(b) The transfer of immature plantations to mature plantations commences at the time the plantation is ready for commercial harvesting.

(c) The disposal of mature plantation represents the sale of rubber.

(d) During the year, the Company transferred the right to use of land at Lonach estate to Watawala Dairy Limited (WDL) for the remaining period of the lease in exchange of X class shares of WDL. It was transferred at the carrying value as at 31 March 2016.

13.4 Biological assets - Consumables - Group

	Immature plantations LKR	Mature plantations LKR	Total LKR
As at 31 March 2016	**90,122,000**	**518,873,000**	**608,995,000**
Additions	33,675,000	-	33,675,000
Gain / (loss) arising from changes in fair value less costs to sell	-	6,161,000	6,161,000
As at 31 March 2017	**123,797,000**	**525,034,000**	**648,831,000**
Additions	37,745,000	-	37,745,000
Gain / (loss) arising from changes in fair value less costs to sell	-	30,745,000	30,745,000
Adjustment	20,247,000	(20,247,000)	-
Transfers	(38,883,000)	38,883,000	-
As at 31 March 2018	**142,906,000**	**574,415,000**	**717,321,000**

The mature consumer biological assets are stated at fair value determined based on an independent valuation of timber / tree reserves performed by Messrs S Sivakantha, Bsc Estate Management and Valuation. The key assumptions and judgements include the following:

- Expected rate of return p.a 14.5% [2017 - 13.5%]
- Maturity for harvesting - 25 years [2016 - 25 years]
- No of trees valued - 28,798

Immature consumer biological assets comprising trees under 5 years old are carried at cost less accumulated impairment losses.

13.4.1 Sensitivity analysis

The financial impact on the value appearing in the Statement of Financial Position due to change of selling price and variation of discount rate is given below.

Sensitivity variation sales price (using 10% estimated variation)

Simulations made for the timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	Value stand as now	574,415,000
	Value stand as at 10% positive variance	603,468,871
	Value stand as at 10% negative variance	545,361,076

Sensitivity variation discount rate (using 1.0% variation)

Simulations made for the timber trees show that a rise or decrease by 1.0% of the discount rate has the following effect on the net present value of biological assets:

	Value stand as now	574,415,000
	Value stand as at 1% positive variance	577,724,371
	Value stand as at 1% negative variance	572,144,465

13.5 Biological assets - Livestock - Group

Fair value of Livestock is determined on yield basis valuation which considers the present value of the net cash flows expected to be generated throughout the lactation lifecycle of the cattle. The expected net cash flows are discounted using a risk adjusted discount rate.

	Group	
	2018 LKR	2017 LKR
As at 1 April	24,944,000	27,535,000
Loss on fair value- transfer to Watawala Dairy Ltd	-	(6,574,000)
Increase due to purchases	241,889,000	-
Government grant	240,984,000	-
Price and physical changes	31,785,000	3,983,000
As at 31st March	**539,602,000**	**24,944,000**

As at 31st March 2018 livestock comprised 1,128 cattle (2017 -167 cattle).

13.6 LKAS 41-Ammended-Valuation of growing crops on bearer plants

The ammendement became effective for the period beginning on or after 1 January 2016. The growing crops on bearer plants should be fairvalued and recognised in the financial statements.

The volume of produce growing on bearer plants are measured considering the estimated crop of the last harvesting cycleof the year as follows,

Tea-Three days crop (50% of 6 days cycle), Oil palm-five days crop (50% of 10 days cycle) and Rubber-One day's crop.

Produce that grows on mature bearer plantations are mesured at fair value less cost to sell. The value of the unharvested green leaves is measured using the bought leaf formula recommended by the Sri Lanka Tea Board and the value of unharvested fresh fruit bunches(FFB) of oil palm is measured using the actual price used to purchase FFB from outgrowers. The rubber crop is fair valued using RSS prices.

	Group	
	2018	**2017**
	LKR	**LKR**
Balance as at 1st April	35,757,000	-
Change during the year	13,276,962	35,757,000
Balance as at 31st March	49,033,962	35,757,000

14.0 Intangible Assets

14.1 Accounting Policy

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Profit or Loss in the expense category consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is de-recognised.

14.1.1 Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the Group's interest in the net fair value of identifiable assets and liabilities of acquired entity.

Goodwill arising from business combinations is included in intangible assets whereas goodwill on acquisition of associate is included in investment in associates and is tested for impairment as part of the overall balance.

The excess of the purchase price over the carrying amount of non-controlling interest, when the Group increases its interest in an existing subsidiary, is recognised in equity.

Goodwill is tested annually for impairment, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups that are expected to benefit from the business combination which the goodwill arose.

14.1.2 Research and development costs

The costs on research activities undertaken with the prospect of gaining new scientific or technical knowledge is expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

a. the technical feasibility of completing the intangible asset so that it will be available for use or sale.

b. its intention to complete the intangible asset and use or sell it.

c. its ability to use or sell the intangible asset.

d. how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.

e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

f. its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

14.1.3 Brand name
Brands acquired as part of a business combination, are capitalized as part of a Brand Name if the Brand meets the definition of an intangible asset and the recognition criteria are satisfied. Brand Names are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

14.1.4 Computer software
Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives and carried at its cost less accumulated amortisation and accumulated impairment losses. Costs associated with maintaining computer software programs are recognised as expense incurred. Development costs that are directly attributable to the production of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets and amortised over the useful lives.

Directly attributable costs, capitalized as part of the software product include the software development employee cost and an appropriate portion of relevant overheads. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. When the computer software is an integral part of the related hardware which cannot operate without the specific software is treated as property, plant and equipment.

14.1.5 Project development cost
The cost incurred to commence the electricity generation on hydropower plants of Elgin Hydropower (Private) Limited and Upper Waltrim Hydropower (Private) Limited, subsidiaries of the Company, have been capitalized as project development cost.

14.1.6 Subsequent expenditure
Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in Statement of Profit or Loss as incurred.

14.1.7 Amortisation
Amortisation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and brand name, from the date on which they are available for use. The estimated useful lives are as follows;

Software license	02 - 06 Years
Software development cost	02 - 05 Years

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14.2	Intangible Assets				
		Group		Company	
		2018	2017	2018	2017
		LKR	LKR	LKR	LKR
	Softwares (Note 14.3)	81,432,701	74,028,044	780,372	1,533,497
	Brand (Note 14.4)	47,320,000	50,277,500	-	-
	Project development cost (Note 14.5)	86,426,121	44,459,874	-	-
		215,178,822	168,765,418	780,372	1,533,497
14.3	**Softwares**				
	Cost				
	Balance at the beginning of the year	108,654,583	43,100,354	3,012,500	2,922,500
	Additions during the year	23,212,615	73,017,290	-	90,000
	Disposal during the year	-	(7,926,074)	-	-
	Transfer during the year	-	463,013	-	-
	Balance at the end of the year	131,867,198	108,654,583	3,012,500	3,012,500
	Amortization				
	Balance at the beginning of the year	(34,626,539)	(33,505,126)	(1,479,003)	(730,625)
	Charge during the year	(15,807,958)	(8,753,506)	(753,125)	(748,378)
	Disposal during the year	-	7,644,954	-	-
	Transfer during the year	-	(12,861)	-	-
	Balance at the end of the year	(50,434,497)	(34,626,539)	(2,232,128)	(1,479,003)
	Carrying amount	81,432,701	74,028,044	780,372	1,533,497
14.4	**Brand**				
	At the beginning of the year	59,150,000	59,150,000	-	-
	At the end of the year	59,150,000	59,150,000	-	-
	Amortization				
	Balance at the beginning of the year	(8,872,500)	(5,915,000)	-	-
	Charge during the year	(2,957,500)	(2,957,500)	-	-
	Balance at the end of the year	(11,830,000)	(8,872,500)	-	-
	Carrying amount	47,320,000	50,277,500	-	-

14.4.1 Brand acquisition

The Group has recognised the brand "HEALTHGUARD" upon the acquisition of Healthguard Pharmacy Limited, on 19th December 2010 and the brand has been valued by an independent valuer, Quasar Capital Advisors (Pvt) Ltd. The value of the brand is tested for impairment on every reporting date. The Board of Directors has decided to amortize the brand for 20 years beginig from the year 2014/15.

14.5 Project development cost

	Group	
	2018	2017
	LKR	LKR
Balance at the beginning of the year	44,459,874	74,641,727
Transfer		(66,701,878)
Additions	41,966,247	36,520,025
Balance at the end of the year	86,426,121	44,459,874

The cost incurred to commence the electricity generation on hydropower plant of Elgin Hydropower (Private) Limited, a subsidiary of the Company, have been capitalised as project development cost.

15. Investment in subsidiaries

15.1 Company -Unquoted

	2018					2017				
	Holding %	No. of Shares	Cost LKR	Impairement LKR	Fair value LKR	Holding %	No. of Shares	Cost LKR	Impairement LKR	Fair value LKR
Sunshine Healthcare Lanka Limited	100.00%	8,274,535	446,657,088	-	446,657,088	100.00%	8,274,535	446,657,088	-	446,657,088
Estate Management Services (Private) Limited	60.00%	19,340,618	1,864,918,516	-	1,864,918,516	33.15%	12,571,402	258,418,516	-	258,418,516
Sunshine Energy (Pvt) Ltd	100.00%	31,270,787	439,640,664	-	439,640,664	100.00%	23,112,987	337,015,540	-	337,015,540
Sunshine Packaging Lanka Limited (note 15.1.1)	100.00%	35,650,007	356,500,000	(89,815,462)	266,684,538	100.00%	35,650,007	356,500,000	(21,842,817)	334,657,183
Elgin Hydropower (Private) Limited	-	1	10	-	10	-	1	10	-	10
Upper Waltrim Hydropower (Private) Limited	-	1	10	-	10	-	1	10	-	10
Sunshine Holdings International (Pte) Ltd	-	1	95	-	95	-	1	95	-	95
			3,107,716,383	(89,815,462)	3,017,900,921			1,398,591,259	(21,842,817)	1,376,748,442

15.1.1 The Board of Directors of Sunshine Packaging Lanka Limited, fully owned subsidiary of Sunshine Holdings PLC, decided to discontinue the manufacturing operations with effect from 31st August 2017. Therefore, a provision of LKR 68.0 million has been made in the Company for probable impairment of investment arising on accumulated loss of Sunshine Packaging Lanka Limited.

15.1.2 The Group considered Sunshine Holdings International (Pte) Ltd as non-subsidiary for the consolidation since it is a single share company and no operations from incorporation.

15.2	Group - Indirect holdings		
		2018	2017
		Holding %	Holding %
	Watawala Plantations PLC	44.54%	25.08%
	Watawala Tea Ceylon Limited	60.00%	33.15%
	Watawala Tea Australia Pty Limited	44.54%	25.08%
	Hatton Plantations Limited	45.39%	0.00%
	Watawala Dairy Limited	30.40%	17.12%
	Zesta Tea Ceylon (Shenzhen) Co. Limited	60.00%	0.00%
	Zesta Tea Ceylon Limited	60.00%	0.00%
	Healthguard Pharmacy Limited	100.00%	100.00%
	Waltrim Energy Limited (note 15.2.1)	60.63%	61.62%
	Waltrim Hydropower (Private) Limited (note 15.2.2)	61.19%	60.70%
	Elgin Hydropower (Private) Limited	60.63%	61.62%
	Upper Waltrim Hydropower (Private) Limited	60.63%	61.62%

15.2.1 Waltrim Energy Limited was previously know as Sunshine Energy Limited

15.2.2 Waltrim Hydropower (Pvt) Limited was previously know as Sunshine Power (Private) Limited

16.0 Investments in associates

	2018			2017		
	Holding %	No of Shares	Cost LKR	Holding %	No of Shares	Cost LKR
Group						
Strategic Business Innovator (Pvt) Ltd	20%	900,000	9,000,000	-	-	-
Share of profit of equity accounted associate (Net of income tax)	-	-	(1,040,385)	-	-	-
Carrying value of associates			7,959,615	-	-	-
Company						
Strategic Business Innovator (Pvt) Ltd	20%	900,000	9,000,000	-	-	-

17.0 Other long term investments

	Group		Company	
	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Investment in unquoted shares (note 17.1)	555,447,085	520,573,896	555,447,085	520,573,896
Investment in quoted shares (note 17.2)	81,237,481	102,580,334	81,237,481	102,580,334
Investment in unit trust (note 17.3)	5,948,890	2,816,102	5,948,890	2,816,102
Investment in Unit Energy Lanka (Pvt) Ltd	10,763,000	10,763,000	-	-
Total	653,396,456	636,733,332	642,633,456	625,970,332

Note: In the year 2016, Watawala Plantations PLC, a subsidiary of the Company has received LKR 10,763,000 worth of investment from Unit Energy Lanka (Pvt) Limited against their land rights.

17.1 Investment in unquoted shares

Company & Group

	Lanka Comodity Brokers Limited LKR	TATA Communications Lanka Ltd. LKR	Total LKR
Cost			
Balance as at 01st April 2017	117,692,727	75,000,000	192,692,727
Investments/ (disposal) made during the year	-	-	-
Carrying value as of 31st March 2018	117,692,727	75,000,000	192,692,727
Fair value adjustment			
Balance as at 01st April 2017	5,279,918	322,601,251	327,881,169
Increase/ (decrease) in fair valuation during the year	3,579,643	31,293,546	34,873,189
Balance as at 31st March 2018	8,859,561	353,894,797	362,754,358
Fair value of investment as at 31st March 2018	**126,552,288**	**428,894,797**	**555,447,085**
Fair value of investment as at 31st March 2017	122,972,645	397,601,251	520,573,896

17.2 Investment in quoted shares

Company & Group

	2018			2017		
	No of Shares	Cost LKR	Market Value LKR	No of Shares	Cost LKR	Market Value LKR
Dialog Axiata PLC	610,000	6,717,280	8,418,000	760,000	8,400,928	8,588,000
Aitken Spence Hotels Holdings PLC	18,000	1,456,128	603,000	18,000	1,456,128	633,600
Commercial Bank of Ceylon PLC	76,749	9,043,189	10,422,514	68,905	8,126,573	8,985,212
Aitken Spence PLC	100,000	9,828,823	5,060,000	193,000	19,051,472	10,846,600
Hatton National Bank PLC - Non Voting	17,762	2,951,122	3,310,837	76,557	10,309,542	14,163,045
Kelani Tyres PLC	14,644	1,250,845	720,485	80,000	5,676,070	4,400,000
Hayleys Fabric PLC	274,850	2,903,195	3,435,625	274,850	2,903,195	3,737,960
Ceylon Hotels Corporation PLC	234,662	5,779,655	3,519,930	223,966	5,565,735	4,300,147
Ceylinco Insurance PLC	10,000	6,774,918	10,000,000	10,000	6,774,917	8,200,000
Peoples Insurance Limited	72,700	1,090,500	1,563,050	72,700	1,090,500	1,330,410
Softlogic Holdings PLC	-	-	-	300,700	4,482,276	3,578,330
Tokyo Cement PLC	-	-	-	80,000	3,200,000	4,880,000
Expolanka Holdings PLC	790,000	5,530,000	3,871,000	790,000	5,530,000	4,740,000
National Development Bank PLC	-	-	-	28,029	4,571,748	3,912,848
Melstacorp PLC	114,000	6,757,350	6,634,800	149,000	8,831,975	8,820,800
Chevron Lubricants Lanka PLC	49,000	8,085,000	5,120,500	49,000	8,085,000	8,330,000
Sampath Bank PLC	14,114	3,859,066	4,234,200	12,098	3,365,146	3,133,382
Access Engineering PLC	137,000	3,527,429	2,808,500	-	-	-
Central Finance Company PLC	50,000	5,000,000	4,995,000	-	-	-
Cargills Ceylon PLC	16,000	3,217,600	3,118,400	-	-	-
LVL Energy Fund Limited	343,600	3,436,000	3,401,640	-	-	-
Cost		**87,208,100**	**81,237,481**		**107,421,205**	**102,580,334**
Fair value adjustment		(5,970,619)			(4,840,871)	
Market value		**81,237,481**			**102,580,334**	

17.3 Investment in unit trusts

Group and Company

	2018			2017		
	No of Units	**Cost LKR**	**Market Value LKR**	**No of Units**	**Cost LKR**	**Market Value LKR**
Investment in unit trusts	377,949	5,934,104	5,948,890	199,773	2,800,000	2,816,102
Total cost		**5,934,104**			**2,800,000**	
Fair value adjustment		14,786			16,102	
Market value		**5,948,890**			**2,816,102**	

18. Investment fund

	Group	
	2018 LKR	2017 LKR
Balance at the beginning of the year	258,319,000	234,369,000
Reinvestment of income	30,276,000	23,950,000
Balance at the end of the year	**288,595,000**	**258,319,000**

19.0 Current and Deferred Tax

19.1 Accounting Policy
Tax is recognised in the Statement of Profit or Loss except to the extent that it relates to items recognised in Other Comprehensive Income or directly in equity.

19.1.1 Current income tax
The current income tax charge is calculated on the basis of the tax law enacted or substantially enacted by end of the reporting period in the countries where the Group operates and generates taxable income.

Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Current tax payable also includes any tax liability arising from the declaration of dividends.

19.1.2 Deferred tax
Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. Deferred tax is not recognised for;

- Temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit or loss.
- Temporary differences related to investment in subsidiaries, branches and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future and
- Taxable temporary differences arising on the initial recognition of goodwill

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year, when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax asset is recognised for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Un-recognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

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

		Group		Company	
	As at 31st March	**2018 LKR**	**2017 LKR**	**2018 LKR**	**2017 LKR**
19.2	**Deferred taxation**				
19.3	**Deferred tax asset**				
	Balance at the beginning of the year	75,590,768	82,380,722	-	-
	Charge / (reversal) for the year	(1,928,930)	(4,347,140)	-	-
	Reclassified from deferred tax laibility	-	(2,442,814)	-	-
	Balance at the end of the year	73,661,838	75,590,768	-	-
19.4	**Deferred tax liability**				
	Balance at the beginning of the year	333,473,307	273,461,405	-	-
	Charge / (reversal) for the year	117,073,863	62,454,716	-	-
	Reclassified from deferred tax assets	-	(2,442,814)	-	-
	Balance at the end of the year	450,547,170	333,473,307	-	-
	Net deferred tax asset/(liability)	(376,885,332)	(257,882,539)	-	-

Group	**2018**		**2017**	
	Temporary Difference LKR	**Tax effect on Temporary Difference LKR**	**Temporary Difference LKR**	**Tax effect on Temporary Difference LKR**
On property, plant & equipment	(1,851,893,093)	(309,096,259)	(2,091,873,850)	(367,871,312)
On biological assets - Bearer	(3,032,800,000)	(424,592,000)	(2,823,410,000)	(333,685,000)
On biological assets - Consumable	(31,407,143)	(4,397,000)	(197,480,000)	(19,749,000)
On retirement benefit obligation	1,062,640,865	178,554,520	1,085,479,743	181,611,814
On provision for investment	89,815,462	25,148,329	21,842,817	6,115,989
On capital grants	377,516,000	33,183,000	193,528,000	54,223,000
On debtors provision	56,494,676	15,818,509	27,360,852	6,208,686
On fair value gain on other investment	(17,436,594)	(1,743,659)	-	-
On tax losses carried forward	1,725,330,876	245,968,003	1,157,081,709	304,142,442
	(1,621,738,950)	(241,156,557)	(2,627,470,729)	(169,003,381)
Less: Unrecognized deferred tax assets				
Sunshine Holdings PLC		(116,709,917)		(66,416,784)
Sunshine Energy (Pvt) Limited		(221,976)		-
Waltrim Energy Limited		(9,197,041)		(5,088,512)
Waltrim Hydropower (Private) Limited		(9,519,131)		(14,032,967)
Upper Waltrim Hydropower (Private) Limited		(80,710)		(3,340,895)
Deferred tax recognized in the Financial Statements		(376,885,332)		(257,882,539)

The Board of Sunshine Holdings PLC, Waltrim Energy Limited, Waltrim Hydropower (Private) Limited, Upper Waltrim Hydropower (Private) Limited and Sunshine Energy (Pvt) Limited is of the opinion that the above deferred tax asset amounting to LKR 116,709,917 (LKR 66,416,784 in 2017), LKR 9,197,041 (LKR 5,088,512 in 2017), LKR 9,519,131 (LKR 14,032,967 in 2017), LKR 80,710 (LKR 3,340,895 in 2017) and LKR 221,976 (LKR nil in 2017) respectively as it is not probable that future taxable profits will be available against which those companies can utilise the benefit thereon.

Company	**2018**		**2017**	
	LKR		**LKR**	
On property, plant & equipment	(606,065)	(169,698)	(4,658,484)	(1,304,376)
On retirement benefit obligation	78,399,096	21,951,747	51,881,378	14,526,786
On provision for investment	89,815,462	25,148,329	21,842,817	6,115,989
On fair value gain on other investment	(17,436,594)	(1,743,659)	-	-
On tax losses carried forward	255,439,994	71,523,198	179,666,391	47,078,385
Total	405,611,893	116,709,917	248,732,102	66,416,784

The Company has not recognized deferred tax asset amounting to LKR 116,709,917 (LKR 66,416,784 in 2017) as the management is of the opinion that the reversal of deferred tax asset will not be crystalized in the forseeable future.

The deferred tax assets and liabilities are arrived by applying the relevant tax rate applicable for the sources of income of the Compay and its subsidiaries.

