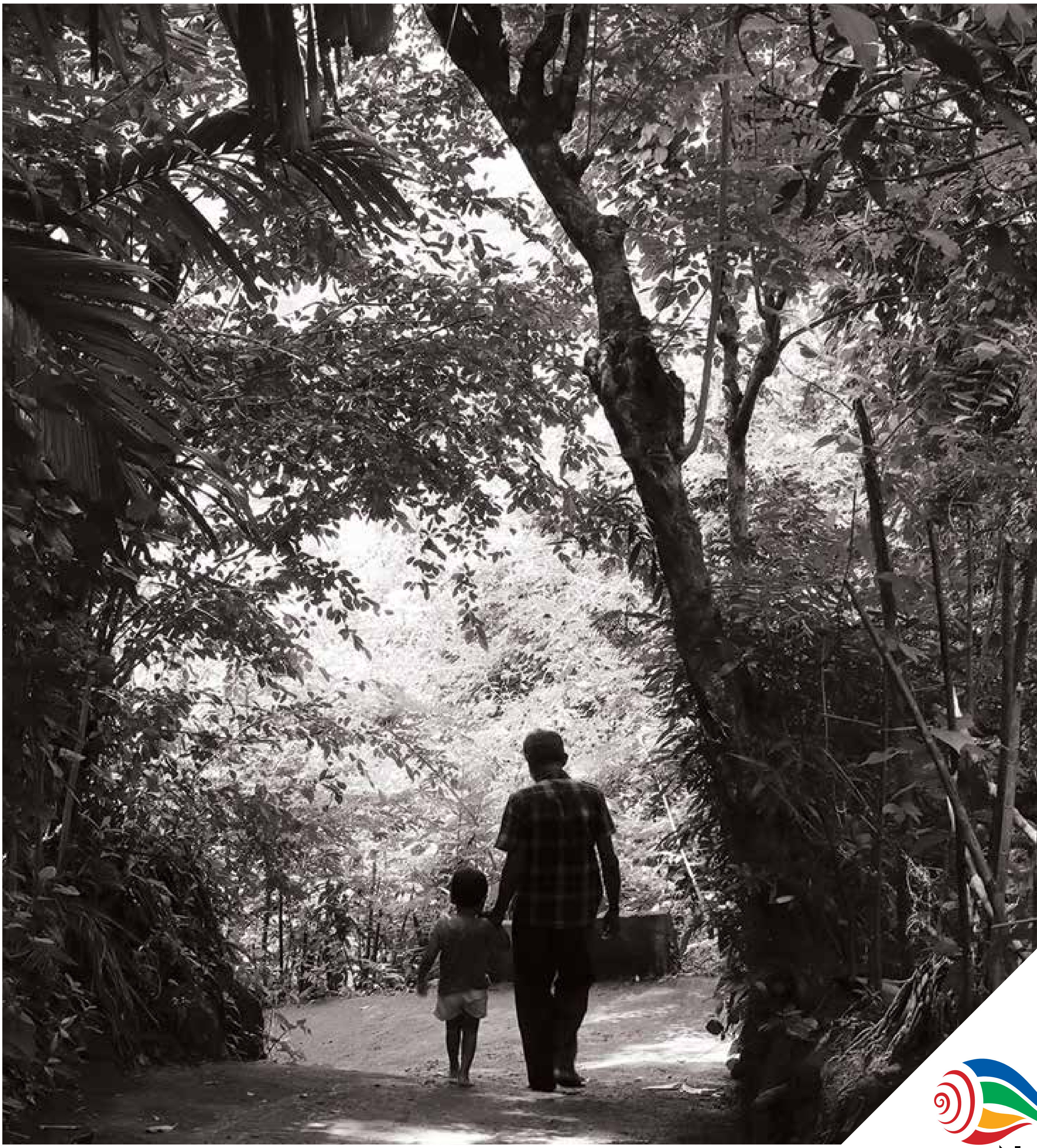
A GROWING CONCERN

SUNSHINE HOLDINGS PLC

ANNUAL REPORT 2018/19



sunshine

OUR VISION

To be the most admired conglomerate in Sri Lanka

OUR MISSION

Growing our enterprises to be industry leaders

OUR VALUES

INNOVATION

Continuous improvement through change

PERSEVERANCE

Never give up

TRUST

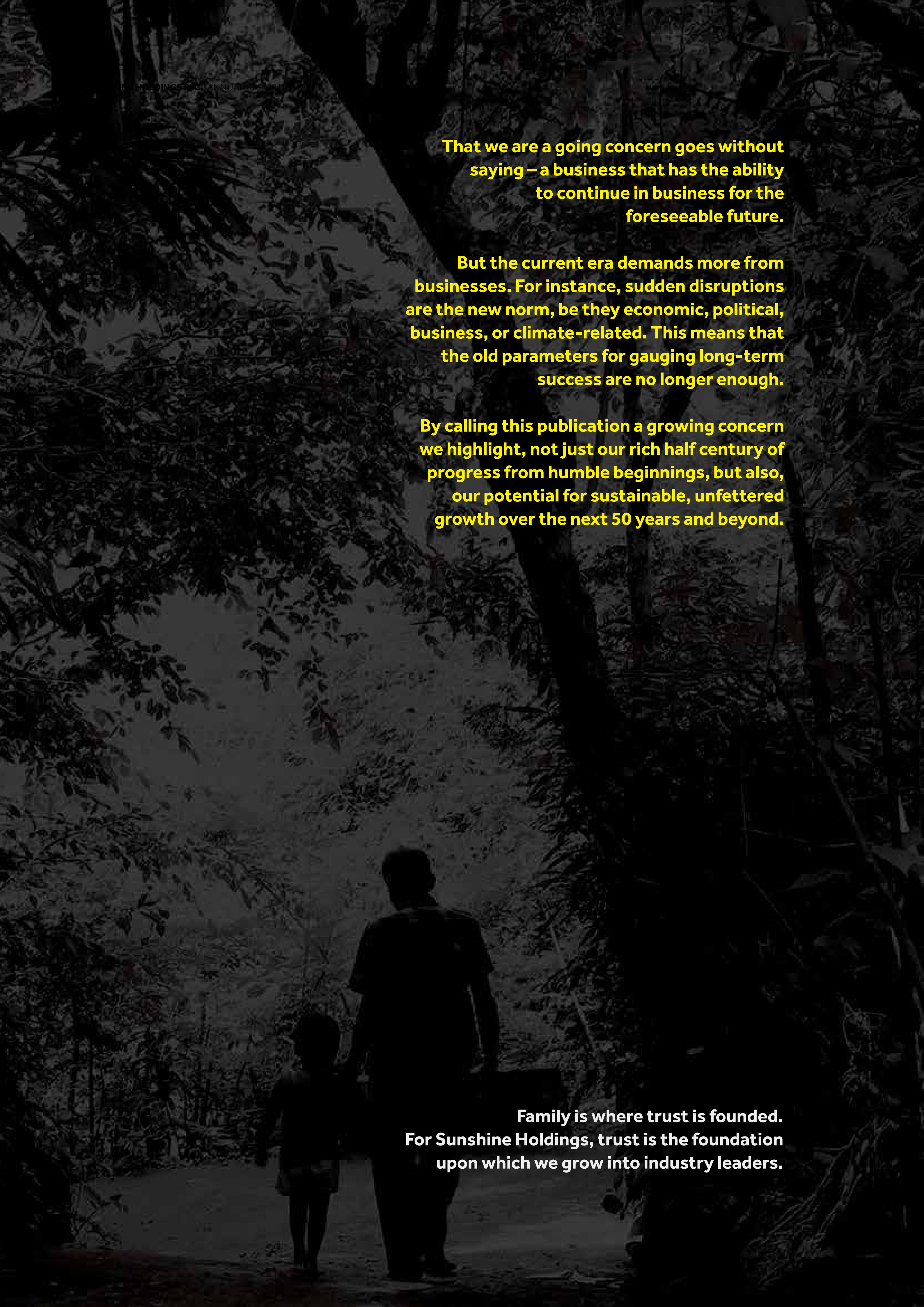
The foundation upon which we grow

RESPONSIBILITY

Accountable to all stakeholders

INTEGRITY

Honest, open and transparent



That we are a going concern goes without saying – a business that has the ability to continue in business for the foreseeable future.

But the current era demands more from businesses. For instance, sudden disruptions are the new norm, be they economic, political, business, or climate-related. This means that the old parameters for gauging long-term success are no longer enough.

By calling this publication a growing concern we highlight, not just our rich half century of progress from humble beginnings, but also, our potential for sustainable, unfettered growth over the next 50 years and beyond.

Family is where trust is founded.
For Sunshine Holdings, trust is the foundation upon which we grow into industry leaders.

CONTENTS

Printed Integrated Annual Report
Limited copies of this Report are available on request

Online HTML
Comprehensive Report containing additional information

Portable digital format
For offline convenience

To cater to the communications needs of the Company's diverse stakeholder groups, this Report is available in multiple mediums and formats.

RESPONSIBILITY FOR THE REPORT

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors are pleased to present this 46th Annual Report of your Company together with the Audited Financial statements of Sunshine Holdings PLC (the "Company"), and the Audited Consolidated Financial statements of the Group for the year ended 31 March 2019 and the Independent Auditors' Report on page 92 conforming to all relevant statutory requirements. The details set out here provide pertinent information required by the Companies Act No. 07 of 2007 and the Colombo Stock Exchange (CSE) Listing Rules and are guided by recommended best practice.

This Annual Report reflects the character of Sunshine Holdings, structured as it is, based on the Company's Mission and Values which are given on page 63.

LEGAL FORM

Sunshine Holdings was incorporated on 16 June 1973 as a limited liability company to engage in the travel business under the name of Sunshine Travels Ltd., and subsequently converted to a public limited liability company. Sunshine Holdings is the Group's holding company. The principal activities of the Company and the Group during the year are given on page 107.

REVIEW OF PERFORMANCE

The financial and operational performance and outlook of the Company and the Group and its business units are described in the Company Profile on page 6, the Group Managing Director's Review on page 14 and Our Plans on page 73. This, 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 given in Note 8 to the Financial Statements.

FINANCIAL STATEMENTS

In terms of Sections 150 (1), 151, 152 and 153 (1) & (2) of the Companies Act, the Board of Directors is responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the financial position and performance of the Company and the Group. In this regard, the Board of Directors wishes to confirm that the Consolidated Financial Statements appearing on pages 96 to 204 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act. There were no changes to the accounting policies adopted in the previous year for the Company and the Group, other than those stated.

The Financial Statements of the Company and the Group for the year ended 31 March 2019, including comparatives for 2017/18, were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 May 2019. The appropriate number of copies of the Annual Report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines.

DIRECTORS

The Directors of the Company, as at 31 March 2019, and their brief profiles are given on page 20. The names of all the Directors who held office anytime during the reporting year are given on page 20. The names of Directors who will retire and those who will seek re-appointment at the forthcoming Annual General Meeting (AGM) are given in the Notice of Meeting on page 230.

DIRECTORS' INTERESTS IN CONTRACTS AND PROPOSED CONTRACTS

Except as stated in Note 42 to the Financial Statements, during and at the end of the financial year 2018/19, none of the Directors were directly or indirectly interested in contracts or proposed contracts connected with the Company or the Group's business.

DIRECTORS' SHAREHOLDINGS

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

	2019	2018
Mr G Sathasivam	3,055	3,030
Mr V Govindasamy	451,500	447,763
Mr S G Sathasivam	1,018	1,010
Mr A D B Talwatte	1,018	1,010
Mr B A Hulangamuwa	58,004	57,524

Messrs M A Shaikh, H D Abeywickrama, D A Cabraal, S Shishoo and Y Kitao did not hold shares of the Company.

DIVIDEND

The Directors recommend that a final cash dividend of Rs. 186,942,628.75 equivalent to Rs. 1.25 per ordinary share (2017/18 Rs. 204,738,420 equivalent to cash dividend of Rs. 1.00 and scrip dividend of Rs. 0.50 per ordinary share) be paid to those on the register of shareholders at the close of business on the ex-dividend date. Prior to recommending the dividend and in accordance with Sections 56 (2) and (3) of the Companies Act, the Board 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 the dividend as recommended.

EXTERNAL AUDITORS

The External Auditors, Messrs KPMG, who were appointed in accordance with a resolution passed at the 45th AGM, have expressed their opinion on pages 92 to 95 Details of their remuneration are given in Note 11 on page 120 to the Financial Statements. As far as the Directors are aware, the Auditors do not have any other relationship or any interest in contracts with the Company or the Group.

STATUTORY PAYMENTS

The Directors, to the best of their knowledge and belief, are satisfied that all statutory payments to the Government, other regulatory institutions, and related to employees have been made on time or have been provided for.

DONATIONS

The Company has not made donations during the year 2018/19.

GOING CONCERN BASIS

The Board of Directors reviewed the business plans of the Company and the Group and is satisfied with the adequacy of resources to continue operations in the foreseeable future. Accordingly, the Financial Statements of the Company and the Group have been prepared on the going concern basis.

DIRECTORS' INTERESTS AND THE INTERESTS REGISTER

The relevant interests of each Director in the share capital of the Company have been notified by the Directors to the CSE in accordance with Section 7.8 of the Listing Rules and, accordingly, the relevant entries have been made in the Company's Interests Register which has been maintained as required by the Companies Act. 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.

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

RELATED PARTY TRANSACTIONS

The Company's transactions with related parties in respect of the Company and the Group, for the financial year ended 31 March 2019, are given in Note 42 to the Financial Statements on page 198 of the Annual Report and have complied with Rule 9.3.2 of the Listing Rules and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987.

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. This Committee reviews reports of the Internal Auditors too.

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 under Safeguarding Our Natural Capital from page 51.

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 the environment as well as addressing material issues highlighted by 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. Details of the Group's human resource initiatives begin at boosting employee engagement from page 35.

ANNUAL GENERAL MEETING

Please refer the notice of meeting that appears on page 230 of this Annual Report.

DIRECTORS' CORPORATE GOVERNANCE DECLARATION

The Directors declare that:

a. the Company complied with all applicable laws and regulations in conducting its business;
b. they have declared all material interests in contracts involving the Company and the Group 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 that
e. they have 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 therewith.

Signed in accordance with the resolution of the Directors.

Mr Munir Shaikh
Chairman

Mr G Sathasivam
Director

Mr V Govindasamy
Group Managing Director

Mr A D B Talwatte
Director

Mr B A Hulangamuwa
Director

Mr S G Sathasivam
Director

Mr H D Abeywickrama
Director

Mr S Shishoo
Director

Mr D A Cabraal
Director

Mr Y Kitao
Director

Mr S Dias
Alternate Director

30 May 2019

COMPANY PROFILE

Business Segment	Contribution towards Group Revenue

HEALTHCARE

- Sunshine Healthcare Lanka Ltd.
- Healthguard Pharmacy Ltd.

Built on long-term partnerships with trusted international and local principals, we provide comprehensive solutions for healthcare, pharmaceuticals and medical devices through these two fully-owned subsidiaries, with the latter covering the retail sector.

CONSUMER GOODS

- Watawala Tea Ceylon Ltd. (WTCL)

The largest branded tea company in the country, WTCL is a joint venture between Sunshine Holdings and Pyramid Wilmar. Its tea brands are trusted names in the domestic and international markets.

AGRIBUSINESS

- Watawala Plantations PLC
- Watawala Dairy Ltd.
- Hatton Plantations PLC

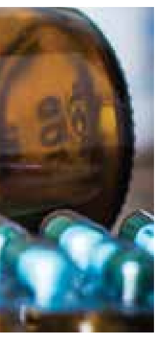
Supported by Singapore-based strategic partners.

ENERGY AND OTHER

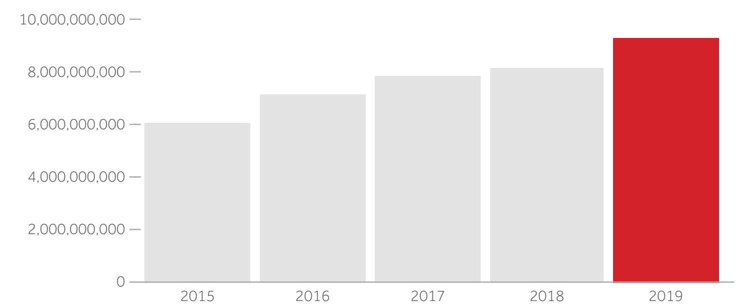
- Sunshine Energy (Pvt) Ltd. (SEL)

A fully-owned subsidiary, SEL contributes to the national grid through three mini-hydropower and one rooftop solar plant with a combined capacity of 7.1 MW and is exploring other renewable energy sources.

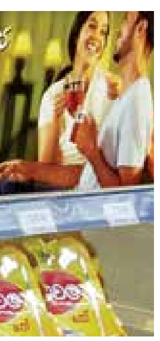
Strategic Alliances	Performance Highlights of the Year	Outlook for 2018/19 and Beyond



– Revenue improved 14.1% year on year to Rs. 9.3 Bn.
– Healthguard provided approximately 14% of sector revenue
– Net profits increased by 42%



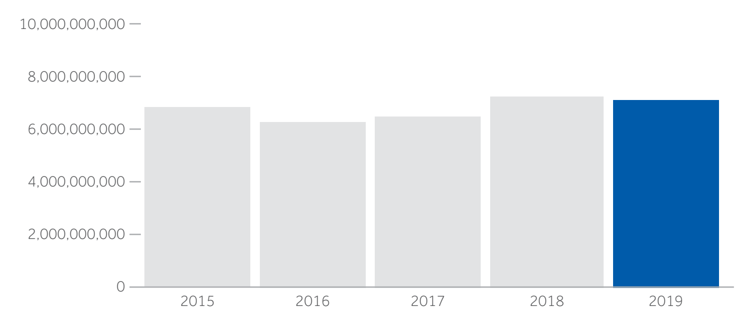
With 10.5% market share, looking for an increase in share through mergers and acquisitions.



Business Partners

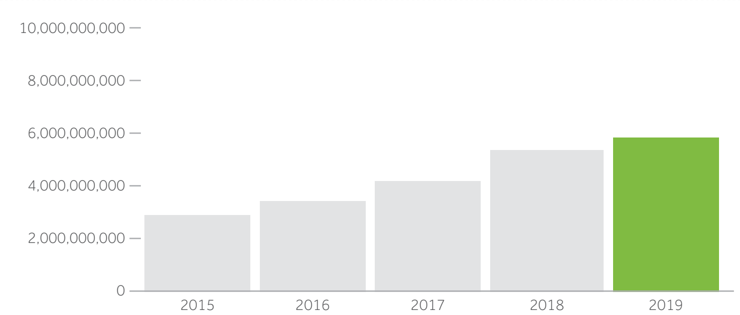
- Keells
- Cargills
- Arpico
- Laugfs
- Sathosa

– Revenue improved 8.9% year on year to Rs. 5.85 Bn.
– Market leader in branded teas with 36% market share
– Net profits increased by 66%

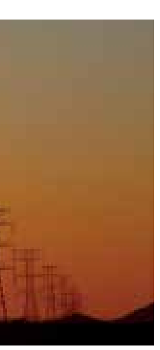


Continued investment in Zesta, Watawala, and Ran Kahata. Diversification of product portfolio with healthy beverages.

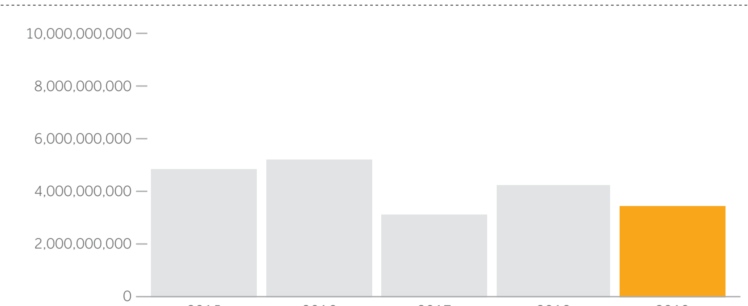
– Revenue decreased 2.6% year on year to Rs. 7.1 Bn.
– Palm oil production contributed approximately 43% of sector revenue
– Net profits decreased by 45%



Continued focus on tea and palm oil, while looking to scale up dairy business and exit tea plantation business.



– Revenue improved 43% year on year to Rs. 356 Mn.
– Renewable energy posts best results in five years
– Net profits increased by 32%



We are seeking to diversify our renewable energy generation to other sources such as solar, with the potential to significantly contribute to the annual 6-7% increase in the country's power demand.

We are a growing concern - with big plans to keep growing.

Our story, as told in this Annual Report, reflects the personality of our brand. It is narrated in relation to our Mission to grow our enterprises to be industry leaders. As we illustrate how we create value and blaze a trail, we also tell our story in relation to our values: trust, integrity, responsibility, perseverance and innovation.

With half a century under our belt, we are a conglomerate that consists of diverse subsidiaries spanning four vital sectors of our country's economy: healthcare, agribusiness, consumer goods, and more recently, renewable energy.

From our modest genesis in 1967, we have held true to the family values that have brought us this far. An entrepreneurial spirit, solid partnerships, strategic alliances with leading global companies, strong values, and a Strategy and Mission that's fit for the future – these are the elements that will drive us on from strength to strength.

HIGHLIGHTS OF THE YEAR

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Results for the year ended 31 March				
Revenue	22,641,987,898	21,181,210,416	514,907,500	340,599,522
Gross profit	5,699,290,610	5,385,359,251	514,907,500	340,599,522
Gross profit margin %	25.17	25.43	N.A.	N.A.
EBIT	2,218,330,819	2,580,028,235	303,936,768	122,912,751
Net finance cost	(331,592,899)	(156,173,226)	(63,300,710)	25,645,590
Profit before tax	1,881,576,601	2,422,814,623	240,636,058	148,558,341
Income tax	(735,942,442)	(618,292,027)	19,250,174	–
Profit for the year	1,145,634,159	1,804,522,596	259,886,232	148,558,341
Profit margin %	5.06	8.52	50.47	43.62
Other comprehensive income (Net of tax)	(224,826,836)	68,902,741	14,448,901	35,762,731
Discontinued operations	–	(210,824,830)	–	–
Total comprehensive income	920,807,323	1,662,600,507	274,335,133	184,321,072
Total comprehensive income margin %	4.07	7.85	N.M.	N.M.
Profit for equity holders – Continued operations	646,984,059	829,362,966	259,886,232	148,558,341
Profit for equity holders – Discontinued operations	–	(210,824,830)	–	–
As at 31 March				
Stated capital	1,641,715,247	798,504,357	1,641,715,247	798,504,357
Shareholders' funds	5,874,468,642	5,576,420,179	2,161,265,030	2,131,368,284
Non-controlling interest	3,476,651,011	3,427,198,621	–	–
Total equity	10,992,834,900	9,802,123,157	3,802,980,277	2,929,872,641
Long-term liabilities				
– Debt	3,299,921,582	3,572,013,986	1,235,793,320	1,143,330,000
– Others	2,332,344,942	1,890,662,206	87,068,694	78,399,096
Current liabilities				
– Debt	1,939,810,346	1,736,627,424	429,114,709	256,670,000
– Others	3,495,469,259	3,292,784,534	26,821,780	25,125,655
Total equity and liabilities	22,060,381,028	20,294,211,307	5,581,778,780	4,433,397,391
Non-current assets	12,234,498,273	11,588,301,366	4,004,385,219	3,673,605,436
Current assets				
– Cash and cash equivalents	1,843,593,506	1,374,218,432	1,042,331,375	526,335,611
– Others	7,982,289,249	7,331,691,510	535,062,186	233,456,344
Total assets	22,060,381,028	20,294,211,307	5,581,778,780	4,433,397,391

N.A. - Not applicable

N.M. – Not material

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
For the year ended 31 March				
Cash generated from operations	2,782,438,695	2,777,513,772	328,631,348	237,664,735
Interest paid	(506,571,577)	(378,837,123)	(143,835,444)	(41,781,020)
Income tax paid	(462,423,561)	(546,195,415)	(4,365,938)	–
Gratuity paid	(152,320,973)	(146,131,600)	(8,090,760)	(170,850)
Net cash generated from operations	1,661,122,585	1,706,349,635	172,339,206	195,712,865
Capital expenditure	(857,805,894)	(1,482,035,528)	(18,288,951)	(1,861,384)
Net cash generated from/(used in) investing activities	(1,138,388,623)	(3,407,092,747)	(280,228,443)	(1,632,157,420)
Dividend paid				
– Owner of parent	(136,527,501)	(168,932,026)	(136,527,499)	(168,932,026)
– Non-controlling shareholders	(366,484,682)	(193,990,990)	–	–
Net cash generated from/(used in) financial activities	(44,651,298)	982,355,156	623,885,006	1,231,067,975
Net increase/(decrease) in cash	567,385,260	(718,387,956)	515,995,769	(205,376,580)
Per ordinary share				
EPS	4.43	6.08	1.78	1.09
Net assets	50.26	46.71	25.43	21.47
Market value	–	–	47.00	56.10
Proposed DPS	1.25	1.50	1.25	1.50
Ratio				
Debt: Equity ratio (%)	47.66	54.16	43.78	47.78
ROE (%)	10.42	18.41	6.83	5.07
ROCE (%)	13.67	17.07	5.56	2.84
Interest cover (times)	3.98	6.81	1.71	2.94
Liquid assets ratio (times)	1.81	0.83	0.89	0.51
P/E ratio (times)	10.60	9.23	N.A.	N.A.
Market capitalisation (Rs.)	7,029,042,841	7,657,216,908	N.A.	N.A.
Enterprise value (Rs.)	10,425,181,262	11,591,639,886	N.A.	N.A.

10

LEADERSHIP

At Sunshine Holdings, our brand of leadership is defined by our history as much as by what we envision for the future.

In fact, it was the dream of seeing our small family business grow to its full potential, and more, that led us to expand from humble beginnings to the listed conglomerate we are today; one that continues to be steeped in family values and with responsibilities to all stakeholder groups.

Our leadership is built on **trust**, as we continue to hold true to our conscience and keep to our word. The spirit of responsible entrepreneurship, that was our spark of life, now fuels the fire that powers Sunshine Holdings. Growing our enterprise further, we will continue to reimagine market leadership and aspire to be a beacon to all in today's unpredictable and fast-evolving business landscape.

CHAIRMAN'S MESSAGE

Sunshine Holdings is built on the foundation of trusted relationships. The reporting year was one that validated the trust placed in us, and which we endeavour to safeguard and strengthen as we execute our business strategy in pursuit of value creation.

Dear Shareholder,

The reporting year was challenging for the Sri Lankan economy. Sunshine Holdings, however, continued to perform following a period of consolidation. Our success is a result of the perseverance and integrity of our teams in the diverse sectors within which we operate. It is also the result of the way we embrace innovation, always keenly aware of our responsibility to our shareholders.

ARTICULATING OUR IDENTITY

In consolidating our businesses across the sectors, we re-examined what it meant to be uniquely "Sunshine" – going back to the Company's roots as well as evaluating our DNA today. In fact, this Annual Report reflects the character of Sunshine Holdings, structured as it is according to our Corporate Values. While all five of our values are relevant and apt, I believe that Trust is a useful measure with which to talk about our future potential. Since this year's performance is elaborated on in the following pages, I wish to explore the trust we place internally – for example, in our financial capital, our stewardship, our brands, and the soundness of our systems and processes; and the trust placed on us by external parties.

TAKING STOCK OF THE OPERATING ENVIRONMENT

Looking ahead, we can be cautiously optimistic about a more conducive global economic environment for business. A US-China trade deal, if satisfactorily resolved, could help loosen financial markets, increase global demand and be beneficial for our consumer and agribusiness sectors. With political elections around the corner in Sri Lanka, and the uncertainty following the terrorist attacks in April 2019, volatility and unpredictability will remain the norm. However, with the IMF (International Monetary Fund) releasing the final tranche of its loan to Sri Lanka, following a suspension in November 2018 due to political instability, the country has received a thumbs up that could positively influence foreign investors and the international business community. The IMF's requirement that the Government complete its energy pricing reforms will directly impact our Group through our renewable energy sector. Continuation of the Extended Fund Facility will help Sri Lanka strengthen external resilience and macroeconomic stability, which would, in turn, boost medium-term economic growth while enhancing market confidence.

RESILIENCE THROUGH DIVERSIFICATION

With these opportunities and risks in the horizon, we sought avenues to anchor the Group during the year, so that it will emerge stronger and more resilient than ever before.

Sunshine Holdings maintained its trend of performing resiliently in a year that had its fair share of challenges, particularly in some of our well-established lines of business. Group revenue growth during the year was an appreciable 6.9% to Rs. 22,642 Mn. Strong returns were generated through our healthcare and consumer sectors while diversification came to the fore in the agribusiness sector with our palm oil business making up for negative trends in global markets which impacted the tea plantation sector. Our nascent renewable energy business and dairy farm are proving their worth as robust additions to our Group. In general, our portfolio strategy has proved effective and provided the Group with the required resilience to post satisfactory results in a tumultuous market. The Board and I, together with the leadership teams across the Group are committed to ensuring that our businesses are governed sustainably, in harmony with the communities and environment within which we operate. Our recent strategic investments on new partnerships, streamlined systems and processes, and capacity building are expected to deliver solid results, sustained growth, and greater value creation across all our business sectors.

IN APPRECIATION

As we move beyond the first 50 years of our legacy, I thank my colleagues on the Board whose support and counsel I hold in high regard. Together with the Board, I extend my gratitude to our investors, business partners, and customers for being part of our legacy. I also thank all employees for their dedication towards making the Group's Vision and Mission a reality.

Going forward, as we look to strengthen our brand and signal to stakeholders that their trust in us is well placed, as we remain open to prudent growth while strengthening relationships, increasing capacity, and being responsible stewards for the sustainability of the generations that follow.

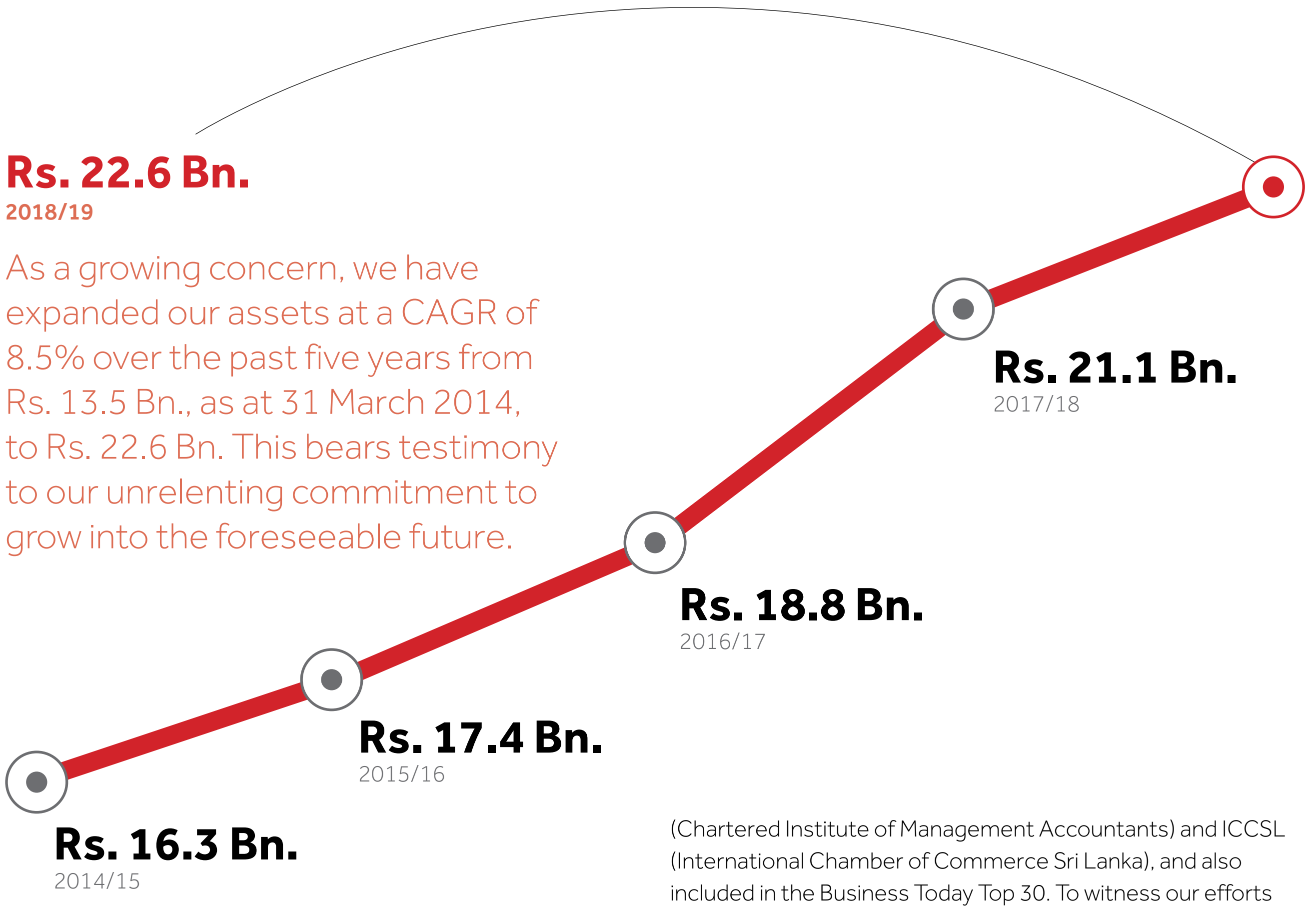
Munir Shaikh
Chairman

30 May 2019

GROUP MANAGING DIRECTOR'S REVIEW

A storm in a teacup is manageable, but when each is followed by a succession of literal and figurative storms, growing an enterprise becomes ever more challenging.

It requires us to constantly reimagine market leadership in an ever-shifting landscape.



As a growing concern, we have expanded our assets at a CAGR of 8.5% over the past five years from Rs. 13.5 Bn., as at 31 March 2014, to Rs. 22.6 Bn. This bears testimony to our unrelenting commitment to grow into the foreseeable future.

Despite the challenges of the year under review, we were able to turn in a sound performance by focusing on innovation, diversity, synergy, and of course, sustainability – the four pillars of our Corporate Strategy. Our consolidated revenue for the reporting year grew strongly to Rs. 22.6 Bn. from Rs. 21.1 Bn. the previous year.

The Group recorded a net profit of Rs. 1.14 Bn. for the year compared to Rs. 1.80 Bn. for the previous year. This was a result of a 6.9% growth in revenue not being sufficient to offset the increase in cost of sales and other operating expenses, which are explained in detail in the Financial Review on page 88. With our total assets growing to Rs. 22.06 Bn. from Rs. 20.29 Bn. a year ago backed by growth in equity from Rs. 9.80 Bn. to Rs. 11.00 Bn, the Group has a strong financial position as at 31 March 2019. Fitch Ratings Lanka Ltd., re-affirmed A-(lka) with a stable outlook for Sunshine Holdings PLC in November 2018.

As an investment company with several subsidiaries under our wing, we continued to focus on market leadership with an eye to the future. As the Chairman has outlined in his message, Sunshine Holdings holds much promise and this is reflected in the recognition we received. We were selected as one of the top 10 most admired companies in 2018 by CIMA (Chartered Institute of Management Accountants) and ICCSL (International Chamber of Commerce Sri Lanka), and also included in the Business Today Top 30. To witness our efforts validated in this manner is indeed deeply satisfying on the one hand while on the other it provides us with the impetus to continue breaking the mould and redefining what it means to be a market leader.

INNOVATING LEADERSHIP IN HEALTHCARE

Healthguard turned in a sound performance during the year under review. While it provides around 14% of healthcare sector revenue for us, Healthguard remains the brand that we are best known for in healthcare, having helped us redefine leadership in this sector. Harking back to our origins half a century ago when we made a name for ourselves with early attempts at stocking a pharmacy with more than just pharmaceuticals, Healthguard follows suit. More than just a pharmacy, Healthguard centres on healthcare, wellness and wellness-led beauty care while also focusing on strengthening customer relationships and providing an exceptionally convenient service through the innovative use of technology.

Our medical devices and pharmaceutical divisions also turned in a strong performance, undermined by challenges in the operating environment. The depreciating rupee, uneven price controls, and regulatory challenges significantly impacted performance. The uncertain political situation in October 2018 also impacted consumer spending across the Board. With the commitment of our people and our keen focus on streamlining

Market recognition provides us with the impetus to keep redefining what it means to be a market leader.

systems and processes to ensure our businesses remain lean and cost-effective, revenue from healthcare for the reporting year improved by 14% year on year to Rs. 9,315 Mn., while net profit rose by 42% to Rs. 368 Mn.

Our recent acquisition of Hayleys Pharma Division and the intent to merge with CIC Healthcare Division provide a clear signal to the market that Sunshine Holdings is looking to expand. We are keen to grow across the sectors organically or otherwise, carefully choosing whom to partner with. As always, our focus is on partnerships with organisations that operate sustainably.

AUTHORING RESPONSIBLE CHANGE IN AGRIBUSINESS

Our tea business was negatively impacted by several external factors during the reporting year. After glyphosate was banned by the Government, smallholders and large plantations alike switched to alternative products to control weed growth. Such experimentation resulted in higher-than-accepted maximum residue levels for exports to certain countries, leading to a decline in shipments. Stepping up to the plate, we worked closely with our various suppliers to find a workable solution but the environment continued to be volatile. US sanctions on Iran last May had a knock-on impact on auction prices in Sri Lanka. In addition, with currencies in the Middle East and Russia depreciating against the US dollar the expected turnaround in tea exports did not materialise.

Within this difficult year for the tea industry, our palm oil business made up for the shortfall in our agribusiness sector. Highlighting the importance of diversity in risk management, we report only a slight decrease in revenue from agribusiness of 2% year on year to Rs. 7,122 Mn. Net profit dropped by 45% to Rs. 650 Mn. Here too I must stress that the prudent and sustainable management of our agribusiness by qualified and experienced teams on the ground paid off, with due consideration given to both the communities and the environment within which we operate.

Sri Lanka is a net importer of palm oil, fetching approximately 180,000 metric tonnes or 80% of the country's total palm oil requirement each year. The Government is pursuing a policy decision to permit the cultivation of up to 20,000 hectares of palm oil in Sri Lanka to increase local production. We are glad to support this initiative by authoring change for the better where possible. During the year under review, we jointly founded the Palm Oil Industry Association (POIA) whose focus is sustainable growth through responsible production. We also led the initiation of the Roundtable on Sustainable Palm Oil (RSPO) certification – a first for any Sri Lankan palm oil producer.

CONNECTING WITH THE NOT-SO-CONSUMMATE CONSUMER

Top line growth from our FMCG sector for the reporting year improved by 8.9% year on year to Rs. 5,904 Mn., while net profit rose by 66% to Rs. 489 Mn. We continued to be a market leader in branded teas with 36% market share overall. Recognition at the SLIM Nielsen People's Awards for the best hot beverage of the year was especially poignant as these results reflected the consumer's choice in a market where loose-leaf-tea is freely used to supplement a cup of tea and brands are less clearly defined.

Zesta, our connoisseur brand continued to extend its reach in international hotels, while Watawala tea maintained its leadership position in the mass premium segment. Through research and extensive field work, we explored new territories within the country increasing growth in these areas by carrying out focused initiatives.

POWERING AHEAD WITH PERSEVERANCE

Our renewable energy sector posted its best results in five years with revenue for the reporting year increasing by 43% over the previous year to Rs. 356 Mn., while net profit rose by 32% to Rs. 63 Mn. With the Government committed to an ambitious plan to have a 60% energy mix entirely from renewable energy sources by 2030, we are only too glad to be contributing to this initiative through our three mini-hydropower plants and nascent solar roof project. Our renewable energy business leverages the synergy of the Group, using our land and captive rooftops to grow this sector. In the near future, we hope to be able to increase our contribution to the national grid to 15MW while also exploring other forms of renewable energy including wind and bio gas project.

REDEFINING MARKET LEADERSHIP

While we focus on people development across the Group (refer page 38), we also equip them with the technology they need to ensure that our brands stay one step ahead of the competition. This includes handheld devices for field agents and estate associates, customer relationship management dashboards for frontline employees, and business intelligence tools and enterprise resource planning (ERP) systems for our Management Teams.

As we move towards a future that is always in motion, and not always predictable, we will continue to redefine what it means to be a leader. This type of focus on innovation, diversity, synergy and sustainability is what defines us. For instance, when we first purchased a plantation decades ago, we were the first to brand it. It took the market a while to catch on but they soon followed suit – by which time the Watawala brand already had a head start and remains a leader today. When we first launched Healthguard, the market was again unsure of what to make of it, but we persevered and today our healthcare proposition remains unmatched in the market.

Our latest venture is Watawala Dairy – again a venture that was a result of innovation, where we studied our plantations and decided to convert a poor performing estate into a dairy farm that even at this early stage is showing promise. The quality of its produce and the way in which it is operated (refer page 30) has generated waves in the industry with high demand for Watawala milk. Through our membership in the All Island Dairy Association (AIDA), we lobby the Government to collaborate with the industry and implement initiatives that will drive the sector forward in a sustainable manner. The spirit of innovation has long powered our Company, just as much as sustainability is simply the way we do things. The combination of our Vision, Mission, Values, and Strategy is what makes this conglomerate unique.

A VOTE OF THANKS

To our investors, Government agencies, loyal customers, suppliers and business partners – a warm thank you for joining us on this exciting journey. We are truly grateful for your support and endeavour to continue earning your trust. To all employees, my heartfelt thanks. I could not ask for better.

Half a century ago, our founder started business as a small pharmacy in Gampola. Today, we're a listed company with the values of a family business, and we're still innovating. Our latest venture, our dairy farm, brings us full circle – after all, our market leading tea must have the best milk for that perfect cup! Leveraging the synergies of the Group, finding the strengths in diversity and conducting our business sustainably as we seek to redefine leadership is just the way we do things at Sunshine Holdings. Our successes today could not have been achieved without each and every stakeholder who contributed towards it. Thank you!

V Govindasamy
Group Managing Director

30 May 2019

Our strategic imperatives and achievements during the reporting year are narrated against the backdrop of the operating environment.

We strive to create value against an unpredictable socio-political, economic, and environmental backdrop, contending with ever-increasing market competition, tightening regulations, and fast-paced technological innovations. Our strategic imperatives are designed to capitalise on opportunities and mitigate risks arising from within our operating environment.

OPERATING ENVIRONMENT

GLOBAL OUTLOOK

Following robust economic growth in 2017, which peaked at 4% and dropped slightly to 3.8% in early 2018, global economic activity declined to 3.2% in the second half of that year. This deterioration was a result of a combination of factors affecting the world's large economies, including higher policy uncertainty, tightening financial conditions and sliding business confidence. In the Asia-Pacific region, China's growth turned sluggish after regulations were tightened in the country and also following an increase in trade tensions with the United States.

In Europe, the economy slowed down more than expected, during the year under review, due largely to weaker consumer and business confidence, while external demand, especially from emerging Asia, also declined. Financial market sentiment weakened following trade tensions which negatively impacted business confidence.

LOCAL OUTLOOK

In Sri Lanka, real GDP growth declined to 3.2% in 2018, compared to 3.4% in 2017, largely supported by service sector activities which grew by 4.7% and the recovery in agricultural activities which grew by 4.8%. While economic activity grew moderately, a slight increase in the unemployment rate and a drop in the labour force participation rate were recorded during the year under review. Tighter financial conditions from mid-April 2018 were aggravated by political uncertainties and Sri Lanka's Sovereign rating being downgraded during the fourth quarter. Domestically, the trade deficit surpassed US dollars 10 Bn. for the first time in history with higher growth in import expenditure outpacing the growth in export earnings, which were at a record level in nominal terms.

An estimated increase in services exports was offset by the deficit in the merchandise trade balance, stagnant workers' remittances, and rising foreign interest payments. As a result the current account deficit widened to 3.2% of GDP during the year. In order to address the widening trade deficit, the Central Bank and the Government implemented a series of measures to curb non-essential imports.

In response to these measures and the global financial markets becoming less favourable, the Sri Lankan rupee appreciated against major currencies during the fourth quarter of 2018. Investor sentiments improved with the resumption of discussions and the achievement of staff level agreement with the IMF on the programme under the Extended Fund Facility (EFF) arrangement in February 2019. The concerted effort of all stakeholders will be essential to expedite the current reform agenda.

AN INTEGRATED VIEW OF OUR BUSINESS MODEL

The figure below depicts how, guided by our values within an ever dynamic operating environment, our purpose and strategies are seamlessly integrated to create value for the benefit of our stakeholders.

STRATEGY

Our strategies are powered by the following key drivers.

INNOVATION

Innovation may be synonymous with new technology, but it is what our Company was founded on half a century ago. As one of five Corporate Values, innovation is part of our DNA. Combined with our reputation for integrity, innovative thinking has enabled us to contribute to nation building through our diverse businesses – including our renewable energy business.

DIVERSITY

Diversification began as a form of organic growth, with the Company expanding responsibly from healthcare to agribusiness, consumer, and, more recently, renewable energy. With 50 years experience to count on, we are embracing inorganic growth where it is prudent to do so and where it strengthens our ability to create value. As always, our stakeholders' best interests are at the heart of all we do.

SYNERGY

Synergy – the combined forces and performance of all our businesses together – has provided the Group and each of its members with greater momentum than each would have on its own. Over the years we have streamlined these synergies, leveraging the strengths and potential of each to capitalise on the opportunities and mitigate the risks of our operating environment.

SUSTAINABILITY

Sustainability is woven into the very fabric of our ethos and has won us the trust of key stakeholder groups. It has been present in the way we govern and operate our business in pursuit of value creation. Just as we derive value from them, we also persevere to deliver value to all our stakeholder groups, including the environment and the communities within which we operate.

BOARD OF DIRECTORS

Munir Shaikh
Chairman

Mr Munir Shaikh is currently Chairman of the Board of Directors of Sunshine Holdings PLC. He is also Chairman of the Board of Directors of Abbott India Ltd., and Abbott Pakistan Ltd. All three companies are publicly listed with their shares quoted on Colombo, Mumbai and Karachi Stock Exchanges respectively. Mr Shaikh has held several senior management positions in North and South America, Middle East and Africa, and the Asia Pacific with Abbott, a Global Health Care Corporation, headquartered near Chicago in the United States. At Abbot he was Managing Director – Pakistan based in Karachi, Regional Manager – Caribbean and the West Indies based in Puerto Rico, Director of Business Development based in Chicago, Vice-President – Middle East and Africa based in Dubai, and Vice-President – Asia Pacific based in Singapore. He is a Fellow of the Institute of Chartered Accountants in England and Wales.

G Sathasivam
Director

Mr G Sathasivam began his career in the pharmaceutical sector. Over 50 years of success and innovation, he established Sunshine Healthcare Lanka Limited (SHL) as a leader in Sri Lanka's pharmaceutical industry. Mr Sathasivam was the driving force behind the Group's diversification into uncharted territories – moulding Sunshine Holdings into the pride of the nation. His business acumen has been recognised both in Sri Lanka and abroad. He is the Founder of Sunshine Holdings PLC.

V Govindasamy
Group Managing Director

Mr V Govindasamy pioneered the Group's diversification, converting it from a largely agriculture-based company to one that covers other key economic sectors in newer fields such as consumer goods, renewable energy, dairy and retail. He was able to transform the plantation business, achieving perceptible improvement in quality, production standards, and penetration into new markets. Under his managerial direction, the Group established several new brands and consolidated and expanded its share in both domestic and international markets.

Mr Govindasamy, spearheaded the House of TATA investment in telecommunications in Sri Lanka. In recognition of his efforts, the House of TATA nominated him to several boards of their companies in Sri Lanka. He holds a Bachelor of Science in Electrical Engineering and an MBA from the University of Hartford, USA, and is a Fellow Member of the Institute of Certified Professional Managers of Sri Lanka. Mr Govindasamy is the Deputy Vice-Chairman of the Ceylon Chamber of Commerce and Vice-Chairman of the Employers' Federation of Ceylon.

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, and 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, Mr 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 2002/03) and the Chartered Institute of Management Accountants (in 1995/96), he now functions as the Chairman of Management Systems (Pvt) Limited (MSL). Mr Talwatte also chairs the Committee reviewing the applicability of Integrated Reporting in Sri Lanka and the Committee reviewing the Corporate Governance Code.

B A Hulangamuwa
Director

Mr B A Hulangamuwa is a Fellow Member of The Institute of Chartered Accountants of Sri Lanka, a Certified Fraud Examiner USA, and holds a Master's Degree in Business Administration from the 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 Defence 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 Kotelawala Defence 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 employs approximately 41,700 people in 77 countries and markets its products in more than 165 countries. Mr Shishoo has previously been the Vice-President, Business Area Oceania and South East Asia, based in Kuala Lumpur, Vice-President, Regional Office – Far East based in Bangalore, and Vice-President, Regional Office in India.

He has a track record for creating high performing teams that deliver ambitious targets and is skilled in marketing strategy and implementation. Building healthcare brands has been his passion, having been responsible for making Novo Nordisk's insulin, Mixtard, the number 1 pharma brand in India.

Amal Cabraal
Director

Mr Amal Cabraal is presently the Chairman of Ceylon Beverage Holdings PLC, Lion Brewery (Ceylon) PLC, CIC Feeds Group, and Silvermill Investment Holdings (Private) Ltd. He is a former Chairman and CEO of Unilever Sri Lanka and has over three decades of business experience in general management, marketing, and sales in Sri Lanka and overseas. He is also a Non-Executive Director of John Keells Holdings, Hatton National Bank, and an advisor to a number of leading companies. He is a member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka. He is also a committee member of the Ceylon Chamber of Commerce and serves on the Management Committee of the Mercantile Services Provident Society. A marketer by profession and a Fellow of the Chartered Institute of Marketing – UK, he holds an MBA from the University of Colombo and is an executive education alumnus of INSEAD, France.

Y Kitao
Director

Mr Y Kitao is the Representative Director, President and CEO of SBI Holdings, Inc., which was previously the finance arm of SoftBank Corp. and established in July 1999. Mr Kitao began his career at Nomura Securities Co. Ltd., where he was mainly engaged in the investment banking business. He joined SoftBank Corp. in 1995 as Executive Vice-President and CFO and was then appointed CEO of the Softbank Finance group of companies. Mr Kitao graduated from Keio University with a Degree in Economics in 1974 and received a Degree in Economics from Cambridge University (England) in 1978.

Shiran Dias
Alternate Director

Mr Shiran Dias is an alumnus of the prestigious Harvard University MA as well as the Boston University having completed postgraduate Degrees in both institutes. His professional career includes stints at Nomura Securities Japan, Merrill Lynch Japan, Union Bank of Switzerland, Barclays Bank PLC as well as JP Morgan Securities Japan. He is currently the Executive Officer for Global Advisory for SBI Securities Co. Ltd., Japan.

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CREATING VALUE

Our stakeholders are like the members of our family – whether they are investors, business partners, employees, or customers.

As a **family** we live by **integrity**. That is a fundamental part of our ethos. We serve everyone who comes into our fold with the same integrity that we would extend to a family member. Without them we could not create value. The communities within which we operate and the environment within which we all live and thrive are vital components of our stakeholder group.

We take **responsibility** for our actions, seeking out ever more sustainable ways of **governing** and operating our businesses, while conserving the natural environment for future generations.