Current Assets
Assets classified as current assets on the Statement of Financial Position are cash and bank balances and those which are expected to be realised in cash during the normal operating cycle or within one year from the reporting date, whichever is shorter.

20.0 Assets Held for Sale

20.1 Accounting Policy
Non-current assets, or disposal Groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro-rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in Statement of Profit or Loss. Gains are not recognised in excess of any cumulative impairment loss.

20.2 Assets held for sales

	Group			
	Balance as at	Transfers	Disposal	Balance as at
	01.04.2017			31.03.2018
	LKR	LKR	LKR	LKR
Plant and machinery	-	53,055,031	(3,008,700)	50,046,331
Tools	-	645,662	-	645,662
Factory equipment	-	1,886,207	(1,719)	1,884,488
Furniture and fittings	-	168,245	(34,942)	133,303
Office equipment	-	129,328	(2,684)	126,644
Motor vehicles	-	130	-	130
Machinery oil project	-	958,007	-	958,007
Computer equipment	-	72,671	(53,922)	18,749
Total	**-**	**56,915,281**	**(3,101,967)**	**53,813,314**

The board of directors of Sunshine Packaging Lanka Limited, fully owned subsidiary of Sunshine Holdings PLC, decided to discontinue the manufacturing operations with effect from 31st August 2017, and to classify its plant and machineries as assets held for sale.

21.0 Inventories

21.1 Accounting Policy
Inventories other than produce stock and nurseries are stated at the lower of cost and net realizable value, after making due allowances for obsolete and slow moving items. The Group uses weighted average cost/ FIFO formula in assigning the cost of inventories. The cost includes expenses in acquiring stocks, production and conversion cost and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

The value of each category of inventory is determined on the following basis;

- Raw materials and consumables are valued at cost on a weighted average/ purchase price basis
- Nurseries are valued at cost.
- Agricultural produce harvested from biological assets are measured at fair value less cost to sell at the point of harvest.
- Medical Items are valued at actual cost, on first in first out basis.
- Other Sundry Stocks are valued at actual cost, on first in first out basis
- Finished good are valued at lower of cost or net releasable value
- Work in progress are valued at actual cost

21.2 Inventories

	Group		Company	
As at 31st March	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Medical items	2,294,191,099	1,608,573,670	-	-
Harvested crops	566,990,000	473,128,000	-	-
Input materials, spares and consumables	645,987,184	537,614,824	-	-
Finished goods	278,075,461	210,184,494	-	-
Work in progress	68,176,596	144,794,414	-	-
Machinery spares	10,789,613	9,977,806	-	-
Goods in transit	106,328,915	157,028,517	-	-
Total	**3,970,538,868**	**3,141,301,725**	**-**	**-**

22.0 Trade and Other Receivables

22.1 Accounting Policy

Trade receivables are amount due from customers for goods and services provided in the ordinary course of business. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

A provision for impairment of trade receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision for impairment of trade receivable is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the Statement of Profit or Loss in other operating expenses. The carrying amount of the asset is reduced through the use of a provision account. When trade receivables are uncollectible it is written off as other operating expenses in the Statement of Profit or Loss. Subsequent recoveries of amounts previously written off, are credited against other operating expenses in the Statement of Profit or Loss.

22.2	Trade and other receivables				
		Group		Company	
	As at 31st March	2018	2017	2018	2017
		LKR	LKR	LKR	LKR
	Trade receivables	2,065,154,614	2,011,508,291	-	-
	Less: Provision for bad debts	(56,494,676)	(27,360,852)	-	-
	Net trade receivables	**2,008,659,938**	**1,984,147,439**	**-**	**-**
	Staff loan recoverable	55,125,342	66,271,741	135,930	92,814
	Other receivables	553,408,517	417,461,339	7,538,135	6,380,324
	Withholding tax recoverable	39,122,485	33,577,435	38,107,854	32,029,083
	Interest income receivables	22,761,726	15,675,265	6,990,918	3,293,895
	ESC recoverable	45,148,960	44,676,288	6,104,875	2,871,169
	ACT recoverable	-	26,359,000	-	-
	VAT recoverable	178,180,814	165,331,944	-	-
	Advances and deposits	338,990,629	307,491,695	528,724	494,112
	Total	**3,241,398,411**	**3,060,992,146**	**59,406,436**	**45,161,397**

23.0	Amounts due from related parties					
			Group		Company	
	As at 31st March		2018	2017	2018	2017
			LKR	LKR	LKR	LKR
		Relationship				
	Sunshine Energy (Pvt) Ltd	Subsidiary	-	-	696	-
	Sunshine Tea (Pvt) Ltd	Affiliated	939,867	31,900	-	-
	Sunshine Packaging Lanka Ltd	Subsidiary	-	-	167,190,777	133,251,000
	Waltrim Energy Ltd	Subsidiary	-	-		55,045,820
	TATA Global Beverages Ltd	Affiliated	-	79,735,000	-	-
	Sunshine Holdings International Pte Ltd	Affiliated	3,699,689	3,699,689	3,699,689	3,699,689
	Total		**4,639,556**	**83,466,589**	**170,891,162**	**191,996,509**

24.0 Cash and Cash Equivalents

24.1 Accounting Policy

Cash and cash equivalents comprise cash balances, fixed deposits and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

Interest paid is classified as an operating cash flow while interest received is classified as an investing cash flow for the purpose of presentation of Statement of Cash Flow, which has been prepared based on the indirect method.

24.2	Cash and cash equivalents				
24.3	**Favorable balance**				
		Group		Company	
	As at 31st March	2018	2017	2018	2017
		LKR	LKR	LKR	LKR
	Fixed deposits	734,755,308	1,609,619,063	464,815,308	705,789,067
	Call deposits	26,000,000	111,460	-	-
	Import margin at bank	9,686,916	929,038	-	-
	Cash at bank	585,734,853	259,481,635	61,443,840	25,846,944
	Cash in hand	18,041,355	5,863,466	76,463	76,180
	Total	**1,374,218,432**	**1,876,004,662**	**526,335,611**	**731,712,191**
24.4	**Unfavorable balance**				
	Bank overdrafts	(927,663,776)	(711,424,579)	-	-
	Total	**(927,663,776)**	**(711,424,579)**	**-**	**-**
	Cash and cash equivalents for the purpose of Statement of Cash Flows	446,554,656	1,164,580,083	526,335,611	731,712,191

25.0 Stated Capital

25.1 Accounting Policy

25.1.1 Ordinary shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

25.2	Stated capital				
		Group		Company	
	As at 31st March	2018	2017	2018	2017
		LKR	LKR	LKR	LKR
	No. of shares				
	Balance at the begining of the year	135,140,986	135,140,986	135,140,986	135,140,986
	Issued during the year	1,351,294	-	1,351,294	-
	Balance as at the end of the year	136,492,280	135,140,986	136,492,280	135,140,986
	Value				
	Balance at the begining of the year (LKR)	730,939,657	730,939,657	730,939,657	730,939,657
	Issued during the year	67,564,700	-	67,564,700	-
	Balance as at 31st March (LKR)	798,504,357	730,939,657	798,504,357	730,939,657

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.

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26.0 Borrowings

26.1 Accounting Policy
Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds and the redemption value is recognised in the Statement of Profit or Loss over the period of the borrowings, using the effective interest method.

Fees paid on the establishment of loan facilities is capitalized as a pre-payment for financial services and amortised over the period of the facility to which it relates. A financial liability is de-recognised when the obligation under the liability is discharged, cancelled or expired.

26.1.1 Borrowing costs
General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessary 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.

Capitalisation of borrowing costs commences when it incurs expenditure for the asset, it incurs borrowing costs and it undertake activities that are necessary to prepare the asset for their intended use or sell. It ceases capitalization when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Capitalization of borrowing costs shall be suspended, if it suspends active development of a qualifying asset.

Group borrows funds generally and uses them for qualifying asset such as immature plantations of tea, rubber and oil palm. The Group determines the amount of borrowing costs eligible for capitalization by applying a capitalization rate to the expenditure on the above biological assets. For this purpose Group uses weighted average of the borrowing costs applicable to the general borrowings.

All other borrowing costs are recognised in Statement of Profit or Loss in the period in which they are incurred. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization.

26.1.2 Accounting for leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Profit or Loss on a straight line basis over the period of lease. Associated costs such as maintenance and insurance are expensed as incurred. Lease of property, plant and equipment where the Group has substantially all the risk and rewards of ownership are classified as finance charges. Classification of a lease as a finance lease is based on the substance of the transaction rather than the form of the contract. Group tend to classify a lease as a finance lease if the lessor transfers ownership of the assets to the Group by end of the lease term or the Group has the option to purchase asset at sufficiently lower price than its fair value at the date the option becomes exercisable or the Group acquires economic benefits of the use of the asset for the major part of the economic life of the asset.

Finance leases are capitalized at the commencement of the lease at lower of the fair value of the leased property and the present value of the minimum lease payments. Initial direct costs incurred in connection with the lease are added to the amount and recognised as an asset.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligation, net of finance charges are included in other long term borrowing. The interest element of the finance cost is charged to the Statement of Profit or Loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipment acquired under finance lease is depreciated over the shorter of the useful life of the asset and the lease term, consistent with the depreciation policy the Group adopts for depreciable assets that are owned.

26.2	Interest bearing borrowings				
		Group		Company	
	As at 31st March	2018	2017	2018	2017
		LKR	LKR	LKR	LKR
	Amount repayable after one year				
	Loans (Note 26.3)	3,248,917,284	887,460,557	1,143,330,000	-
	Finance lease obligations (Note 26.4)	4,282,701	10,973,474	-	-
	SLSPC / JEDB lease creditors (Note 26.5)	318,814,000	328,412,000	-	-
	Total	**3,572,013,985**	**1,226,846,031**	**1,143,330,000**	**-**
	Amount repayable within one year				
	Loans (Note 26.3)	795,067,555	344,299,342	256,670,000	-
	Finance lease obligations (Note 26.4)	6,906,094	6,624,910	-	-
	SLSPC / JEDB lease creditors (Note 26.5)	6,990,000	6,720,000	-	-
	Total	**808,963,649**	**357,644,252**	**256,670,000**	**-**
	Total interest bearing borrowings	**4,380,977,634**	**1,584,490,283**	**1,400,000,000**	**-**
26.3	**Loans**				
	Balance at the beginning of the year	1,231,759,899	1,377,554,276	-	-
	Add: Loans obtained during the year	5,488,458,921	474,783,208	1,400,000,000	-
	Less: Fair value adjustment	(3,295,000)	-	-	-
	Less: Repayment during the year	(2,672,938,981)	(620,577,585)	-	-
	Balance at the end of the year	4,043,984,839	1,231,759,899	1,400,000,000	-
	Amount repayable within one year	795,067,555	344,299,342	256,670,000	-
	Amount repayable after one year	3,248,917,284	887,460,557	1,143,330,000	-
26.4	**Finance lease obligations**				
	Balance at the beginning of the year	20,949,522	18,206,204	-	-
	Addition/(disposal) made during the year	-	9,079,440	-	-
	Repayment during the year	(8,151,399)	(6,336,122)	-	-
	Balance at the end of the year	12,798,123	20,949,522	-	-
	Interest in suspense	(1,609,328)	(3,351,138)	-	-
	Net lease obligation	11,188,795	17,598,384	-	-
	Amount repayable within one year	6,906,094	6,624,910	-	-
	Amount repayable after one year	4,282,701	10,973,474	-	-

		Group		Company	
	As at 31st March	2018	2017	2018	2017
		LKR	LKR	LKR	LKR
26.5	**SLSPC / JEDB lease creditors**				
	Balance at the beginning of the year	568,960,000	589,280,000	-	-
	Repayment during the year	(32,217,000)	(20,320,000)	-	-
	Balance at the end of the year	536,743,000	568,960,000	-	-
	Interest in suspense	(210,939,000)	(233,828,000)	-	-
	Net lease obligation	325,804,000	335,132,000	-	-
	Amount repayable within one year	6,990,000	6,720,000	-	-
	Amount repayable after one year	318,814,000	328,412,000	-	-

The annual lease series of payments payable by Watawala Plantations PLC, a subsidiary of the Compnay, with effect from 18 June 1996 in respect of these estates is LKR 20.32 million (basic lease series of payments) plus an amount to reflect inflation during the previous year determined by multiplying LKR 20.32 million by gross domestic product (GDP) deflator of the preceding year. However as per the agreement entered into with the Ministry of Plantations the application of GDP deflator has been suspended for five years commencing from 18 June 2003, resulting in a fixed lease payment of LKR 29,041,405. Since this agreement lapsed on 31st March 2008, the subsidiary continued to adopt the same terms and conditions until such time the fresh terms and conditions are negotiated and agreed. The gross liability to the lessor represents the total basic lease series payable by the Company for the remaining term of the lease. The net liability to the lessor is the present value of annual basic lease series of payments over the remaining tenure of the lease. The discount rate used is 6% p.a.

The interest in suspense is the total amount of interest payable during the remaining tenure of the lease at 6% p.a. on the net liability to the lessor on 18th June each year. The basic lease series of payments paid each year (in equal quarterly instalments in advance) has been debited to the gross liability and the appropriate interest amount for the year is charged to finance costs by crediting the interest in suspense account.

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26.6 Term loans

	Company/Lender	Year	Interest rate % p.a.	2018 Repayable within one year (LKR)	2018 Repayable after one year (LKR)	Balance as at 31 March 2018 (LKR)	2017 Repayable within one year (LKR)	2017 Repayable after one year (LKR)	Balance as at 31 March 2017 (LKR)	Purpose	Repayment terms	Security
01	**Watawala Plantations PLC**											
	Hatton National Bank PLC	2014	AWPLR + 0.5%	31,250,000	93,750,000	125,000,000	31,250,000	124,960,000	156,210,000	To finance re-planting of plantation	96 equal monthly installments commencing from April 2014	
				31,250,000	93,750,000	125,000,000	31,250,000	124,960,000	156,210,000			
	Seylan Bank PLC	2012	AWPLR + 0.5% (1-2 Years)	-	-	-	62,000,000	170,490,000	232,490,000		60 equal monthly installments commencing from March 2012	
			AWPLR + 0.75% (3-5 Years)	-	-	-	62,000,000	170,490,000	232,490,000			
	Tea Board	2016	5.00%	1,980,000	4,186,000	6,166,000	25,068,000	29,556,000	54,624,000	For working capital financing	36 equal monthly instalments commencing from October 2016	
				1,980,000	4,186,000	6,166,000	25,068,000	29,556,000	54,624,000			
	Total			**33,230,000**	**97,936,000**	**131,166,000**	**118,318,000**	**325,006,000**	**443,324,000**			
02	**Hatton Plantations PLC**											
	National Development Bank PLC	2017	6%	5,547,000	4,408,000	9,955,000	-	-	-	Mini hydropower project	42 equal monthly instalments commencing from August 2017	
				5,547,000	4,408,000	9,955,000	-	-	-			
	Seylan Bank PLC	2015	AWPLR + 0.5% (1-2 Years)	62,000,000	108,410,000	170,410,000	-	-	-	Working capital/factory development	60 equal monthly installments commencing from December 2015	
			AWPLR + 0.75% (3-5 Years)	62,000,000	108,410,000	170,410,000	-	-	-			
	Tea Board	2017	0.41%	10,020,000	13,368,000	23,388,000	-	-	-	Working capital financing	36 equal monthly instalments commencing from August 2017	
		2016	5.00%	24,257,000	25,692,000	49,949,000	-	-	-	Working capital financing	36 equal monthly instalments commencing from October 2016	
				34,277,000	39,060,000	73,337,000	-	-	-			
	Total			**101,824,000**	**151,878,000**	**253,702,000**	**-**	**-**	**-**			

	Company/Lender	Year	Interest rate % p.a.	2018 Repayable within one year (LKR)	2018 Repayable after one year (LKR)	2018 Balance as at 31 March 2018 (LKR)	2017 Repayable within one year (LKR)	2017 Repayable after one year (LKR)	2017 Balance as at 31 March 2017 (LKR)	Purpose	Repayment terms	Security
03	**Watawala Dairy Limited**											
	Hatton National Bank PLC	2017	AWPLR + 0.5%		360,000,000	360,000,000	-	-	-	Construction of dairy farm	84 equal monthly instalments commencing from September 2019	Project assets and corporate guarantee from Watawala Plantations PLC
		2017	16%	393,000	9,861,000	10,254,000	-	-	-	Purchase of lorry	36 equal monthly instalments commencing from November 2017	Ownership of lorry
				393,000	369,861,000	370,254,000	-	-	-			
	State Bank of India	2017	AWPLR - 0.5%	-	540,000,000	540,000,000	-	-	-	Construction of dairy farm	84 equal monthly instalments commencing from March 2020	Project assets and corporate guarantee from Watawala Plantations PLC
				-	540,000,000	540,000,000	-	-	-			
	Standard Chartered Bank Ltd	2017	AWPLR + 1.5%	-	298,000,000	298,000,000			-		36 equal monthly instalments commencing from August 2018	Corporate guarantee from Watawala Plantations PLC
				-	298,000,000	298,000,000	-	-	-			
	Total			**393,000**	**1,207,861,000**	**1,208,254,000**	**-**	**-**	**-**			
04	**Sunshine Healthcare Lanka Limited**											
	Public Bank Berhad		9.75%	-	-	-	1,092,637	-	1,092,637		60 equal monthly instalments commencing from 13th February 2013	Primary mortgage over vehicle bearing No. WP KV-1828
	Public Bank Berhad		7.50%	5,184,689	-	5,184,689	11,633,534	5,355,690	16,989,224		60 equal monthly instalments commencing from 27th September 2013.	Primary mortgage Property Baring assessment no 60/52, Sriwickrama mawatha, Mattakkuliya lot no 20 plan no 2317
				5,184,689	-	5,184,689	12,726,171	5,355,690	18,081,861			
	Commercial Bank of Ceylon PLC		AWPLR + 0.5%	30,146,066	-	30,146,066	-	-	-	Working capital financing	Each loan to be repaid within 90 days.	Unsecured
				30,146,066	-	30,146,066	-	-	-			
	Total			**35,330,755**	**-**	**35,330,755**	**12,726,171**	**5,355,690**	**18,081,861**			

	Company/Lender	Year	Interest rate % p.a.	2018 Repayable within one year (LKR)	2018 Repayable after one year (LKR)	2018 Balance as at 31 March 2018 (LKR)	2017 Repayable within one year (LKR)	2017 Repayable after one year (LKR)	2017 Balance as at 31 March 2017 (LKR)	Purpose	Repayment terms	Security
05	**Sunshine Holdings PLC**											
	Standard Chartered Bank Ltd	2017	AWPLR	256,670,000	1,143,330,000	1,400,000,000	-	-	-	Increase in the investment of the agri and consumer goods businesses.	1 year moratorium, followed by initial payment of LKR 175,000,000 and 15 equal quarterly repayments of LKR 81,670,000 thereafter.	Corporate guarantee from Sunshine Healthcare Lanka Ltd and cash deposit equivalent to USD 587,000
	Total			**256,670,000**	**1,143,330,000**	**1,400,000,000**	**-**	**-**	**-**			
06	**Sunshine Packaging Lanka Limited**											
	Hatton National Bank PLC	2017	AWPLR + 1%	33,119,800	-	33,119,800	45,255,171	-	45,255,171	Purchase of machinery and working capital	06 equal monthly instalments.	Registered primary floating mortgage bond for LKR 111.25 million over immovable property at No 75, kandawala road, Ratmalana
	Total			**33,119,800**	**-**	**33,119,800**	**45,255,171**	**-**	**45,255,171**			
07	**Waltrim Hydropower (Pvt) Ltd**											
	Hatton National Bank PLC	2011	AWPLR + 0.5% (3 month avg)	51,000,000	59,018,338	110,018,338	51,000,000	115,504,219	166,504,219		08 years inclusive of an initial grace period of 24 months from the date of first disbursement.	Primary concurrent mortgage bond for LKR 290 million over the sub-lease right over the project property and structure to be constructed/ machinery to be installed therein
	Total			**51,000,000**	**59,018,338**	**110,018,338**	**51,000,000**	**115,504,219**	**166,504,219**			

	Company/Lender	Year	Interest rate % p.a.	2018 Repayable within one year (LKR)	2018 Repayable after one year (LKR)	2018 Balance as at 31 March 2018 (LKR)	2017 Repayable within one year (LKR)	2017 Repayable after one year (LKR)	2017 Balance as at 31 March 2017 (LKR)	Purpose	Repayment terms	Security
08	**Estate Management Services (Pvt) Ltd**											
	Commercial Bank of Ceylon PLC	2018	AWPLR + 0.75%	190,000,000	-	190,000,000	-	-	-		Re-payable in six months	Unsecured
				190,000,000	-	190,000,000	-	-	-			
	ICICI Bank	2013	SLIBOR + 3.25%	23,500,000	-	23,500,000	47,000,000	23,500,000	70,500,000	To Purchase shares of Watawala Plantations PLC	10 semi annual installments	
				23,500,000	-	23,500,000	47,000,000	23,500,000	70,500,000			
	Total			**213,500,000**	**-**	**213,500,000**	**47,000,000**	**23,500,000**	**70,500,000**			
09	**Upper Waltrim Hydropower (Private) Limited**											
	DFCC Bank PLC	2015	AWPLR + 0.5%	70,000,000	279,999,992	349,999,992	70,000,000	350,000,000	420,000,000		08 years inclusive of an initial grace period of 24 months from the date of first disbursement.	Corporate Guarantee of the Sunshine Holdings PLC
	Total			**70,000,000**	**279,999,992**	**349,999,992**	**70,000,000**	**350,000,000**	**420,000,000**			
10	**Elgin Hydropower (Pvt) Limited**											
	DFCC Bank PLC	2017	AWPLR + 2.0%	-	308,893,954	308,893,954	-	68,094,648	68,094,648			
				-	308,893,954	308,893,954	-	68,094,648	68,094,648			
	Total			**795,067,555**	**3,248,917,284**	**4,043,984,839**	**344,299,342**	**887,460,557**	**1,231,759,899**			

26.7 Bank Overdrafts

As at 31st March	2018 LKR	2017 LKR	Security
Sunshine Holdings PLC			
Muslim Commericial Bank	-	-	
Total			
Estate Management Services (Pvt) Ltd			
Hatton National Bank PLC	2,353,809	-	Usecured
Total	**2,353,809**	**-**	
Watawala Dairy Limited			
Hatton National Bank PLC	36,588,000	-	Unsecured
Total	**36,588,000**	**-**	
Sunshine Healthcare Lanka Limited			
MCB Bank Limited	186,594,921	159,717,901	A.) Primary concurrent mortgage over stocks & book Debts
			for LKR 150 mllion.
			B.) Clearing and Post dated cheques of LKR 150 million.
Sampath Bank PLC	4,137,682	3,891,919	A) Primary concurrent mortgage over stocks & book Debts
			for LKR 110 million.
			B) Bank Overdraft agreement for LKR 10 million.
Nations Trust Bank PLC	95,846,573	39,728,627	A) Primary concurrent mortgage over stocks & book Debts
			for LKR 100 million.
			B) Bank Overdraft agreement for LKR 100 million.
Commercial Bank of Ceylon	78,054,141	24,138,075	Bank Overdraft agreement for LKR 100 million
Hatton National Bank PLC	129,104,665	72,256,606	A) Bank Overdraft agreement for LKR 200 million
Seylan Bank PLC	1,631,307		A) Bank Overdraft agreement for LKR 10 million.
Total	**495,369,289**	**299,733,128**	
Watawal Tea Ceylon Limited			
Hatton National Bank PLC	89,413,105	171,192,438	Unsecured
Commercial Bank of Ceylon PLC	13,120,363	43,921,643	Unsecured
Muslim Commercial Bank Limited	143,278,741	70,994,252	Unsecured
Standard Chartered Bank Ltd	239,374		
Total	**246,051,583**	**286,108,333**	

As at 31st March	2018 LKR	2017 LKR	Security
Healthguard Pharmacy Limited			
Hatton National Bank PLC	94,327,845	62,850,443	A) Primary concurrent mortgage over stocks at Dharmapala for LKR 34 million.
			B) Bank Overdraft agreement for LKR 50 million.
Nation Trust Bank PLC	6,997,997	5,028,640	A) Primary concurrent mortgage over stocks at the following outlets:
			A) - Maitland Crescent Colombo 07 LKR 22 million
			A) - Thalawathugoda LKR 15 million
			A) - Kohuwala I LKR 14 million
			A) - Ethul Kotte LKR 11 million
			A) - Crescat LKR 5 million
			A) - Kohuwala II LKR 3 million
			A) - Liberty Plaza LKR 3 million
			A) - Thimbirigasyaya LKR 3 million
			B) Bank Overdraft agreement for LKR 50 million.
Commercial Bank of Ceylon PLC	3,097,579	-	A) Primary concurrent mortgage over stocks at Dharmapala for LKR 34 million.
			B) Bank Overdraft agreement for LKR 5 million.
Total	**104,423,421**	**67,879,083**	
Sunshine Packaging Lanka Limited			
Hatton National Bank PLC	20,137,448	45,873,662	Bank Overdraft agreement
Sampath Bank PLC	4,604,650	173,873	Unsecured
Bank of Ceylon	5,964,820	5,820,824	Bank Overdraft agreement
Total	**30,706,918**	**51,868,359**	
Waltrim Hydropower (Pvt) Ltd			
Hatton National Bank PLC	168,128	500,103	Unsecured
Total	**168,128**	**500,103**	
Upper Waltrim Hydropower (Private) Limited			
Hatton National Bank PLC	-	5,335,573	Unsecured
Total	**-**	**5,335,573**	
Elgin Hydropower (Private) Limited			
DFCC Bank PLC	12,002,628	-	
	12,002,628	-	
Total	**927,663,776**	**711,424,579**	

27.0 Employee Benefits

27.1 Accounting Policy

27.1.1 Defined contribution plans
A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in Statement of Profit or Loss in the periods during which services are rendered by employees.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively. All employees of the Group are members of the Employees' Provident Fund, Estate Staff Provident Society or Ceylon Planters' Provident Fund.

27.1.2 Defined benefit plans
A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group follows projected unit credit recommended by LKAS 19 – "Employee Benefits" in calculating the defined benefit liability.

Projected Unit Credit (PUC) method
The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 on employee benefit. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

Company
Provisions are made for Retirement Gratuity from the first year of service of the employee in conformity with Sri Lanka Accounting Standards –19 "Employee Benefits", using Projected Unit Credit Method. The liability is not externally funded nor actuarially valued.

Subsidiaries
Watawala Plantaions PLC has adopted the benefit plan as required under the Payment of Gratuity Act No. 12 of 1983 for all eligible employees. The benefit plan is partially funded. Provision for gratuity is made by the Company taking account of the recommendation of an independent qualified actuaries firm, Messrs. Actuarial & Management Consultants (Private) Limited who carry out actuarial valuation of the plan every two years.

The liability recognised in the Statement of Financial Position in respect of defined benefit plans is the present value of the defined benefit obligation at the Statement of Financial Position date together with adjustments for un-recognised past service costs. The defined benefit obligation is calculated annually by the Company using the projected unit credit method prescribed in Sri Lanka Accounting Standard 19 – "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Other Comprehensive Income in full Statement of Profit or Loss in the period in which they arise.

Past service costs are recognised immediately in income unless the changes to the plan are conditional on the employees remaining in service for a specific period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period. Retirement benefit obligations are assessed using the projected unit credit method. Under this method, the cost of providing benefit is charged to the Statement of Profit or Loss so as to spread the regular cost over the service lives of employees in accordance with the advice of actuaries. The retirement benefit obligation is measured as the present value of the estimated future cash flows using interest rates of government securities.

Sunshine Healthcare Lanka Ltd has also adopted projected unit credit method in determining the liability at the end of financial year. However, Sunshine Packaging Lanka Limited and Watawala Tea Ceylon Limited provisions are made for retirement gratuity from the first year of services of the employee in conformity with LKAS 19 -"Employee Benefits" using Projected Unit Credit Method and all defined benefit plans are unfunded.

27.1.3 Short term benefits
Short-term employee benefit obligations are measured on an un-discounted basis and are expensed as the related service is provided.

27.2 Employee benefits

	2018	2017	2018	2017
As at 31st March	**LKR**	**LKR**	**LKR**	**LKR**
Balance at the begining of the year	1,085,479,743	1,127,179,002	51,881,378	43,198,526
Staff transfer	(224,021)	-	14,944,783	-
Provision made during the year	123,516,743	108,090,750	11,743,785	8,682,852
	1,208,772,465	1,235,269,752	78,569,946	51,881,378
Payments made during the year	(146,131,600)	(149,790,009)	(170,850)	-
Balance at the end of the year	1,062,640,865	1,085,479,743	78,399,096	51,881,378
Present value of unfunded obligation	1,062,640,865	1,085,479,743	78,399,096	51,881,378
Present value of funded obligation	-	-	-	-
Total present value of obligations	1,062,640,865	1,085,479,743	78,399,096	51,881,378
Fair value of plan assets	-	-	-	-
Present value of net obligations	1,062,640,865	1,085,479,743	78,399,096	51,881,378
Unrecognised acturial (gain)/loss	-	-	-	-
Recognised liability for the defined obligation	1,062,640,865	1,085,479,743	78,399,096	51,881,378
The movement in the defined benefit obligation over the year is as follows;				
At the beginning of the year	1,085,479,743	1,127,179,002	51,881,378	43,198,526
Staff transfer	(224,021)	-	14,944,783	-
Current service cost	87,539,990	81,206,890	5,283,488	3,126,261
Interest cost	73,291,138	125,673,320	7,349,839	5,541,990
Actuarial (gain) / loss	(37,314,385)	(98,789,460)	(889,542)	14,601
Benefits paid	(146,131,600)	(149,790,009)	(170,850)	-
As the end of the year	1,062,640,865	1,085,479,743	78,399,096	51,881,378
The amounts recognised in the income statement are as follows:				
Current service cost	87,539,990	81,206,890	5,283,488	3,126,261
Interest cost	73,291,138	125,673,320	7,349,839	5,541,990
Staff cost on retirement benefit charged to Profit or Loss	160,831,128	206,880,210	12,633,327	8,668,251
Actuarial loss/(gain) recognized in other comprehensive income	(37,314,385)	(98,789,460)	(889,542)	14,601
Total provision for the year	**123,516,743**	**108,090,750**	**11,743,785**	**8,682,852**

27.3 Company

The Company applied Projected Unit Credit (PUC) method and used the following key assmptions in arriving at the retirement benefit liability;

As at 31st March	2018	2017
Rate of interest (net of tax) per annum	11.0%	12.9%
Rate of salary increase	7.0%	6.0%
Staff turnover factor	15.0%	12.0%
Retiring age	55 Years	55 Years

27.4 Subsidiaries

Watawala Plantations PLC

The key assumptions used by Messrs Actuarial & Management Consultant (Private) Limited include the following:

	2018	2017
Rate of interest (net of tax) per annum	11.5%	11.5%
Rate of salary increase		
- tea estate workers (every 2 years)	19.0%	19.0%
- oil palm factory workers (every 2 years)	19.0%	19.0%
- estate staff (every 3 years)	20.0%	20.0%
- estate management and head office staff (every year)	7.5%	7.5%
Retiring age	60 years	60 years
The subsidiary will continue in business as a going concern.		
Watawala Tea Ceylon Limited		
Rate of interest (net of tax)	11.0%	12.9%
Rate of salary increase	12.0%	10.0%
Retirement age	55 years	55 years
The subsidiary will continue in business as a going concern.		
Sunshine Packaging Lanka Ltd		
Rate of interest (net of tax)	-	12.9%
Rate of salary increase	-	2.5%
Staff turnover - Staff	-	35.0%
- Workers	-	41.0%
Retirement age	-	55 years
The subsidiary will continue in business as a going concern.		

	2018	2017
Waltrim Hydropower (Pvt) Ltd.		
Rate of interest (net of tax)	11.0%	11.0%
Rate of salary increase	10.0%	10.0%
Staff turnover - Staff	6.7%	5.6%
Retirement age	55 years	55 years
The subsidiary will continue in business as a going concern.		
Upper Waltrim Hydropower (Pvt) Ltd.		
Rate of interest (net of tax)	10.0%	11.0%
Rate of salary increase	10.0%	10.0%
Staff turnover - Staff	13.3%	5.6%
Retirement age	55 years	55 years
The subsidiary will continue in business as a going concern.		
Sunshine Healthcare Lanka Limited		
Rate of interest (net of tax)	10.0%	12.0%
Rate of salary increase	8.0%	10.0%
Staff turnover - Staff	26.0%	24.0%
Retirement age	55 years	55 years
The subsidiary will continue in business as a going concern.		
Healthguard Pharmacy Ltd.		
Rate of interest (net of tax)	10.0%	12.0%
Rate of salary increase	11.0%	11.0%
Staff turnover - Staff	26.0%	21.0%
Retirement age	55 Years	55 Years
The subsidiary will continue in business as a going concern.		

27.5	Sensitivity of assumptions used

A quantitative sensitivity analysis for significant assumptions used by the Company as at 31st March 2018 is as shown below;

Group

Discount rate	Salary /wage escalation rate	Present value of defined benefit obligation (LKR)
One percentage point increase	As given above	1,033,411,695
One percentage point decrease	As given above	1,072,546,847
As given above	One percentage point increase	1,065,322,253
As given above	One percentage point decrease	1,039,012,046

Company

Discount rate	Salary /wage escalation rate	Present value of defined benefit obligation (LKR)
One percentage point increase	As given above	77,252,683
One percentage point decrease	As given above	79,618,640
As given above	One percentage point increase	79,653,612
As given above	One percentage point decrease	77,200,327

The sensitivity analysis above have been determined based on a method that extrapolates the impact on employee benefit obligation as a result of reasonable change in key assumptions occurring at the end of the reporting period.

28.0 Government Grants

28.1 Accounting Policy

The Government grants relating to the purchase of property, plant and equipment and biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses, are recognised initially as deferred income at fair value when there is a reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in Statement of Profit or Loss as other income on a straight line basis over the expected lives of the related assets.

The grants that compensate the Group expenses or losses already incurred are recognised in Statement of Profit or Loss as other income of the period in which it becomes receivable and when the expenses are recognised.

		Group		Company	
	As at 31st March	2018	2017	2018	2017
		LKR	LKR	LKR	LKR
28.2	Deferred Income and capital grants				
	Balance at the beginning of the year	193,528,000	203,569,000	-	-
	Received during the year	240,984,000	-	-	-
	Amortised during the year	(56,996,000)	(10,041,000)	-	-
	Balance at the end of the year	377,516,000	193,528,000	-	-

Funds have been received by Watawala Plantations PLC, a subsidiary of the Company, from the Plantation Human Development Trust (PHDT) and Ministry of Estate Infrastructure for Workers' welfare facilities including re-roofing of line rooms, latrines, water supply, sanitation, etc. The grants received from the Ministry of Estate Infrastructure for construction of creches, farm roads and community centres, are also included above. The amounts spent have been included under the relevant classification of tangible fixed assets and the grant received is shown above. The capital grants are amortized on a straight line basis over the useful life of the respective asset. Further, funds have received by Watawala Dairy Limited, a subsidiariy of the Company from Ministry of Rural Development Affairs for development of dairy industry amounting to LKR 241 million.

29.0 Trade payables

29.1 Accounting Policy

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less. 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.

29.1.1 Liabilities and provisions

Liabilities classified as current liabilities in the Statement of Financial Position are those obligations payable on demand or within one year from the financial position date. Liabilities classified as non-current liabilities are those obligations, which expire beyond a period of one year from the reporting date. All known liabilities are accounted for in preparing the Financial Statements. Provisions and liabilities are recognised when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

Provisions are not recognised for future operating losses. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation and the provision is reviewed at end of each reporting period and adjusted to reflect the current best estimate.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of possible outcomes against their associated probabilities.

Value added tax

Revenue, expenses and assets are recognised net of the amount of value added tax except,

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or part of the expense as applicable

- Receivables and payables that are stated with the amount of value added tax included

The net amount of value added tax recoverable from or payable to the taxation authority is included as part of the receivables or payables in the Statement of Financial Position.

Contingent liabilities

Contingent Liabilities are disclosed in the respective Notes to the Financial Statements. Where appropriate, adjustments are made to the Financial Statements.

Capital commitments

Capital expenditure commitments as at the date of Statement of Financial Position have been disclosed in the notes to the Financial Statements.

29.2	Trade and other payables	Group		Company	
	As at 31st March	2018	2017	2018	2017
		LKR	LKR	LKR	LKR
	Trade payables	2,209,861,925	1,464,703,283	-	-
	Advance from customers	-	287,409	-	-
	Sales representatives security deposits	13,145,583	19,899,686	-	-
	Advances received for share issue	-	51,422,599	-	
	Accrued expenses and other payables	899,266,293	684,126,629	25,125,656	15,817,458
	Total	**3,122,273,801**	**2,220,439,606**	**25,125,656**	**15,817,458**

30.0	Amounts due to related parties					
	Sunshine Tea (Pvt) Limited	Affiliated	2,001,227	-		-
	Total		**2,001,227**	**-**	**-**	**-**

31.0 Segment reporting

31.1 Accounting Policy

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

All operating segments' operating results are reviewed regularly by the Group Managing Director with the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Business segmentation has been determined based on the nature of goods provided by the Company after considering the risk and rewards of each type of product. Since the individual segments are located close to each other and operate in the same industry environment the need for geographical segmentation does not arise.

The Group transfers products from one industry segment for use in another. Inter-segment transfers are based on fair market prices.

Revenue and Expenses directly attributable to each segment are allocated intact to the respective segments. Revenue and Expenses not directly attributable to a segment are allocated on the basis of their resource utilization wherever possible.

Assets and liabilities directly attributable to each segment are allocated intact to the respective segments. Assets and liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Un-allocated items comprise mainly interest bearing loans, borrowings and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period. The Group comprises the following main business segments. The activities of the segments are described on pages 247 & 248 in the notes to the Financial Statements.

Sunshine Holdings PLC	Investment
Sunshine Healthcare Lanka Limited	Whole sale and retail (pharmaceutical items)
Healthguard Pharmacy Limited	Retail pharmacy
Estate Management Services (Private) Ltd	Management service
Watawala Plantations PLC	Plantation
Watawala Tea Ceylon Limited	Manufacturing & retail
Watawala Australia Pty Limited	Import and sales of branded tea
Watawala Dairy Limited	Dairy farming
Hatton Plantations Limited	Plantation
Sunshine Energy (Pvt) Ltd	Investment
Waltrim Energy Limited	Investment
Waltrim Hydropower (Pvt) Limited	Hydro power generation
Upper Waltrim Hydropower (Pvt) Limited	Hydro power generation
Elgin Hydropower (Pvt) Limited	Hydro power generation
Sunshine Packaging Lanka Limited	Packaging/ Property renting

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31.2 Segment Analysis

	Investment		Healthcare		Plantations		Consumer Goods	
For the year ended 31st March	2018	2017	2018	2017	2018	2017	2018	2017
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Continuing operations								
REVENUE	395,125,164	414,779,815	8,161,804,449	7,862,698,302	7,265,782,000	6,501,765,000	5,381,457,699	4,212,730,806
RESULT								
Operating profit	122,912,751	107,404,856	415,578,251	343,479,614	1,566,278,000	1,493,701,000	394,550,567	302,828,499
Net finance cost	25,645,590	83,395,975	(23,224,729)	(39,910,527)	(12,495,000)	(47,620,000)	(49,943,872)	9,126,717
Share of profit/(loss) from associate								
Income tax	-	(342,692)	(134,164,469)	(105,654,205)	(374,284,000)	(220,422,000)	(50,812,107)	(36,644,617)
Profit for the year	148,558,341	190,458,139	258,189,053	197,914,882	1,179,499,000	1,225,659,000	293,794,588	275,310,599
Discontinued operation	-	-	-	-	-	-	-	-
Other comprehensive income	35,762,731	6,968,821	4,141,226	6,281,962	32,276,000	83,759,000	(3,091,195)	(2,564,930)
Total comprehensive income	184,321,072	197,426,960	262,330,279	204,196,844	1,211,775,000	1,309,418,000	290,703,393	272,745,669
Statement of Financial Position								
Assets								
Non current assets	3,673,605,436	2,010,153,586	671,959,354	674,328,732	8,198,890,000	6,638,705,000	215,599,748	269,159,015
Current assets	759,791,957	972,028,845	4,431,680,455	3,394,250,366	2,042,264,962	2,473,822,000	1,312,610,053	1,233,835,551
Total assets	4,433,397,393	2,982,182,431	5,103,639,809	4,068,579,098	10,241,154,962	9,112,527,000	1,528,209,801	1,502,994,566
Equity & reserves								
Shareholders' fund	2,929,872,641	2,914,483,595	2,412,772,361	2,265,442,082	5,323,439,831	5,758,934,661	1,015,537,749	831,334,362
Non-controlling interest	-	-	-	-	262,971,112	291,200,000	-	-
Sub total	2,929,872,641	2,914,483,595	2,412,772,361	2,265,442,082	5,586,410,943	6,050,134,661	1,015,537,749	831,334,362
Non current liabilities								
Long term borrowings	1,143,330,000	-	2,608,624	10,325,868	1,776,489,000	653,418,000	-	-
Other liabilities	78,399,096	51,881,378	94,416,822	97,579,770	1,683,197,000	1,432,902,000	32,909,496	22,829,042
Sub total	1,221,729,096	51,881,378	97,025,446	107,905,638	3,459,686,000	2,086,320,000	32,909,496	22,829,042
Current liabilities								
Short term borrowings	256,670,000	-	638,070,231	383,253,294	179,025,000	125,038,000	246,051,583	286,108,333
Other liabilities	25,125,656	15,817,458	1,955,771,771	1,311,978,084	1,016,033,019	851,034,339	233,710,973	362,722,829
Sub total	281,795,656	15,817,458	2,593,842,002	1,695,231,378	1,195,058,019	976,072,339	479,762,556	648,831,162
Total equity & liabilities	4,433,397,393	2,982,182,431	5,103,639,809	4,068,579,098	10,241,154,962	9,112,527,000	1,528,209,801	1,502,994,566
Other information								
Depreciation & amortization	3,292,269	2,938,950	116,522,999	105,370,777	386,880,000	313,073,000	59,102,177	70,784,345
Capital expenditure	1,861,384	2,104,095	131,943,340	190,341,300	1,637,888,000	1,106,155,000	12,343,720	36,800,747
Cash generated from operations	195,712,865	159,757,961	78,791,968	35,972,526	1,442,368,718	1,335,879,339	241,701,632	(143,175,318)