Just as we deliver value to our stakeholders, we too derive value from them. As a family, we take care of each other. We always have and we always will. It's that simple.

OUR VALUES ARE SO ENTRENCHED IN THE EVERYDAY

that they are part of everything we do. For example, integrity means we never leave a healthcare delivery on a pharmacy counter. We ensure it is safely stored so that it gets to the customer in pristine condition, the thinking being: "If it's not good enough for family, we just don't stock it."

CAPITALISING ON OUR RELATIONSHIP CAPITAL

Over the past five decades, our business has grown from a one-van medical supplies delivery service to a publicly listed company with responsibilities for creating value across a wide spectrum of stakeholders. Despite the chasm in time from then to now, the ethos that has guided us this far remains unchanged. When our founders drove around the Country in the Group's first vehicle delivering medical supplies to Doctors in every nook and corner, we began building long-lasting relationships. As a result, these medical professionals became part of our family – often offering our people a room and a meal in their homes at the end of a long day.

Although Sunshine Holdings flourished since then and now covers sectors including healthcare, consumer goods, agribusiness, and energy, our Values and Mission remain the same. Even today, we continue to treat stakeholders like family. During the year, our continued focus on strengthening relationships, and improving quality and efficiency through well-placed strategies has yielded strong results across the Group.

Our healthcare business was the largest contributor to the Group's top-line performance, accounting for 40% of total revenue, while our agribusiness and consumer goods sectors contributed 31% and 25% respectively.

IN HEALTHCARE

Today our healthcare business includes consumer (in terms of Healthguard pharmacies), pharmaceuticals, and medical devices, and is but one sector in our four-sector portfolio. By diversifying our healthcare business into three clearly defined sectors we were able to pay greater attention to each, a strategy that has resulted in a robust year particularly for pharmaceuticals which makes up 60% of our healthcare business.

With 10.5% of the local healthcare market under our wing, we enjoy sub-category leadership in areas such as diabetes care, cardiology and immunochemistry.

Robust relationships with business partners including big international brands like 3M, Siemens, and Johnson & Johnson, continued to help us bring in best-in-class medical devices and pharmaceuticals to the country.

IN CONSUMER GOODS

In the consumer business too we have been making waves. With our current market share standing at 36%, we have enjoyed the market leader position in tea over the last three years. This is in spite of an extremely competitive environment. Our three brands of tea cater to different customer groups.

Through our partnership with an International Hotel Group, our premium tea Zesta, has been gaining a greater international following across 22 countries.

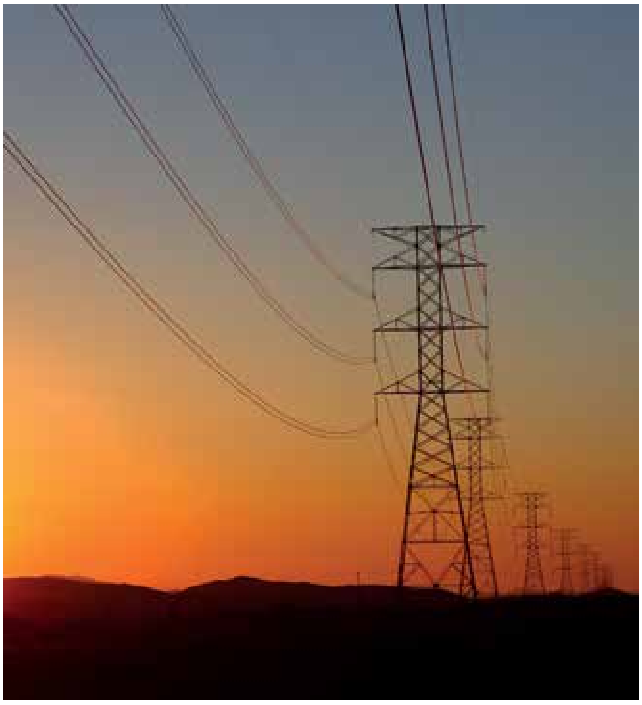
Watawala tea, which is number 1 in the market, Zesta which caters to the mass premium segment and Ran Kahata which caters to the budget-conscious consumer. Focusing on beverages, our Fast-Moving Consumer Goods (FMCG) business recently included Watawala Wathura and will soon comprise other products as well.

IN AGRIBUSINESS

Our agribusiness sector largely spans tea, palm oil and, more recently, dairy. While the year under review was profitable for palm oil, in general it was one of consolidation, with our senior leaders in this sector mapping every asset across all our estates from water resources to soil types to ascertain the most sustainable use for the land under our care. Watawala Dairy, for instance, is on the site of a formerly unproductive tea plantation. Other units of land considered un-arable were assigned for reforestation to contribute towards supporting biodiversity in the hill country.

Progress in agribusiness was boosted by our overseas partners Pyramid Wilmar Plantations Ltd., headquartered in Singapore, and Duxton Asset Management Ltd. Singapore. Sunshine divested a controlling stake in HPL to Lotus Renewable Energy Group in May 2019.

IN ENERGY



With diversification being a firm, long-term strategy, we began exploring the renewable energy sector in 2012 and now have a 6.6 MW capacity through three mini-hydropower plants. During the year under review, we also commenced a 500 kW rooftop solar project at Sunshine Tea.

Our renewal energy business sits squarely in the nation building space, with the potential to contribute significantly towards the annual 6-7% increase in power demand.

Our sound relationships with local players include the Ceylon Electricity Board and overseas partners including Global Hydro Energy GHE from Austria and JSF Corporation (Sakura Solar) are powering success in this sector.

ENGAGING STAKEHOLDERS

As a listed conglomerate with businesses spanning four key sectors of the Sri Lankan economy, we are conscious of the impact our actions, products, and services have on our stakeholders. We are also keenly aware of how their perceptions and behaviour, in turn, can impact our ability to carry out our activities and meet strategic goals. Given this symbiotic relationship, we make every effort to identify, understand and engage with key stakeholder groups in order to meet their needs and balance the distribution of value created.

Our key stakeholder groups include –

- Investors
- Business partners
- Employees
- Customers
- Government, statutory and regulatory bodies
- Society and the environment

We maintain formal mechanisms to remain connected with our stakeholder groups (refer page 226), while still upholding many of the informal mechanisms such as one-on-one meetings, phone calls, and get-togethers that endeared us to them over the past 50 years.

BOLSTERING INVESTOR RELATIONS

Our decision to move from family-owned business to listed company was a conscious one. It was a way for us to signal to all our stakeholders – most importantly our investors – that we continue to be serious about value creation. Just as we derive value from our stakeholders, we also deliver value to them.

On the other hand, the fact that Sunshine Holdings is a majority family-owned business is considered a benefit. Our investors understand that with the family being keen to safeguard the long-term profitability of the Company, their investment is in good hands.

SUNSHINE HOLDINGS IS OPEN TO PRUDENT ORGANIC AND INORGANIC GROWTH

as indicated by our recent mergers and acquisitions.

Indicating our commitment to growth, the newly acquired pharma agencies from Hayleys Consumer division are enhancing our revenue, while the recently announced intent to merge with CIC Healthcare division, CIC Holdings PLC promises additional profitability in the healthcare sector. Like Sunshine Holdings, CIC Holdings too imports pharmaceuticals and medical equipment, while producing healthcare and personal care products locally, including the herbal remedy "Samahan".

As a public-quoted company, we are cognisant of our responsibility towards our institutional and retail investors. To every stakeholder, we extend the same level of integrity that we would extend to a family member. In addition, our Investor Relations team pays special attention to meeting and exceeding the needs of our local and international investors.

Members of the Board of Directors are also available for addressing the needs of investors as needed.

STRENGTHENING TIES WITH BUSINESS PARTNERS

Our success is built on strong and mutually beneficial relationships with business partners including joint venture partners, franchising business partners and suppliers. This is why so many of our partnerships are decades old.

We have in place a stringent vetting process to ensure that the entities we partner with share our values – that like us, they will not compromise on quality and will, instead, uphold our stakeholders' best interests. This automatically ensures that our business partners are best-in-class – whether they are local or international. In turn, their due diligence assessments show them that Sunshine Holdings is at the top end of the list when it comes to potential business partnerships.

Many of our relationships are decades strong and a testament to how cherished our ethos and values are.

Through this on-going engagement we are able to drive innovation, enhance diversification, leverage synergies and continue to operate our business in a sustainable manner.

We were selected by 3M as their only local distributor thanks to

OUR TRACK RECORD FOR UPHOLDING OUR CORPORATE VALUES.

With integrity a critical ingredient of Sunshine Holdings from its very beginning, we have made a name for ourselves as a trusted business partner. For example, during the year, one of our principals, 3M Global Channel Services – a Fortune 500 conglomerate, decided to appoint one party in Sri Lanka as their sole master distributor. Despite stiff competition in the market, Sunshine Holdings was selected as that partner. Thanks to our deep-seated values, today we are able to bring to Sri Lanka this principal's entire range of products – a critical factor in our robust growth in the healthcare sector.

Through an ever-keener focus on compliance and quality we were also able to better address the needs of our principals. For instance, one of our biggest issues identified during the preceding year was the problem of medical devices being out of stock. The problem was a complex one that involved accurate forecasting, regulatory renewals and effective communication with our principals. During the year under review, we were able to reduce out-of-stock events from 10% to less than 2% by leveraging on strong relationships with principals and regulators such as the National Medicines Regulatory Authority (NMRA).

In Pharma we improved management information systems allowing our Senior Management the ability to log in online and monitor their sales and stock. We also implemented principal policies for their teams, deployed their field force management system and continued to strengthen relationships in a transparent manner. Ensuring that our principals receive regular reports on how the products are moving in the market is another useful addition to our relationship building strategy.

THE MILK PRODUCED AT WATAWALA DAIRY IS IN HIGH DEMAND

because of its superior quality and the straight through process – from milking machine to chiller to buyer – which ensures that the milk is fresh and unadulterated.

JOINT VENTURE PARTNERS

Our joint venture partners are Pyramid Wilmar Plantations Ltd., headquartered in Singapore and Duxton Asset Management Ltd., Singapore. The former partners with us for estate management operations and the latter for our most recent venture, the dairy farm business. Both are leading, internationally acclaimed entities, who have supported us with technical know-how, capital infusion, market insights and the best in international practices.

An example from the year under review, of the strengths and benefits of such relationships can be highlighted from our dairy sector business. With the help of Duxton Asset Management we had the benefit of two experts – a herd manager and an operations manager from South Africa – who helped to lay a solid foundation at Watawala Dairy Farm. Their practical expertise and work ethic was the boost the farm needed to make a flying start in an industry where, except for a few players, the technical expertise is limited to knowledge gained through trial and error.

During the reporting year, we imported 240 head of cattle from Australia and another 900 animals through the Government subsidy during the last financial year. The recent New Zealand-Sri Lanka deal, which saw the import of two thousand head of cattle so far, has resulted in many small farms being over-burdened by debt as a result of disease and poor milk production affecting the newly imported cows.

Watawala Dairy was largely able to avoid these pitfalls thanks to prior preparation which included training and development for employees, the proper feed being prepared and stored, and the necessary infrastructure being put in place before the imported animals arrived. (Refer page 33 under Suppliers for details of how we are improving the lives of smallholders who grow maize for our livestock feed.)

BUSINESS FRANCHISING PARTNERS

An extensive network comprising 48 main business franchises supports our healthcare sector operations, with many long-standing relationships with globally recognised and acclaimed principals in healthcare, such as Johnson & Johnson and Siemens.

In Sunshine Holdings they find a partner that is above board and stringent in its adherence to the letter and the spirit of the law.

In turn, these partnerships and high-quality products have strengthened and complemented our operations, reinforcing our leading position in the industry.

AS A RESPONSIBLE CORPORATE WE STRIVE FOR THE HIGHEST STANDARDS

in every sector. For instance, we use cold chain transportation for moving pharmaceutical products from production to the eventual user, to ensure the integrity of the product.

Just as much as we take it upon ourselves to ensure that the drugs we import are in optimal condition when they reach the customer, we also dispose of expired drugs to ensure that they are not abused or harming the environment. It is such best-in-class industry practices that have endeared us to investors and local and international business partners alike.

SUPPLIERS

While the Sunshine Holdings Group works with a range of local and international suppliers we always give preference to local suppliers where possible, only engaging international suppliers when quality or range is a question.

We engage with suppliers who are thoroughly evaluated for sustainability practices. When concerns are identified we initiate regular dialogue with them, working towards resolving issues and encouraging best practices. Where it is not possible to wield a significant influence over the supplier we make every effort to resolve issues amicably. Wherever possible, we have sound contingency measures in place, especially for business-critical suppliers.

OUR DEEP KNOWLEDGE OF THE HEALTHCARE MARKET

and our long-track record in the industry as a trusted corporate citizen allows us to source the most suitable suppliers to fill gaps in the market, like our recent partnership with Erba Lachema which provides affordable solutions for smaller hospitals and labs.

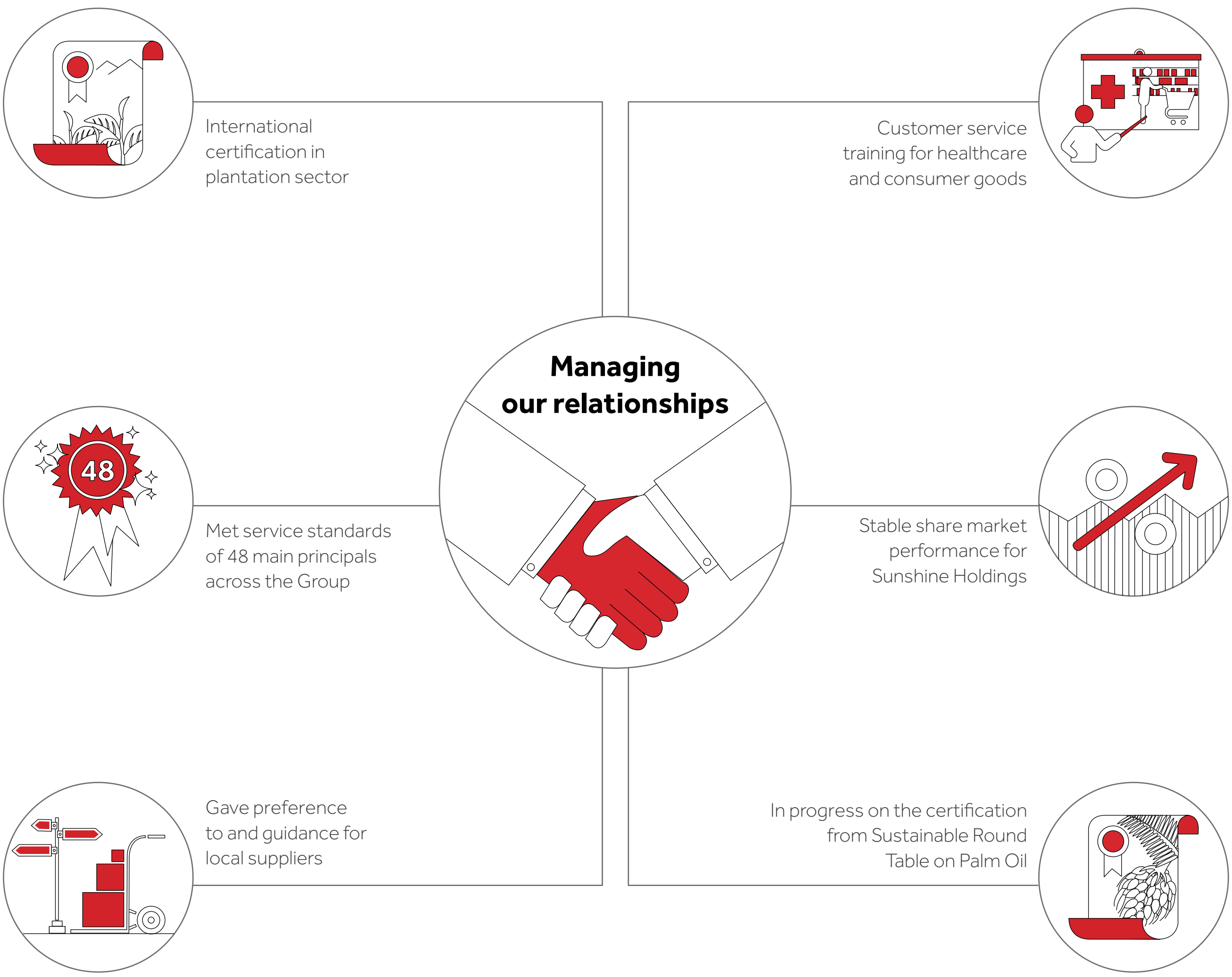
Our commitment to our suppliers runs deep within every sector. For instance, we have long partnered with Siemens to import diagnostics equipment for sizeable medical laboratories like those in the main national hospitals or large private hospitals. In the meantime, we identified the need for such services for smaller hospitals and labs as well. To meet this requirement, we partnered with Erba Lachema, which is part of a global company focused on creating a social impact in the world by delivering innovative, affordable and sustainable healthcare solutions.

WE WORKED CLOSELY WITH LOCAL SMALLHOLDERS

to ensure a good quality supply of maize for feeds in preparation for the imported cows we were to purchase for Watawala Dairy during the year.

While our first choice is always local suppliers we make every effort to help them ensure that their products and services are of the highest standards. A good example of this is our relationship with maize farmers in the dry zone. Watawala Dairy requires a superior feed for our herd of local and imported cows. This feed largely consists of maize or corn, in addition to imported grasses such as alfalfa. Reaching out to local smallholders is the most cost-effective solution for the Farm, but to ensure that the quality of the maize remains high we work closely with the farmers, advising on how to grow crops and even providing seeds when harvests have failed. By growing crops for us the farmers receive a higher income because they are able to sell not just the corn cob but the entire plant.

To ease their burden and ensure the freshness of the maize we have also invested in barns and baling machinery in the dry zone. As maize is seasonal our machines are used to harvest the maize and store the bales for use as needed. Our lorries which take the maize to Watawala Dairy also transport manure back to the smallholders as our contribution towards encouraging them to embrace a more organic method of farming.



BOOSTING EMPLOYEE ENGAGEMENT

By making it a point to recruit and retain people who live the Values of the Group we have created a dynamic and diverse workforce, one that continues to be our greatest strength and asset. Success in achieving this goal means having a team of people on the ground who live the Group Values, understand the needs of our customers and business partners, and are able to quickly learn and adapt to new technologies and new ways of thinking in order to succeed.

As a listed company we are keenly focused on meeting the needs of all our stakeholders. For us, creating value means delivering value to our stakeholders, just as much as we derive value from them. In this spirit, we continue to attract and retain people with the same passion as our founders – people whose lives reflect the Group Values of trust, integrity, responsibility, perseverance and innovation. This ethos also meant that we were already running a sustainable business long before the term was even coined.

Over the past two years we have made good progress in consolidating the Human Resources (HR) functions across the sectors. Centralising this function puts less of a financial burden on the sectors while still allowing them to enjoy the best support in HR.

Online performance management systems are the conduits for around 80% of our employee evaluations across the Group, ensuring timely evaluations, transparency, and greater accountability.

These biannual evaluations are against previously agreed performance goals and targets which are aligned with the Company's goals and account for 70% of the employee rating. The remaining 30% is evaluated against a competency framework.

Numbering 9,680 the Group's cadre strength has remained largely static over the last six years as we focused on building capacity through training and development. Typically a majority of employee contracts are full time with a few being time-bound. We also depend on outsourced employees for specific functions in order to be able to scale up or down depending on the dynamic needs of the business. Where a need is identified and there are no suitable internal candidates we recruit appropriate external expertise. A good example is the addition of a medical doctor to the management team of our medical devices division who is able to train and advise our people and speak to other medical professionals on the Company's behalf.

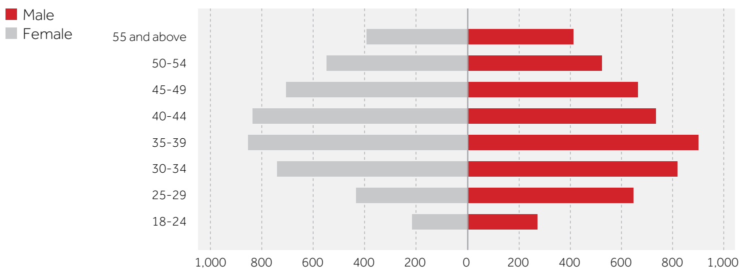
ENCOURAGING DIVERSITY

SUNSHINE HOLDINGS IS AN EQUAL OPPORTUNITY EMPLOYER

recruiting, training, rewarding and promoting the best suited talent regardless of socio-political or economic biases including, age, ethnicity, gender or sexuality.

Employees by age

[Nos.]



Ethnicity distribution

Employees by gender

Male
Female

Recruitment in 2018/19

	Gender		Contract type		Total
	Male	Female	Permanent	Contract	
Healthcare	205	24	197	32	229
Agribusiness	22	3	20	5	25
Consumer goods	49	5	44	5	54
Holding Company	1	1	1	1	2
Overall	277	33	262	43	310

To support our diverse businesses and employees across the Group, we focused on four-key aspects during the year:

1. Customised training and development – including leadership development programmes for our senior leadership
2. Recruiting against competencies in a competitive market
3. Benchmarking pay against the market
4. Retaining high performers

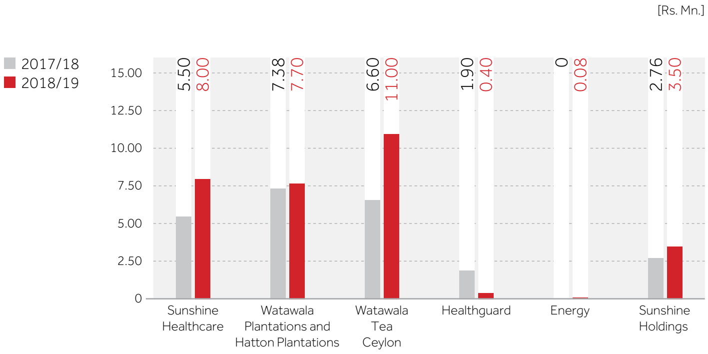
As we work towards a culture that embraces learning, we continue to focus on our in-house centres of excellence in leadership and manager training and technical training for the employees of our Healthguard pharmacies. Other learning and development programmes are outsourced to give us the flexibility to scale up or down depending on the dynamic needs of our businesses.

WE PROVIDED A TOTAL OF 32,136 HOURS OF TRAINING AND DEVELOPMENT

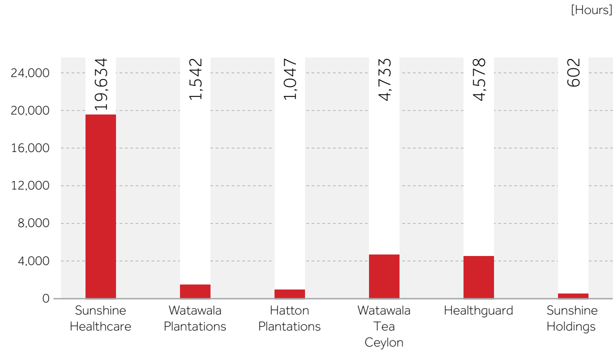
for employees across the Group at a cost of Rs. 30 Mn.

As we continue to build capacity, we are focused on developing the skills and competencies of our people, providing adequate compensation, and rewarding and recognising them. Keenly aware of the Group's strategic direction, our employees follow the Corporate Values as they gear themselves to be future ready while meeting and exceeding stakeholder needs. We strive to align the goals, skills and competencies of our people with our Corporate Strategy to ensure that every single employee is well and truly on this journey towards a prosperous and meaningful future.

Investment in learning and development

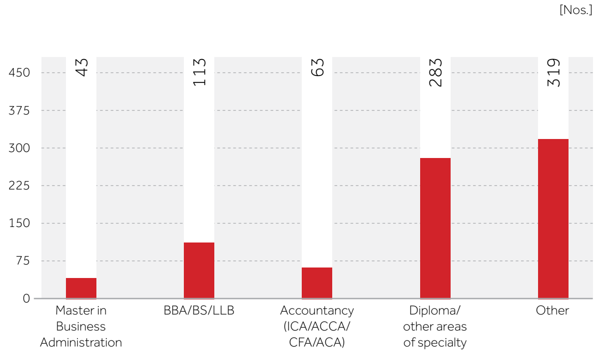


Training hours



Excluding our estate associates, 60% of our employees possess academic, professional or technical qualifications.

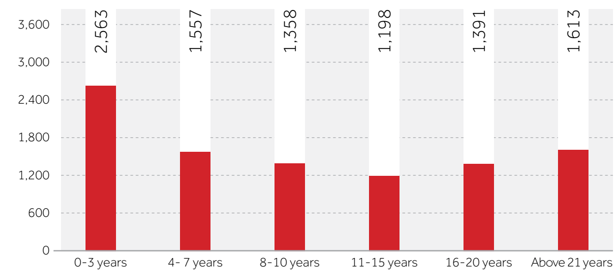
Employee qualification analysis (excluding estate associates)



Retaining our talented and trained employees in a highly competitive market remains a priority for the Group. As illustrated in the service analysis chart below, 60% of our employees have been with the Group for eight years or more, with 17% having put in over 21 years. These numbers reflect the hard work we put into maintaining strong relationships with our people, including harmonious labour relations, by implementing best practices and a focused employee strategy. The three-year attrition rate summary below shows that our efforts have borne fruit.

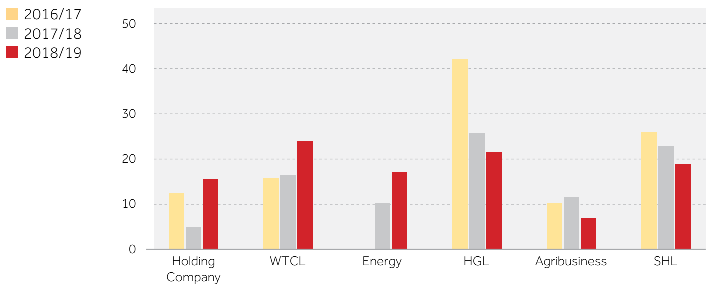
Employee service analysis

[Nos.]



Attrition rate

[%]



CHAMPIONING TRANSPARENCY AND OPENNESS

While we ensure transparency in the way we communicate pay and benefits, we also encourage an open culture, where two-way communication is the norm rather than the exception. Towards this goal we utilise a number of employee communication tools to suit our diverse employee cadre. These include:

- Town halls
- Emails and screensavers
- Notice boards
- Social media
- Employee opinion survey

The results of our annual employee opinion survey were encouraging with several indicators improving over the previous year. The attributes which received scores of over 80% included corporate image, employee engagement, understanding of Strategy and Vision, and the job itself. Attributes that scored below 50% included satisfaction with resources and facilities, and rewards and recognition. We have already begun addressing these points by refurbishing office interiors throughout the Group and paying greater attention to more focused, transparent internal communications.

We contributed Rs. 393 Mn. towards the Employees Provident Fund and the Employees Trust Fund.

HUMAN RESOURCES COMPLIANCE

The Sunshine Group is in compliance with the labour laws of Sri Lanka and the rules and regulations set by all relevant statutory and regulatory bodies. While complying with the minimum age of employment, the Group does not engage in child labour. It also does not use any form of forced or compulsory labour. We have diligently met all due remuneration, defined benefit plan obligations and incentives. The Group did not record any incidents of discrimination over gender, age or any other facet during the year under review.

At no time during the year was the Group fined or sanctioned due to non-compliance with laws, rules and regulations in labour management and relations.

We maintain an open-door policy across the business sectors and have implemented a structured grievance redressal mechanism.

BEING FUTURE-READY

As a listed company there is greater onus on us to be more open and transparent – qualities that are not traditionally associated with a family business. Perseverance – continues in that context, as we work on continuous improvement. We are in this for the long term and have already proved that we have the staying power.

Looking ahead we have been preparing for the millennial generation who are entering the workforce in increasing numbers. We are aware that meeting their needs in terms of remote working and flexible hours will include embracing technology as much as changing the hearts and minds to be more open to generational diversity. Continuous learning, mentoring and coaching are already a part of our ethos across many sectors as is succession planning.

INNOVATION IS A PART OF OUR DNA

and in the field of human resources we adopted "the shifting bell curve" which is unique to Sunshine Holdings – a concept that allows us to reward more high performers when a sector's performance increases.

MEETING CUSTOMER NEEDS

In today's fast-paced, hyper-connected world, consumers are spoiled for choice when it comes to customer service. This means that for our retail and consumer arms, the competition is not simply players in the local market. Our customers frequent the likes of AirBnB and Amazon. They are used to being served where they are, when they need it.

At Sunshine Holdings, we have not been sluggish in our efforts to cater to the ever-evolving needs of the customer. We employ a range of market research methods such as mystery shopper and in-store customer analysis to study customer habits, identify pain points and find viable, mutually beneficial solutions.

COMPETING FOR MARKET SHARE IN CONSUMER GOODS

ZESTA, OUR CONNOISSEUR TEA, HAS BOOSTED THE GROUP'S INTERNATIONAL FOOTPRINT

through our partnership with an international hotel group.

Our consumer goods sector, with its key players of Zesta, Watawala and Ran Kahata, had a tough but profitable year largely because we decided to stick to our strategy despite the turbulence and unpredictability of the operating environment. For most of the year consumers were cautious in their spending habits. In addition, across the board, traditional brands were losing market share to new players and regional brands. As a result, our competitors in the market decided to cut the prices of their mass premium teas.

It was a difficult decision, but ultimately we decided that our tea prices accurately reflected their quality. Instead of following suit, we continued to study the market and invested in the strength of our brands.

- Zesta – our premium
- Watawala – for the mass premium segment (leader for the third year in a row)
- Ran Kahata – for our budget conscious consumers

Our studies also showed that consumers preferred larger packs of tea. By quickly catering to this need and sticking to our strategy, we were able to remain profitable. Watawala, our mass premium tea, maintained its number one position in the market – as it has done for the past three consecutive years.

OUR STRONG RELATIONSHIPS WITH THE KEY SUPERMARKET CHAINS,

Keells, Cargills, Arpico and Laugfs, significantly improved our visibility and ensured that we remained the customer's first choice.

Our market research shows that consumers are increasingly gravitating towards supermarkets for their tea purchases even though many still depend on their mom and pop stores. With these smaller family run stores increasingly moving towards self-service formats, they remain firmly within our focus. Modern trade stores suffered during the year, particularly due to the uncertainties of the socio-political environment so we focused more on other channels.

Gondolas, category headers, light boxes and other methods were used throughout supermarkets to ensure that our brands stood out. Seasonal and monthly discounts have been essential to our success in the current market where the customer is easily swayed by price.

Identifying regions that we have been traditionally weak in, and where we were up against established players, we focused on understanding the consumers better. We invested in activations with families, mini-carnivals and numerous other activities to engage with our target market. The result after two months of intense focus was a 25% increase in sales in these areas showing real potential for further growth.

Spending time with families in target areas to find out how they brew their tea was an eye-opening experience as we realised that many did not employ the traditional methods of brewing.

CATERING TO CONSUMER NEEDS IN HEALTHCARE

Through Healthguard, which makes up 15% of our healthcare business, we deal directly with the customer and have been doing so for the past 16 years. To strengthen relationships with customers we minimise the rotation of pharmacists, a strategy that has provided us with invaluable market insights.

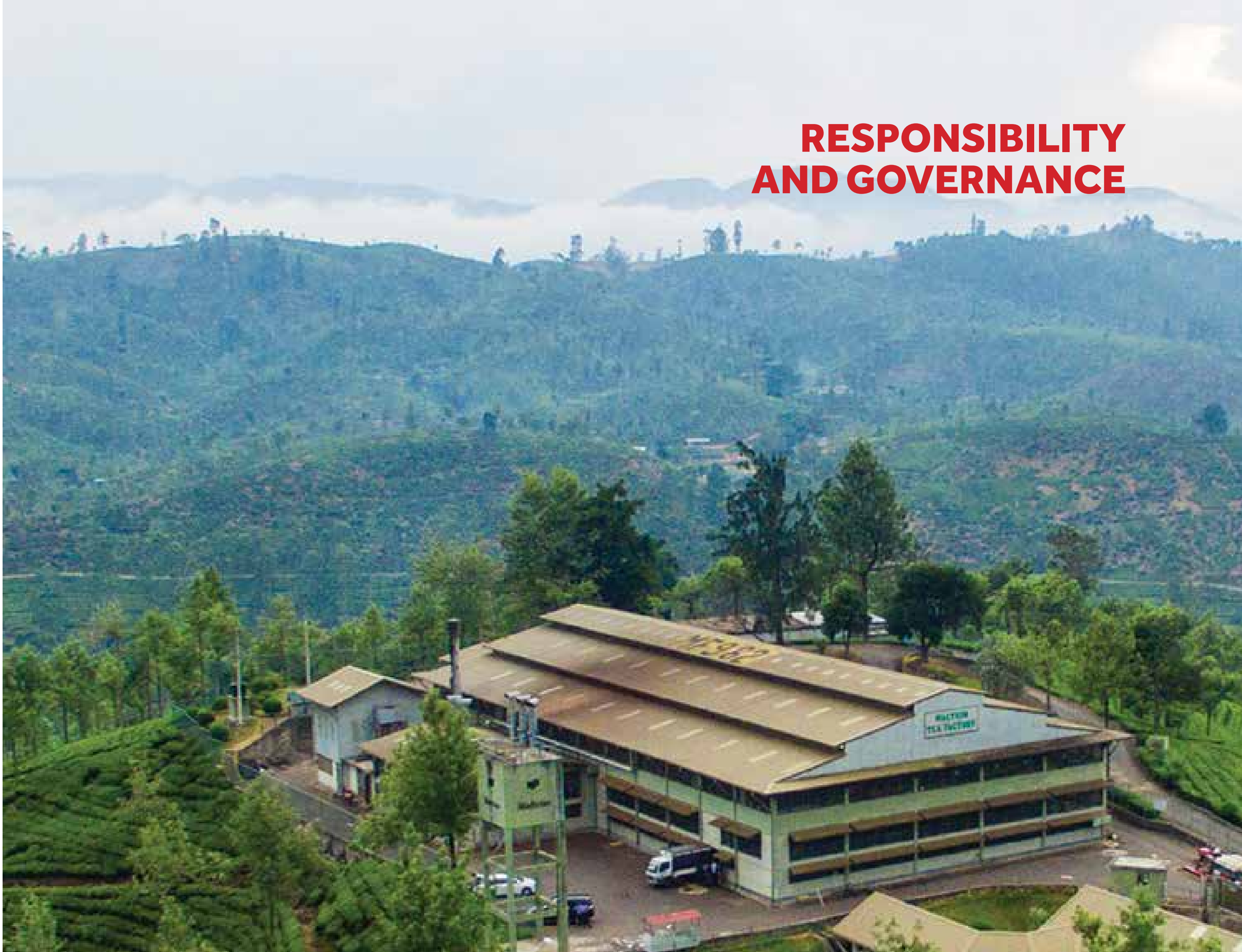
For instance, we know that many patients prefer to ask our pharmacists for medication for illnesses like the common cold, rather than spend time in a Doctor's waiting room. Our ethos goes against providing them with medication without a prescription but we do understand that this is a pain point for our customers. The solution? The oDoc app which puts a customer directly in touch with a physician.

WE ARE CURRENTLY TRIALLING THE ODOC APP

through which patients can visit our pharmacy, speak directly to a general physician, receive a prescription, and purchase the correct medication – all within 15 minutes.

Our oDoc app is just one of the innovations that are unique to Healthguard pharmacies. (Refer page 34 for more details on innovations that strengthen customer relationships.)

Likewise, through our strong relationship with principal Johnson & Johnson we were able to create a centre of excellence for surgeons in training. In this innovative wet lab these medical professionals are able to practice surgery using a dummy. The success of what began as essentially a corporate social responsibility project and being a training centre for upcoming surgeons.



WE ARE ALWAYS EXPLORING NEW AND SUSTAINABLE WAYS OF CREATING VALUE

for our stakeholders, including the communities and environment within which we operate. Watawala Plantations complies with global standards such as Ethical Tea Partnership, Fair Trade and Rainforest Alliance even when the benefits are long term. To make up any shortfall in the near term we simply work smarter.

MAINTAINING SOUND CORPORATE GOVERNANCE

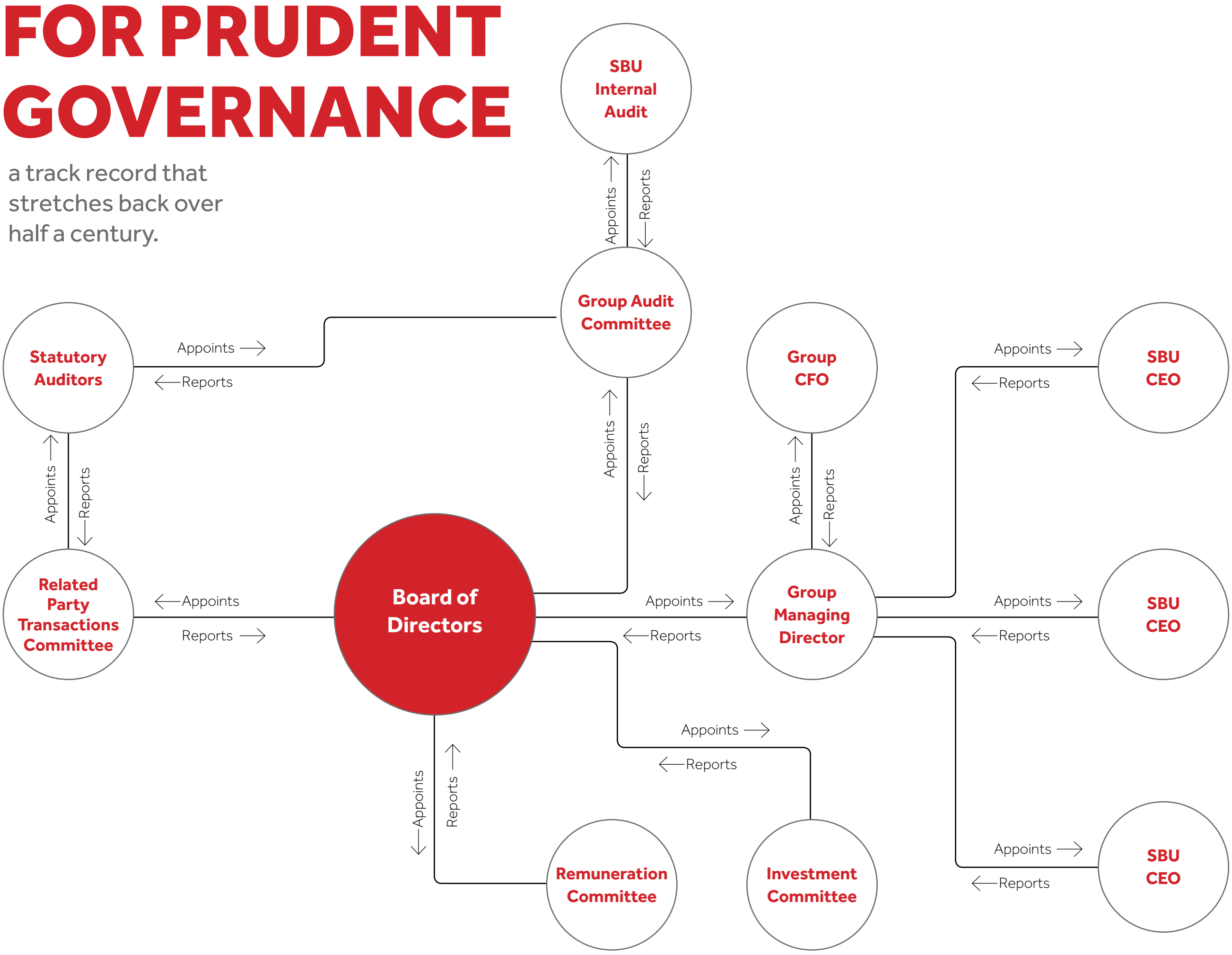
The Group owes its prudent growth to good governance practices. Our affairs and resources are managed with the utmost intellectual honesty and diligence. As we journey towards achieving our strategic objectives, we ensure that due care is always given to corporate ethics and social responsibility.

The Group's affairs are collectively directed by the Board of Directors who are completely aware of and knowledgeable about their role in ensuring its prosperity. Having pledged to take full responsibility for its actions, the Board ensures that executive authority is passed on only to those who live the Values of Sunshine Holdings.

Ensuring that reporting systems and processes are adequate and effective in providing the necessary overall control is another responsibility that the Board takes very seriously.

SUNSHINE HOLDINGS HAS A SOUND REPUTATION FOR PRUDENT GOVERNANCE

a track record that stretches back over half a century.



Along with our subsidiaries we are committed to upholding the highest ideals of corporate stewardship.

Across the Group we follow a "Code of Conduct and Ethics" that applies to the Board of Directors, Management and employees. The Code's level of compliance is monitored through an annual audit carried out by the respective business units and at the holding company level. During the year under review, no violations of the Code were recorded across the Group.

The Group also complies with all applicable mandatory and voluntary requirements. 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. No violations of the Corporate Governance Code for listed companies were recorded during the reporting year and we were not subject to any fines or non-monetary sanctions for non-compliance with rules and regulations.

The Board takes responsibility for ensuring that the Group's people strategy is effectively implemented, under the purview of the Human Resources (HR) Department. The continuous improvement of employee-related processes and procedures is also the responsibility of the HR division (refer Human Resource compliance on page 40 for more details). HR's performance is assessed by the Board and the Group Managing Director. We comply with all regulatory requirements relating to its Human Capital going above and beyond basic requirements.

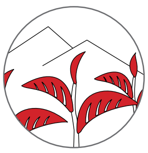
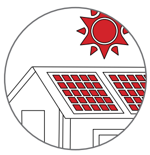
FORTIFYING MANUFACTURED RESOURCES

Our manufactured capital includes buildings, vehicles and equipment often used directly for the benefit of customers and other stakeholders. As we continue to grow so too will our manufactured capital.

ENSURING THE QUALITY OF OUR MANUFACTURED ASSETS

has a profound impact on the Group's capacity to capitalise on potential opportunities and the value it creates for all stakeholders.

In addition to meeting stakeholder expectations, we use such tangible assets to meet future challenges. Ensuring that the value we derive is at a premium means conducting due diligence and making every effort to develop and continue to maintain the high standards of our manufactured capital.

 **Healthcare**	**01**	Pharmaceutical central warehouse	**01**	Training centre		
 **Agribusiness**	**16**	Tea factories	**01**	Palm oil mill	Estate buildings, plant, machinery and equipment, estate community infrastructure, farm buildings, and barns	
 **Energy**	**03**	Mini-hydropower plants	**01**	Roof-top solar PV system		
 **Holding Company**	**01**	Head Office building				

During the year under review, we invested Rs. 0.8 Bn. as capex on a consolidated level. (Refer pages 104 and 105 in the Financial Statements for details.)

INTENSIFYING OUR SOCIAL CAPITAL

While sustainability lies at the heart of all we do at Sunshine Holdings, it is most strongly on display in our agribusiness sector. While our employee cadre in agribusiness is around 10,000 – the largest of all our sectors – an additional 48,000 people live on our properties and we work closely with around a further 64 villages in the vicinity. Uplifting their lives through the maintenance of roads and infrastructure, the building of houses, the provision of electricity, the organisation of medical clinics, and contributions to schools and places of worship has helped us maintain mutually beneficial relations with the communities within which we operate.

OUR VISIONARY HOUSING SCHEME PROJECT IS NOW COMPLETED

This project helps us align with the Government's plan to provide greater land ownership and improved housing to plantation sector employees.

COMMUNITY ENGAGEMENT

Over the past 50 years we have built a legacy of responsible entrepreneurship, working diligently to expand this basic principle into all aspects of our business by creating better living conditions and providing a higher quality of life.

In good times and bad we remain supportive of the communities within which we operate, with our Executives and Managers being present for community weddings and funerals alike.

Taking this further, as an extension of our Outbound Training Programme the Watawala Tea Ceylon team participated in the painting of two buildings and cleaned the large outdoor compound of a school in Akarawita. The team also attended to repairs to the school's IT lab in order to get the lab in a reasonable running condition.

COMMUNITY RECRUITMENT

While recruiting the best person for each vacancy within the Group is a priority for us, we make every effort to recruit directly from the communities within which we operate – especially for our agribusiness and healthcare sectors.

WHERE WE CANNOT PROVIDE EMPLOYMENT FOR UNEMPLOYED YOUTH

we focus on providing them with a meaningful outlet for their talents.

Working closely with the national federations for volleyball, table tennis and badminton we hired top quality coaches and built courts for all three sports in community areas. Together with the community we will work towards reinforcing the national squads through our sports initiatives.

POLICY ADVOCACY

As a responsible corporate citizen, we take it upon ourselves to give voice to the concerns of the community, using our contacts in the business and other arenas to ensure that their issues are escalated to the necessary authorities and firm action taken. In our advocacy role, we also work to address social issues that are relevant to our businesses and which have wider implications to society.

SAFEGUARDING OUR NATURAL CAPITAL

Comprising natural resources including water, soil, flora, and fauna, our natural capital consists of the resources that people and animals depend on to live and function. Distinct from other forms of capital most natural resources are limited and need to be conserved for future generations.

As a responsible corporate citizen our focus continues to be on using our natural resources in a sustainable manner and taking responsibility for the stewardship of our planet.

MINDING OUR PLANTATIONS

Giving due consideration to the environment has always been a priority at Sunshine Holdings. From ensuring the safe and proper disposal of drugs to the sustainable management of the lands we own and manage we have always adhered to the highest standards. While this has made the Group attractive to many overseas business partners, our association with them has helped to push our standards even higher.

SAFEGUARDING THE ENVIRONMENT AND THE NEEDS OF THE COMMUNITIES

that live in the vicinity of our plantations has led to mutually beneficial relationships that have strengthened the industry and the business.

A good example of our sustainable ethos is our palm oil plantation, which has received regulatory approvals despite anxiety on the part of national authorities who worry that the environmental damage that has plagued other countries in the South East Asian region may affect Sri Lanka as well.

Like our tea plantations, our palm oil plantations are run sustainably with due care given not only to the environment but also to the communities of the area.

Village integration and environmental safety are key factors in our environmental strategy. A majority of our recruits are people from the area who are provided with training and development which improves their ability to maintain the high standards that we insist on while also improving their own skills and marketability.

Thanks to our detailed study of the land under our care we were able to identify which areas were more suitable for planting and reserve those that were not for forestry. We also identified the different types of waterways across our lands and the different types of soil. Following this study we are now able to make environmentally sound business decisions about our agribusiness sector.

FOCUSING ON RENEWABLE ENERGY

Our foray into the energy sector was organic – a result of our sustainable ethos and our tradition of looking for innovative ways to responsibly utilise resources. Waltrim Hydropower (Pvt) Ltd., and Upper Waltrim Hydropower (Pvt) Ltd. operate the two mini-hydropower plants in Lindula, Talawakelle, while our latest mini-hydropower plant in Lippakelle estate is under a new subsidiary, Elgin Hydropower (Pvt) Ltd.

WE NOW HAVE THREE MINI-HYDROPOWER PLANTS WITH 6.6 MW CAPACITY

managed by Sunshine Energy (SEL).

Our hydropower business benefits from the strong working relationship we have with Global Hydro Energy (GHE), our Austrian business partner. Through GHE we enjoy technological innovations such as single window viewing screens through which we can monitor how much power is being generated at each of our plants. With the entire power generating process streamlined, we are able to run a successful business with just 36 employees, provided that there is enough rain in those areas.

Expanding on sustainable energy opportunities, we installed our first rooftop photovoltaic system in Kelaniya. With a capacity of 0.5MW (500kW), the solar panels are expected to generate around 65,250kWh of electricity every month. Spanning an area of over 35,000 sq ft, our newest green initiative will result in an annual net carbon emission reduction of 532MT of CO_2.

OUR FIRST ROOF-TOP SOLAR PV SYSTEM IN KELANIYA

is expected to generate around 65,250kWh of electricity per month, which translates to the planting of 26,600 new trees per annum and supports the Government's vision of sourcing 100% renewable electricity by 2050.

While we have shelved the idea of adopting stand-alone solar power panels as it is cost-prohibitive, our venture into rooftop solar panels is proving successful. Working closely with JSF Corporation – a wholly-owned subsidiary of REK CO., LTD. in Japan and a registered BOI company in Sri Lanka – we have been receiving valuable technical advice in nurturing our nascent solar power project. This business partner recently became Sri Lanka's first manufacturer of solar panels and commenced manufacturing operations at their production facility in the Katunayake Export Processing Zone.

As a Group we have already identified roofs across our properties that could generate capacity of over 2MW. Our plan is to scale this power generation up to 4MW in the near future. Over the next few years, SEL will be looking for more opportunities within the solar space – either through organic investments or through strategic partnerships. Along with the power generated by our mini-hydropower plants this will take our capacity to around 15MW, on par with other players in the renewable energy space.

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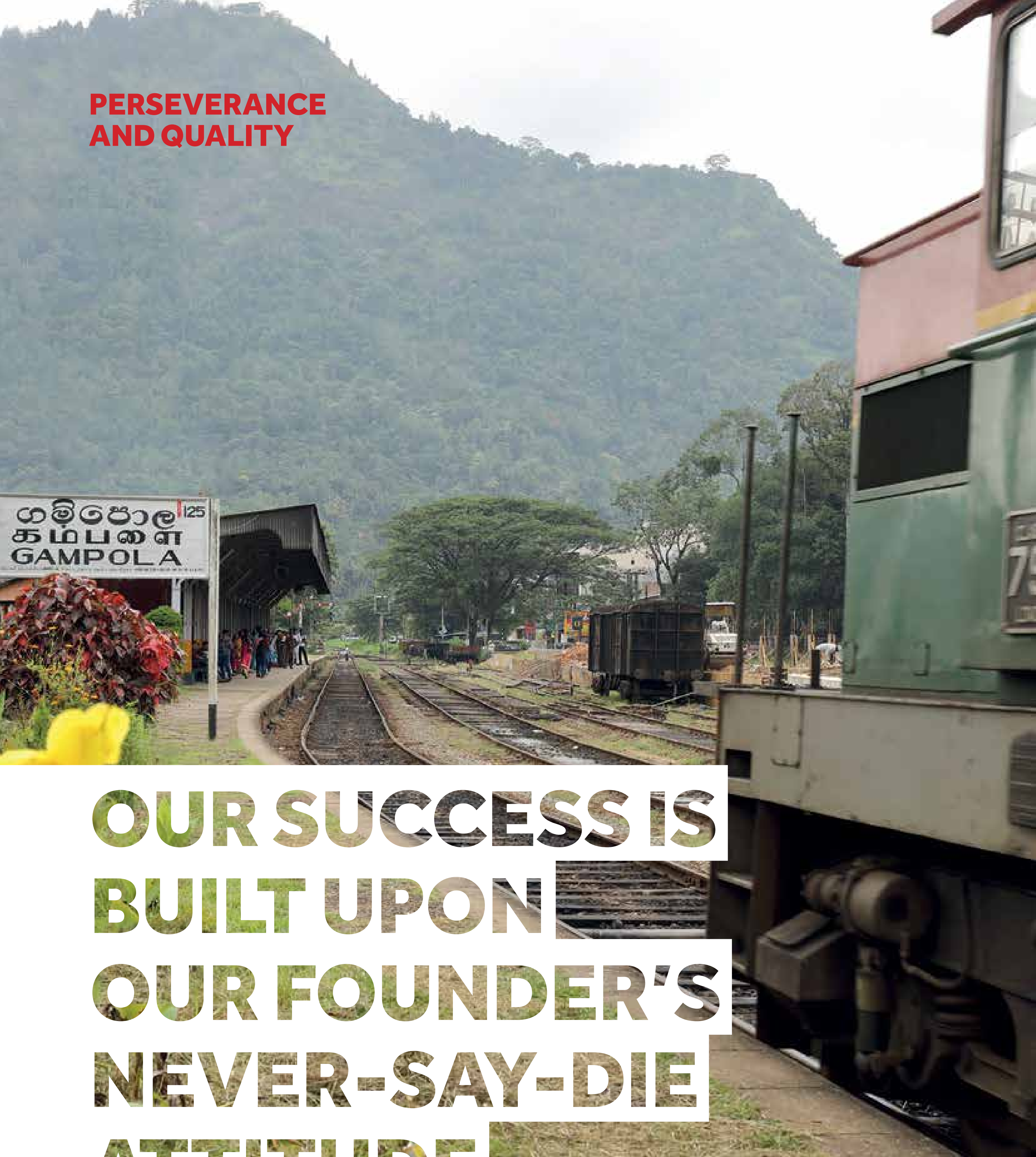
BLAZING A TRAIL

Perseverance has brought us this far on our journey, and it is what fuels our forward momentum as we blaze new trails. Every member of Sunshine Holdings perseveres to raise the bar on **quality**, every single time. Understanding our stakeholders' needs and being agile enough to meet or exceed needs in a timely and relevant manner is often what it takes to exceed expectations – the best measure of quality.