	Energy		Management		Others		Inter company		Group	
For the year ended 31st March	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR	LKR
Continuing operations										
REVENUE	248,380,460	88,848,902	-	-	2,730,000	-	(219,543,714)	(190,068,365)	21,235,736,058	18,890,754,460
RESULT										
Operating profit	121,966,917	(1,687,335)	1,192,415,650	462,151,138	129,822,307	-	(1,363,496,207)	(634,894,497)	2,580,028,236	2,072,983,275
Net finance cost	(73,349,770)	(32,482,941)	(19,368,250)	813,528	(3,437,196)	(3,452,517)	-	-	(156,173,227)	(30,129,765)
Share of profit/(loss) from associate							(1,040,385)	-	(1,040,385)	-
Income tax	(677,243)	(910,019)	(3,331,001)	(3,087,980)	2,130,720	(1,659,318)	(57,153,928)	(61,368,133)	(618,292,028)	(430,088,964)
Profit for the year	47,939,904	(35,080,295)	1,169,716,399	459,876,686	128,515,831	(5,111,835)	(1,421,690,520)	(696,262,630)	1,804,522,596	1,612,764,546
Discontinued operation	-	-	-	-	(210,824,830)	8,456,167	-	-	(210,824,830)	8,456,167
Other comprehensive income	(186,021)	(221,312)	6,883,261,978	-	-	489,912	(6,883,261,978)	-	68,902,741	94,713,453
Total comprehensive income	47,753,883	(35,301,607)	8,052,978,377	459,876,686	(82,308,999)	3,834,244	(8,304,952,498)	(696,262,630)	1,662,600,507	1,715,934,166
Statement of Financial Position										
Assets										
Non current assets	1,567,244,525	1,283,909,194	8,553,362,338	1,855,801,000	363,147,289	306,617,693	(11,655,465,496)	(3,317,369,051)	11,588,343,194	9,721,305,169
Current assets	97,645,607	92,396,080	111,107,721	150,943,268	119,410,177	283,227,404	(168,601,027)	(388,349,484)	8,705,909,905	8,212,154,030
Total assets	1,664,890,132	1,376,305,274	8,664,470,059	2,006,744,268	482,557,466	589,845,097	(11,824,066,523)	(3,705,718,535)	20,294,253,099	17,933,459,199
Equity & reserves										
Shareholders' fund	484,644,184	330,583,007	8,440,803,356	1,931,230,364	252,348,255	334,657,254	(14,484,493,841)	(8,116,940,739)	6,374,924,536	6,249,724,586
Non-controlling interest	335,287,320	250,082,345	-	-	-	-	2,828,940,189	4,799,483,918	3,427,198,621	5,340,766,263
Sub total	819,931,504	580,665,352	8,440,803,356	1,931,230,364	252,348,255	334,657,254	(11,655,553,652)	(3,317,456,821)	9,802,123,157	11,590,490,849
Non current liabilities										
Long term borrowings	649,587,361	539,603,163	-	23,500,000	-	-	(1,000)	(1,000)	3,572,013,985	1,226,846,031
Other liabilities	1,695,621	1,283,786	-	-	-	5,919,074	86,000	86,000	1,890,704,035	1,612,481,050
Sub total	651,282,982	540,886,949	-	23,500,000	-	5,919,074	85,000	85,000	5,462,718,020	2,839,327,081
Current liabilities										
Short term borrowings	137,130,084	130,545,674	215,853,809	47,000,000	63,826,718	97,123,530	-	-	1,736,627,425	1,069,068,831
Other liabilities	56,545,562	124,207,299	7,812,894	5,013,904	166,382,493	152,145,239	(168,597,871)	(388,346,714)	3,292,784,497	2,434,572,438
Sub total	193,675,646	254,752,973	223,666,703	52,013,904	230,209,211	249,268,769	(168,597,871)	(388,346,714)	5,029,411,922	3,503,641,269
Total equity & liabilities	1,664,890,132	1,376,305,274	8,664,470,059	2,006,744,268	482,557,466	589,845,097	(11,824,066,523)	(3,705,718,535)	20,294,253,099	17,933,459,199
Other information										
Depreciation & amortization	68,692,368	46,385,540	-	-	8,075,351	16,558,680	(627,123)	(700,001)	641,938,041	554,411,291
Capital expenditure	352,027,699	321,008,745	-	-	-	3,201,588	-	-	2,136,064,143	1,659,611,475
Cash generated from operations	50,843,258	(91,728,784)	(64,311,460)	(31,558,375)	15,210,452	94,629,093	(253,605,268)	(242,527,683)	1,706,712,165	1,117,248,759

32.0 Financial Instruments

32.1 Accounting Policy

32.1.1 Financial assets

32.1.1.1 Non-derivative financial assets

Financial assets within the scope of SLFRS9 are classified as financial assets at fair value through Statement of Profit or Loss, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through Statement of Profit or Loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

32.1.1.2 Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading, if they are acquired for the purpose of selling or re-purchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by LKAS 39.

Financial assets at fair value through profit or loss are carried in the Statement of Financial Position at fair value with net changes in fair value recognised in other income in the Statement of Profit or Loss. Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to re-classify these financial assets. The re-classification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be re-classified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value, if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Statement of Profit or Loss. Re-assessment only occurs, if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

b. Loans and receivables

Loans and receivables are nonderivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in finance costs for loans and in other operating expenses for receivables.

c. Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortised cost using the effective interest rate, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the Statement of Profit or Loss. The losses arising from impairment are recognised in the Statement of Profit or Loss in finance costs.

d. Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as

available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value with un-realised gains or losses recognised as Other Comprehensive Income in the available-for-sale reserve until the investment is de-recognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is re-classified from the available-for sale reserve to the Statement of Profit or Loss in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate.

When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to re-classify these financial assets. Re-classification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Re-classification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset re-classified from the available-for-sale category, the fair value carrying amount at the date of re-classification becomes its new amortised cost and any previous gain or loss on the asset that has been recognised in equity is amortised to Statement of Profit or Loss over the remaining life of the investment using the EIR. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is re-classified to the Other Comprehensive Income.

32.1.1.3 De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is de-recognised when:

• The rights to receive cash flows from the asset have expired

• The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'Pass-through' arrangement; and either

a. the Group has transferred substantially all the risks and rewards of the asset, or

b. the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

32.1.1.4 Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a Group of financial assets is impaired.

A financial asset or a Group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the Group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial re-organisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

32.1.1.5 Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a Group of financial assets with similar credit risk characteristics and collectively assesses them

for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.
If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

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 Profit or Loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of finance income in the Statement of Profit or Loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Statement of Profit or Loss.

32.1.1.6 Available-for-sale financial investments

The Group assesses at each reporting date whether there is objective evidence that an investment or a Group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss – is removed from Other Comprehensive Income and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; increases in their fair value after impairment are recognised directly in Other Comprehensive Income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Profit or Loss, the impairment loss is reversed through the Statement of Profit or Loss.

32.1.2 Financial liabilities

32.1.2.1 Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

32.1.2.2 Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

a. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that

are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the Statement of Profit or Loss. Financial liabilities designated upon initial recognition at fair value through profit or loss so designated at the initial date of recognition, and only if criteria of LKAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss as at reporting date.

b. Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the Statement of Profit or Loss when the liabilities are de-recognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Profit or Loss.

c. Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

32.1.2.3 De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Profit or Loss.

32.1.2.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated Statement of Financial Position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

32.1.2.5 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

32.1.3 Derivative financial instruments and hedge accounting

32.1.3.1 Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks, such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Statement of Profit or Loss, except for the effective portion of cash flow hedges, which is recognised in Other Comprehensive Income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an un-recognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an un-recognised firm commitment

• Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving off-setting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

a. Fair value hedges
The change in the fair value of a hedging derivative is recognised in the Statement of Profit or Loss in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the Statement of Profit or Loss in finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through the Statement of Profit or Loss over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value, attributable to the risk being hedged.
If the hedge item is de-recognised, the un-amortised fair value is recognised immediately in the Statement of Profit or Loss. When an un-recognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the Statement of Profit or Loss.

b. Cash flow hedges
The effective portion of the gain or loss on the hedging instrument is recognised directly in Other Comprehensive Income in the cash flow hedge reserve, while ineffective portion is recognised immediately in the Statement of Profit or Loss in other operating expenses.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments. The ineffective portion relating to foreign currency contracts is recognised in finance costs.

Amounts recognised as Other Comprehensive Income are transferred to the Statement of Profit or Loss, when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognised or when a forecast sale occurs. When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognised as Other Comprehensive Income are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the Statement of Profit or Loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in Other Comprehensive Income remains in Other Comprehensive Income until the forecast transaction or firm commitment affects profit or loss.

c. Hedges of a net investment
Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised as Other Comprehensive Income while any gains or losses relating to the ineffective portion are recognised in the Statement of Profit or Loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the Statement of Profit or Loss.

32.1.4 Current versus non-current classification
Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated as current and non-current portion based on an assessment of the facts and circumstances;

• When the Group hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated as current and non-current portions) consistent with the classification of the underlying item.

• Embedded derivatives that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

• Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated as current portion and a non-current portion only if a reliable allocation can be made.

32.0 Financial Instruments (Continued)

32.2 Financial instruments - Statement of Financial Position

	Group		Company	
Financial assests	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Fair value through profit or loss				
Quoted shares	81,237,481	102,580,334	81,237,481	102,580,334
Unit trust	5,948,890	2,816,102	5,948,890	2,816,102
Total	87,186,371	105,396,436	87,186,371	105,396,436
Held-to-maturity				
SOFP line item :				
Investment in gratuity fund	288,595,000	258,319,000	-	-
Cash and cash equivalent	770,442,224	1,610,659,561	464,815,308	705,789,067
Total	1,059,037,224	1,868,978,561	464,815,308	705,789,067
Loans and receivabale				
SOFP line item :				
Trade and other receivabale	2,639,955,523	2,483,555,784	14,664,983	9,767,033
Amounts due from related parties	4,639,556	83,466,589	170,891,162	191,996,509
Income tax refunds	12,267,362	14,631,908	3,158,748	3,158,748
Total	2,656,862,441	2,581,654,281	188,714,893	204,922,290
Availabale-for-sale				
SOFP line item :				
Investment in subsidiaries	-	-	3,017,900,921	1,376,748,442
Investment in associates	7,959,615	-	9,000,000	-
Other investments	566,210,085	531,336,896	555,447,085	520,573,896
Total	574,169,700	531,336,896	3,582,348,006	1,897,322,338
Cash and cash equivalents	603,776,208	265,345,101	61,520,303	25,923,124
	4,981,031,944	5,352,711,275	4,384,584,881	2,939,353,255

	Group		Company	
Financial liabilities	2018	2017	2018	2017
	LKR	LKR	LKR	LKR
Fair value through profit or loss				
The Group and the Company does not hold any financial liabilities which falls to the category of fair value through profit or loss.				
Other Financial Liabilities				
SOFP line item :				
Interest bearing borrowings- Non current	3,572,013,985	1,226,846,031	-	-
Interest bearing borrowings- Current	808,963,649	357,644,252	-	-
Trade and other payabales	3,109,128,218	2,148,829,912	25,125,656	15,817,458
Amounts due to related parties	2,001,227	-	-	-
Income tax payabale	168,509,469	214,132,832	-	-
Total	7,660,616,548	3,947,453,027	25,125,656	15,817,458
Bank overdrafts	927,663,776	711,424,579	-	-
	8,588,280,324	4,658,877,606	25,125,656	15,817,458

32.3 Financial instruments - Statement of Profit or Loss and Other Comprehensive Income

	2018		2017	
	Gains/Income	Lossess/Expenses	Gains / Income	Losses /Expenses
	LKR	LKR	LKR	LKR
Group				
Held-to maturity investments	195,091,015		177,336,379	-
Loans and receivables	-	-	-	-
Asset classified as held for sale	-	-	-	-
Other financial liabilities	-	366,557,555	-	222,486,761
Total	195,091,015	366,557,555	177,336,379	222,486,761
Company				
Held-to maturity investments	63,989,414	-	76,822,942	-
Loans and receivables	3,437,196	-	8,908,804	-
Asset classified as held for sale	-	-	-	-
Other financial liabilities	-	41,781,020	-	2,335,771
Total	67,426,610	41,781,020	85,731,746	2,335,771

32.4 Fair Value Hierarchy

The Group uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation techniques.

Level 01 : Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 02 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 03 : Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table shows fair value measurement hierarchy of the Group's assets, liabilities. It does not includes fair value information for financial assets and financial liabilities not measured at fair value if carrying amount is a reasonable approximation of fair value.

	Group			Company		
	Level 01	Level 02	Level 03	Level 01	Level 02	Level 03
	LKR	LKR	LKR	LKR	LKR	LKR
As at 31st March 2018						
Financial assets						
Available -for-sale						
Investment in Unquoted Shares	-	-	555,447,085	-	-	555,447,085
Fair value through profit or loss						
Investment in Quoted Shares	81,237,481	-	-	81,237,481	-	-
Investment in Unit trust	5,948,890	-	-	5,948,890	-	-
	87,186,371	-	555,447,085	87,186,371	-	555,447,085
Non financial assets						
Biological Assets - Consumable	-	574,415,000	-	-	-	-
- Live stock	-	539,602,000	-	-	-	-
- Growing crop	-	49,033,962	-	-	-	-
Investment Property		-	327,205,000	-	-	-
	-	1,163,050,962	327,205,000	-	-	-
	87,186,371	1,163,050,962	882,652,085	87,186,371	-	555,447,085

	Group			Company		
	Level 01	Level 02	Level 03	Level 01	Level 02	Level 03
	LKR	LKR	LKR	LKR	LKR	LKR
As at 31st March 2017						
Financial assets						
Available -for-sale						
Investment in Unquoted Shares	-	-	520,573,896	-	-	520,573,896
Fair value through profit or loss						
Investment in Quoted Shares	102,580,334	-	-	102,580,334	-	-
Investment in Unit trust	2,816,102	-	-	2,816,102	-	-
	105,396,436	-	520,573,896	105,396,436	-	520,573,896
Non financial assets						
Biological Assets - Consumable	-	525,034,000	-	-	-	-
- Live stock	-	24,944,000	-	-	-	-
- Growing crop	-	35,757,000	-	-	-	-
	-	585,735,000	-	-	-	-
	105,396,436	585,735,000	520,573,896	105,396,436	-	520,573,896

32.4.1 Valuation technique and significant unobservable inputs

Following table shows the valuation technique used in measuring level 2 & 3 fair value as well as the significant unobservable inputs used, including a sensitivity analysis on possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, on Profit & Loss.

Type	Valuation Technique	Significant unobservable inputs	Inter relationship between significant unobservable inputs and fair value mearsurement	Profit/(Loss) LKR Increase	Profit/(Loss) LKR Decrease
Unquoted equity instruments	Discounted Cash Flows				
	The valuation model considers the present value of expected net cash flows from those investments discounted using a risk adjusted discount rate.The expected cash flows are derived based on the budgeted cash flow forecasts of those investments determined by considering the sensible probability of the forecast EBITDA.	Forecast annual EBIT growth rate - LCBL 5%	The estimated fair value increase / (decrease) if: - the annual revenue growth rate were higher /(lower) - 1%	23,687,906	22,892,012

Type	Valuation Technique	Significant unobservable inputs	Inter relationship between significant unobservable inputs and fair value mearsurement	Profit/(Loss) LKR Increase	Profit/(Loss) LKR Decrease
		- TATA 5%	-the EBITDA margin were higher /(lower) - 1%	18,422,660	17,807,303
		Risk adjusted discount rate - LCBL 16.28%	-the risk adjusted discount rate were lower/ (higher) - 1%	61,148,708	51,242,849
		- TATA 13.34%			
Investment Property	Open Market Value				
	Valuation model consits of taking into consideration the prevailing market prices for lands and buildings with similar characteristics in the same location.	- Land - per perch value LKR 1,000,000	The estimated fair value increase / (decrease) if: -per perch value increase/ (decrease) (For Land) - 10%	20,215,000	20,215,000
		- Buildings - per square foot value LKR 5,000	-per square foot value increase/ (decrease) (For Buildings) - 10%	12,055,000	12,055,000
Biological Assets	Fair value less cost to sell	Consumable	The estimated fair value increase / (decrease) if:		
		- Expected Selling Price	-the estimated future selling prices were higher /(lower) - 10%	29,053,871	29,053,924
		- Expected rate of return p.a 14.5%	-the expected rate of return were lower /(higher) - 1%	3,309,371	2,270,535
		Livestock	The estimated fair value increase / (decrease) if:		
		- Expected Selling Price	-the estimated future selling prices were higher /(lower) - 10%	161,252,810	161,253,915
		- Risk adjusted discount rate	-the risk adjusted discount rate were lower/ (higher) - 1%	13,566,131	13,057,434
Quoted Equity Instruments	Available trading prices in the Colombo Stock Exchange as at 31st March 2018	Not Applicable	Not Applicable	Not Applicable	Not Applicable
Unit trusts	Available quoted market trading prices for Unit trusts as at 31st March 2018	Not Applicable	Not Applicable	Not Applicable	Not Applicable

32.5 Financial risk management

Overview

In the course of its business, the Group is exposed to the following risks arising from its use of financial instruments:

* Credit risk
* Liquidity risk
* Market risk
    (i) Currency risk
    (ii) Interest rate risk

This note presents qualitative and quentitative information abount the Group's exposure to each of the above risks, the Group's objectives, policies and procdeses for measuring and managing risk.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adheerence to limits. Risk management policies and systems are reviewed regulary to reflect changes in market conditions and the Group's activities.The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

32.5.1 Credit Risk

Credit risk is the risk that a counter party will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments including investments.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures and contractual agreement made for every high-value transactions. In addition,receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

With respect to credit risk arising from the other financial assets of the Group, such as cash & cash equivalents & Financial instruments. The Group's exposure to credit risk arises from default of the counter party. The Group manages its operations to avoid any excessive concentration of counter party risk and the Group takes all reasonable steps to ensure the counter parties fulfil their obligations.

The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to the credit risk as at 31.03.2018 is:

	Carrying Amount	
Financial Assets	**Group**	**Company**
	LKR	**LKR**
Fair value through profit or loss	87,186,371	87,186,371
Availabale-for-sale financial assets	574,169,700	3,582,348,006
Held to maturity investmets	1,059,037,224	464,815,308
Loans and receivabales	2,656,862,441	188,714,893
Cash and cash equivalents	603,776,208	61,520,303
	4,981,031,944	**4,384,584,881**

32. Financial Instruments (Continued)

The ageing of Trade Receivables at the reporting date was:

	Group		Company	
As at 31st March	**2018**	**2018**	**2018**	**2018**
	Carrying Amount	**Impairment**	**Carrying Amount**	**Impairment**
	LKR	**LKR**	**LKR**	**LKR**
Not Past due	1,427,122,985	-	-	-
Past due 31-365 days	622,601,791	45,709,899	-	-
More than 365 days	15,429,838	10,784,777	-	-
	2,065,154,614	56,494,676	-	-

The movement in the allowance for impairment in respect of trade receivables during the year was as follows;

	Group	Company
As at 31st March	2018	2018
	LKR	**LKR**
Balance at the beginning of the year	27,360,852	-
Provision of impairment	29,133,824	-
Balance as at the end of the year	56,494,676	-

32.5.2 Liquidity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

To measure and mitigate liqudity risk, Group will closely moniter its net operating cash flow, maintained a level of cash and cash equivalents and secured committed funding facilities from financial institutions.

Followings are the contractual maturity of financial liabilities as at 31st March 2018:

Group

Financial Liability	Note	Carrying Value (LKR)	Contractual Cash Flow (LKR)	Less Than one year (LKR)	More than one Year (LKR)
Interest bearing borrowings	25	4,380,977,634	4,380,977,634	808,963,649	3,572,013,985
Trade and other payables	28	3,122,273,801	3,122,273,801	3,122,273,801	-
Income tax payable		168,509,469	168,509,469	168,509,469	-
Amounts due to related parties	29	2,001,227	2,001,227	2,001,227	-
Bank overdraft	22	927,663,776	927,663,776	927,663,776	-
		8,601,425,907	8,601,425,907	5,029,411,922	3,572,013,985

Company

Financial Liability	Note	Carrying Value (LKR)	Contractual Cash Flow (LKR)	Less Than one year (LKR)	More than one Year (LKR)
Interest bearing borrowings	25	1,400,000,000	1,400,000,000	256,670,000	1,143,330,000
Trade and other payables	28	25,125,656	25,125,656	25,125,656	-
Income tax payable		-	-	-	-
Amounts due to related parties	29	-	-	-	-
		1,425,125,656	1,425,125,656	281,795,656	1,143,330,000

32.5.3 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and ect; will affect the Group's income or the value of its holidings of financial instruments.

The objective of the market risk management is to manage and control market risk exposures within acceptabale parameters while optimising the returns.

32.5.4 Currency risk

The group is exposed to currency risk on sales, purchases, borrowings and investments that are denominated in a currency other than the functional currency which is Sri Lankan Rupees. (LKR)

This risk is minimised by hedging the currency' either by forward foreign exchange contracts in respect of actual or forcasted currency exposures or hedged naturally by a matching sales and purchases or matching assets and liabilities of the same currency and amounts. Where feasible, contracts are executed on a basket of currencies, minimising the potential risks.