At the same time, we live in a fast-evolving world. Changes in the business, political, social, environmental, and regulatory arenas are rapid and often unexpected. In this backdrop of continuous disruption, we focus on challenging the *status quo* – even if it means questioning the way we have always done things before.

Innovation is the most utilitarian item in our toolbox, but we back that up with good **governance**, and with people, systems and processes that are geared for the future – even one that is not always predictable.

PERSEVERANCE AND QUALITY



OUR SUCCESS IS BUILT UPON OUR FOUNDER'S NEVER-SAY-DIE ATTITUDE

and their refusal to ever compromise on quality.

While examples of perseverance and our ongoing quest for excellence in quality are scattered throughout the preceding pages, this section pays special attention to aspects of our business which have not been discussed in detail so far.

FOCUSING ON QUALITY IN PHARMACEUTICALS

As mentioned previously, in the pharmaceutical sector, quality, for us means making sure that the end user receives the products we import in perfect condition.

Creating a dedicated quality assurance unit during the year was one of several initiatives undertaken to strengthen quality control further.

Our QA Division is responsible for ensuring that the imported products reach our customers in consumer, modern trade, private hospitals and Government hospitals in optimal condition.

During the year, we also analysed our product and principal portfolios, making the tough decision to discontinue underperforming products and agencies so that we could put greater focus on our star products and partners. Another exercise that took place during the year was the consolidation of our distribution network where we merged centres that were in close proximity while expanding others to better serve the area. We also significantly expanded our central warehouse. In addition, we streamlined team structures to better manage our products.

THROUGH OUR INTERNATIONAL PRINCIPALS WE IMPORTED A NUMBER OF NEW PRODUCTS

to the market for diseases such as diabetes, (we are currently the largest insulin supplier in the country), autoimmune disease, and pigmentation.

In a tough operating environment, which saw the Sri Lankan rupee depreciating and prices for selected molecules being regulated by the Government, we had to act fast in order to secure profitability. We did so by being transparent with our principals, leveraging the strong relationships we had built over the years to secure mutually beneficial agreements. Of the 25 molecules that were selected for price regulation 15 impacted us significantly but where we lost out on price, we were able to make up for in volume thanks to the fact that we were importing in-demand, top-of-the-list brands.

Using our ties with the Sri Lanka Chamber of Pharmaceutical Industries we also continue discussions with local regulators and Government authorities on the creation of an effective pricing mechanism.

To ensure the quality of our products we work closely with Internal and External Auditors, acting on their advice to continuously improve the quality of our systems and processes. In addition, we are also audited by our principals on pharmacovigilance and patient safety, and working with them has helped us operate to the highest industry standards.

In return, we provide our principals with direct feedback from our customers on adverse reactions while meeting the highest standards of patient confidentiality. Our principals include Novo Nordisk of Denmark and Zydus Cadila a market leader according to IMS Health data.

PERSEVERING WITH HEALTHGUARD

Through our Healthguard pharmacies we promised consumers a better experience and we are delivering on it. Currently, no other pharmacy chain in Sri Lanka provides the consumer with the kind of experience we do. Harking back to the early days when the Company's founders were stocking their first pharmacy with hard-to-find imported goods in addition to medicines, our pharmacies too offer walk-in customers a range of other items to choose from in addition to the best in medicine.

The success of Healthguard was down to perseverance, as it took a few years to perfect our business model and attract customers.

Even today, we do not compromise on quality and trust. To serve our customers better, our pharmacies consist of qualified pharmacists. Soon each of our pharmacies will also consist of nutritionists and beauty advisors who are at hand to provide advice on preventative care. While we pay great attention to sourcing and increasing the range of products on offer, we also focus on the competence of our employees. It is this type of intellectual capital that makes Healthguard a tough act to follow.

TODAY, HEALTHGUARD PHARMACIES FOCUS ON THREE KEY AREAS:

pharmaceutical products, wellness products (including preventative and curative) and wellness-led beauty products.

Healthguard employees go through 40-50 hours of training and orientation every year.

- For the Healthguard leadership we focus on retail competencies
- For store supervisors, management skills in addition to retail knowledge
- For in-pharmacy employees, we provide customer service knowledge and product knowledge on a weekly basis

Our training and development centre is located right above our Colpetty store so that practical application can be applied, observed and feedback provided to participants.

As a process-driven organisation, operational excellence is of paramount importance to us. We focus on competencies, from people development in all 23 of our outlets to our temperature controlled supply chain and logistics where our products are delivered on time, in full and in optimum condition.

QUALITY FOR CONSUMERS

THE BEST MEASURE OF QUALITY IS THE ABILITY TO EXCEED CUSTOMER EXPECTATIONS

Whether we are partnering with other businesses, leveraging Group synergies or ensuring the end-user's experience remains superlative, the one thing we never compromise on is quality. This is why Sunshine Holdings remains the brand of choice for our business partners.

Our quest for quality is not limited to our own systems and processes, but extends across the supply chain.

For instance, in the past, Hatton Plantations faced the issue of maximum residue levels (MRL) in tea being over the accepted limit for countries such as Japan and Germany. As a result, we engaged with our suppliers, banned certain chemicals and agreed on a sustainable model. We also worked closely with smallholders from whom we purchase tea leaves, providing them with clear guidelines on everything from growth of tea bushes to transport of leaves to factory. These steps enabled us to overcome MRL issues. We also implemented a robust system that allows us to trace every batch of tea to its origin. This gives us better control over the ultimate quality of our tea.

In addition, our market studies have shown that unlike other consumer goods such as baby cream or shampoo for instance, tea is not a product that is easily defined because of the tendency for consumers to use or even mix unbranded loose-leaf tea. Maintaining customer loyalty and market leadership in such an environment takes immense effort.

Creating a distinct message became vitally important in a market where the distinctness of tea brands is unclear to the consumer.

So, we created three different messages for each of our brands-an innovative ploy that reinforced market leadership and customer loyalty.

For Zesta, which is our premium tea, our campaign featured an experienced tea master describing how refined the tea is – a unique approach, compared to the sea of advertisements featuring families waking up to a steaming cup of tea.

For Watawala, our mass premium tea, the focus was on being No. 1 tea brand. On the one hand Watawala's communication reinforced the brand's position as the number one brand, while on the other encouraging consumers to examine the packet's manufactured date. This helped to create awareness of the freshness of the brand's tea. Again, this is a message that is unique to Watawala with the tea itself fitting the Sri Lankan palette perfectly in colour, flavour, and aroma.

For Ran Kahata, the tea for our budget-conscious consumer, the message was one that resonated: one spoon – two cups, indicating that the user gets more cups of tea from each spoonful. Ran Kahata is our most recent entrant to the market but showing great promise.

DIVERSIFICATION AND SYNERGY

Capitalising on the diverse synergies of the Group is an area that Sunshine Holdings has shown great aptitude in over the years.

For instance, our consumer business benefits from partnerships with both tea brokers and tea tasters in our agribusiness sector. As tea buying is regulated in Sri Lanka our FMCG business is not able to simply buy wholesale from our own tea estates. After purchasing tea through auctions, the tea for our key brands, Zesta, Watawala and Ran Kahata are blended with the greatest care. This is where Group synergies in the form of tea expertise come into play.

Watawala Dairy stands on a formerly unproductive tea plantation, but the hills on which tea bushes once stood are now covered in grass and dotted with imported cows. Just as much as our dairy farm benefits from the Group's external business partners, it also gains through advice from the leadership of our agribusiness sector – more than half of whom are graduates in environment-related subjects.

Likewise our renewable energy business is able to make use of free roof space across our sectors – especially in the agribusiness sector – while our mini-hydropower plants are located on our plantations.

SYNERGY ALSO COMES IN THE FORM OF CENTRALISED ADMINISTRATIVE FUNCTIONS

such as human resources, information technology and finance. Centralisation means that our businesses across the Group are able to enjoy professional yet cost-effective services in these areas.

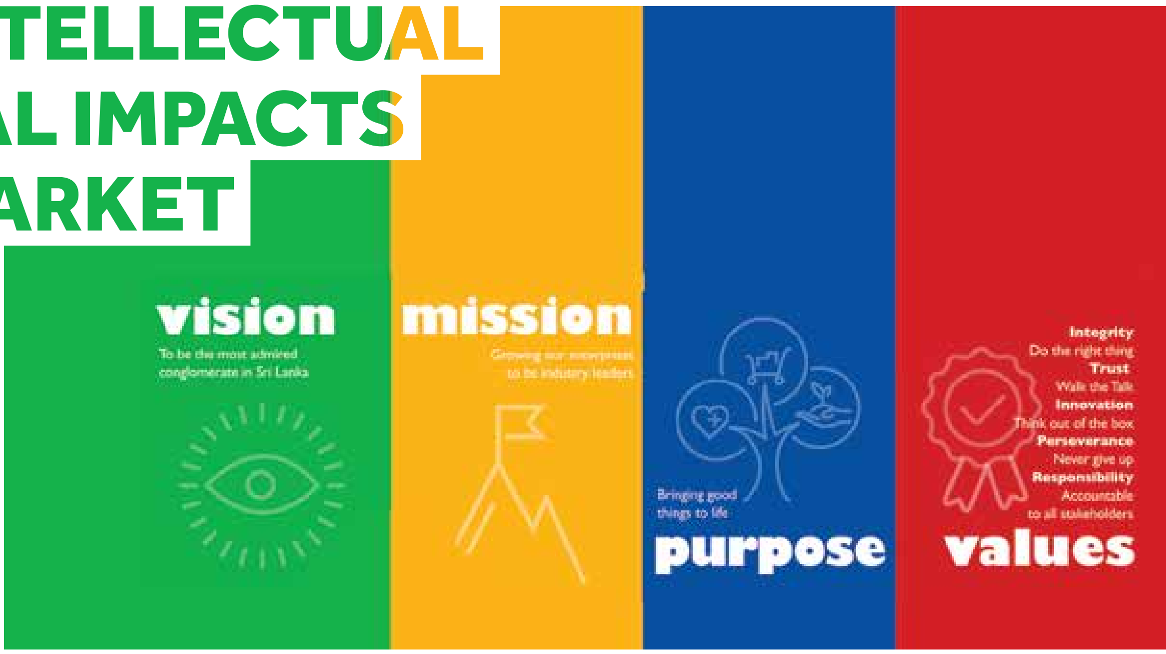
NURTURING OUR INTELLECTUAL CAPITAL

Our future is already being shaped by the latest business trends such as digitalisation, market disruptors, demographic changes, and increasing concerns about sustainability. These developments, which are taking place at an incredible pace, will certainly challenge conventional business models. In doing so, they make past financial performance less relevant for any assurance of the future potential of a company.

In the past, tangible assets were considered the key driver of a company's value. Today, the corporate sector is very aware of the impact intellectual capital has on the performance of a company. For instance, mismanaging knowledge-based intangible assets can significantly impair a company's value. On the other hand, safeguarding these intangible assets give a company a competitive advantage, future readiness, and the ability to meet stakeholder expectations.

OUR INTELLECTUAL CAPITAL IMPACTS OUR MARKET VALUE

and is what defines us from the competition, comprising elements such as brand, Vision, Mission, Values, employee knowledge and skills, systems and processes and software.



As described on page 35 under "Boosting employee engagement", we invest heavily in our people, ensuring they have the skills, experience, and qualifications for the jobs they are responsible for through local and international training and development programmes. Transparency is another big key in our employee strategy. In good times and in bad we remain honest with our people, speaking directly and openly to them at town halls and encouraging and acting on their feedback.

We also focus on technology as described in more detail on page 67 under "Investing in technology", implementing business intelligence tools, management information systems, and enterprise resource planning systems across the Group to improve operational efficiency.

We continued to maintain well-acclaimed certifications, during the year under review, to ensure that our conglomerate follows best practices in environmental and social management.

THE SUNSHINE HOLDINGS BRAND

While many of our subsidiaries and their products and services have strong brands that are well-known in the market and, indeed, lead the market, the Sunshine Holdings brand itself is not well associated with them. This is a trend we hope to change in the near future. Our focus will be to strengthen the brand for both investors and employees.

Our logo is inspired by the conch which has been designed to resemble the "sun" in our corporate name. The image is a powerful representation of the Sunshine Holdings conglomerate – a vibrant energy source which powers the creation of value. The four colours on the conch reflect our corporate values: red for integrity and innovation, yellow for perseverance, green for responsibility, and blue for trust.

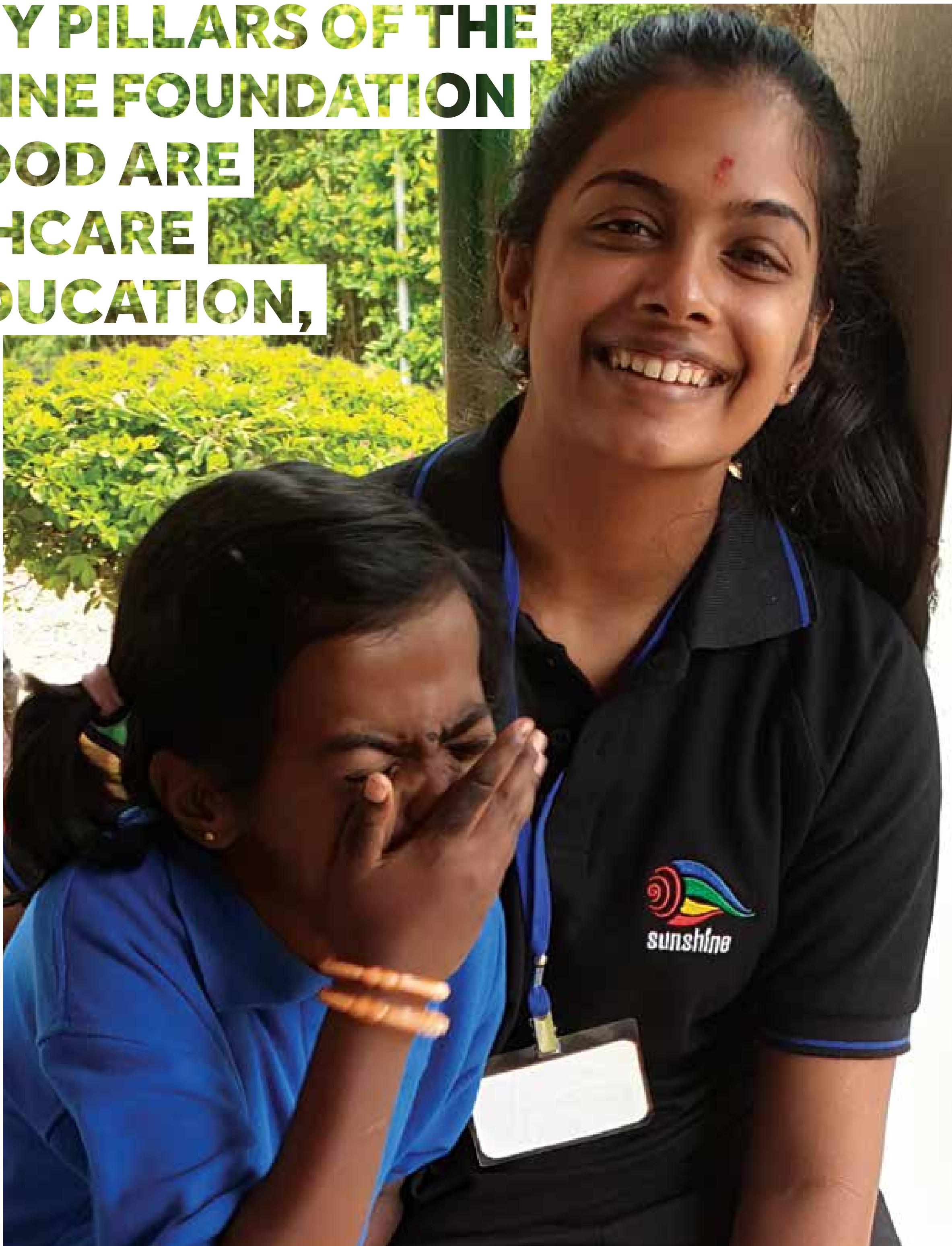
Our logo also stands for the diversity within, with Sunshine Holdings being a beacon that attracts diverse people who come together for the common purpose of value creation.

SUNSHINE FOUNDATION FOR GOOD

Launched during the previous reporting year, the Sunshine Foundation for Good has been the catalyst for well-planned initiatives aimed at giving back to the communities within which we operate. (Refer page 49 under "Intensifying our social capital" for more details of our community-related projects.) It was founded as a result of our business strategy to integrate Corporate Sustainability in a more holistic manner.

THE KEY PILLARS OF THE SUNSHINE FOUNDATION FOR GOOD ARE HEALTHCARE AND EDUCATION,

and going forward our corporate social responsibility (CSR) initiatives will be organised under these two main pillars. Our Care Centre for differently-abled children commemorated its first anniversary during the reporting year.



The Sunshine Foundation for Good was initiated to centralise all CSR efforts. This initiative is spearheaded by the Group through a sustainability committee and a project chair who is committed to drive change towards sustainability. The Foundation is registered as a separate business entity of Sunshine Holdings PLC in order to better handle management, allocate funds and monitor the overall purposes of the CSR efforts.

OUR AWARDS

The outcome of living by our values is the ability to provide a service offering that is unique and differentiated. During the year under review we received recognition in the following manner:

- Top 10 – Most Admired Companies of Sri Lanka – 2018 – CIMA and ICCSL
- Top 30 – Business Today Top 30 – Business Today Magazine
- Bronze Award – 54th Annual Report Awards, CA Sri Lanka
- Most Popular Hot Beverage Brand of the Year - SLIM Nielsen People's Awards (Watawala tea)
- Gold Award – Social Dialogue Awards 2018 - Ministry of Labour and Trade Union Relations (Plantations)
- Second place – Best Institute for the Care and Development of Differently-Abled – Ministry of Social Welfare & Primary Industries (Plantations)
- Second runner up – Best Tea Producers for up-country Dimbula district – T.E.A. AGM (Plantations)

Top 10 – Most Admired Companies of Sri Lanka – 2018 – CIMA and ICCSL

Top 30 – Business Today Top 30 – Business Today Magazine

Most Popular Hot Beverage Brand of the Year – SLIM Nielsen People's Awards (Watawala tea)

WE HAVE NEVER BEEN SATISFIED WITH THE *STATUS QUO*

from the way we market our consumer brands and maintain the quality of the pharmaceuticals we import, to the way we contribute renewable energy to the national grid and run a sustainable agribusiness sector in harmony with the community and environment.

For us, innovation is not limited to digital technology – although we are proud of the many hi-tech systems and processes that we have adopted in pursuit of value creation. Innovation also encompasses the way we challenge the *status quo.*

INVESTING IN TECHNOLOGY

Our operating environment is changing faster than it ever did in our half century of existence. Regulations are tightening, the socio-economic and political environment is often unpredictable and the climate is more extreme than ever. We understand the value of being visionary and preparing for the future, today. Our innovative outlook in the face of extreme and unpredictable change has helped us weather many a storm in the past. Now, across the Group, technology is playing a big role in streamlining our systems and processes and takes up Rs. 61 Mn. of our capital expenses.

We began the year with many useful technological innovations already in place. For instance, during the previous reporting year, we had already switched to cloud data centres to achieve greater accessibility, mobility, scalability, security, and cost benefits. We also implemented a Group-wide cloud-based platform to centralise key operational data, streamline communications and coordinate decision-making within the Sunshine network. In addition, we strengthened information security to protect corporate and customer data.

While many of our business partners are behemoths in their fields, organisations that have built their reputations over decades, we also partner with innovative new companies.

In agribusiness we work with two start-ups using drone technology to gather field data. If a field has been left fallow, drone technology helps us to identify that field and take necessary action. (Refer page 51 under "Minding our plantations" for more details of this study.) We are always on the lookout for innovative young companies that are able to add value to the work we do.

Technology is a major game changer. Significant upgrades during the year include the implementation of the following:

- Customer relationship management system
- Business recovery process
- Management information system for principals
- Business intelligence tool
- Enterprise resource planning system

Even in times when travel to the country is difficult, our principals have the option of accessing their data from anywhere in the world through the upgraded management information system.

In our healthcare business we also took initial steps to secure a demand planning tool.

Similarly, in our medical devices business, we are also phasing out printed communications for reaching out to customers and switching instead to digital channels such as email and social media, while our field agents carry electronic tablets with them instead of brochures.

CUSTOMER ANALYSIS AT OUR HEALTHGUARD PHARMACIES

allow us to make vital decisions about the optimal number of employees per pharmacy, especially during rush hour.

At our Healthguard pharmacies we use technology to understand customer behaviour. Through analysis we review information such as how long they spend at the counter to how often they make an unplanned purchase. This kind of management information is shared with Senior Management and constant changes are made to our operations to cater to new customer needs.

Such adjustments include the optimal number of employees per pharmacy, particularly during peak times. Most customers will want to make a quick purchase and leave, but there are others who may wish to linger and speak with the pharmacist who will most likely have been stationed at the same location for several years and have built up strong relationships with the community. Our focus is to serve both types of customers'. We also provide our Healthguard employees with the necessary tools and technology to supplement our customer service training.

Using our understanding of shopper behaviour we have provided solution that address customer needs and pain points. The trial of online doctor consultation Apps is one such step that offers greater convenience. It offers our customers the convenience of a video or audio consultation with a qualified physician in store. Based on its success, we plan to roll out more of such services across our pharmacies and market it to customers. We also provide services such as blood pressure and blood sugar monitoring in store.

Another innovative service that we are trialling relates to addressing a pain point related to prescribed drug availability.

Instead of travelling from pharmacy to pharmacy in search of the recommended brand, customers can now WhatsApp their prescription.

When we receive their WhatsApp message, we either send information about which store has the drugs they need or have their order already prepared by the time they enter the pharmacy. This service is also available through our customer service hotline for customers who still prefer to have that human interaction with their pharmacist.

While maintaining customer confidentiality we also keep our partners – including global behemoth GNC Holdings – informed of customer choices and trends. This enriches our relationship with our partners while also strengthening customer relationships by being able to provide the products that they need.

DISRUPTING THE MARKET THROUGH HEALTHGUARD

THE PHARMACY THAT OFFERS MORE THAN JUST PHARMACEUTICALS

Healthguard was launched 15 years ago as a market disruptor.

Even after Healthguard first emerged in the market, we remained a disruptor with our distinctive branding and store layout. Now we have disrupted the market again through our offerings and services – including a range of wellness and beauty products that are tailored to customers' specific health needs.

We continue to look at new ways to engage with our consumer, exploring how a Healthguard pharmacy should look and even smell in order to improve consumer experience, we will also explore ways of increasing our reach using technology as we continue to provide customers with greater convenience and superlative care.

FUTURE OUTLOOK

OUR STRENGTHS AND ACHIEVEMENTS ARE SET

against the context of the operating environment that prevailed as illustrated throughout this Annual Report.

Our story for the year under review is full of useful indicators of our prowess in the sectors within which we operate. These anecdotes illustrate healthy growth and financial stability. Given the unprecedented pace of change in the operating environment and the potential challenges we face though, we are keenly aware that historical performance does not necessarily equate an assurance of future potential and prospects.

For this reason, we state here the Group's plans to deliver value to stakeholders in the near future, in the context of the forecast operating environment, based on publicly available information.

Due to the future's volatile and unpredictable nature, and the fact that the statements that follow are forward looking, we urge you to keep in mind that all opinions, forecasts and plans given here are subject to change depending on how the future unfolds. Such changes will in turn impact the risks and rewards outlined here.

GLOBAL OUTLOOK

While economic activity was on an upward trajectory in many regions of the world over the first half of 2018, one year later that growth has slowed down. The effects of US–China trade tensions, credit tightening in China, disruptions to the car industry in Germany, and financial tightening in key advanced economies have resulted in weaker-than-expected global expansion, which is projected to impact the first half of 2019.

The World Economic Outlook (WEO) expects as much as 70% of the world economy to witness slower growth in 2019. Global growth declined to 3.6% in 2018 and is expected to slide further to 3.3% in 2019. Despite this weak start though, growth is projected to accelerate slightly in the second half of 2019. This can be attributed to the more accommodative stance taken by the US Federal Reserve, the European Central Bank, the Bank of Japan, and the Bank of England. In the meantime, China has increased its fiscal and monetary stimulus to counter the negative impacts of trade tariffs. In addition, with the prospect of a trade agreement looking slimmer, the outlook for US–China trade tensions is deteriorating. While markets are more optimistic, they remain slightly more reserved than in the last quarter of 2018.

REGIONAL OUTLOOK

In Asia, market stocks as a whole fell significantly during 2018, with key markets including Japan, Hong Kong and Shanghai performing poorly. The escalating trade conflict between China and the U.S. can be considered one of the culprits for the poor performance which has the potential to shake the global economy and disrupt supply chains across the Asian region. Hong Kong exporters like consumer goods trader Li & Fung Ltd. in Hong Kong have witnessed more than 70% of its market value evaporate since May 2018.

The Asian Development Bank (ADB) expects growth in South Asia to nudge upwards by 0.1 percentage point – from 6.7% in 2018 to 6.8% in 2019 and again to 6.9% in 2020. Growth in India is expected to increase to 7.2% in 2019 and 7.3% in 2020 with agriculture domestic demand picking up. Several other regional countries are projected to maintain or pick up growth rates. Bangladesh is expected to reach 8.0% growth in 2019 and 2020. Using broad ranging reforms, Pakistan and Sri Lanka are currently focusing on restraining fiscal and external imbalances.

LOCAL OUTLOOK

OUR HEALTHCARE BUSINESS IS DEPENDENT ON THE UNFETTERED FLOW OF CARGO

into the country. Thanks to diversification and the prudent use of technology though, the Group has been able to mitigate the risks that come with such dependency.

Sri Lanka's GDP is expected to grow by 3.6% and 3.8% in 2019 and 2020 respectively – one of the lowest in the region. Inflation rates are forecast at 3.5% and 4.0% respectively for those two years. Per capita GDP growth for Sri Lanka is expected to reach 2.6% in 2019 and 2.8% in 2020.

Two important elections – the provincial council elections and the presidential election – can be expected in 2019. As a result of uneasy relationships between political parties and players, political risk remains elevated.

OUR PLANS

Going into 2019-2020, we will be looking to scale our brand, focusing on prudent organic and inorganic growth, and business process optimisation. The recent acquisition of Hayleys pharma divisions and the intent to merge with CIC are clear indications to the market that Sunshine Holdings is looking to expand. Our trusted brand is synonymous with integrity, responsibility, perseverance, and innovation. We plan to fortify our brand strength in the market to attract high quality investors and employees to join us as we continue to focus on creating greater value.

Within our existing diverse businesses, we will be looking to reinforce our leadership position – reimagining what it means to be a market leader in these fields. In arenas where we are chasing the leader we will look to widen market share and win hearts and minds while continuing to invest in employee development.

In the wider business community, we are lobbying for better practices and policies with the aim of creating an optimal environment for Sri Lankan businesses – one where good governance and responsible stewardship go hand in hand with wealth creation.

EXPLORING DIVERSE AVENUES

In healthcare we will continue to investigate diversification of products, bringing in trusted brands for our customers. Through constant analysis of customer habits and trends we will also bring in new and innovative services for their convenience.

Likewise, in our agribusiness we will continue to focus on palm oil while also maintaining smaller holdings of crops such as rubber. Our dairy business is showing great promise and we will continue to look at implementing best practices to scale up.

In the consumer business we will continue to invest in our brands Zesta, Watawala and Ran Kahata. Watawala water is one of our newer products in the consumer space. Sourced from Hatton – a region with the highest PH levels, it is of a superior quality. This is not, however, a product we are ready to promote just yet. In the meantime, we are exploring sustainable methods of storing and transporting this product. We are also looking to add more products to our portfolio with the introduction of diverse healthy beverages in addition to tea.

In the renewable energy space as well, we continue to explore opportunities. Of the three elements – generation, distribution and transmission – the only option available to the private sector is power generation, so we are able to contribute to the national grid. Our solar rooftop solution is currently showing great promise as described on page 52 under "Focusing on renewable energy". While we have put our exploration of standalone solar panels on hold, we continue to investigate other options including wind farms, and bio thermal energy.

74 RISK MANAGEMENT

At Sunshine Holdings, we manage our affairs and resources with the utmost intellectual honesty and diligence, giving due care to corporate ethics and social responsibility. This has always been our way.

As a listed, diversified entity, we are keenly aware of the need to successfully manage risk. Failure to do so can affect our operations, our stakeholders, and the society and environment within which we operate. Such risks can negatively impact our financial performance or attract the ire of regulators, seriously affecting our ability to create value. They have the potential to damage a hard-won reputation that was half a century in the making.

Each of our subsidiaries maintains separate risk management functions while, at Sunshine Holdings, we manage these risks through an effective governance framework that ensures regulatory compliance, transparency, and accountability, avoiding conflict of interest and safeguarding the integrity of our financial reporting and disclosures.

Our diversification into the various sectors, industries, and markets is a strategy that supports risk management from the Company's perspective as well as that of its shareholders.

Sector	Risk category	Risks	Implication/consequences of not addressing the identified related risk	Risk control measures/ Risk mitigation actions
Healthcare	Regulatory and compliance risk	Delay in registration of products or import licenses	Unavailability of products leading to loss of market share and product loyalty	Comply with all regulations relating to the product and develop close relationships with the regulator while continuously following up on the process
		Price control of pharmaceutical drugs and medical devices	Margin contraction. Increase in demand leading to out of stock situation	Streamlined ordering process. Adjusting to the market environment as quickly as possible. Negotiating prices of drugs and medical devices with principals to maintain margins
	Supply chain risk	Physical disruptions, environmental and industrial disruptions or loss of key suppliers	Non-availability of adequate inventory levels resulting in loss of credibility while competitor brands capture the market share	Improving demand planning function and establishing strong relationships with principals while being up to date with detailed information on competitor products
		Disruptions to logistics	Damage to inventory/ storage facilities from natural disasters such as floods or fire which could result in losses	Ensuring that all safety measures are being taken according to the International Standards Insurance cover
	Product risk	Risk of product failures and declining demand for existing products	Loosing the market share of the individual product and entire product range linked to it	Continuous monitoring and communication with business partners for identifying the best product for the market
	Attrition	Shortages in qualified staff	Affecting the long-term sustainability of the Organisation	Matching the overall expectations of the employees with the market standards or above. Continuous employee engagement and development

Sector	Risk category	Risks	Implication/consequences of not addressing the identified related risk	Risk control measures/ Risk mitigation actions
	Exchange rate	Depreciation of the Sri Lankan Rupee	Decrease in margin due to higher input costs Exchange loss relating to payables	Forward contacts and renegotiations with principals for better rates Price increase of non-price controlled molecules and negotiations with NMRA to increase the prices of price controlled molecules
	Interest rate	Increase in interest rates on borrowings	Higher finance cost on working capital and drop in net profitability	Renegotiations with the banks for favourable terms and consider multiple financing options. Better working capital management
FMCG	Commodity price risk	Increase in input costs	Reduction in margins until the price adjustments are effected	Effecting price increases based on market dynamics Tea purchasing strategy – based on the last four years' price trend, purchasing will be done at an optimal price
	Supply chain risk	Reduction in brand loyalty due to unavailability of products on shelf	Reduction in sales coupled with decrease in market share while competitive brands capture the market share	Stronger engagement with distributors and retailers. Inventory optimisation for finished goods. Continuous monitoring of market demand
	Stiff competition	Loss of market share	Reduction in revenue and profitability in the short term and losing business sustainability in the long term	Aggressive marketing and promotions above the competition
	Capital and finance	Liquidity and credit risk	Payment delays by debtors will pressurise the working capital cycle and increase collection risk	Continuous follow up on debtors settlement and improved working capital management. Consider multiple financing options with favourable rates

Sector	Risk category	Risks	Implication/consequences of not addressing the identified related risk	Risk control measures/ Risk mitigation actions
	Product quality	Quality risk	Deterioration in the brand equity	Management of stringent quality control activities at manufacturing plant. Promptly responding to customer inquiries while implementing total quality control measurements
Agribusiness	Weather and climate	Unpredictable extreme weather unfavourable to agriculture	Drop in quantity and deterioration in quality of crop leading to reduced revenue	Follow sustainable agricultural practices including RSPO recommendations. Conservation of environment and water resources
	Commodity price risk	Volatility in prices due to demand and supply dynamics	Decrease in prices could lead to contraction in margins	Forward contracts to sell Palm oil, tea swaps derivative instruments to hedge tea prices. Value addition and branding of tea by the Consumer Goods segment
	Energy cost	Increase in energy cost	High costs leading to contracting margins	Use of cheaper energy sources, use of internal hydropower, briquettes and solar power and use of green building concepts
	Regulations on agrochemicals	Non-availability of agrochemicals without proper alternatives	Higher costs incurred for manual weeding and alternative agrochemicals	Move to alternative agrochemicals
	Labour shortage	Operational disruptions	Reduction in quantity and quality	Process automation and usage of third party labour
	Land availability	Limitations in planning for revenue growth	Decrease in revenue growth in the medium to long term	Actively looking for suitable land outside the RPC with proper agroclimatic conditions and scientifically increasing the yield per hectare

Sector	Risk category	Risks	Implication/consequences of not addressing the identified related risk	Risk control measures/ Risk mitigation actions
	Feed costs	Increase in feed purchase prices due to seasonality of crops	Increase in cost leading to contracting margins	Scientifically identifying the best feed mix. Close relationship and engagement with out-grower farmers to increase their efficiency and reduce cost
	Quality of milk	Decrease in milk quality	Lower retail prices for milk and lower revenue	Use of good quality feeding ration/industry practices/ staff training, state-of-the-art milking parlour with no room for contamination and obtaining competitive prices from different buyers
Energy	Interest rate risk	Increase in interest rates leading to increase in finance cost	Reduction in profits and stress on cash flows	Re-finance of long-term debt with preferential terms and equity investors
	Machine breakdowns	Inability of supplying electricity to the grid	Reduction in revenue and profits	Continuous maintenance and keeping all machinery agreements up to date
	Weather and climate	Reduction of power generation	Reduction in profits and stress on cash flows	Maintenance of sufficient cash reserves to cover debt service payments. Diversification in to other forms of renewable energy

80 FINANCIAL REPORTS

The Financial Reports and accompanying notes provide a true and fair view of the results of our operations, financial position, and cash flows as stated in the relevant reports and statements in this section.

Our Financial Statements comply with all applicable accounting standards and are free from material misstatement.

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 (Resigned on 28 May 2018), G Sathasivam, A D B Talwatte and D A Cabraal (Appointed on 28 May 2018). Other Directors attend Committee meetings by invitation. 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.

The Nomination and Remuneration Committee met two (2) times during the year. The Committee reviewed the performance of the Executive Directors and recommend their compensation to the Board. It also recommends the nomination of new Directors and those retiring by rotation.

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 Executive Directors, CEOs, and the Group Heads. The Committee also discusses and advises the Directors and Group Managing Director on structuring remuneration packages for the Corporate Management based on the market data. This enables the Company to attract, retain and motivate high calibre individuals with the skills and abilities required to lead the Organisation.

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
Nomination and Remuneration Committee

30 May 2019

REPORT OF THE AUDIT COMMITTEE

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 and sector Managing Directors attend meetings by invitation. The Group Chief Financial Officer, and Sector Heads of Finance attend meetings as requested. The Charter for the Audit Committee is in line with the international best practices frame work. 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 28 May 2018
01 of 01 meeting

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

B A Hulangamuwa (Member)
Non-Independent Non-Executive – resigned on 30 May 2019
05 of 08 meetings

S Shishoo (Member)
Independent Non-Executive
06 of 08 meetings

A Cabraal (Member)
Independent Non-Executive – Appointed to Audit Committee w.e.f. 28 May 2018
06 of 07 meetings

THE AUDIT COMMITTEE AND ITS RESPONSIBILITIES

The objectives of the Audit Committee is to ensure that the Company presents Financial Statements that are true and fair, complies with applicable financial reporting standards and relevant laws and regulations governing financial reporting, has an effective system of internal controls and risk management and an independent process for external audit. The Audit Committee obtains the representation from the Group Chief Financial Officer on compliance with law and regulations, adequacy and effectiveness of internal control systems, fraud (if any), and going concern. The Committee reviews the published Financial Statements, assesses compliance with regulatory requirements, considers the impact of risks, fraud and errors in the Financial Statements, Internal Audit Reports, the external audit findings 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 FULFIL 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 31 March 2019. 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.
- Monitored the process of adopting the two new accounting standards SLFRS 15 and SLFRS 9 which were adopted during this financial year and discussed with Management and External Auditors the implications there on.

- 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. 07 of 2007.
- Reviewed internal audit reports and findings of the External Auditor in support of the integrity of reported results.
- 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.
- Reviewed and recommended to the Board non-audit services to be granted to the External Auditors.
- Recommended that Board Select KPMG Chartered Accountants as Independent Auditors to audit and report on the Annual Consolidated and the Company's Financial Statements.

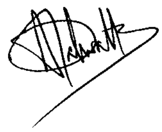
EXTERNAL AUDITOR

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.

The Committee is independent from External Auditors and Internal Auditors of the Company and the Group.

CONCLUSION

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.



A D B Talwatte
Chairman
Audit Committee

30 May 2019

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

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 31 March 2019 is:

- A D B Talwatte (Chairman) – Independent Non-Executive
- N B Weerasekera (Member) – Independent Non-Executive (Resigned on 28 May 2018)
- H Abeywickrama (Member) – Independent Non-Executive
- B A Hulangamuwa (Member) – Non-Independent Non-Executive
- S Shishoo (Member) – Independent Non-Executive
- A Cabraal* (Member) – Independent Non-Executive

**Appointed to Committee w.e.f. 28 May 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 pages 20 to 21 of the Annual Report. The Company Secretary functions as the Secretary to the Committee.

MEETINGS

The Committee met five (5) times during the year. Attendance of the Committee members at each of these meetings is as follows:

- A D B Talwatte – 05 of 05 meetings
- N B Weerasekera – (Resigned on 28 May 2018) 01 of 01 meeting
- H Abeywickrama – 05 of 05 meetings
- B A Hulangamuwa – (Resigned on 30 May 2019) 04 of 05 meetings
- S Shishoo – 04 of 05 meetings
- A Cabraal – (Appointed on 28 May 2018) 04 of 04 meetings

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 normally takes place quarterly but during this year additional one meeting held. The Committee has communicated its observations to the Board RPTs published in the Note 42 to the Financial Statements.

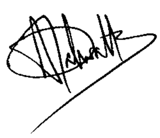
REPORTING TO THE BOARD

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
Chairman
Related Party Transactions Review Committee

30 May 2019

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 31 March 2019 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 judgements and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis.

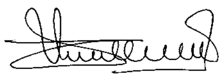
The Directors are of the view that adequate funds and other resources are available within the Company for the Company to continue in operation for the foreseeable future. The Directors have taken all reasonable steps expected of them to safeguard the assets of the Company and of the Group and to establish 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.

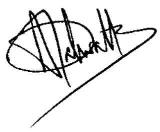
COMPLIANCE REPORT

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. 07 of 2007.

By Order of the Board,



V Govindasamy
Group Managing Director



A D B Talwatte
Director

30 May 2019

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 judgement 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 judgements 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 recognised 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 92 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

30 May 2019

FINANCIAL REVIEW

GROUP-WISE ANALYSIS

REVENUE

The Group's consolidated revenue increased by 6.9% YoY to Rs. 22.6 Bn. for the financial year 2018/19 backed by the strong performance of Healthcare, Consumer Goods, and Energy sectors despite Agribusiness sector recording a contraction in revenue during the year due to challenges in the environment in which it operates.

Revenue

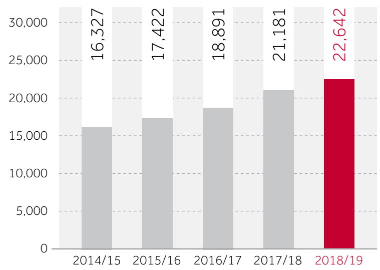
[Rs. Mn.]

Change

Rs. 1.46 Mn

Change

6.9%



Healthcare sector became the biggest revenue contributor for the year in review with a 40% of the total consolidated revenue. The contribution of Agribusiness and Consumer Goods segments stood at 31% and 25% respectively. Healthcare sector recorded the highest revenue growth of 14.1% among the three core sectors. The revenue growth was driven by the volume increase in pharma sub sector and footfall increase in the healthcare retail arm – Healthguard, the Group's health and beauty retail chain. The increase of 8.9% in the Consumer Goods revenue was driven by their largest brand 'Watawala Tea', and their premium brand "Zesta". The challenging market competition was handled with strong brand equity coupled with strong sales strategy. Agribusiness sector had a challenging year with a revenue contraction of 2.0% due to the poor performance in the Tea sub sector which contracted by 13.4% YoY due to unfavourable weather conditions and low market prices at the Colombo Auction. However, the Palm Oil sub sector recorded a revenue growth of 21.5% YoY due to higher Net Sales Average and increased crop. The Dairy farm housed 1,285 cattle, which includes 851 milking cows. Despite being in its gestation period, the Dairy business contributed Rs. 493 Mn. towards the Agribusiness top line. The Energy sector contributed Rs. 356 Mn. due to favourable weather conditions in the catchment areas. The sector was further strengthened by the commencement of its third hydropower plant and the newly installed solar plants during the last quarter of the year.

PROFITABILITY

Gross profit margin stood at 25.2% in 2018/19 compared to 25.4% in the previous year. Margin drop-off is mainly attributed to the Agribusiness drop amounting to 590 basis points. The reduction in Tea sub segment margins had offset the positive margins achieved in Palm Oil sub segment. Tea sub segment margins eroded due to unfavourable weather conditions, lower NSA, and the wage increase during the latter part of the year. Healthcare sector margins improved by 50 basis points mainly due to the higher sales volumes and higher contribution from the medical devices sub sector. The price increase taken for non-price-controlled molecules also partly supported the margin increase. The Consumer Goods segment margins increased by 510 basis points due to the lower tea prices resulting in a lower input cost. On an absolute basis, Group's consolidated gross profit grew to Rs. 5.7 Bn. in 2018/19, up 5.8% YoY mainly on the back of revenue growth despite a drop-in margin.

Gross profit margin

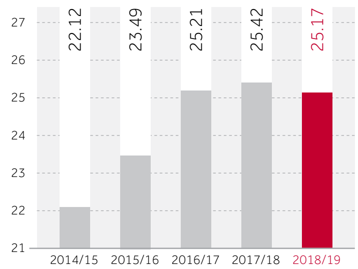
[%]

Change

Rs. 313 Mn

Change

5.8%



OPERATING PROFIT

Group Operating Profit (EBIT) is below 14.0% YoY to Rs. 2.2 Bn. in 2018/19 compared to Rs. 2.6 Bn. in 2017/18. The decrease was mainly attributed to the operational loss generated at Agricultural sector and the Sunshine Packaging, discontinued business. The 13.4% drop in tea revenue coupled with the cost increase in sub segment negatively affected the operating profit at the Group level. Consolidated administration expenses had gone up by 6.9% mainly driven by the Consumer Goods sector. Group selling and distribution expenses had increased by 22.9%. Healthcare sector and the Consumer sector had increased their spending by 26.3% and 19.0% respectively during the period under review.

FINANCE EXPENSES

Net finance cost for the Group increased to Rs. 560 Mn. in 2018/19 compared to Rs. 366 Mn. in 2017/18. The main contributor for the growth is the holding company which increased its leverage to buyout the shares held in EMSPL by TATA group as a strategic move during the second half of last year. Furthermore, both Healthcare and Agribusiness sectors which funded its increased working capital requirement through short-term borrowings also added to the increase in Group finance cost. The better profitability and improved cashflows had supported the Consumer Goods and Energy sectors to reduce their finance cost compared to the previous year. Interest cover had reduced to 4.0x in 2018/19 compared to 6.8x in the previous year.

TAXATION AND EARNINGS PER SHARE

Income Taxes amounted to Rs. 736 Mn. in 2018/19, up 19.0% YoY due to higher profitability in Consumer Goods sector coupled with higher tax rate and deferred tax in the Energy sector. The effective tax rate stood at 39.1% against the 25.5% in last year. Group EPS stood at Rs. 4.43 in 2018/19 against Rs. 6.08 in the previous year. The lower EPS stems from lower profitability in Agribusiness sector coupled with a marginal increase in the number of shares due to script dividend in the financial year 2017/18.

DIVIDENDS AND SOLVENCY

The Directors have recommended a first and final dividend of Rs. 1.25 per share. The gross dividend amounts to Rs. 187 Mn. in 2018/19 compared to Rs. 205 Mn. in 2017/18. The dividend payout ratio amounts to 70.22% of the Company profit for 2018/19 compared to 137.8% in 2017/18. The Company has access 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 dividend.

RETURN ON CAPITAL

Return on Capital Employed (ROCE) for the Group decreased to 13.7% for 2018/19, compared to 17.1% return in the previous year due to the lower EBIT.

	2014/15	2015/16	2016/17	2017/18	2018/19
ROE (%)	12.2	12.9	15.0	16.9	10.4
Net Margin (%)	6.4	7.0	8.5	8.5	5.1
Assets T/O (x)	1.2	1.1	1.1	1.1	1.07
Leverage (x)	1.6	1.6	1.6	1.8	2.09

CAPITAL EXPENDITURE

Group Capital Expenditure (CAPEX) which includes both acquisitions and property, plant and equipment and field work in the Agribusiness sector amounted to Rs. 1,438 Mn. in 2018/19, down 32% YoY from Rs. 2,136 Mn. in 2017/18. Capex in the Energy sector was in relation to the third mini-hydropower plant which commenced commercial operations at the latter part of the financial year 2018/19.

CAPITAL STRUCTURE

Group capital employed amounted to Rs. 16.2 Bn. at the end of 2018/19, of which 67.7% was funded through shareholders' equity. Total Group equity amounted to Rs. 11.0 Bn. as at the end of the year, of which Rs. 7.5 Bn. belongs to the shareholders of Sunshine Holdings and Rs. 3.5 Bn. to minority shareholders who have invested in companies within the Group.

BORROWINGS

Interest bearing debt, including short term overdraft balances amounted to Rs. 5.2 Bn. (32.3% of capital employed) at the end of the year 2018/19 compared to Rs. 5.3 Bn. at the end of the previous year.

CASH MANAGEMENT

Net operating cash flow for the year amounted to Rs. 1.6 Bn., a dip from Rs. 1.7 Bn. generated last year. The reduction was mainly arising from the funding facility obtained to facilitate the Estate Management Services Private Limited transaction. Furthermore, reduction in profit before tax by Rs. 330 Mn. also contributed towards the reduction in net operating cash flow. Net cash outflow on investing activities decreased to Rs. 1.0 Bn. in 2018/19 from Rs. 3.4 Bn. in the previous year. Last year's outflow includes the investment of Rs. 1.6 Bn. to increase Sunshine's stake in EMSPL by purchasing the shares owned by TGBL. Net cash inflow from financing activities amounted to Rs. 99 Mn. in 2018/19 compared to Rs. 982 Mn. in 2017/18 with the Holding Company increasing its interest-bearing borrowings to finance the EMSPL transaction during last year.

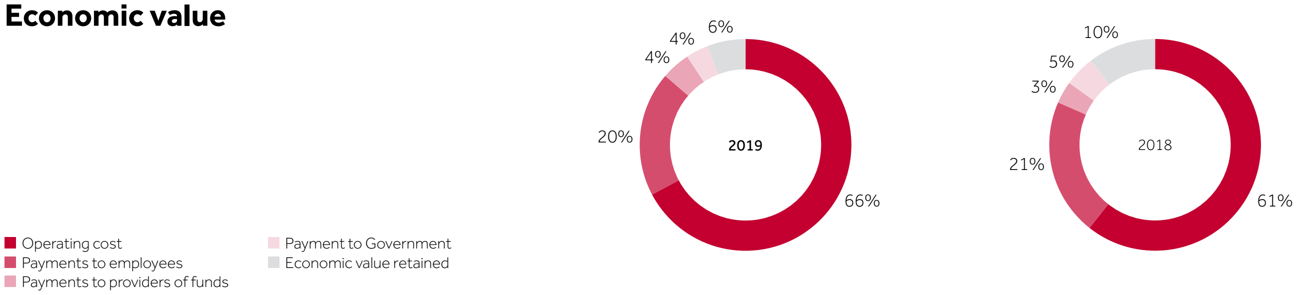
SHARE PRICE AND MARKET CAPITALISATION

The SUN share price closed at Rs. 47.00 at the end of trading on 31 March 2019, lower than at the start of the year, which stood at Rs. 56.10. The 52-week high for the period was Rs. 60.00 and a low of Rs. 42.00. As a result, market capitalization as at the year-end amounted to Rs. 7 Bn.