The principal exchange rates used by the Group for conversion of foreign currency balances and transactions, for the year ended 31.03.2018 are as follows;

	Average rate	Closing Rate	
		Buying	Selling
U.S Dollar	153.46	153.72	157.49
Euro	179.77	188.31	195.17
Australian Dollar	118.78	116.51	121.62
Singapore Dollar	113.20	116.63	120.79
Japanese Yen	1.38	1.43	1.48

32.5.4.1 Sensitivity Analysis

A strengthening of the Sri Lankan Rupees as indicated below, against the major foreign currencies as at 31st March 2018 would have increased/(decreased) the equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant.

Increase/(Decrease) in Principal Exchange rates (10% movement)	Group	
	Effect on Profit before Tax	
	Strengthen (LKR)	Weaken (LKR)
U.S Dollar	(104,256,025)	104,256,025
Euro	(295,102)	295,102

32.5.5 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments flactuate because of changes in market interest rates. The group exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt oblogation and investments with floating Interest rates.

However the company do not have material long term floating rate borrowings or deposits as at the reporting date which results a material interest rate risk.

The group utilises various financial instruments to manage exporsures to interest rate risks arising due to financial instruments.

The following table demonstrates the Group sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the profit before tax:

Increase/(Decrease) in Variable Interest Rates (100 Basis Points movement)	Group	
	Effect on Profit before Tax	
	Increase (LKR)	Decrease (LKR)
On Variable Rate Instruments	(39,390,881)	39,390,881

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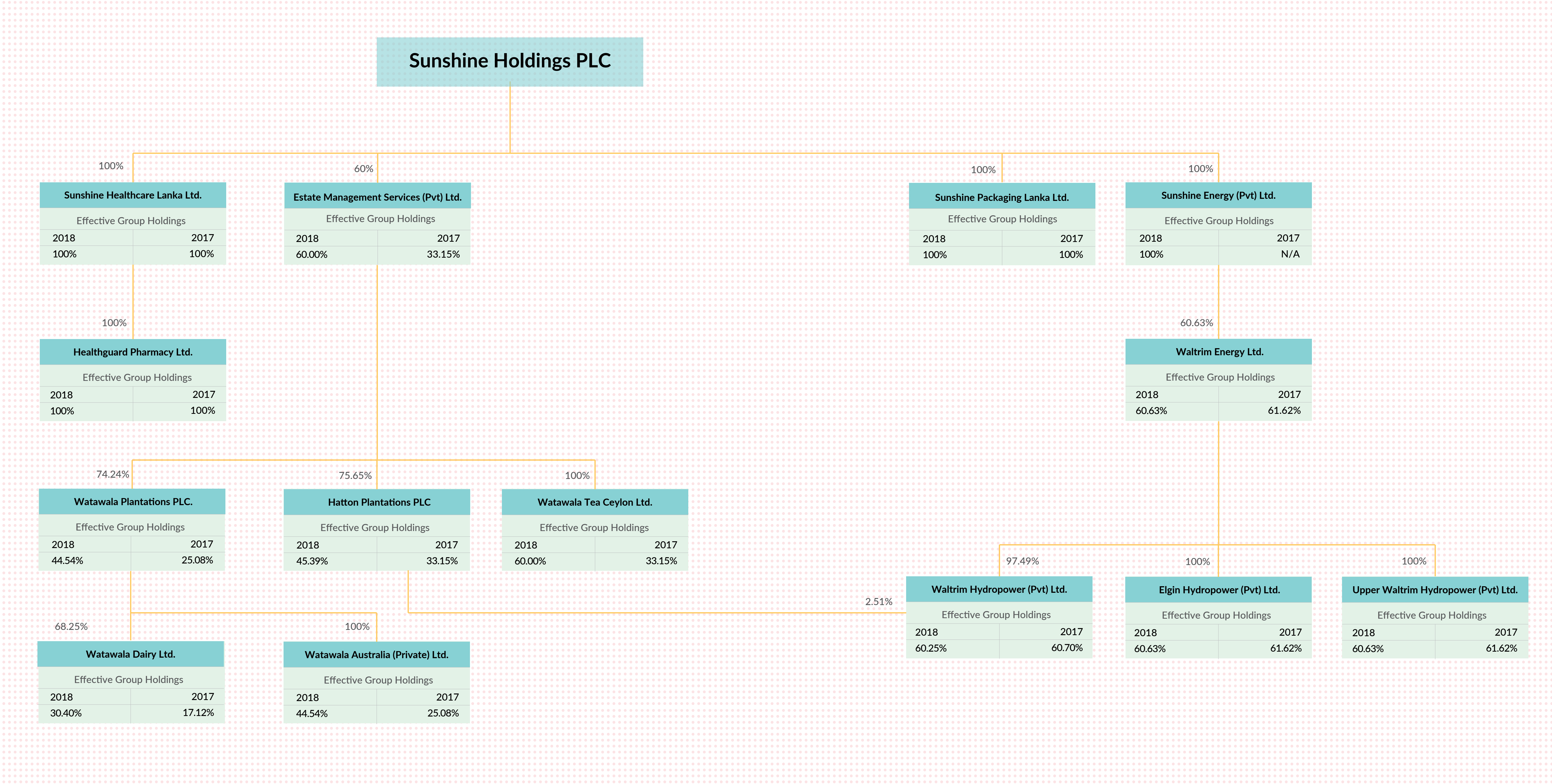
33. List of Subsidiaries

As at 31st March 2018



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33.1 Non-Controlling Interest

The following is summarized financial information of Estate Management Services (Pvt) Ltd,Watawala Plantations PLC, Watawala Dairy Limited, Hatton Plantations PLC, Watawala Tea Ceylon Limited, Watawala Tea Australia (Pty) Ltd,Waltrim Energy Limited, Waltrim Hydropower (Pvt) Ltd., Upper Waltrim Hydropower (Pvt) Ltd. and Elgin Hydropower (Pvt) Ltd. modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The information is before intercompany eliminations.

31st March, 2017	Estate Management Services (Pvt) Ltd	Waltrim Energy Limited	Watawala Dairy Limited	Watawala Plantations PLC	Watawala Tea Ceylon Limited	Hatton Plantations PLC	Waltrim Hydropower (Pvt) Ltd.	Upper Waltrim Hydropower (Pvt) Ltd.	Elgin Hydropower (Pvt) Ltd.	Total
Principal place of business	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	
Operating segment	Management	Energy	Plantation	Plantation	FMCG	Plantation	Energy	Energy	Energy	
NCI percentage	**40.00%**	**39.37%**	**69.60%**	**55.46%**	**40.00%**	**54.61%**	**38.81%**	**39.37%**	**39.37%**	
Revenue (LKR)	-	-	173,753,428	4,775,001,572	5,381,457,699	2,317,027,000	89,517,905	158,862,555	-	12,895,620,159
Profit (LKR)	1,169,716,399	5,007,445	(90,774,311)	1,029,442,311	293,794,588	240,831,000	8,960,937	48,880,302	(1,381,645)	2,704,477,026
Other comprehensive income (LKR)	6,883,261,978	-	1,852,957	30,423,043	(3,091,195)	-	7,479	(193,500)	-	6,912,260,762
Total comprehensive income (LKR)	**8,052,978,377**	**5,007,445**	**(88,921,354)**	**1,059,865,354**	**290,703,393**	**240,831,000**	**8,968,416**	**48,686,802**	**(1,381,645)**	**9,616,737,788**
`-Elimination of Inter company dividends (LKR)	(414,455,032)	(12,762,976)	-	(26,176,374)	(10,650,001)	(8,951,917)	(15,545)	-	-	(473,011,845)
Total comprehensive income adjusted to intra group transactions (LKR)	**7,638,523,345**	**(7,755,531)**	**(88,921,354)**	**1,033,688,980**	**280,053,392**	**231,879,083**	**8,952,871**	**48,686,802**	**(1,381,645)**	**9,143,725,943**
Other intercompany elimination - profit for the year (LKR)	(798,987,954)	-	-	1,030,634	-	-	-	-	-	(797,957,320)
Adjustment on effective holdings changed in during the year - profit for the year (LKR)	(24,571,378)	76,643	(11,272,457)	200,401,886	55,209,021	20,432,207	73,668	(483,053)	13,654	239,880,193
other intercompany elimination - other comprehensive income (LKR)	(6,883,261,978)	-	-	-	-	-	-	-	-	(6,883,261,978)
Adjustment on effective holdings changed in during the year - other comprehensive income (LKR)	-	-	246,193	5,922,221	-	-	-	1,912	-	6,170,326
Profit attributable to NCI (LKR)	**(42,062,013)**	**(2,976,694)**	**(74,448,480)**	**757,342,472**	**168,466,856**	**147,061,375**	**3,545,386**	**18,761,025**	**(530,297)**	**975,159,630**
Total other comprehensive income attributable to NCI (LKR)	**-**	**-**	**1,535,792**	**22,793,560**	**(1,236,478)**	**-**	**2,903**	**(74,268)**	**-**	**23,021,508**
Total comprehensive income attributable to NCI (LKR)	**(42,062,013)**	**(2,976,694)**	**(72,912,688)**	**780,136,032**	**167,230,378**	**147,061,375**	**3,548,289**	**18,686,756**	**(530,297)**	**998,181,138**
Current assets (LKR)	111,107,721	43,539,756	181,150,431	721,603,569	1,312,610,053	1,139,510,962	15,938,637	42,470,371	28,919,709	3,596,851,209
Non-current assets (LKR)	8,553,362,338	721,264,978	2,173,099,572	3,335,547,428	215,599,748	2,690,243,000	434,400,615	615,654,497	515,822,032	19,254,994,208
Current liability (LKR)	(223,666,703)	(15,300,696)	(103,687,555)	(448,966,166)	(479,762,556)	(642,404,298)	(61,680,068)	(88,306,529)	(60,211,122)	(2,123,985,693)
Non-current liability (LKR)	-	-	(1,423,500,147)	(800,490,853)	(32,909,496)	(1,235,695,000)	(62,697,712)	(280,288,242)	(308,904,295)	(4,144,485,745)
Unrealized profits (LKR)	(6,883,261,978)	-	-	(458,951,000)	-	-	-	-	-	(7,342,212,978)
Net asset (LKR)	**1,557,541,378**	**749,504,038**	**827,062,301**	**2,348,742,978**	**1,015,537,749**	**1,951,654,664**	**325,961,472**	**289,530,097**	**175,626,324**	**9,241,161,001**
Net asset attributable to NCI before NCI investments (LKR)	**623,016,551**	**295,078,252**	**575,608,961**	**1,302,513,945**	**406,215,100**	**1,065,798,612**	**126,506,063**	**113,987,424**	**69,143,735**	**4,577,868,644**
NCI investment (LKR)	**-**	**-**	**(347,430,551)**	**(371,874,657)**	**(142,000,018)**	**-**	**(113,176,213)**	**(105,818,690)**	**(70,369,894)**	**(1,150,670,023)**
Carrying amount of NCI (LKR)	**623,016,551**	**295,078,252**	**228,178,410**	**930,639,288**	**264,215,082**	**1,065,798,612**	**13,329,850**	**8,168,734**	**(1,226,159)**	**3,427,198,621**
Cash flow from operating activities (LKR)	(64,311,460)	142,591,558	(88,008,493)	1,055,558,875	241,701,632	474,818,336	62,932,457	88,112,505	(27,050,223)	1,886,345,187
Cash flow from investing activities (LKR)	1,417,446,250	(53,709)	(627,332,805)	(747,752,195)	756,429	(51,565,000)	(5,853,558)	(3,974,274)	(346,956,233)	(365,285,095)
Cash flow from financing activities (LKR)	(1,400,406,190)	(141,780,000)	730,235,531	(1,063,433,913)	(106,500,006)	(171,494,336)	(58,263,431)	(80,013,903)	382,579,306	(1,909,076,942)
Net increase in cash and cash equivalents (LKR)	**(47,271,400)**	**757,849**	**14,894,233**	**(755,627,233)**	**135,958,055**	**251,759,000**	**(1,184,532)**	**4,124,328**	**8,572,850**	**(388,016,850)**
Dividend paid to NCI during the year (LKR)	**(77,362,476)**	**-**	**-**	**(87,812,562)**	**-**	**(28,815,952)**	**-**	**-**	**-**	**(193,990,990)**

33.2	Equity Accounted Investees
	Associates
	Strategic Business Innovator (Pvt) Ltd is the only Associate which the group owns. Sunshine Holdings PLC in partnership with SBI VEN HOLDINGS PTE. LTD (Head Office: Singapore), a subsidiary company of SBI Holdings and veteran Investment Banker Viraj Malawana is to set-up a SBI Holdings' liaison office in Sri Lanka, It would be named as Strategic Business Innovator (Pvt) Ltd. The SBI Group is a key player in the Japanese securities industry and has keen interests in the financial services sector in Japan. Its move to Sri Lanka is to entice Japanese investors to enter Sri Lanka and will provide such investors with a one stop advisory covering the entire gamut of the investment process. The investment made by Sunshine Holdings PLC in this Strategic Business Innovator (Pvt) Ltd is 20% amounting to LKR 9 million.
	Tlhe following table summarises the financial information of Strategic Business Innovator (Pvt) Ltd as included in its own financial statements adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Strategic Business Innovator (Pvt) Ltd.

	2018	2017
Percentage ownership interest	20.0%	0.00%
Non-current assets	6,540,636	-
Current assets	33,565,078	-
Non-current liabilities	-	-
Current liabilities	(307,638)	-
Net assets (100%)	**39,798,076**	**-**
Group's share of net assets	**7,959,615**	**-**
Carrying amount of interest in associate	**7,959,615**	**-**
Revenue	-	-
Profit from continuing operations (100%)	(5,201,925)	-
Other comprehensive income (100%)	-	-
Total comprehensive income (100%)	(5,201,925)	-
Total comprehensive income (20.0%)	**(1,040,385)**	**-**
Group's share of profit and total comprehensive income	**(1,040,385)**	**-**
Equity adjustment	-	-
	(1,040,385)	-

34.0 Related Party Transactions

34.1 Accounting Policy

Disclosures are made in respect of the transactions in which one party has the ability to control or exercise significant influence over the financial and operating policies / decisions of the other, irrespective of whether a price is being charged.

		Name of the Company	Name of the Directors	Position	Nature of the transaction	Amount Received / (Paid) LKR 2018	Amount Received / (Paid) LKR 2017
34.2	**Related Party Transactions**						
	(i)	**Sunshine Holdings PLC**					
		Sunshine Healthcare Lanka Ltd.	G. Sathasivam	Director	Dividend Received	103,500,000	90,000,000
			V. Govindasamy	Group Managing Director	Sevice Income	104,428,658	35,243,016
			S. G. Sathasivam	Managing Director	Loan Given	-	(50,000,000)
			N.B. Weerasekera	Director	Loan Settled	-	50,000,000
			A. D. B. Talwatte	Director	Interest Income	-	4,910,659
			H. D. Abeywickrama	Director	Investment in shares	-	(259,999,920)
			D. A. Cabraal	Director	Gratuity transfer	15,312,446	-
			S. Shishoo	Director			
		Estate Management Services (Pvt) Ltd.	G. Sathasivam	Director	Dividend Received	116,043,720	100,068,376
			V. Govindasamy	Group Managing Director			
		Sunshine Packaging Lanka Limited	V. Govindasamy	Group Managing Director	Interest Received	3,432,042	3,452,517
			H. Abeywickrama	Director	Service Income	-	3,473,018
					Purchases	(60,885)	-
					Advance given	(30,500,000)	(70,000,000)
		Watawala Plantations PLC	G. Sathasivam	Director	Purchases	(65,842)	(79,047)
			V. Govindasamy	Group Managing Director	Service Income	82,881,442	77,585,571
			B. A. Hulangamuwa	Director			
			N. B. Weerasekera	Director			
			S. G. Sathasivam	Alternate Director to G. Sathasivam			

	Name of the Company	Name of the Directors	Position	Nature of the transaction	Amount Received / (Paid) LKR	Amount Received / (Paid) LKR
					2018	2017
	Hatton Plantations PLC	G. Sathasivam	Director	Purchases	(80,677)	-
		V. Govindasamy	Group Managing Director	Service Income	26,592,993	-
		B. A. Hulangamuwa	Director			
		N. B. Weerasekera	Director			
	Watawala Tea Ceylon Ltd.	V. Govindasamy	Group Managing Director	Purchases	(340,158)	(8,686)
		S. G. Sathasivam	Managing Director	Service Income	70,737,716	56,824,218
		A. D. B. Talwatte	Director	Gratuity transfer	(143,642)	-
		D. A. Cabraal	Director			
	Waltrim Energy Limited	V. Govindasamy	Group Managing Director	Advance given	(47,580,000)	(26,479,200)
		G. Sathasivam	Director	Service Income	4,717,266	3,473,018
		B. A. Hulangamuwa	Director	Investment in Shares		(97,219,360)
		N. B. Weerasekera	Director			
	Lamurep Properties Limited	G. Sathasivam	Director	Rent paid	(16,255,837)	(14,863,775)
	Sunshine Energy (Pvt) Ltd	G. Sathasivam	Director	Investment in Shares	102,625,124	(337,015,540)
		V. Govindasamy	Group Managing Director	Shares transferred	-	(239,796,180)
		A. D. B. Talwatte	Director			
(ii)	**Sunshine Healthcare Lanka Ltd.**					
	Sunshine Holdings PLC	G. Sathasivam	Director	Dividend Paid	(103,500,000)	(90,000,000)
		V. Govindasamy	Group Managing Director	Service Cost	(104,428,658)	(35,243,016)
		S. G. Sathasivam	Managing Director	Loan Obtained	-	50,000,000
		N. B. Weerasekera	Director	Loan Settled	-	(50,000,000)
		A. D. B. Talwatte	Director	Interest Paid	-	(4,910,659)
		H. D. Abeywickrama	Director	Share issue	-	259,999,920
		D. A. Cabraal	Director	Gratuity transfer	(15,312,446)	-
		S. Shishoo	Director			

	Name of the Company	Name of the Directors	Position	Nature of the transaction	Amount Received / (Paid) LKR	Amount Received / (Paid) LKR
					2018	2017
	Sunshine Packaging Lanka Limited	V. Govindasamy	Group Managing Director	Purchases	-	(11,686,098)
	Healthguard Pharmacy Ltd	G. Sathasivam	Director	Sales	123,135,563	137,848,469
		V. Govindasamy	Group Managing Director	Purchases	(160,661,763)	(36,821,212)
		S. G. Sathasivam	Managing Director	Investment in shares	-	(110,000,000)
		N.B. Weerasekera	Director			
		A. D. B. Talwatte	Director			
		H. D. Abeywickrama	Director			
		D. A. Cabraal	Director			
		S. Shishoo	Director			
	Watawala Plantations PLC	G. Sathasivam	Director	Purchases	(8,909)	(13,897)
		V. Govindasamy	Group Managing Director			
		S. G. Sathasivam	Alternate Director to G. Sathasivam			
		N. B. Weerasekera	Director			
	Hatton Plantations PLC	G. Sathasivam	Director	Purchases	(9,246)	-
		V. Govindasamy	Managing Director			
		N. B. Weerasekera	Director			
	Sunshine Tea (Pvt) Ltd	S. G. Sathasivam	Director	Purchases	-	(42,750)
	Watawala Tea Ceylon Limited	V. Govindasamy	Group Managing Director	Purchases	(1,664,541)	(1,372,005)
		S. G. Sathasivam	Managing Director	Sales	207,086	178,205
		A. D. B. Talwatte	Director			
		D. A. Cabraal	Director			

	Name of the Company	Name of the Directors	Position	Nature of the transaction	Amount Received / (Paid) LKR 2018	Amount Received / (Paid) LKR 2017
(iii)	**Healthguard Pharmacy Limited**					
	Watawala Tea Ceylon Limited	S. G. Sathasivam	Managing Director	Purchases	(1,302,729)	(651,787)
		V. Govindasamy	Group Managing Director	Sales	1,450,785	58,563
		A. D. B. Talwatte	Director			
		D. A. Cabraal	Director			
	Sunshine Healthcare Lanka Ltd.	G. Sathasivam	Director	Purchases	(123,135,563)	(137,848,469)
		V. Govindasamy	Group Managing Director	Sales	160,661,763	36,821,212
		S. G. Sathasivam	Managing Director	Share issue		110,000,000
		N. B. Weerasekera	Director			
		A. D. B. Talwatte	Director			
		H. D. Abeywickrama	Director			
		D. A. Cabraal	Director			
		S. Shishoo	Director			
	Watawala Plantations PLC	V. Govindasamy	Group Managing Director	Sales	-	12,655
		B. A. Hulangamuwa	Director			
		G. Sathasivam	Director			
		S. G. Sathasivam	Alternate Director to G. Sathasivam			
		N. B. Weerasekera	Director			
	Sunshine Packaging Lanka Limited	W. D. P. L. Vithanage	Director	Purchases	-	(816,890)
(iv)	**Watawala Plantations PLC**					
	Sunshine Tea (Pvt) Ltd	V. Govindasamy	Group Managing Director	Sales	328,000	20,087,373
		B. A. Hulangamuwa	Director	Service obtained	(18,602,000)	-
				Rent paid	(2,899,000)	(4,928,571)