ECONOMIC VALUE STATEMENT

For the year ended 31 March	2019 Rs.	2018 Rs.
Direct economic value generated		
Revenue	22,641,987,898	21,181,210,416
Interest income	228,475,383	210,384,328
Profit on sale of assets	78,376,481	22,869,231
Other income	243,865,745	517,658,445
	23,192,705,507	21,932,122,420
Economic value distributed		
Payments to external sources for materials and services		
– Operating cost	15,287,284,046	13,297,278,665
	15,287,284,046	13,297,278,665
Payments to employees		
– Salaries, wages and other benefits	4,541,157,583	4,591,018,661
	4,541,157,583	4,591,018,661
Payments to providers of funds		
– Interest to money lenders	506,571,577	378,837,123
– Dividend to minority shareholders	366,484,682	193,990,990
– Dividend to owners of parent	136,527,501	168,932,026
	1,009,583,760	741,760,139
Payment to government		
– Income tax	462,423,561	546,195,414
– Value Added tax	73,092,727	91,608,791
– Nation Building Tax	172,896,397	160,089,783
– JEDB/SLSPC lease rentals	85,068,104	70,938,000
– ESC and other taxes	171,268,163	155,704,353
	964,748,952	1,024,536,341
Economic value retained		
– Profit after dividend	642,621,976	1,635,590,571
– Depreciation and amortisation	747,309,190	641,938,043
Retained for reinvestment/growth	1,389,931,166	2,277,528,614

Economic value



SECTOR-WISE ANALYSIS

HEALTHCARE SECTOR

The Healthcare sector recorded a revenue of Rs. 9.3 Bn., an increase of 14.1% over the previous year mainly due to the rise in pharma revenue by Rs. 590 Mn. The gross profit margin of the sector improved from 23.5% to 24.0% whilst EBIT of the sector recorded an impressive growth of 27.8% or Rs. 115.6 Mn. to Rs. 531.2 Mn. from Rs. 415.6 Mn. The selling and distribution expenses increased mainly due to rise in salaries and incentives, vehicle allowances and the impact of fuel price increases compared to the previous year. Overall, the performance of the healthcare sector has been favourable and reported a profit after tax of Rs. 367.7 Mn. for FY18/19, an increase of Rs. 109.5 Mn. or 42.4% growth YoY.

FMCG SECTOR

The revenue of the FMCG sector grew by 8.9% to Rs. 5.86 Bn., while the profit after tax increased by an impressive 66.4% to Rs. 488.9 Mn. as opposed to Rs. 293.8 Mn. reported in the previous year. The gross margins improved as the tea prices were lower compared to the previous year. The total overhead expenses increased due to the rise in selling and distribution expenses by Rs. 124.3 Mn. (19.0% growth YoY) due to timing of advertising and promotions, and the administrative expenses by Rs. 63.9 Mn. (14.4% growth YoY). The net finance cost reduced remarkably by Rs. 51.5 Mn. (-103.2% growth YoY) due to a favourable improvement of the working capital and the foreign exchange gain. The income tax rate increased from 10% to 28% YoY, leading to an increase in tax expenses by Rs. 145.3 Mn.

AGRI SECTOR

The Agri sector faced a challenging operating environment during the year under review mainly due to drop in tea crop and the tea prices. As a result, revenue dropped by Rs. 189 Mn. (-2.6% growth YoY) to Rs. 7.07 Bn. compared to Rs. 7.27 Bn. in the previous year. The Gross Profit decreased noticeably by Rs. 454.2 Mn. (-26.9% growth YoY), compared to the previous year whilst the gross profit margin contracted by 5.9% to 17.3% from 23.3% mainly due to the drop in tea prices and the impact of the wages and the gratuity provision which was accounted in Q4FY18/19. The administration expenses of the Agri sector increased by Rs. 20.9 Mn. mainly due to the rise in staff related expenses partly negated by reductions in professional fees and sundry expenses.

ENERGY SECTOR

Energy sector revenue increased by Rs. 107.4 Mn. to Rs. 355.8 Mn. from Rs. 248.4 Mn. in FY2017/18 resulting in an increase in EBIT of Rs. 83.4 Mn. to report Rs. 205.4 Mn. compared to Rs. 122.0 Mn. in the previous year. The favourable performance in the Energy sector, due to significant rainfalls is reflected in the increase in PAT by Rs. 15.5 Mn. to Rs. 63.4 Mn. compared to Rs. 47.9 Mn. in the previous year.

OTHER SECTOR

Sunshine Packaging Lanka Limited reported a loss of Rs. 120.0 Mn. for the year under review, which includes the provision for impairment of assets and deferred tax provisions for business and capital assets. The loss from the discontinued operations for the period is nil as opposed to Rs. 210.8 Mn. reported in the previous year.

INDEPENDENT AUDITOR'S REPORT

KPMG
(Chartered Accountants)
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P. O. Box 186,
Colombo 00300, Sri Lanka.

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: +94 - 11 244 6058
Internet : www.kpmg.com/lk

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 31 March 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 96 to 204 of this Annual Report.

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 31 March 2019, 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.

Measurement of biological assets

Refer to Note 22 (accounting policy and financial statement disclosures) to these financial statements.

The Group has bearer biological assets of Rs. 3,339 Mn., biological consumable assets of Rs. 738 Mn. and livestock assets of Rs. 663 Mn. carried at fair value as at 31 March 2019.

Risks description	Our responses – Our audit procedures included: Bearer biological assets
Bearer biological assets mainly include mature and immature palm oil, tea, rubber and other trees in identified plantation fields. Inappropriate transfer from immature to mature plantations could have 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 life of the plants. As per the industry practice, transfer of immature plantations to mature plantation fields takes place at the point of commencement of commercial harvesting.	• Understanding the process of immature to mature transfer and testing the design, implementation and operating effectiveness of key internal controls in relation to bearer biological assets; • Obtaining schedules of costs incurred and capitalised under immature plantations as well as cost transferred to mature plantations by each estate and reconciling those balances to the general ledger on sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified;

KPMG

The valuation of consumable biological assets requires significant levels of judgements and technical expertise in selecting appropriate valuation models and assumptions. Management engaged an independent external valuation expert to assist in determining the fair value of the consumable biological assets. Changes in the key assumptions used such as discount rate, value per cubic meter and available timber quantity used for the valuation of consumable biological assets could have a material impact on the fair value gain or loss for the year and the carrying value of consumable biological assets as of the reporting date. The biological livestock assets include cattles which are measured at fair value less cost to sell. The management has used internally developed discounted cash flow method to calculate the fair value of the Group's biological assets as at the reporting date. The calculation of the fair value of biological assets involves significant degree of judgments, particularly in respect of expected production quantity, future market prices of raw milk, expected future cost and discounting factor. We identified valuation of biological assets as key audit matter because of the complexity of process which involves significant level of judgement and estimates regarding various inputs from internal sources due to lack of relevant and reliable observable inputs.	• Physical verification of fields on sample basis and cross checked with the classification of immature and mature plantations; • Testing immature to mature cost transfer worksheet for selected estates to check whether the amounts transferred during the year was consistent with the company accounting policy and industry norms; • Assessing the adequacy of the disclosures in the financial statements and consistency with the accounting policies. • Reviewing the work carried out by component auditors where necessary. Biological consumable assets • Assessing the professional competency, objectivity and independence of the external valuation expert; • Evaluating the key assumptions and methodology used in the valuation, in particular the discount rate, average market price and timber content and harvesting plan; • Obtaining estate-wise reports for timber trees and compared the number of timber trees with the valuation report to ensure the completeness and accuracy of the data and evaluated the mathematical accuracy of the consumable biological assets valuation; • On a sample basis, physically verify trees during estate visits to assess the girth and height of the respective trees; • Assessing the adequacy of the disclosures in the financial statements and consistency with the accounting policies. Biological livestock assets • Understanding the process of valuation and testing the design and operating effectiveness of the key controls relation to the valuation of livestock; • Assessing the methodologies adopted in the valuation of livestock with reference to the requirements of the prevailing accounting standards; key assumptions used, in particular the discount rate, average milk production, selling price of milk, average cost per cow, weight and selling price of the cattle; • Evaluating the accuracy, completeness and reasonableness of the data and inputs used for the valuation of livestock and physical verification of selected cows during our field visits; • Evaluating the adequacy of the Group's disclosures regarding the degree of judgement and estimation involved and the sensitivity of the assumptions and estimates.

KPMG

Valuation of retirement benefit obligation

Refer to Note 36 (accounting policy and financial statement disclosures) to these financial statements.

Risk description	Our responses – Our audit procedures included:
The Group has reported retirement benefit obligation of Rs. 1,499 Mn. as at 31 March 2019. The retirement benefit obligation of the Group is significant in the context of the total liabilities of the Group. The valuation of the Group's retirement benefit obligation requires significant judgment and estimation to be applied across numerous assumptions, including salary increases and discount rate applied especially in the Plantation sector of the group. Management engaged an independent actuary to assist them in the computation of the Retirement benefit obligation. We considered the computation of the retirement benefit obligation to be a key audit matter due to the magnitude of the amounts recognised in the financial statements as well as estimation uncertainty involved in determining the amounts.	• Assessing the competency, objectivity and capabilities of the independent actuary engaged by the management. • Testing the samples of the employees' details used in the computation to the human resource records and performed re-computation of the post-employment benefit liabilities with the assistance of our internal valuation specialist. • Evaluating the key assumptions used in the valuation, in particular the discount rate, inflation rate, future salaries increases, mortality rates, the accuracy, completeness and reasonableness of the employee data used for the calculation of retirement benefit obligation. • Assessing the adequacy of the disclosures made on the financial statements in accordance with the relevant accounting standards.

Valuation of unquoted investments classified as FVOCI

Refer to Note 18 (accounting policy) and Note 26 (financial statement disclosures) to these financial statements.

The Group's portfolio of Investments comprised of financial assets classified at FVOCI as at 31 March 2019 which comprise investment in unquoted shares of Rs. 594 Mn. which have been valued using discounted cash flows.

Risks description	Our responses – Our audit procedures included:
We focused on this area because of the degree of complexity involved in valuing these financial unquoted investment, and the level of judgements and estimates made by management. In particular, the determination of the valuation of these unquoted investments is considerably more subjective given the lack of available market-based observable data of the unquoted equity instruments.	• Documenting and assessing the design and implementation of the investment valuation processes and key controls; • Evaluating the key assumptions used by the management to produce cash flow projections and discount factor applied to those projections; • Comparing key underlying financial data inputs used in valuation to external sources such as investee company audited financial statements; • Assessing the adequacy of disclosures in the financial statements and inherent degree of subjectivity and key assumptions in the estimates as required by the relevant accounting standards.

Recoverability of deferred tax assets

Refer to Note 27 (accounting policy and financial statement disclosures) to these financial statements.

The Group has recognised deferred tax assets amounting to Rs. 196 Mn. as at 31 March 2019 resulting from tax losses.

Risks description	Our responses – Our audit procedures included:
Deferred tax asset was recognised in respect of the deductible temporary differences arising from accumulated tax losses which management considered would probably be utilised or recovered in the future through generation of future taxable profits by the Group entities or set off against deferred tax liabilities. The recognition of deferred tax assets involves significant judgement and estimates made by management in respect of assessing the sufficiency of future taxable profits and the probability of such future taxable profits being generated by the Group.	• Assessing the Group's approach for evaluating the likelihood of the recoverability of deferred tax assets. This includes challenging the key assumptions noted in forecasting the future taxable profits for each Group entity with accumulated unutilised tax losses by comparing the most significant inputs used in the forecasts, including future revenue, growth of operating costs with historical performance of the entities; • Assessing the adequacy of disclosures in the financial statements as required by the relevant accounting standards.

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. The annual report is expected to be made available to us after the date of this auditor's report.

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

KPMG

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

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

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

In preparing the 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 judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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 FCA 2294.

KPMG
Chartered Accountants

Colombo, Sri Lanka
30 May 2019

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	GROUP 2019 Rs.	GROUP 2018 Rs.	COMPANY 2019 Rs.	COMPANY 2018 Rs.
Continuing operations					
Revenue	9	22,641,987,898	21,181,210,416	514,907,500	340,599,522
Cost of sales		(16,942,697,288)	(15,795,851,165)	–	–
Gross profit		5,699,290,610	5,385,359,251	514,907,500	340,599,522
Other income	10	322,242,226	540,527,676	273,005,752	252,218,705
Selling and distribution expenses		(1,733,958,817)	(1,410,714,406)	–	–
Administration expenses		(2,069,243,200)	(1,935,144,286)	(396,210,061)	(401,932,831)
Impairment of investment in subsidiary		–	–	(87,766,423)	(67,972,645)
Operating profit	11	2,218,330,819	2,580,028,235	303,936,768	122,912,751
Finance income	12	228,475,383	210,384,328	114,918,099	67,426,610
Finance costs	12	(560,068,282)	(366,557,555)	(178,218,809)	(41,781,020)
Net finance costs		(331,592,899)	(156,173,227)	(63,300,710)	25,645,590
Share of profit/(loss) of equity-accounted investees, net of tax		(5,161,319)	(1,040,385)	–	–
Profit before tax		1,881,576,601	2,422,814,623	240,636,058	148,558,341
Income tax expenses	13	(735,942,442)	(618,292,027)	19,250,174	–
Profit from continuing operations		1,145,634,159	1,804,522,596	259,886,232	148,558,341
Discontinued operations					
Loss on discontinued operations, net of tax	15	–	(210,824,830)	–	–
Profit for the year		1,145,634,159	1,593,697,766	259,886,232	148,558,341
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of retirement benefit liability		(291,058,626)	37,314,385	(2,351,050)	889,542
Equity investments at FVOCI – net change in fair value		28,108,968	–	22,418,968	–
Equity accounted investees – share of OCI		–	–	–	–
Related tax		35,238,729	(3,647,362)	(5,619,017)	–
		(227,710,929)	33,667,023	14,448,901	889,542
Items that are or may be reclassified subsequently to profit or loss					
Foreign operations – foreign currency translation differences		2,884,093	362,529	–	–
Fair value change in available-for-sale financial assets		–	34,873,189	–	34,873,189
		2,884,093	35,235,718	–	34,873,189
Other comprehensive income for the year		(224,826,836)	68,902,741	14,448,901	35,762,731
Total comprehensive income for the year		920,807,323	1,662,600,507	274,335,133	184,321,072

For the year ended 31 March	Note	GROUP 2019 Rs.	GROUP 2018 Rs.	COMPANY 2019 Rs.	COMPANY 2018 Rs.
Profit attributable to:					
Owners of the company		646,984,059	618,538,136	259,886,232	148,558,341
Non-controlling interest		498,650,100	975,159,630	–	–
		1,145,634,159	1,593,697,766	259,886,232	148,558,341
Continuing operations					
Owners of the company		646,984,059	829,362,966	259,886,232	148,558,341
Non-controlling interest		498,650,100	975,159,630	–	–
		1,145,634,159	1,804,522,596	259,886,232	148,558,341
Discontinued operations					
Owners of the company		–	(210,824,830)	–	–
Non-controlling interest		–	–	–	–
		–	(210,824,830)	–	–
Total comprehensive income attributable to:					
Owners of the company		553,211,192	664,419,369	274,335,133	184,321,072
Non-controlling interest		367,596,131	998,181,138	–	–
Total comprehensive income for the year		920,807,323	1,662,600,507	274,335,133	184,321,072
Earnings per share					
Basic earnings per share (Rs.)	16	4.43	4.54	1.78	1.09
Diluted earnings per share (Rs.)	16	4.43	4.54	1.78	1.09
Earnings per share – Continuing operations					
Basic earnings per share (Rs.)	16	4.43	6.08	1.78	1.09
Diluted earnings per share (Rs.)	16	4.43	6.08	1.78	1.09

Figures in brackets indicate deductions.

The Group has initially adopted SLFRS 15 and SLFRS 9 from 1 April 2018. Under the transition method chosen, the comparative information has not been restated.

The Notes to the Financial Statements on pages 107 and 204 are Integral part of these Consolidated Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	GROUP 2019 Rs.	GROUP 2018 Rs.	COMPANY 2019 Rs.	COMPANY 2018 Rs.
Assets					
Property, plant and equipment	19	5,800,454,817	5,484,349,584	16,333,639	3,290,687
Intangible assets	20	192,415,059	153,596,702	27,247	780,372
Leasehold land	21	183,963,000	190,997,000	–	–
Biological assets	22	4,694,037,000	4,408,582,000	–	–
Investment property	23	327,205,000	327,205,000	–	–
Investments in subsidiaries	24	–	–	3,313,401,971	3,017,900,921
Equity accounted investee	25	2,798,296	7,959,615	9,000,000	9,000,000
Other investments, including derivatives	26	976,129,267	941,991,456	647,625,267	642,633,456
Deferred tax assets	27	57,495,834	73,620,009	17,997,095	–
Non-current assets		12,234,498,273	11,588,301,366	4,004,385,219	3,673,605,436
Inventories	28	3,906,410,206	3,970,538,867	–	–
Biological assets	22	45,883,000	49,034,000	–	–
Other investments, including derivatives	26	203,742,135	–	203,742,135	–
Current tax assets	29	9,893,358	9,366,776	3,158,748	3,158,748
Trade and other receivables	30	3,788,362,024	3,233,987,996	102,434,027	59,406,435
Amounts due from related parties	31	27,998,528	14,950,556	225,727,276	170,891,161
Cash and cash equivalents	32	1,843,593,506	1,374,218,432	1,042,331,375	526,335,611
		9,825,882,756	8,652,096,626	1,577,393,561	759,791,955
Assets held for sale	33	–	53,813,315	–	–
Current assets		9,825,882,756	8,705,909,941	1,577,393,561	759,791,955
Total assets		22,060,381,028	20,294,211,307	5,581,778,780	4,433,397,391

As at 31 March	Note	GROUP		COMPANY	
		2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Equity					
Stated capital	34	1,641,715,247	798,504,357	1,641,715,247	798,504,357
Reserves	34	386,181,166	390,893,755	380,153,740	364,012,083
Retained earnings		5,488,287,476	5,185,526,424	1,781,111,290	1,767,356,201
Equity attributable to owners of the Company		7,516,183,889	6,374,924,536	3,802,980,277	2,929,872,641
Non-controling interests	34	3,476,651,011	3,427,198,621	–	–
Total equity		10,992,834,900	9,802,123,157	3,802,980,277	2,929,872,641
Liabilities					
Loans and borrowings	35	3,299,921,582	3,572,013,986	1,235,793,320	1,143,330,000
Employee benefits	36	1,499,417,004	1,062,640,865	87,068,694	78,399,096
Deferred income and capital grants	37	320,693,000	377,516,000	–	–
Deferred tax liabilities	27	512,234,939	450,505,341	–	–
Non-current liabilities		5,632,266,525	5,462,676,192	1,322,862,014	1,221,729,096
Bank overdraft	32	826,769,498	927,663,776	–	–
Current tax liabilities	29	227,763,976	168,509,469	–	–
Loans and borrowings	35	1,113,040,848	808,963,648	429,114,709	256,670,000
Trade and other payables	38	3,242,514,434	3,120,599,883	26,821,780	25,125,655
Amounts due to related parties	39	25,190,848	3,675,182	–	–
Current liabilities		5,435,279,604	5,029,411,958	455,936,489	281,795,655
Total liabilities		11,067,546,129	10,492,088,150	1,778,798,503	1,503,524,751
Total equity and liabilities		22,060,381,028	20,294,211,307	5,581,778,780	4,433,397,391
Net assets per share		50.26	46.71	25.43	21.47

Figures in brackets indicate deductions.

The Group has initially adopted SLFRS 15 and SLFRS 9 from 1 April 2018. Under the transition methods chosen, comparative information have not been restated.

The Notes to the Financial Statements on pages 107 and 204 are an integral part of these Consolidated Financial Statements.

It is certified that the Financial Statements have been prepared in compliance with the requirements of the Companies Act No. 07 of 2007.

Aruna Deepthikumara
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,

Munir Shaikh
Chairman

V Govindasamy
Group Managing Director

30 May 2019
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019	Stated capital Rs.	General reserve Rs.	Reserve on exchange gain/(loss) Rs.
Group			
Balance as at 1 April 2017	730,939,657	1,257,725	–
Total comprehensive income for the year			
Profit for the year	–	–	–
Total other comprehensive income for the year	–	–	217,517
Total comprehensive income for the year	–	–	217,517
Transactions with owners of the company			
Dividend paid	–	–	–
Reserve on rearrangement in Hatton Plantations PLC	–	–	–
Repurchase of shares by Estate Management Services (Pvt) Ltd.	–	–	–
Effect on Percentage change in holding of EMSPL Group on acquisition	–	–	–
Repurchase of shares by Watawala Plantations PLC	–	–	–
Effect of percentage change in WPL Group due to share repurchase	–	–	–
Opening stock adjustment in Hatton Plantations PLC	–	–	–
Effect on percentage change in holding of Energy Group	–	–	–
Issue of shares	67,564,700	–	–
Effect on share issue to NCI shareholders by the subsidiaries	–	–	–
Balance as at 31 March 2018	798,504,357	1,257,725	217,517
Balance as at 1 April 2018	798,504,357	1,257,725	217,517
Total Comprehensive Income			
Profit for the year	–	–	
Other comprehensive income for the year	–	–	1,730,456
Total comprehensive income for the year	–	–	1,730,456
Transactions with owners of the company			
Reserve on rearrangement in Hatton Plantations PLC	–	–	–
Issue of shares – scrip dividend	68,210,885	–	–
Issue of shares – private placement	775,000,005	–	–
Share issuing cost			
Dividend paid to owners for 2017/18			
Balance as at 31 March 2019	1,641,715,247	1,257,725	1,947,973

Attributable to owners of the company				Non-controlling interest	Total equity
Fair value reserve	Reserve on rearrangement	Retained earnings	Total		
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
330,580,311	–	5,186,946,893	6,249,724,586	5,340,766,263	11,590,490,849
–	–	618,538,136	618,538,136	975,159,630	1,593,697,766
34,873,189	–	10,790,527	45,881,233	23,021,508	68,902,741
34,873,189	–	629,328,663	664,419,369	998,181,138	1,662,600,507
–	–	(236,496,726)	(236,496,726)	(193,990,990)	(430,487,716)
–	23,965,012	(13,240,669)	10,724,343	(10,724,343)	–
–	–	–	–	(1,350,000,000)	(1,350,000,000)
–	–	(330,574,954)	(330,574,954)	(1,275,925,046)	(1,606,500,000)
–	–	–	–	(193,546,782)	(193,546,782)
–	–	(37,792,518)	(37,792,518)	37,792,518	–
–	–	(12,273,910)	(12,273,910)	(14,767,090)	(27,041,000)
–	–	(370,354)	(370,354)	370,354	–
–	–	–	67,564,700	–	67,564,700
–	–	–	–	89,042,599	89,042,599
365,453,500	23,965,012	5,185,526,424	6,374,924,536	3,427,198,621	9,802,123,157
365,453,500	23,965,012	5,185,526,424	6,374,924,536	3,427,198,621	9,802,123,157
		646,984,059	646,984,059	498,650,100	1,145,634,159
17,521,967	–	(113,025,290)	(93,772,867)	(131,053,969)	(224,826,836)
17,521,967	–	533,958,769	553,211,192	367,596,131	920,807,323
–	(23,965,012)	13,240,669	(10,724,343)	10,724,343	–
–	–	(68,210,885)	–	37,617,512	37,617,512
–	–	–	775,000,005	–	775,000,005
		(39,700,000)	(39,700,000)		(39,700,000)
		(136,527,501)	(136,527,501)	(366,485,596)	(503,013,097)
382,975,467	–	5,488,287,476	7,516,183,889	3,476,651,011	10,992,834,900

For the year ended 31 March 2019	Stated capital Rs.	General reserve Rs.
Company		
Balance as at 1 April 2017	730,939,657	1,257,725
Total comprehensive income for the year		
Profit for the year	–	–
Other comprehensive income for the year	–	–
Total comprehensive income for the year	–	–
Transactions with owners of the company		
Issue of shares	67,564,700	–
Dividend paid to owners for 2016/17	–	–
Balance as at 31 March 2018	798,504,357	1,257,725
Balance as at 1 April 2018	798,504,357	1,257,725
Total Comprehensive Income for the year		
Profit for the year	–	–
Other comprehensive income for the year	–	–
Total comprehensive income for the year	–	–
Transactions with owners of the company		
Issue of shares – private placement	775,000,005	–
Share issuing cost	–	–
Issue of shares – scrip dividend	68,210,885	–
Dividend paid to owners for 2017/18	–	–
Balance as at 31 March 2019	**1,641,715,247**	**1,257,725**

Figures in brackets indicate deductions.
The Accounting Policies and Notes form pages 107 to 204 are an integral part of these Financial Statements.