	Name of the Company	Name of the Directors	Position	Nature of the transaction	Amount Received / (Paid) LKR 2018	Amount Received / (Paid) LKR 2017
	Sunshine Healthcare Lanka Ltd.	G. Sathasivam	Director	Sales	8,909	13,897
		V. Govindasamy	Group Managing Director	Purchases		
		S. G. Sathasivam	Managing Director			
		N. B. Weerasekera	Director			
	Watawala Diary Limited	Sunil G. Wijesinha	Chairman	Sales	2,503,000	7,617,807
		V. Govindasamy	Group Managing Director	Purchases	(18,047,000)	(30,892,652)
		M. S. Mawzoon	Director	Investment in shares	-	(626,500,020)
				Loan given	(435,000,000)	-
				Loan settled	(425,000,000)	-
				Interest received	21,994,000	-
	Watawala Tea Ceylon Limited	V. Govindasamy	Group Managing Director	Purchases	(2,928,000)	-
		S. G Sathasivam	Managing Director	Interest income	19,655,000	(36,508)
		L. Ramanayake	Director	Rent income	510,000	3,149,370
		M. S. Mawzoon	Director	Sales	-	31,654,601
	Tata Global Beverages Limited			Sales		352,547,000
	Waltrim Hydropower (Pvt) Ltd	G. Sathasivam	Director	Lease rent received	3,261,000	5,570,193
		V. Govindasamy	Group Managing Director	Sales	13,000	13,378
		B. A. Hulangamuwa	Director			
	Sunshine Holdings PLC	G. Sathasivam	Director	Sales	65,842	79,047
		V. Govindasamy	Group Managing Director	Service Cost	(82,881,442)	(77,585,571)
		B. A. Hulangamuwa	Director			
		N. B. Weerasekera	Director			

	Name of the Company	Name of the Directors	Position	Nature of the transaction	Amount Received / (Paid) LKR 2018	Amount Received / (Paid) LKR 2017
		S. G. Sathasivam	Alternate Director to G. Sathasivam			
	Estate Management Services (Pvt) Ltd	V. Govindasamy	Group Managing Director	Dividend Paid	(238,039,560)	(226,118,241)
		G. Sathasivam	Director			
		M. S. Mawzoon	Director			
	Healthguard Pharmacy Ltd	V. Govindasamy	Group Managing Director	Purchases	-	(12,655)
		G. Sathasivam	Director			
		S. G. Sathasivam	Managing Director			
		N. B. Weerasekera	Director			
		B. A. Hulangamuwa	Director			
	Pyramid Wilmar (Pvt) Ltd	M. S. Mawzoon	Director	Sales	1,723,902,000	1,881,098,000
	Upper Waltrim Hydropower (Pvt) Ltd	V. Govindasamy	Group Managing Director	Lease rental received	2,800,000	841,733
		B. A. Hulangamuwa	Director	Sales	3,000	-
		G. Sathasivam	Director			
	Hatton Plantations PLC	Sunil G. Wijesinha	Chairman	Purchases	(88,000)	-
		V. Govindasamy	Group Managing Director			
		G. Sathasivam	Director			
		B. A. Hulangamuwa	Director			
		N. B. Weerasekera	Director			
		M. S. Mawzoon	Director			
		A. N. Fernando	Director			
		L. Ramanayake	Director			
(v)	**Watawala Tea Ceylon Limited**					
	Sunshine Tea (Pvt) Ltd	V. Govindasamy	Group Managing Director	Sales	125,317	154,517

	Name of the Company	Name of the Directors	Position	Nature of the transaction	Amount Received / (Paid) LKR 2018	Amount Received / (Paid) LKR 2017
		B. A. Hulangamuwa	Director	Purchases	(199,164,503)	(205,546,546)
		S. G. Sathasivam	Director			
	Watawala Plantations PLC	V. Govindasamy	Group Managing Director	Purchases	-	(31,654,601)
		L. Ramanayake	Director	Sales	2,928,000	-
		S. G. Sathasivam	Alternate Director to G. Sathasivam	Interest expense	(19,655,000)	(36,508)
		M. S. Mawzoon	Director	Rent	(510,000)	3,149,370
	Hatton Plantations PLC	V. Govindasamy	Group Managing Director	Purchases	(5,158,600)	-
		L. Ramanayake	Director	Rent Paid	(510,000)	-
		M. S. Mawzoon	Director			
	Sunshine Holdings PLC	V. Govindasamy	Group Managing Director	Sales	340,158	8,686
		G. Sathasivam	Director	Service Cost	(70,737,716)	(56,824,218)
		S. G. Sathasivam	Director	Gratuity transfer	143,642	-
	Sunshine Healthcare Lanka Ltd.	S. G. Sathasivam	Managing Director	Sales	1,664,541	1,372,005
		V. Govindasamy	Group Managing Director	Purchases	(207,086)	(178,205)
		A. D. B. Talwatte	Director			
		D. A. Cabraal	Director			
	Estate Management Services (Pvt) Ltd	V. Govindasamy	Group Managing Director	Dividend Paid	(95,850,005)	(241,542,014)
		M. S. Mawzoon	Director			
		P. Karunagaran	Director			
	Healthguard Pharmacy Ltd	S. G. Sathasivam	Managing Director	Sales	1,302,729	651,787
		V. Govindasamy	Group Managing Director	Purchases	(1,450,785)	(58,563)
		A. D. B. Talwatte	Director			
		D. A. Cabraal	Director			

	Name of the Company	Name of the Directors	Position	Nature of the transaction	Amount Received / (Paid) LKR	Amount Received / (Paid) LKR
					2018	2017
	Sunshine Packaging Lanka Ltd	V. Govindasamy	Group Managing Director	Purchases	(4,733,491)	(11,816,951)
				Sales	-	6,198
(vi)	**Estate Management Services (Pvt) Ltd**					
	Watawala Plantations PLC	V. Govindasamy	Group Managing Director	Dividend Received	238,039,560	226,118,241
		G. Sathasivam	Director			
		M. S. Mawzoon	Director			
	Watawala Tea Ceylon Limited	V. Govindasamy	Group Managing Director	Dividend Received	95,850,005	241,542,014
		M. S. Mawzoon	Director			
		P. Karunagaran	Director			
	Hatton Plantations PLC	V. Govindasamy	Group Managing Director	Dividend Received	80,565,467	-
		G. Sathasivam	Director			
		M. S. Mawzoon	Director			
	Sunshine Holdings PLC	V. Govindasamy	Group Managing Director	Dividend Paid	(116,043,720)	(100,068,376)
		G. Sathasivam	Director			
(vii)	**Sunshine Packaging Lanka Ltd**					
	Sunshine Holdings PLC	V. Govindasamy	Group Managing Director	Interest Paid	(3,432,042)	(3,452,517)
		H. Abeywickrama	Director	Service Cost	-	(3,473,018)
				Sales	60,885	-
				Advance received	30,500,000	70,000,000
	Sunshine Healthcare Lanka Ltd	V. Govindasamy	Group Managing Director	Sales	-	11,686,098
	Watawala Tea Ceylon Limited	V. Govindasamy	Group Managing Director	Sales	4,733,491	11,816,951
				Purchases	-	(6,198)

	Name of the Company	Name of the Directors	Position	Nature of the transaction	Amount Received / (Paid) LKR	Amount Received / (Paid) LKR
					2018	2017
	Healthguard Pharmacy Ltd	W. D. P. L. Vithanage	Director	Sales	-	816,890
	Watawala Dairy Limited	V. Govindasamy	Group Managing Director	Sales	4,928,571	-
	Watawala Plantations PLC	V. Govindasamy	Group Managing Director	Sales		
	Sunshine Tea (Pvt) Ltd	V. Govindasamy	Group Managing Director	Sales	16,590,996	27,246,379
(viii)	**Elgin Hydropower (Pvt) Ltd**					
	Waltrim Energy Limited	G. Sathasivam	Director	Investment in Shares	141,780,000	28,566,600
		B. A. Hulangamuwa	Director	Project Development Expenses	104,200,000	82,159,995
		S. G. Sathasivam	Director			
		V. Govindasamy	Group Managing Director			
(ix)	**Upper Waltrim Hydropower (Pvt) Ltd**					
	Waltrim Energy Limited	G. Sathasivam	Director	Share Issue	-	124,401,810
		B. A. Hulangamuwa	Director			
		N. B. Weerasekera	Director			
		V. Govindasamy	Group Managing Director			
	Watawala Plantation PLC	V. Govindasamy	Group Managing Director	Lease rental paid	(2,800,000)	(841,733)
		B. A. Hulangamuwa	Director	Purchases	(3,000)	
(x)	**Waltrim Energy Limited.**					
	Sunshine Holdings PLC	G. Sathasivam	Director	Advance Received	47,580,000	26,479,200
		B. A. Hulangamuwa	Director	Service Cost	(4,717,266)	(3,473,018)
		N. B. Weerasekera	Director	Share Issue	-	97,219,360
		V. Govindasamy	Group Managing Director			

	Name of the Company	Name of the Directors	Position	Nature of the transaction	Amount Received / (Paid) LKR	Amount Received / (Paid) LKR
					2018	2017
	Elgin Hydropower (Pvt) Ltd	G. Sathasivam	Director	Investment in Shares	(141,780,000)	(28,566,600)
		B. A. Hulangamuwa	Director	Project Development Expenses	(104,200,000)	(82,159,995)
		V. Govindasamy	Group Managing Director			
	Upper Waltrim Hydropower (Pvt) Ltd	G. Sathasivam	Chairman	Investment in Shares	-	(124,401,810)
		B. A. Hulangamuwa	Director			
		N. B. Weerasekera	Director			
		V. Govindasamy	Group Managing Director			
(xi)	**Waltrim Hydropower (Pvt) Ltd**					
	Watawala Plantations PLC	V. Govindasamy	Group Managing Director	Lease rent paid	(3,261,000)	(5,570,193)
		G. Sathasivam	Director	Purchases	(13,000)	(13,378)
		B. A. Hulangamuwa	Director			
	Hatton Plantations PLC	V. Govindasamy	Group Managing Director	Lease rent paid	(5,551,422)	-
		G. Sathasivam	Director	Purchases	(18,352)	-
		B. A. Hulangamuwa	Director			
(xii)	**Sunshine Energy (Pvt) Ltd**					
	Sunshine Holdings PLC	G. Sathasivam	Director	Share Issue	(102,625,124)	337,015,540
		V. Govindasamy	Group Managing Director	Shares transferred	-	(239,796,180)
		A. D. B. Talwatte	Director			
(xiii)	**Watawala Diary Limited**					
	Watawala Plantations PLC	Sunil G. Wijesinha	Chairman	Sales	18,047,000	30,892,652
		V. Govindasamy	Group Managing Director	Purchases	(2,503,000)	(7,617,807)
		M. S. Mawzoon	Director	Share issue	-	626,500,020
				Loan obtained	435,000,000	-
				Loan settled	425,000,000	-
				Interest paid	(21,994,000)	-

	Name of the Company	Name of the Directors	Position	Nature of the transaction	Amount Received / (Paid) LKR	Amount Received / (Paid) LKR
					2018	2017
	Sunshine Packaging Lanka Limited	V. Govindasamy	Group Managing Director	Purchases	(4,928,571)	-
	Hatton Plantations PLC	Sunil G. Wijesinha	Chairman	Sales	21,362,713	-
		V. Govindasamy	Group Managing Director	Rent paid	(625,000)	-
		M. S. Mawzoon	Director	Purchases	(1,701,190)	-
(xiv)	**Hatton Plantation PLC**					
	Sunshine Holdings PLC	G. Sathasivam	Director	Sales	80,677	-
		V. Govindasamy	Group Managing Director	Service cost	(26,592,993)	-
		B. A. Hulangamuwa	Director			
		N. B. Weerasekera	Director			
	Sunshine Healthcare Lanka Limited	G. Sathasivam	Director	Sales	9,246	-
		V. Govindasamy	Managing Director			
		N. B. Weerasekera	Director			
	Watawala Plantations PLC	Sunil G. Wijesinha	Chairman	Sales	88,000	-
		V. Govindasamy	Group Managing Director			
		G. Sathasivam	Director			
		B. A. Hulangamuwa	Director			
		N. B. Weerasekera	Director			
		M. S. Mawzoon	Director			
		A. N. Fernando	Director			
		L. Ramanayake	Director			
	Watawala Tea Ceylon Limited	V. Govindasamy	Group Managing Director	Sales	5,158,600	-
		M. S. Mawzoon	Director	Rent received	510,000	-
		L. Ramanayake	Director			

Name of the Company	Name of the Directors	Position	Nature of the transaction	Amount Received / (Paid) LKR	Amount Received / (Paid) LKR
				2018	2017
Estate Management Services (Pvt) Ltd	V. Govindasamy	Group Managing Director	Dividend paid	(80,565,467)	-
	G. Sathasivam	Director			
	M. S. Mawzoon	Director			
Waltrim Hydropower (Pvt) Ltd	V. Govindasamy	Group Managing Director	Lease rent received	5,551,422	-
	G. Sathasivam	Director	Sales	18,352	-
	B. A. Hulangamuwa	Director			
Watawala Dairy Limited	Sunil G. Wijesinha	Chairman	Purchases	(21,362,713)	-
	V. Govindasamy	Group Managing Director	Rent received	625,000	-
	M. S. Mawzoon	Director	Sales	1,701,190	-
Sunshine Tea (Pvt) Limited	B. A. Hulangamuwa	Director	Rent paid	(2,365,421)	-
			Sales	393,953	-

Note : All transactions were carried out at arms length.

34.2.1 There is no non-recurring related party transaction reported during the year.

34.3 Inter Company loan

Terms and conditions:

(i) Loan type - Treasury loan

(ii) Security - Unsecured

(iii) Repayment - To be repaid on demand within 12 months

(iv) Interest rate - Based on market rates

34.4 Transactions with key management personnel

For the Year 31st March

According to Sri Lanka Accounting Standard LKAS 24 - “Related Party Disclosure”, Key Management Personnel, are those having and responsibilty for planning, directing and controlling the activities of the Company. Accordingly, the Board of Directors (including executive and non executive Directors) have been classified as Key Management Personnel of the Company/Group.

Company

(i) Loans to the directors

No loans have been granted to the directors of the Company.

(ii) Compensation paid to key management personnel

For the year ended 31st March	2018	2017
	LKR	LKR
Salaries and other employee benefits	**203,266,067**	125,047,910

(iii) Other transactions with key management personnel

There were no other trasactions with Key Management Personnel other than disclosed above.

Group

Subsidiaries

Sunshine Healthcare Lanka Limited , Watawala Plantation PLC, Sunshine Packaging Lanka Limited., Estate Management Services Ltd., Healthguard Pharmacy Limited, Watawala Tea Ceylon Limited., Sunshine Energy (Pvt) Ltd.,Hatton Plantations PLC, Waltrim Energy limited, Waltrim Hydropower (Pvt) Ltd., Elgin Hydropower (Pvt) Ltd., Upper Waltrim Hydropower (Pvt) Ltd., subsidiaries of the Company, identify the senior management of the Company which represent the “Executive Committee” as a key management personnel. Compensation paid to the Executive Committee during the financial year is given below.

(i) Loans to the directors

No loans have been granted to the directors of the Group.

(ii) Compensation paid to key management personnel

For the year ended 31st March	2018	2017
	LKR	LKR
Salaries and other employee benefits	**263,629,811**	225,633,913

(iii) Other transactions with key management personnel

There were no other trasactions with key management personnel of the Group other than disclosed above

35.0 Capital Commitments

Company

There were no material capital commitments outstanding as at the reporting date.

Subsidiaries

Watawala Plantation PLC, a subsidiary of the Company, as disclosed in their 2017/18 annual report, capital commitments as at 31st March 2018 is LKR 45.61 million (2017 - LKR 130.21 million). However the budgeted capital expenditure approved but not committed by the directors for the financial year 2018 /19 amounting to LKR 480.7 million.(2017/18 LKR 514 million).

Hatton Plantation PLC, a subsidiary of the Company, as disclosed in their 2017/18 annual report, capital commitments as at 31st March 2018 is LKR 67.6 million. However the budgeted capital expenditure approved but not committed by the directors for the financial year 2018 /19 amounting to LKR 25.0 million

There were no material capital commitments outstanding as at 31st March 2018 other than those disclosed above.

36.0 Contingencies

Company

The contingent liabilities as at 31st March 2018 on guarantee given by the Company to banks and other institutions on behalf of subsidiaries to facilities obtained are as follows;

As at 31st March	2018 Amount LKR	2017 Amount LKR
Elgin Hydropower (Pvt) Limited		
DFCC Bank PLC	320,000,000	-
	320,000,000	-
Upper Waltrim Hydropower (Private) Limited		
DFCC Bank PLC	420,000,000	420,000,000
	420,000,000	420,000,000

However the above corporate guarantees were given on top of the collateral already vested by the respective subsidiaries.

Subsidiary

Watawala Plantation PLC, a subsidiary of the Company, has given a bank guarantees amounting to LKR 49,954,000 to the Sri Lanka Customs to facilitate the subsidiary to import green tea. Further, corporate guarantee were issued on behalf of Watawala Dairy Limited amounting to LKR 910,200,000.

Sunshine Healthcare Lanka limited, a subsidiary of the Company, has given a bank guarantees amounting to LKR 17,000,000 on behalf of its subsidiary.

Upper Waltrim Hydropower (Pvt) Limited, a subsidiary of the Company, has given a bank guarantees amounting to LKR 17,226,634.

Elgin Hydropower (Pvt) Limited, a subsidiary of the Company, has given a bank guarantees amounting to LKR 29,103,000.

There were no other material contingent liabilities outstanding as at the reporting date that require adjustments to or disclosure in the Financial Statements.

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37.0 Discontinued Operation

	Audited Year ended 31st March 2018 LKR	Audited Year ended 31st March 2017 LKR
Revenue	**48,337,050**	**325,814,596**
Cost of sales	(123,277,232)	(261,487,140)
Gross profit	**(74,940,182)**	**64,327,456**
Other income	(87,794,965)	6,149,929
Administration expenses	(34,459,220)	(37,234,648)
Selling & distribution expenses	(1,607,769)	(8,587,797)
Results from operating activities	**(198,802,136)**	**24,654,940**
Finance income	256,874	2,693,405
Finance cost	(12,279,568)	(18,655,235)
Net finance cost	**(12,022,694)**	**(15,961,830)**
Profit before tax	**(210,824,830)**	**8,693,110**
Income tax expense	-	(236,943)
Profit for the period	**(210,824,830)**	**8,456,167**

"Subsequent to the CSE announcement 16th June 2017 and 30th August 2017, the board of directors of Sunshine Packaging Lanka Limited, fully owned subsidiary of Sunshine Holdings PLC, decided to discontinue the manufacturing operations with effect from 31st August 2017, and to classify its land and buildings as an investment property and stated at fair value."

38.0 Events after the Reporting Period

38.1 Accounting Policy

All material post events after the reporting date have been considered and where appropriate adjustments or disclosures have been made in the respective notes to the Financial Statements.

38.2 Events occurring after the reporting date

Company

The Directors of the Company have proposed the payment of dividend of LKR 1.50 per share(cash dividend of LKR 1.00 and scrip dividend of LKR 0.50) on ordinary shares amountig to LKR 204,738,420/- for the year ended 31st March 2018.
(2017 - LKR 236,496,726/-) at the meeting held on 28th May 2018.

Subsequent to the reporting period, the Company has obtained a long term loan, amounting to US $ 9.15 million for a tenure of five years commencing from 12th April 2018, from the Standard Chartered Bank, Mauritius in order to minimize the finance costs. As a risk mitigation strategy, the Company has entered into a 'Cross Currency Swap' with the Standard Chartered Bank, Sri Lanka branch to fix the US Dollar exchange rate and the interest rate for a period of three years. The Company has the option of making an early settlement of the US Doller loan, fully or partly, after completion of three years tenure without any penalty

There have been no material events occuring after the reporting date that require adjustments to or disclosure in the Financial Statements other than those disclosed above.

Investor information

Stock Exchange Listing

The issued ordinary shares of Sunshine Holdings PLC are listed with the Colombo Stock Exchange (CSE) Sri Lanka.

Shareholder Information		
Total nos of shareholders	1,615	(As at 31st March 2017 is 1,387)
Total nos of shares	136,492,280	(As at 31st March 2017 is 135,140,986)

Range of Shareholdings		Resident			Non-resident			Total		
		No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
1	1000	1,141	342,396	0.25	7	2,037	0.00	1,148	344,433	0.25
1001	5000	278	563,494	0.41	5	9,767	0.01	283	573,261	0.42
5001	10000	58	410,905	0.30	3	21,050	0.02	61	431,955	0.32
10001	50000	73	1,447,991	1.06	5	124,944	0.09	78	1,572,935	1.15
50001	1000000	29	6,656,982	4.88	8	1,144,926	0.84	37	7,801,908	5.72
1000001 & above		5	83,236,133	60.98	3	42,531,655	31.16	8	125,767,788	92.14
Total		**1,584**	**92,657,901**	**67.89**	**31**	**43,834,379**	**32.11**	**1,615**	**136,492,280**	**100.00**

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Analysis of Shareholders	31st March 2018			31st March 2017		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Individuals	1,522	5,860,844	4.29%	1,301	4,412,942	3.27%
Institutions	93	130,631,436	95.71%	86	130,728,044	96.73%
Total	**1,615**	**136,492,280**	**100.00%**	**1,387**	**135,140,986**	**100.00%**

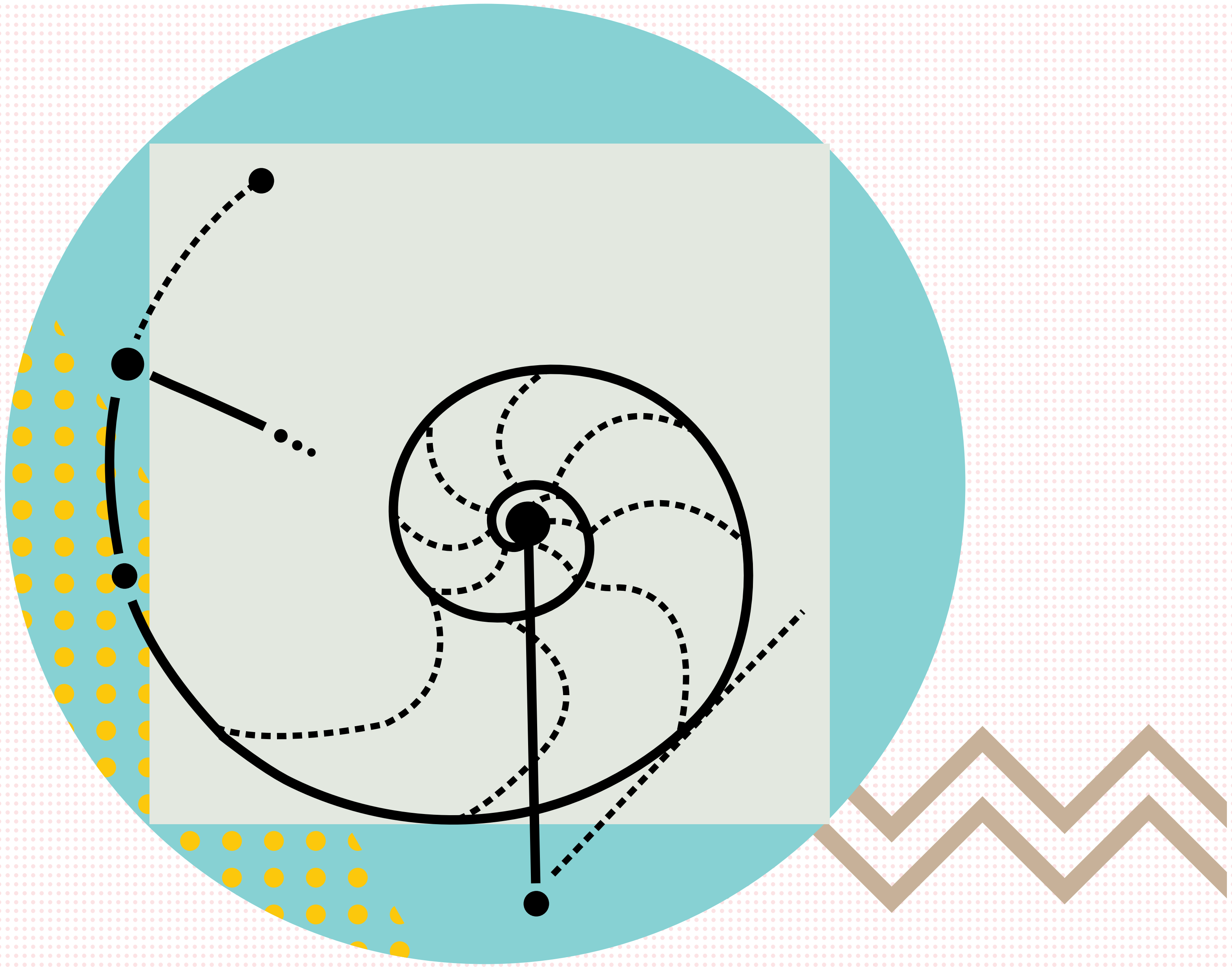
Public Shareholdings	31st March 2018	31st March 2017
The percentage of shares held by the public	**48.13%**	7.01%
Number of shareholders representing public holdings	**1,612**	1,376

Shareholder trading information from 1st April 2017 to 31st March 2018							
	2018	2017	2016	2015	2014	2013	2012
Highest price (LKR)	64.90	58.80	62.00	63.50	38.90	34.00	32.00
Lowest price (LKR)	46.10	45.00	45.20	28.00	26.60	18.10	17.00
As at 31st March (LKR)	56.10	46.10	50.00	48.00	28.70	26.60	20.00
Nos of transactions	1,048	1,093	1,216	6,626	2,453	1,794	939
Nos of shares traded	8,347,901	34,337,459	3,596,659	59,275,212	20,960,576	2,574,012	1,852,621
Value of shares traded (LKR)	476,911,459	1,684,887,480	200,914,813	2,348,879,263	710,627,572	67,442,412	43,113,108

Market Capitalisation Vs Shareholder Fund	
Market Capitalisation as at 31st March 2018	**LKR 7,657,216,908**
Shareholders fund as at 31st March 2018	**LKR 6,374,924,536**

Dividend					
	2018	2017	2016	2015	2014
Propose & final dividend (LKR)	204,738,420	236,496,726	141,898,035	128,383,937	127,135,210
Dividend per share (LKR)	1.50	1.75	1.05	0.95	0.95
Normalised dividend pay-out ratio (%)	137.8%	125.4%	64.4%	43.5%	36.1%

Twenty (20) largest shareholders as at	31st March 2018		31st March 2017	
Name	Nos of Shares Held	%	Nos of Shares Held	%
Lamurep Investments Limited	67,343,470	49.34%	43,408,220	32.12%
Deepcar Limited	25,856,000	18.94%	25,600,000	18.94%
SBI Ven Holdings Pte Limited	14,998,500	10.99%	14,850,000	10.99%
Sampath Bank/Dr. T. Senthilverl	10,026,767	7.35%	15,501,605	11.47%
Ceylon Property Development Limited	3,030,000	2.22%	3,000,000	2.22%
J.B. Cocoshell (Pvt) Limited	2,312,663	1.69%	250,000	0.18%
GF Capital Global Limited	1,677,155	1.23%	1,561,540	1.16%
Deutsche Bank AG - National Equity Fund	1,200,000	0.88%	-	0.00%
Deutsche Bank AG as Trustee to Candor Opportunitie	800,000	0.59%	550,000	0.41%
Mr. P.H.A.K. Fernando	650,506	0.48%	-	0.00%
Nuwara Eliya Property Developers (pvt) Ltd	581,013	0.43%	575,261	0.43%
Mr.V.Govindasamy	447,763	0.33%	443,330	0.33%
Pershing LLC S/A Aerbach Grauson & Co	325,508	0.24%	322,286	0.24%
Cocoshell Activated Carbon Company Limited	288,555	0.21%	-	0.00%
Deutsche Bank AG Singapore Branch	280,000	0.21%	-	0.00%
Mrs. N.C. Madanayake	280,000	0.21%	-	0.00%
Mr. U.G. Madanayake	280,000	0.21%	-	0.00%
E.W. Balasuriya & Co. (Pvt) Limited	276,989	0.20%	183,139	0.14%
Mr. R. Maheswaran	252,500	0.18%	250,000	0.18%
Miss A. Radhakrishnan	252,500	0.18%	250,000	0.18%
Sub Total	**131,159,889**	**96.09%**	**106,745,381**	**78.99%**
Others	5,332,391	3.91%	28,395,605	21.01%
Total	**136,492,280**	**100.00%**	**135,140,986**	**100.00%**



<< Attentive

Other Information

Foresight conducted with
attention to detail.

Sunshine Holdings PLC

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Decade at a Glance

	2018		2017		2016		2015		2014
Operating results	**Group LKR**	**Company LKR**	**Group LKR**	**Company LKR**	**Group LKR**	**Company LKR**	**Group LKR**	**Company LKR**	**Group LKR**
Revenue	21,235,736,058	395,125,164	18,890,754,460	414,779,815	17,422,249,764	265,431,378	16,326,528,096	313,557,464	14,696,587,869
Gross profit	5,385,359,251	340,599,522	4,763,049,063	260,872,032	4,092,816,148	249,066,576	3,610,668,850	(45,038,540)	3,510,997,629
Profit Before interest & tax	2,580,028,236	122,912,751	2,072,983,275	107,404,856	1,660,598,576	157,704,853	1,413,268,709	268,518,924	1,595,297,083
Profit before tax	2,422,814,624	148,558,341	2,042,853,510	190,800,831	1,591,244,008	221,176,398	1,309,333,699	221,878,292	1,450,026,167
Income tax	(618,292,028)	-	(430,088,964)	(342,692)	(373,645,411)	(769,355)	(335,820,583)	(2,023,953)	(324,141,236)
Profit for the year	1,804,522,596	148,558,341	1,612,764,546	190,458,139	1,217,598,597	220,407,043	973,513,116	292,716,801	1,125,884,931
Profit or (loss) on discontinued operations, net of tax	(210,824,830)	-	8,456,167	-	-	-	-	-	-
Other comprehensive income	68,902,741	35,762,731	94,713,453	6,968,821	92,461,096	(6,992,058)	73,387,932	57,076,838	42,414,470
Total comprehensive income	1,662,600,507	184,321,072	1,715,934,167	197,426,960	1,310,059,693	213,414,985	1,046,901,048	349,793,639	1,168,299,401
Profit Attributable to owners of parent company	829,362,966	184,321,072	563,802,278	197,426,960	605,789,388	213,414,985	542,303,854	349,793,639	687,649,273
Equity & liabilities									
Stated capital	798,504,357	798,504,357	730,939,657	730,939,657	730,939,657	730,939,657	730,939,657	730,939,657	690,993,533
Capital & other reserves	390,893,754	364,012,083	331,838,036	329,138,894	324,854,614	322,155,472	1,257,725	1,257,725	1,257,725
Retained profit	5,185,526,425	1,767,356,201	5,186,946,894	1,854,405,044	4,725,795,249	1,805,859,541	4,571,180,685	2,041,726,240	4,156,248,570
Shareholders' fund	6,374,924,536	2,929,872,641	6,249,724,587	2,914,483,595	5,781,589,520	2,858,954,670	5,303,378,067	2,773,923,622	4,848,499,828
Non-controlling interest	3,427,198,621	-	5,340,766,263	-	4,168,557,293	-	3,643,544,084	-	3,422,805,717
Total equity	9,802,123,157	2,929,872,641	11,590,490,850	2,914,483,595	9,950,146,813	2,858,954,670	8,946,922,151	2,773,923,622	8,271,305,545
Non current liabilities	5,462,718,020	1,221,729,096	2,839,327,081	51,881,378	2,883,819,594	43,198,526	2,607,517,581	9,980,594	2,747,833,165
Current liabilities	5,029,411,922	281,795,656	3,502,375,661	15,817,458	3,288,027,254	13,691,515	3,058,199,960	17,293,912	2,480,487,844
Total equity & liabilities	20,294,253,099	4,433,397,393	17,932,193,592	2,982,182,431	16,121,993,661	2,915,844,711	14,612,639,692	2,801,198,128	13,499,626,554
Assets									
Property, plant & equipments	5,451,893,463	3,290,687	4,952,870,651	5,901,315	4,104,956,315	6,077,792	3,830,814,031	3,031,897	3,679,264,826
Leasehold right to bare land	190,997,000	-	-	-	-	-	-	-	-
Biological assets	4,379,456,000	-	3,629,026,000	-	3,431,155,000	-	3,350,253,000	-	3,139,569,000
Investment property	327,205,000	-	-	-	-	-	-	-	-
Intangible assets	215,178,822	780,372	168,765,418	1,533,497	137,471,955	2,191,875	110,539,090	-	153,569,864
Investments in subsidiaries	-	3,017,900,921	-	1,376,748,442	-	1,041,371,979	-	961,371,884	-
Other investments	653,396,456	642,633,456	636,733,332	625,970,332	1,296,865,044	721,505,044	673,142,764	673,142,764	506,094,835
Investment in gratuity fund	288,595,000	-	258,319,000	-	234,369,000	-	220,262,000	-	200,000,000
Investment in associate	7,959,615	9,000,000	-	-	6,275,928	6,111,426	4,292,875	2,719,920	2,845,696
Deferred tax	73,661,838	-	75,590,768	-	82,380,722	-	92,863,490	-	91,018,038
Current assets	8,705,909,905	759,791,957	8,210,888,423	972,028,845	6,828,519,697	1,138,586,595	6,330,472,442	1,160,931,663	5,727,264,295
Total assets	20,294,253,099	4,433,397,393	17,932,193,592	2,982,182,431	16,121,993,661	2,915,844,711	14,612,639,692	2,801,198,128	13,499,626,554
Key indicators									
Earnings per share	6.08	1.09	4.13	1.40	4.34	1.63	3.62	2.19	4.47
Dividends per share - cash	1.00	1.00	1.50	1.50	1.05	1.05	0.95	0.95	0.95
Dividends per share - scrip	0.50	0.50	0.50	0.50	-	-	-	-	-
Net assets per share	46.33	21.47	46.25	21.57	42.78	21.16	39.24	20.53	36.23
Return on equity (ROE)	16.90%		15.0%	6.77%	12.90%	7.46%	12.16%	12.61%	13.92%
Current ratio	1.73	2.70	2.34	66.71	2.08	83.16	2.06	67.13	2.3
Dividend payout ratio	-	137.61%	-	141.84%	-	64.4%	-	43.5%	-

	2014	2013		2012		2011		2010		2009	
Operating results	**Company LKR**	**Group LKR**	**Company LKR**	**Group LKR**	**Company LKR**	**Group LKR**	**Company LKR**	**Group LKR**	**Company LKR**	**Group LKR**	**Company LKR**
Revenue	232,691,759	13,067,664,329	230,073,381	10,859,486,197	190,134,023	10,281,930,865	134,837,248	9,437,275,477	137,486,763	7,407,485,607	96,742,686
Gross profit	232,691,759	3,319,045,536	230,073,381	2,432,572,189	190,134,023	2,416,637,850	134,837,248	1,814,375,896	113,136,003	1,296,472,609	88,690,009
Profit Before interest & tax	1,018,312,994	1,712,747,391	165,957,234	1,078,580,853	112,197,331	1,857,390,036	110,973,985	957,249,732	114,532,406	594,068,588	92,518,915
Profit before tax	1,109,880,839	1,502,387,454	177,206,637	962,105,071	114,012,109	1,725,163,080	110,973,985	834,067,131	114,346,874	444,573,375	84,679,270
Income tax	(6,218,055)	(299,952,674)	-	(300,914,098)	-	(219,814,038)	-	(108,401,185)	-	(128,847,482)	(668,686)
Profit for the year	1,103,662,784	1,202,434,780	177,206,637	661,190,973	114,012,109	1,505,349,042	110,973,985	725,665,946	114,346,874	315,725,893	84,010,584
Profit or (loss) on discontinued operations, net of tax	-	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	107,525,886	51,423,000	2,124,123	(95,826,331)	16,703,238	56,345,000	-	-	-	-	-
Total comprehensive income	1,211,188,670	1,253,857,780	179,330,760	565,364,642	130,715,347	1,561,694,042	110,973,985	725,665,946	114,346,874	315,725,893	84,010,584
Profit Attributable to owners of parent company	1,211,188,670	631,051,369	179,330,760	430,937,400	130,715,347	650,465,999	110,973,985	395,816,236	114,346,874	171,643,672	84,010,584
Equity & liabilities											
Stated capital	690,993,533	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949
Capital & other reserves	1,257,725	1,076,455	1,257,725	1,291,295	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725
Retained profit	1,819,067,811	3,071,318,173	674,792,410	2,480,051,964	535,461,649	2,014,947,427	444,746,301	1,183,395,365	236,718,788	703,812,085	155,705,249
Shareholders' fund	2,511,319,069	3,752,394,577	1,356,050,084	3,161,343,208	1,216,719,323	2,696,205,101	1,126,003,975	1,864,653,039	917,976,462	1,385,069,759	836,962,923
Non-controlling interest	-	2,972,805,082	-	2,457,276,937	-	2,531,624,546	-	1,609,021,951	-	1,520,382,041	-
Total equity	2,511,319,069	6,725,199,659	1,356,050,084	5,618,620,145	1,216,719,323	5,227,829,648	1,126,003,975	3,473,674,990	917,976,462	2,905,451,800	836,962,923
Non current liabilities	8,800,364	2,394,963,231	6,285,163	2,752,190,835	3,778,569	1,827,729,438	1,992,436	1,768,197,677	1,048,000	1,409,457,451	555,000
Current liabilities	11,343,067	2,647,366,645	8,322,763	2,725,753,398	4,923,647	2,131,948,903	3,552,428	1,717,405,816	4,556,635	1,731,273,370	14,335,794
Total equity & liabilities	2,531,462,500	11,767,529,536	1,370,658,010	11,096,564,378	1,225,421,539	9,187,507,989	1,131,548,839	6,959,278,483	923,581,097	6,046,182,621	851,853,717
Assets											
Property, plant & equipments	2,860,593	3,534,983,050	753,193	3,594,369,237	763,825	2,948,102,603	156,165	4,066,958,966	-	3,296,917,650	6,976
Leasehold right to bare land	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	2,880,079,000	-	2,766,583,000	-	2,460,320,000	-	-	-	-	-
Investment property	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	143,633,919	-	134,829,240	-	120,728,232	-	36,712,570	-	-	-
Investments in subsidiaries	961,371,884	-	860,698,768	-	817,752,548	-	817,752,548	-	649,402,568	125,001,473	417,402,568
Other investments	506,094,835	297,905,868	297,905,868	295,781,725	295,781,725	279,078,487	279,078,487	116,465,010	92,025,010	25,000,000	96,061,473
Investment in gratuity fund	-	127,267,000	-	42,641,000	-	-	-	-	-	-	-
Investment in associate	2,719,920	-	-	-	-	-	-	-	-	-	-
Deferred tax	-	86,088,863	-	85,734,448	-	46,412,333	-	-	-	-	-
Current assets	1,058,415,268	4,697,571,835	211,300,181	4,176,625,728	111,123,441	3,332,866,333	34,561,639	2,739,141,937	182,153,519	2,599,263,498	338,382,700
Total assets	2,531,462,500	11,767,529,536	1,370,658,010	11,096,564,378	1,225,421,539	9,187,507,989	1,131,548,839	6,959,278,483	923,581,097	6,046,182,621	851,853,717
Key indicators											
Earnings per share	8.25	4.73	1.33	3.51	0.86	4.76	0.83	2.97	0.86	14.37	7.03
Dividends per share - cash	0.95	0.50	0.50	0.30	0.30	0.30	0.30	0.3	0.3	2.5	2.5
Dividends per share - scrip	-	-	-	-	-	-	-	-	-	-	-
Net assets per share	18.77	28.14	10.17	23.71	9.13	18.56	8.45	13.98	6.9	103.88	62.77
Return on equity (ROE)	62.64%	18.25%	13.94%	16.66%	11.16%	23.88%	11.64%	24.36%	13.03%	12.39%	10.04%
Current ratio	93.3	1.7	25.3	1.5	22.5	1.5	9.7	1.59	40.44	1.5	24.14
Dividend payout ratio	36.1%	-	37.6%	-	35.1%	-	36.1%	-	34.9%	-	35.6%

Statement of Profit or Loss and Other Comprehensive Income

	Group		Company	
For the year ended 31st March	2018	2017	2018	2017
	US$	US$	US$	US$
Continuing operations				
Revenue	**138,376,699**	**124,498,004**	**2,574,722**	**2,733,573**
Cost of sales	(103,284,521)	(93,107,511)	(355,301)	(1,014,317)
Gross profit	**35,092,178**	**31,390,493**	**2,219,421**	**1,719,256**
Other operating income	3,519,961	1,541,733	1,641,277	984,737
Administration expenses	(12,607,588)	(12,560,500)	(2,616,847)	(1,852,197)
Selling and distribution expenses	(9,192,524)	(6,709,896)	-	-
Impairment of investment in subsidiary	-	-	(442,925)	(143,953)
Results from operating activities	**16,812,028**	**13,661,830**	**800,926**	**707,843**
Finance income	1,370,910	1,267,713	439,367	565,008
Finance expense	(2,388,569)	(1,466,281)	(272,254)	(15,394)
Net finance income/ (expense)	**(1,017,659)**	**(198,568)**	**167,112**	**549,614**
Share of profit of equity accounted associate (net of income tax)	**(6,779)**	**-**	**-**	**-**
Profit before income tax expenses	**15,787,590**	**13,463,262**	**968,039**	**1,257,458**
Income tax expense	(4,028,926)	(2,834,467)	-	(2,258)
Profit for the year	**11,758,664**	**10,628,796**	**968,039**	**1,255,199**
Discountinued operations				
Profit or (loss) on discontinued operations, net of tax	(1,373,781)	55,730	-	-
Other comprehensive income				
Actuarial gain/(loss)	243,149	651,064	5,796	(96)
Exchange gain/(loss) on foreign operation tranlation	2,362	-		-
Fair value change in available for sale financial assets	227,241	46,024	227,241	46,024
Taxes related to other comprehensive income	(23,767)	(72,886)	-	-
Total other comprehensive income for the year net of tax	**448,985**	**624,201**	**233,038**	**45,927**
Total comprehensive income for the year	**10,833,868**	**11,308,727**	**1,201,076**	**1,301,127**
Profit attributable to:				
Continuing operations				
Equity holders of the Company	5,404,310	3,715,694	968,039	1,255,199
Non-controlling interest	6,354,353	6,913,102	-	-
Discontinued operations	**-**	**-**	**-**	**-**
Equity holders of the Company	(1,373,781)	55,730	-	-
Non-controlling interest	-	-	-	-
Total other comprehensive income attributable to:	**-**	**-**	**-**	**-**
Equity holders of the Company	298,972	222,500	233,038	45,927
Non-controlling interest	150,013	401,701	-	-
Total comprehensive income for the year	**10,833,868**	**11,308,727**	**1,201,076**	**1,301,127**
Earnings per share - continuing operations	**0.04**	**0.03**	**0.01**	**0.01**
Earnings per share - discontinued operations	**(0.01)**	**-**		

Statement Of Financial Position

	Group		Company	
As at 31st March	2018	2017	2018	2017
	US$	US$	US$	US$
Assets				
Non-current assets				
Property, plant and equipment	34,954,197	31,333,477	21,098	38,892
Investment property	2,097,838	-	-	-
Leasehold land	1,224,556	1,308,020	-	-
Biological assets	28,078,386	23,916,805	-	-
Intangible assets	1,379,595	1,112,235	5,003	10,106
Investment in subsidiaries	-	-	19,348,930	9,073,350
Investment in associate	51,032	-	57,702	-
Other investments	4,189,177	4,196,340	4,120,172	4,125,407
Investment fund	1,850,294	1,702,431	-	-
Deferred tax asset	472,275	498,175	-	-
	74,297,349	64,067,483	23,552,905	13,247,756
Current assets				
Non-current assets held for sales	345,018	-	-	-
Inventories	25,456,660	20,702,497	-	-
Biological assets-growing crops on bearer plants	314,376	235,654	-	-
Trade and other receivables	20,781,858	20,173,224	380,878	297,633
Income tax recoverable	78,651	96,430	20,252	20,817
Amounts due from related parties	29,746	550,080	1,095,649	1,265,338
Cash and cash equivalents	8,810,646	12,363,658	3,374,541	4,822,291
	55,816,954	54,121,543	4,871,320	6,406,078
Total Assets	**130,114,303**	**118,189,026**	**28,424,225**	**19,653,834**
Equity and Liabilities				
Capital and reserves				
Stated capital	5,940,188	5,499,922	5,940,188	5,499,922
Reserves	2,506,171	2,186,952	2,333,822	2,169,164
Retained profit	32,425,747	33,501,435	10,510,536	11,538,585
Equity attributable to owners of the company	**40,872,106**	**41,188,309**	**18,784,546**	**19,207,671**
Non controlling interest	21,973,095	35,197,892	-	-
Total equity	**62,845,201**	**76,386,202**	**18,784,546**	**19,207,671**
Non-current liabilities				
Deferred taxation	2,888,632	2,197,729	-	-
Interest bearing borrowings	22,901,563	8,085,430	7,330,331	-
Retirement benefit obligations	6,813,001	7,153,767	502,647	341,920
Deferred income and capital grants	2,420,401	1,275,431	-	-
Total non current liabilities	**35,023,597**	**18,712,358**	**7,832,978**	**341,920**
Current liabilities				
Interest bearing borrowings	5,186,579	2,357,026	1,645,611	-
Trade and other payables	20,018,104	14,633,629	161,090	104,244
Income tax payable	1,080,379	1,411,225	-	-
Amounts due to related parties	12,831	-	-	-
Bank overdrafts	5,947,611	4,688,587	-	-
Total current liabilities	**32,245,504**	**23,090,467**	**1,806,701**	**104,244**
Total liabilities	**67,269,102**	**41,802,825**	**9,639,678**	**446,164**
Total equity and liabilities	**130,114,303**	**118,189,026**	**28,424,225**	**19,653,834**

Statement of Cash Flows

	Group		Company	
For the year ended 31st March	2018	2017	2018	2017
	US$	US$	US$	US$
Cash flows from operating activities				
Profit before income tax expense	**14,181,922**	**13,520,554**	**952,465**	**1,257,458**
Adjustments for;				
Interest income	(1,350,502)	(1,285,464)	(432,298)	(565,008)
Share of profit of equity accounted associate	6,670	-	-	-
Profit on disposal of property, plant and equipment	(146,623)	(130,767)	(11,115)	-
Write off of property, plant and equipment	2,199	-	2,199	-
Provission for other receivable	33,280	-	33,280	-
(Gain)/loss on fair value of biological assets	(197,118)	(40,604)	-	-
Interest expense	2,428,871	1,466,281	267,874	15,394
Depreciation & amortisation	4,115,713	3,653,803	21,108	19,369
Opening stock adjustment	(173,370)	-	-	-
Fair value adjustment in loan	(21,126)	-	-	-
Fair value (gain)/ loss on investment property	(814,838)	-	-	-
Loss on discontinued operations	453,754	-	-	-
(Profit)/ loss on disposal of investments	-	7,151	-	6,067
Biological assets-growing crops on bearer plants	(85,124)	(235,654)	-	-
Impairement of investment	-	-	435,799	143,953
Impairment of biological assets	17,227	-	-	-
Provision / (reversal) for bad and doubtful debts	186,788	8,383	-	-
Amortisation of deferred income and capital grants	(365,423)	(66,174)	-	-
Amortisation of leasehold right to bare land	47,932	46,364	-	-
Provision / (reversal) for inventories	-	-	-	-
Profit from re-purchase of shares	-	-	-	-
Profit of sales of biological assets	(465,627)	(133,917)	-	-
Fair value gain / (loss) on livestock	(203,786)	17,076	-	-
Gratuity (payments) /recepts on staff transfer	(1,436)	-	95,817	-
Provision for gratuity excluding actuarial gain/loss	1,031,151	1,363,427	80,997	57,127
Fair value (gain)/ loss fair value through profit or loss	7,252	60,063	7,252	60,063
Devidend income	(33,263)	-	-	-
Conversion gain/(loss)	(206,174)	(373,894)	(131,001)	(320,827)
	18,448,349	17,876,628	1,322,378	673,596
Changes in;				
Inventories	(5,316,560)	(1,641,863)	-	-
Trade and other receivables	(1,830,477)	(4,511,466)	(124,611)	(46,048)
Amounts due from related parties	505,391	3,267	135,315	108,138
Trade and other payables	5,782,008	(423,520)	59,678	26,905
Amounts due to related parties	12,831	(9,075)	-	(8,966)
Cash generated from/ (used in) operations	**17,601,540**	**11,293,971**	**1,392,760**	**753,625**

	Group		Company	
For the year ended 31st March	2018	2017	2018	2017
	US$	US$	US$	US$
Interest paid	(2,428,871)	(1,466,281)	(267,874)	(15,394)
Income tax paid	(3,501,870)	(1,851,266)	-	(6,187)
Gratuity paid	(936,906)	(987,179)	(1,095)	-
Cash generated from operating activities	**10,733,893**	**6,989,245**	**1,123,790**	**732,045**
Cash flows from investing activities				
Interest received	1,350,502	1,285,464	432,298	565,008
Investment in other investments	109,500	4,336,506	109,500	615,575
Investments in subsidiary/ associates	-	-	(10,957,862)	(2,354,225)
Investments in Associates	(57,702)	-	(57,702)	-
Dividend received	33,263	-	-	-
Investment gratuity fund	(194,111)	(157,841)	-	-
Immature plantations expenditure	(2,493,561)	(2,311,313)	-	-
Investment in livestock	(1,550,844)	-	-	-
Acquisition of property, plant & equipment	(9,232,841)	(7,904,327)	(11,934)	(13,274)
Acquisition of intangible assets	(417,887)	(721,897)	-	(593)
Acquisition of EMSPL from TATA	(10,299,893)	-	-	-
Proceeds from repurchase of shares	-	-	-	-
Proceeds from disposal of investment	-	-	-	-
Proceeds from disposal of biological assets	545,526	261,594	-	-
Proceeds from disposal of property, plant & equipment	363,860	197,686	21,308	-
Net Cash from / (used in) investing activities	**(21,844,189)**	**(5,014,128)**	**(10,464,392)**	**(1,187,509)**
Cash flows from financing activities				
Proceed from issue of shares	-	-	-	-
Proceeds from issue of shares to non-controlling shareholders	570,887	2,298,672	-	-
Repurchase of shares by subsidiaries	(9,896,275)	-	-	-
Stamp duty paid	-	-	-	-
Receipts of interest bearing borrowings	35,188,632	3,129,021	8,975,941	-
Repayments of interest bearing borrowings	(17,137,245)	(4,089,867)	-	-
Lease rentals paid	(100,900)	(81,604)	-	-
Dividend paid	(1,083,089)	(935,168)	(1,083,089)	(935,167)
Dividend paid to non-controlling shareholders	(1,243,751)	(1,861,676)	-	-
Net Cash from / (used in) financing activities	**6,298,259**	**(1,540,622)**	**7,892,853**	**(935,167)**
Net Increase/(decrease) in cash and cash equivalents	**(4,812,037)**	**434,495**	**(1,447,749)**	**(1,390,631)**
Cash and cash equivalents at the beginning of the year	**7,675,072**	**7,240,576**	**4,822,290**	**6,212,922**
Cash and cash equivalents at the end of the year	**2,863,035**	**7,675,071**	**3,374,541**	**4,822,291**

Glossary

Accrual basis
Recording revenues & expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

Average Cost of Funds
Finance cost divided by average interest bearing borrowing from banks and finance institutions.

Capital employed
Shareholders' funds plus minority interest and debt.

Contingent Liabilities
Conditions or situations at the reporting date, the financial effects of which are to be determined by future events, which may or may not occur.

Cash equivalents
Liquid investments with original maturities of three months or less.

COP
The Cost of Production. This generally refers to the cost of producing per kilo of produce (Tea/Rubber/Palm Oil)

Crop
The total produce harvested during a financial year.

Debt to equity ratio
Debt as a percentage of shareholders' funds plus.

Dividend
Distribution of profit to holders of equity investments in proportion to their holding of a particular class of capital.

Earnings per share
Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

EBIT
Earnings before interest and tax. (includes other operating income)

EBIT margin
EBIT divided by turnover.

EBITDA
Earnings before interest, tax, depreciation and Amortisation.

EBITDA margin
EBITDA divided by turnover.

Enterprise Value
Market capitalization plus net debt.

Field
An unit extent of land. Estates are divided into fields in order to facilitate management.

Gross Sales Average (GSA)
This is the average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as Brokerage, etc.

HACCP
Hazard Analysis Critical Control Point System Internationally accepted food safety standard.

Infilling
A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

ISO
International Standards Organization.

Interest Cover
Profit before tax plus interest charges divided by interest charges, including interest capitalized.

Immature Plantation
The extent of plantation that is under-development and is not being harvested.

JEDB
Janatha Estate development Board.

Liquidity Ratio
Current assets divided by current liabilities.

Mature Plantation
The extent of plantation from which crop is being harvested. Also see" Extent in Bearing".

Market Capitalization
Number of shares in issue at the end of year multiplied by the market price at end of year

Non-controlling Interest
A portion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned, directly or indirectly through subsidiary, by the parent.

Net assets per share
Net assets over weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised.

Net profit margin
Profit after tax divided by turnover.

Net Debt
Total debt minus (cash plus short term deposits)

Net Sales Average (NSA)
This is the average sale price obtained (over a period of time) after deducting Brokerage fees, etc.

Net Assets
Sum of fixed Assets and Current Assets less total liabilities.

Net Assets per share
Net Assets at the end of the period divided by the number of Ordinary Shares in issue.

Price Earnings Ratio
Market price per share over EPS.

Return on Equity (ROE)
Attributable profits divided by average shareholders' funds.

Related Parties
Parties who could control or significantly influence the financial and operating policies of the Company.

Replanting
A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing trees/bushes and replanting with new trees/bushes.

SLSPC
Sri Lanka State Planation Corporation.

Stated Capital
Total of all amounts received by the company or due and payable to company.
a. In respect of issue of shares and
b. Inspect of calls on shares

Shareholders' funds
Total of issued and fully paid share capital, capital reserves and revenue reserves.

Total debt
Long term loans plus short term loans and overdrafts.

Total equity
Shareholders' funds plus minority interest.

TASL
Tea Association of Sri Lanka.

VP Tea
Vegetatively Propagated (i.e. Tea grown from a cutting of a branch of tea plant)

Yield (YPH)
The average crop per unit extent of land over a given period of time (usually Kg. Per hectare per year)

Notice of Meeting

Notice is hereby given that the forty fifth (45th) Annual General Meeting ("AGM") of Sunshine Holdings PLC (the "Company") will be held at 'Committee Room B, Bandaranaike Memorial Internationals Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 on Thursday, the 28th day of June 2018 at 2.30 p.m. and the business to be brought before the meeting will be:

1. To receive and consider the annual report of the board of directors and the audited financial statements for the year ended 31st March 2018 with the report of the auditors thereon.

2. To declare a final cash dividend of One Rupee (LKR 1.00) per share as recommended by the directors

3. To declare a final scrip dividend of Cents Fifty (LKR 0.50) per share as recommended by the directors.

Ordinary Resolution (1)

"IT IS HEREBY RESOLVED THAT a final scrip dividend of Cents Fifty (LKR 0.50) per share be issued in the form of scrip dividend amounting to a total sum of Sri Lankan Rupees Sixty Eight Million Two Hundred and Forty Six Thousand One Hundred Forty (LKR 68,246,140/-). This will be free of dividend tax as scrip dividend will be paid out of dividends received. The shares issued in the scrip dividend shall be valued at Sri Lankan Rupees Fifty Nine and Ninety cents (LKR 59.90) per share which result in one (01) share being issued for each Hundred and Twenty (120) shares held by the shareholders at the end of trading on the Colombo Stock Exchange on the date of the AGM. Consequently, the total number of shares to be issued under the scrip dividend shall be One Million One Hundred Thirty Nine Thousand Three Hundred and Thirty Four (1,139,334) ordinary shares. The residual fractions arising upon the scrip dividend will be paid in cash and distributed to the shareholders in the proportion that they are entitled to"

"IT IS FURTHER RESOLVED THAT the shares issued for the scrip dividend be listed on the Colombo Stock Exchange"

4. To propose the following resolution as an Ordinary resolution for the re-appointment of Mr. Munir Shaikh who has reached the age of 74 years.

Ordinary Resolution (2)

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. Munir Shaikh who has reached the age of 74 years prior to this AGM and that he be re-appointed as a Director of the Company.

5. To re-appoint Mr. S. Shishoo who retires in terms of Article 110 of the Articles of Association, as a Director of the Company.

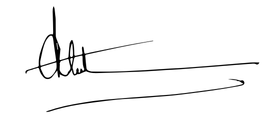
6. To re-elect Mr. G. Sathasivam who retires by rotation in terms of Article 104 of the Articles of Association, as a Director of the Company.

7. To re-elect Mr. S. G. Sathasivam who retires by rotation in terms of Article 104 of the Articles of Association, as a Director of the Company.

8. To re-elect Mr. A. D. B. Talwatte who retires by rotation in terms of Article 104 of the Articles of Association, as a Director of the Company.

9. To re-appoint KPMG, Chartered Accountants as auditors of the Company and to authorize the Directors to determine their remuneration.

10. To authorize the Directors to determine contributions to charities.



By order of the Board
Corporate Services (Private) Limited
Secretaries
28th May 2018
Colombo.

We shall be obliged if the shareholders/ proxies attending the Annual General Meeting, produce their National Identity Card to the Security Personnel stationed at the entrance.

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 No.60, Dharmapala Mawatha, Colombo 03, not less than 48 hours before the time appointed for the holding of the meeting.

Financial Calender

1. Interim Quarterly Reports

Listing rule: Submission of unaudited interim financial statements to CSE as per listing rule.

Period	Listing Rules	Date of released	Date of released
		2017/18	2016/17
01st Quarter	Within 45 days of the end of quarter	04th August 2017	09th August 2016
2nd Quarter	Within 45 days of the end of quarter	08th November 2017	08th November 2016
3rd Quarter	Within 45 days of the end of quarter	08th February 2018	13th February 2017
4th Quarter	Within 60 days of the end of quarter	28th May 2018	31st May 2017

2. Audited Financial Statements

Listing rule: Submission of audited financial statements within five months from year ended.

Meeting	Financial Year	Date of released	AGM
30th Annual General Meeting	2002/03	18th July 2003	18th September 2003
31st Annual General Meeting	2003/04	21st June 2004	17th September 2004
32nd Annual General Meeting	2004/05	12th July 2005	25th August 2005
33rd Annual General Meeting	2005/06	26th June 2006	26th July 2006
34th Annual General Meeting	2006/07	20th June 2007	27th July 2007
35th Annual General Meeting	2007/08	30th June 2008	31st July 2008
36th Annual General Meeting	2008/09	09th July 2009	30th July 2009
37th Annual General Meeting	2009/10	23rd June 2010	16th July 2010
38th Annual General Meeting	2010/11	04th July 2011	29th July 2011
39th Annual General Meeting	2011/12	04th July 2012	27th July 2012
40th Annual General Meeting	2012/13	01st July 2013	24th July 2013
41st Annual General Meeting	2013/14	05th June 2014	30th June 2014
42nd Annual General Meeting	2014/15	08th June 2015	30th June 2015
43rd Annual General Meeting	2015/16	15th June 2016	11th July 2016
44th Annual General Meeting	2016/17	05th June 2017	29th June 2017
45th Annual General Meeting	2017/18	04th June 2018	28th June 2018

Form of Proxy

I/We ....of ....

.........................being a shareholder/shareholders of Sunshine Holdings PLC, hereby appoint :

1. Mr. S. Munir or failing him,
2. Mr. V. Govindasamy or failing him,
3. Mr. G. Sathasivam or failing him,
4. Mr. S. G. Sathasivam or failing him,
5. Mr. B. A. Hulangamuwa or failing him,
6. Mr. H. D. Abeywickrama or failing him,
7. Mr. A. D. B. Talwatte or failing him,
8. Mr. D. A. Cabraal or failing him,
9. Mr. S. Shishoo or failing him,

....of

....

as my / our proxy to represent me / us and to speak and to vote on my / our behalf at the Annual General Meeting of the Company to be held on 28 th day of June 2018 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
01	To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31st March 2018 with the report of the Auditors thereon.		
02	To declare a final cash dividend of One Rupee (LKR 1.00) per share as recommended by the Directors.		
03	To declare a scrip dividend of Cents Fifty (LKR 0.50) per share as recommended by the Directors.		
04	To re-appoint Mr. Munir Shaikh who has reached the age of seventy four (74) years.		
05	To re-elect Mr. S. Shishoo who retires in terms of Article 110 of the Articles of Association as a Director of the Company.		
06	To re-elect Mr. G. Sathasivam who retires by rotation in terms of Article 104 of the Articles of Association as a Director of the Company.		
07	To re-elect Mr. S. G. Sathasivam who retires by rotation in terms of Article 104 of the Articles of Association as a Director of the Company.		

		For	Against
08	To re-elect Mr. A. D. B. Talwatte who retires by rotation in terms of Article 104 of the Articles of Association as a Director of the Company.		
09	To re-appoint KPMG, Chartered Accountants as Auditors of the company and authorize the Directors to determine their remuneration.		
10	To authorize the Directors to determine contributions to charities.		

Signed this ....day of 2018

....
Signature of Shareholder

Note: Please delete the inappropriate words

Instructions as to completion

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

2. A shareholder entitled to attend and vote at the Meeting is entitled to appoint a Proxy who need not be a shareholder, to attend and vote instead of him.

3. In the case of a Corporation, the Form must be completed under its common seal, which should be affixed and attested in the manner prescribed by the Articles of Association.

4. If the 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.

5. The completed Form of Proxy should be deposited at the registered Office of the Company, No.60, Dharmapala Mawatha, Colombo 03, not less than 48 hours before the time appointed for holding the meeting.

Corporate Information

Name of Company
Sunshine Holdings PLC

Legal Form
Public Limited Liability Company
(Incorporated in 1973 and listed in the
Colombo Stock Exchange)

Date Of Incorporation
16th June 1973

Registration Number
PQ13

Accounting Year
31st March

Principal Activities
Holding Company, carrying out investment in subsidiaries

Registered Office
No. 60, Dharmapala Mawatha, Colombo 03.

Directors
Mr. Munir Shaikh - (Chairman)
Mr. G. Sathasivam
Mr. V. Govindasamy - (Group Managing Director)
Mr. N. B. Weerasekera - (Resigned w.e.f. 28.05.2018)
Mr. A. Hollingsworth (Resigned w.e.f 17.04.2017)
Mr. S. G. Sathasivam
Mr. H. D. Abeywickrama
Dr. T. Senthilverl (Resigned w.e.f 31.05.2017)
Mr. B. A. Hulangamuwa
Ms. R. M. Kobbekaduwa - (Resigned w.e.f. 31.12.2017)
Mr. A. D. B. Talwatte
Mr. S. Shishoo (Appointed w.e.f. 18.12.2017)
Mr. D. A. Cabraal (Appointed w.e.f. 31.05.2017)

Secretaries
Corporate Services (Private) Limited,
No. 216, De Saram Place,
Colombo 10.
Tel : 011 4 605 100

Auditors
KPMG
Chartered Accountants
32A, Sri Mohamed Macan Marker Mawatha,
Colombo 03.

Lawyers
F J & G de Saram (Attorney-at-Law)
No. 216, De Saram Place,
Colombo 10.

Nithya Partners (Attorney-at-Law)
No. 97/A, Galle Road,
Colombo 03.

Bankers
Hatton National Bank PLC
National Development Bank PLC
MCB Bank Limited
Standard Chartered Bank Ltd
Seylan Bank PLC

Credit ratings
The Company has been assigned a national long- term rating of 'A-(lka)' with stable outlook by Fitch Ratings Lanka Limited

Notes

Produced and Designed by GH Resources
Printed by Gunaratne Offset Limited