Attributable to owners of the company		
Fair value reserve Rs.	Retained profit Rs.	Total Rs.
327,881,169	1,854,405,044	2,914,483,595
–	148,558,340	148,558,341
34,873,189	889,542	35,762,731
34,873,189	149,447,882	184,321,072
–	–	67,564,700
–	(236,496,726)	(236,496,726)
362,754,358	1,767,356,200	2,929,872,641
362,754,358	1,767,356,200	2,929,872,641
–	259,886,232	259,886,232
16,141,657	(1,692,756)	14,448,901
16,141,657	258,193,476	274,335,133
–	–	775,000,005
–	(39,700,000)	(39,700,000)
–	(68,210,885)	–
–	(136,527,501)	(136,527,501)
378,896,015	**1,781,111,290**	**3,802,980,277**

STATEMENT OF CASH FLOWS

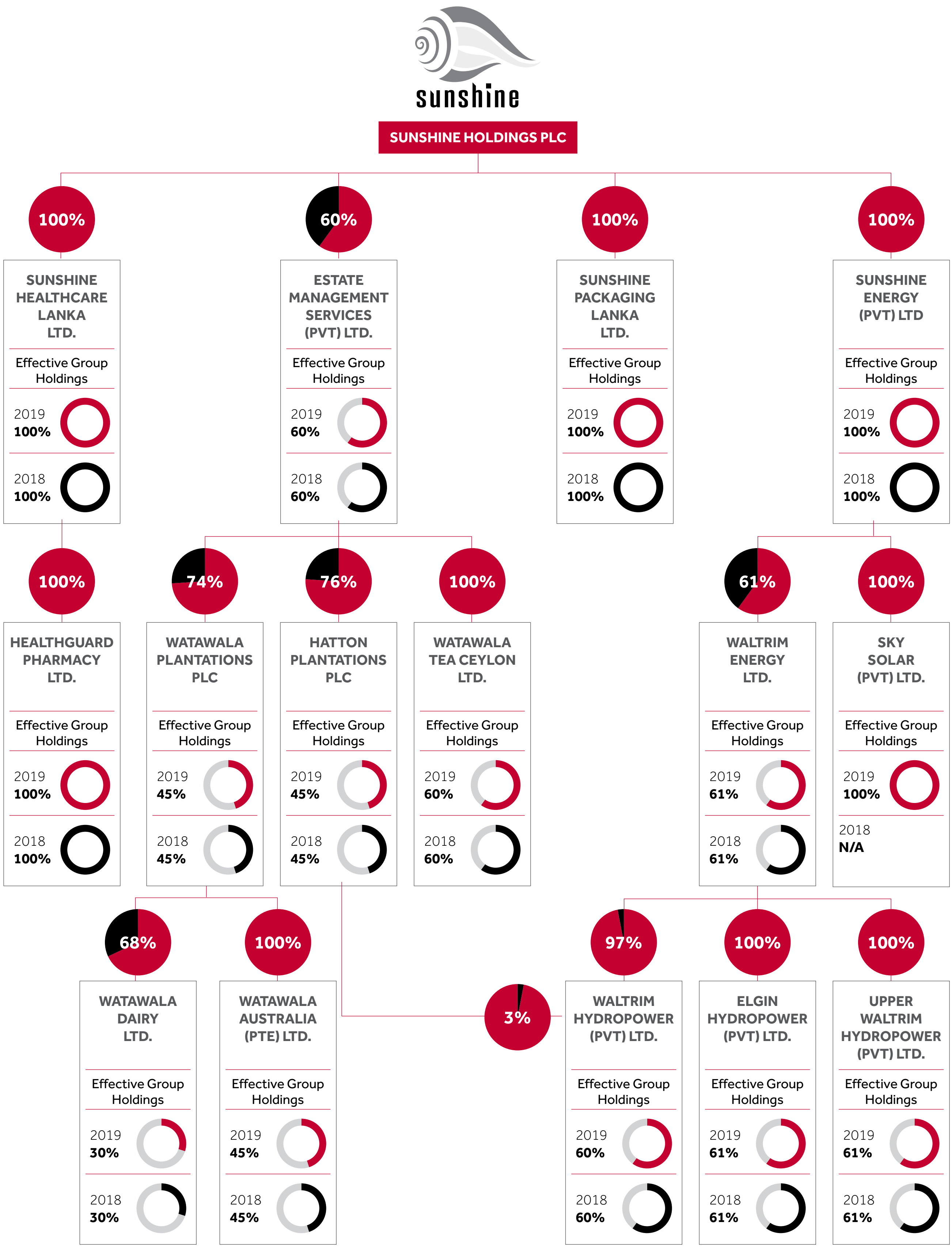
For the year ended 31 March	Note	GROUP 2019 Rs.	GROUP 2018 Rs.	COMPANY 2019 Rs.	COMPANY 2018 Rs.
Cash flows from operating activities					
Profit before tax for the period		1,881,576,601	2,211,989,793	240,636,058	148,558,341
Adjustments for:					
Interest income		(150,924,100)	(210,641,202)	(114,918,099)	(67,426,610)
Dividend income		(7,088,000)	(5,188,091)	–	–
Write off of assets held for sale		15,496,709	–	–	–
Impairment of assets held for sale		25,320,163	–	–	–
Profit on disposal of property, plant and equipment		(78,376,481)	(22,869,231)	–	(1,733,615)
Write-off of property, plant and equipment		–	343,006	–	343,006
Biological assets – (gain)/loss from produce crop valuation		3,151,000	(13,276,962)	–	–
Opening stock adjustment		–	(27,041,000)	–	–
Provision for other receivable		51,669,147	–	–	–
Write off of other receivables		4,169,680	5,190,824	4,169,680	5,190,824
Impairment losses and write downs		2,317,000	2,687,000	–	–
Impairment of investment		–	–	87,766,423	67,972,645
(Gain)/loss on fair valuation of livestock		24,493,000	(31,785,000)	–	–
Interest expense		560,068,282	378,837,123	178,218,809	41,781,020
Depreciation and amortisation		747,309,190	641,938,043	5,999,124	3,292,269
Provision/(reversal) for bad and doubtful debts		(22,673,239)	29,133,825	–	–
Provision for inventories		4,073,494	–	–	–
Fair value gain on investment property		–	(127,092,307)	–	–
Loss on discontinued operation		–	70,773,192	–	–
Profit/(loss) of equity investee		5,161,319	1,040,385	–	–
Amortisation of capital grants		(56,823,000)	(56,996,000)	–	–
Amortisation of leasehold right to land		7,034,000	7,476,000	–	–
Profit on sale of rubber trees		(33,105,000)	(72,625,000)	–	–
Fair value gain/loss		11,017,276	1,131,063	11,017,276	1,131,063
Provision for retirement benefit obligations		298,038,485	160,607,107	14,409,308	27,578,110
Timber fair valuation gain		(9,473,000)	(30,745,000)	–	–
Fair value adjustment of concessionary loan		–	(3,295,000)	–	–
Profit on disposal of assets held for sale		(1,192,252)	–	–	–
		3,281,240,274	2,909,592,567	427,298,579	226,687,052

For the year ended 31 March	Note	GROUP 2019 Rs.	GROUP 2018 Rs.	COMPANY 2019 Rs.	COMPANY 2018 Rs.
Changes in:					
Inventories		60,055,169	(829,237,142)	–	–
Trade and other receivables		(689,238,992)	(285,504,103)	(47,197,268)	(19,435,862)
Amounts due from related parties		(13,047,972)	78,827,034	(54,836,115)	21,105,347
Trade and other payables		121,914,552	901,834,191	3,366,152	9,308,198
Amounts due to related parties		21,515,665	2,001,227	–	–
Cash generated from operating activities		2,782,438,696	2,777,513,772	328,631,348	237,664,735
Interest paid		(506,571,577)	(378,837,123)	(143,835,444)	(41,781,020)
Income tax paid		(462,423,561)	(546,195,415)	(4,365,938)	–
Employee benefits paid		(152,320,973)	(146,131,600)	(8,090,760)	(170,850)
Net cash from operating activities		1,661,122,585	1,706,349,635	172,339,206	195,712,865
Cash flows from investing activities					
Interest received		150,924,100	210,641,202	114,918,099	67,426,610
Dividend received		7,088,000	5,188,091	–	–
(Investments)/disposal in other investments		6,409,881	17,079,001	6,409,881	17,079,001
(Investment)/disposal of subsidiary		–	(9,000,000)	(383,267,473)	(1,718,125,124)
Acquisition of EMSPL from TATA		–	(1,606,500,000)	–	–
Investment in gratuity fund		(23,456,000)	(30,276,000)	–	
Additions to bearer plants		(335,629,000)	(388,927,000)	–	–
Additions to consumable biological assets		(28,764,000)	–	–	–
Investment in livestock		(147,511,000)	(241,889,000)	–	–
Additions to property, plant and equipment		(857,805,894)	(1,482,035,528)	(18,288,951)	(1,861,384)
Acquisition of intangible assets		(68,676,718)	(23,212,615)	–	–
Proceeds from sale of trees		50,167,000	85,087,000	–	–
Proceeds from sale of property, plant and equipment		94,676,313	56,752,102	–	3,323,477
Proceeds from assets held for sale		14,188,695	–	–	–
Net cash used in investing activities		(1,138,388,623)	(3,407,092,747)	(280,228,443)	(1,632,157,420)
Cash flows from financing activities					
Proceeds from issue of shares		775,000,005	–	775,000,005	–
Share issuing cost		(39,700,000)	–	(39,700,000)	–
Re-purchase of shares by subsidiaries		–	(1,543,546,782)	–	–
Receipts of interest bearing borrowings		3,173,460,541	5,488,458,921	1,550,112,500	1,400,000,000
Proceeds from share Issued by subsidiary to NCI		37,617,512	89,042,599	–	–
Repayments of interest bearing borrowings		(3,372,045,143)	(2,672,938,980)	(1,525,000,000)	–
Repayment of lease principal		(26,669,434)	(15,737,586)	–	–
Dividend paid		(136,527,501)	(168,932,026)	(136,527,499)	(168,932,026)
Payments to NCI		(366,484,682)	(193,990,990)	–	–
Net cash from financing activities		44,651,298	982,355,156	623,885,006	1,231,067,975
Net increase/(decrease) in cash and cash equivalents		567,385,260	(718,387,956)	515,995,769	(205,376,580)
Cash and cash equivalents as at 1 April		446,554,656	1,164,580,083	526,335,607	731,712,191
Effect of movement in exchange rates		2,884,093	362,529	–	–
Cash and cash equivalents as at 31 March	32	1,016,824,009	446,554,656	1,042,331,375	526,335,611

Figures in brackets indicate deductions.

The Accounting Policies and Notes from pages 107 to 204 form an integral part of these Financial Statements.

GROUP STRUCTURE



NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

(a) DOMICILE AND LEGAL FORM

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 registered office and principal place of business of the Company is located at No. 60, Dharmapala Mawatha, Colombo 3.

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, leasing out properties and generation of power.

The Group structure is given on page 106.

There were no significant changes in the nature of the principle activities of the Company.

(b) CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements of Sunshine Holdings PLC as at and for the year ended 31 March 2019 comprise the financial information of Company and its subsidiaries (together referred to as "the Group" and encompass the Company and its subsidiaries (together referred to as 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 31 March.

2. BASIS OF ACCOUNTING

2.1 STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS's and LKAS's) laid down by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007.

The Board of Directors is responsible for the preparation and presentation of 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 authorised for issue by the directors on 30 May 2019.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These 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.

4. USE OF ESTIMATE AND JUDGEMENTS

In preparing these consolidated financial statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) JUDGEMENTS

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 9 – revenue recognition: whether revenue is recognised over time or at a point in time;
- Note 24 – consolidation: whether the Group has the control over an investee; and
- Note 25 – equity-accounted investees: whether the Group has significant influence over an investee.

(b) ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

Information about assumptions and estimation uncertainties at 31 March 2019 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following notes:

- Note 36 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 13 – recognition of current tax expense;
- Note 27 – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- Note 22 – determining the fair value of biological assets on the basis of significant unobservable inputs;
- Note 38 – Provisions and contingencies;
- Note 6 – Impairment of financial and non-financial assets; and
- Note 33 – determining the fair value less costs to sell of the assets held for sale on the basis of significant unobservable inputs.

5. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis and applied consistently which no adjustments being made for inflationary factors affecting the financial statements except for the following material items in the Statement of Financial Positions.

Items	Measurement bases
Investment property	Fair value
Financial assets at fair value through profit or loss (FVTPL)	Fair value
Financial assets at fair value through other comprehensive income (FVOCI)	Fair value
Defined benefit obligations	Present value of the defined benefit obligation
Biological assets measured at fair value;	Fair value less costs to sell
Derivative financial instruments	Fair value

6. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements except if mentioned otherwise:

6.1 BASIS OF CONSOLIDATION

BUSINESS COMBINATIONS

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities. The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss. Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

NON-CONTROLLING INTERESTS

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

LOSS OF CONTROL

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

TRANSACTIONS ELIMINATED ON CONSOLIDATION

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, are eliminated. 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.

6.2 FOREIGN CURRENCY

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss and presented within finance costs.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the exchange rates at the reporting date. The income and expenses of foreign operations are translated at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

6.3 IMPAIRMENT OF ASSETS

6.3.1 FINANCIAL INSTRUMENTS AND CONTRACT ASSETS

(A) POLICY APPLICABLE FROM 1 APRIL 2018

The Group recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances for trade receivables is always measured at an amount equal to lifetime Expected Credit Loss (ECL).

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

MEASUREMENT OF ECLS

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

(B) POLICY APPLICABLE PRIOR TO 1 APRIL 2018

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, or the disappearance of an active market for a security.

FINANCIAL ASSETS MEASURED AT AMORTISED COST

The Group considered evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet individually identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses were recognised in profit or loss and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss.

AVAILABLE-FOR-SALE FINANCIAL ASSETS

Impairment losses on available-for-sale financial assets were recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss. The amount reclassified was the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss previously recognised in profit or loss. If the fair value of an impaired available-for-sale debt security subsequently increased and the increase was related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss. Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale were not reversed through profit or loss.

6.3.2 NON-FINANCIAL ASSETS

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination. The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, 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.

6.4 PROVISIONS

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

6.5 LEASES

DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate.

LEASED ASSETS

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset. Assets held under other leases are classified as operating leases and are not recognised in the Group's statement of financial position.

LEASE PAYMENTS

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is 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.

6.6 NEW ACCOUNTING STANDARDS ISSUED BUT NOT EFFECTIVE AS AT REPORTING DATE

SLFRS 16 LEASES

The Group is required to adopt "SLFRS 16 Leases" from 1 April 2019.

SLFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

SLFRS 16 replaces existing leases guidance, including LKAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

LEASES IN WHICH THE GROUP IS A LESSEE

The Group will recognise new assets and liabilities for its operating leases of office buildings. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

In addition, the Group will no longer recognise provisions for operating leases that it assesses to be onerous. Instead, the Group will include the payments due under the lease in its lease liability.

LEASES IN WHICH THE GROUP IS A LESSOR

The Group will reassess the classification of sub-leases in which the Group is a lessor. Based on the information currently available. No significant impact is expected for other leases in which the Group is a lessor.

The Group is in the process of assessing the potential impact on its Financial Statements that could result on application of SLFRS 16.

7. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has initially applied SLFRS 15 (7.1) and SLFRS 9 (7.2) from 1 April 2018.

Due to the transition methods chosen by the Group in applying these standards, comparative information throughout these financial statements have not been restated to reflect the requirements of the new standards.

7.1 SLFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced LKAS 18 Revenue, LKAS 11 Construction Contract and related interpretations. Under SLFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control- at a point in time or over time-requires judgement.

The Group has adopted SLFRS 15 from 1 April 2018 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 April 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under LKAS 18, LKAS 11 and related interpretations. Additionally, the disclosure requirements in SLFRS 15 have not generally been applied to comparative information.

There was no material impact on transition to SLFRS 15 on retained earnings and reserves as at 1 April 2018.

The following table summarises the impacts of adopting SLFRS 15 on the Group's statement of profit or loss and OCI for the year ended 31 March 2019 for each of the line items affected. There was no material impact on the Group's financial statements except for reclassification of items.

Impact on the statement of profit or loss and OCI	Note	As reported Rs.	Adjustments Rs.	Amounts without adoption of SLFRS 15 Rs.
Continuing operations				
Revenue	9	22,641,987,898	(44,040,414)	22,686,028,312
Cost of sales		(16,942,697,288)	44,040,414	(16,986,737,702)
Others		(4,553,656,451)	–	(4,553,656,451)
Profit for the year		1,145,634,159	–	1,145,634,159
Total comprehensive income for the year		920,807,323	–	920,807,323

Based on the requirements of SLFRS 15, some expenses which would have been reported under cost of sales have now been directly netted off against revenue.

7.2 SLFRS 9 FINANCIAL INSTRUMENTS

SLFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The standard replaces LKAS 39 Financial Instruments: Recognition and Measurement.

SLFRS 9 contains three principal classification category for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial asset under SLFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SLFRS 9 eliminates the previous LKAS 39 categories of held to maturity, loans and receivables and available for sale. Under SLFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

The adoption of SLFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments.

There was no material impact of transition to SLFRS 9 on retained earnings and reserves at 1 April 2018.

The following table and the accompanying notes below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 April 2018.

The following table and the accompanying notes below explain the original measurement categories under LKAS 39 and the new measurement categories under SLFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 April 2018.

	Original classification under LKAS 39	New classification under SLFRS 9	Original carrying amount under LKAS 39 Rs.	New carrying amount under SLFRS 9 Rs.
Financial Assets				
Investment in unquoted shares	Available for sale	Fair value through OCI	566,210,085	566,210,085
Investment in quoted shares	Fair value through P & L	Fair value through P & L	81,237,481	81,237,481
Investment in unit trust	Fair value through P & L	Fair value through P & L	5,948,890	5,948,890
Investment fund	Fair value through P & L	Fair value through P & L	288,595,000	288,595,000
Trade and other receivables	Loans and receivable	Amortised cost	2,663,377,474	2,663,377,474
Amounts due from related parties	Loans and receivable	Amortised cost	14,950,556	14,950,556
Cash and cash equivalents	Loans and receivable	Amortised cost	1,374,218,432	1,374,218,432
			4,994,537,918	4,994,537,918
Financial liability				
Loans and borrowings	Other financial liabilities	Other financial liabilities	4,380,977,634	4,380,977,634
Bank overdraft	Other financial liabilities	Other financial liabilities	927,663,776	927,663,776
Trade and other payables	Other financial liabilities	Other financial liabilities	2,224,402,272	2,224,402,272
Amounts due to related parties	Other financial liabilities	Other financial liabilities	3,675,182	3,675,182
Total financial liabilities			7,536,718,864	7,536,718,864

IMPAIRMENT OF FINANCIAL ASSETS

SLFRS 9 replaces the "incurred loss" model in LKAS 39 with an "expected credit loss" (ECL) model. The new impairment model applies to financial assets measured at amortised cost. Under SLFRS 9, credit losses are recognised earlier than under LKAS 39.

The Group has determined that the application of SLFRS 9 as at 1 April 2018 did not have a material impact to the financial statements.

8. OPERATING SEGMENTS

8.1 BASIS OF SEGMENTATION

The Group has the following seven strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies.

The following summary describes the operations of each reportable segment:

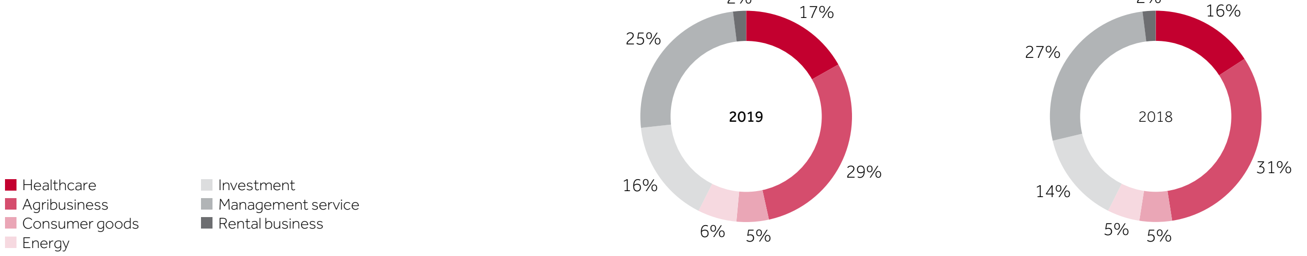
Reportable segment	Operations
Healthcare	Wholesale and retail trading for pharmaceutical products island wide
Agribusiness	Plantations and dairy farming
Consumer goods	Import and sale of tea products
Energy	Generation of Hydro power energy
Investment	Management of investment portfolio
Management service	Provision of management services
Rental business	Letting of properties on rent

The Company's Group Managing Director reviews the internal management reports of each division at least quarterly.

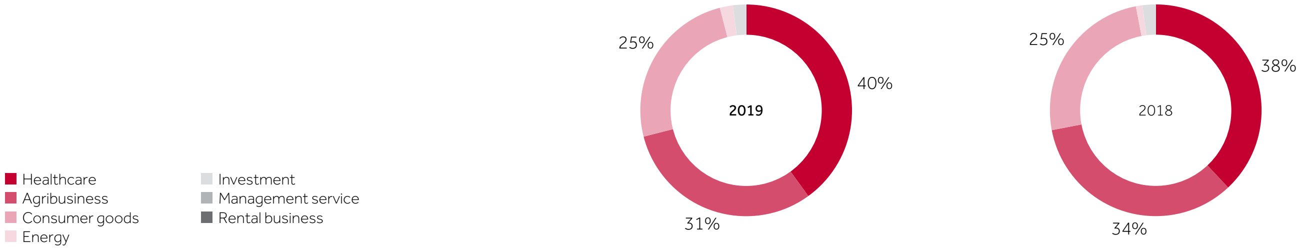
Inter-segment pricing for any transactions between segments is determined on an arm's length basis.

8.2 INFORMATION ABOUT REPORTABLE SEGMENTS

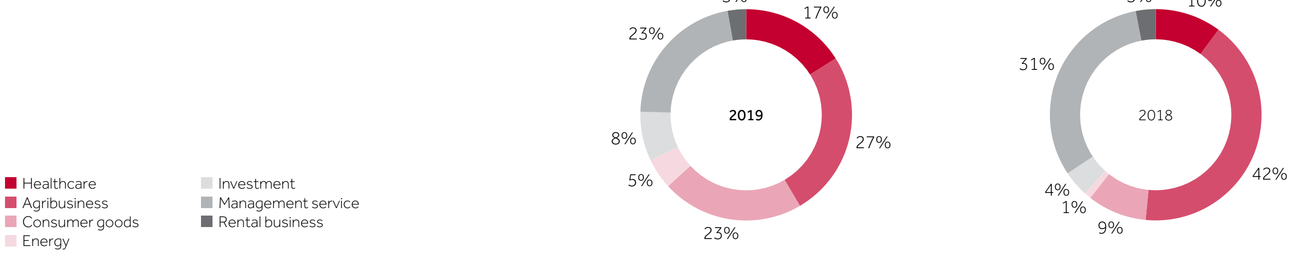
Assets



External revenue



Profit before tax



Information related to each reportable segment is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

2019	Reportable segments			
	Healthcare Rs.	Agribusiness Rs.	Consumer goods Rs.	Energy Rs.
External revenues	9,314,768,314	7,121,756,000	5,859,499,638	355,771,519
Inter-segment revenue	–	–	–	–
Segment revenue	9,314,768,314	7,121,756,000	5,859,499,638	355,771,519
Segment profit/(loss) before tax	501,728,345	804,525,000	685,043,251	162,200,908
Interest income	63,432,087	34,813,000	2,782,004	4,459,983
Interest expense	(92,912,112)	(211,338,000)	(18,861,624)	(47,618,391)
Depreciation and amortisation	(129,379,363)	(477,486,000)	(66,142,647)	(75,473,068)
Other material non-cash items				
– Impairment losses on trade and other receivables	(25,116,900)	–	(13,862,424)	(2,656,285)
Segment assets	5,753,161,356	10,125,112,000	1,647,896,822	1,945,018,981
Capital expenditure	(121,604,147)	(841,845,000)	(76,598,664)	(328,907,522)
Segment liabilities	3,173,914,643	4,640,391,000	598,555,452	919,647,022

2018	Reportable segments			
	Healthcare Rs.	Agribusiness Rs.	Consumer goods Rs.	Energy Rs.
External revenues	8,161,804,449	7,265,782,000	5,400,264,837	248,380,460
Inter-segment revenue	–	–	–	–
Segment revenue	8,161,804,449	7,265,782,000	5,400,264,837	248,380,460
Segment profit/(loss) before tax	392,353,522	1,553,783,000	344,606,695	48,617,646
Interest income	10,663,776	128,777,000	1,469,571	1,388,823
Interest expense	(33,888,505)	(141,272,000)	(56,862,160)	(74,738,593)
Depreciation and amortisation	(116,522,999)	(394,356,000)	(59,102,177)	(68,692,372)
Other material non-cash items				
– Impairment losses on trade and other receivables	–	–	(33,476,084)	–
Segment assets	5,134,979,309	10,241,156,000	1,528,209,799	1,664,890,154
Capital expenditure	(117,938,172)	(1,611,001,000)	(12,343,719)	(352,027,700)
Segment liabilities	2,722,206,935	4,654,745,000	512,672,050	844,958,688

Investment Rs.	Management service Rs.	Rental business Rs.	Total Rs.	2019
514,907,500	–	19,034,815	23,185,737,786	External revenues
–	–	–	–	Inter-segment revenue
514,907,500	–	19,034,815	23,185,737,786	Segment revenue
240,636,058	708,076,483	(87,987,599)	3,014,222,446	Segment profit/(loss) before tax
114,918,099	7,074,541	51,816	227,531,530	Interest income
(178,218,809)	(7,396,446)	(20,122,530)	(576,467,912)	Interest expense
(5,999,124)	(11,456)	–	(754,491,658)	Depreciation and amortisation
				Other material non-cash items
–	(644,467)	(28,657,612)	(70,937,688)	– Impairment losses on trade and other receivables
5,581,778,780	8,582,062,217	627,074,245	34,262,104,401	Segment assets
(18,288,951)	(98,000)	–	(1,387,342,284)	Capital expenditure
1,778,798,500	5,702,789	229,746,880	11,346,756,286	Segment liabilities

Investment Rs.	Management service Rs.	Rental business Rs.	Total Rs.	2018
337,113,528	–	2,730,000	21,416,075,274	External revenues
–	–	–	–	Inter-segment revenue
337,113,528	–	2,730,000	21,416,075,274	Segment revenue
148,558,341	1,173,047,400	126,385,111	3,787,351,715	Segment profit/(loss) before tax
67,426,610	18,302,205	–	228,027,986	Interest income
(41,781,020)	(37,670,455)	(3,437,196)	(389,649,929)	Interest expense
(3,292,269)	–	–	(641,965,817)	Depreciation and amortisation
				Other material non-cash items
–	–	–	(33,476,084)	– Impairment losses on trade and other receivables
4,433,397,392	8,664,470,058	482,557,467	32,149,660,179	Segment assets
(1,861,384)	–	–	(2,095,171,975)	Capital expenditure
1,503,524,751	223,666,702	230,209,214	10,691,983,339	Segment liabilities

8.3 RECONCILIATIONS OF INFORMATION ON REPORTABLE SEGMENTS TO IFRS MEASURES

For the year ended 31 March	2019 Rs.	2018 Rs.
Revenue		
Total revenue for reportable segments	23,185,737,786	21,416,075,274
Elimination of inter-segment revenue	(543,749,888)	(186,527,808)
Elimination of discontinued operations	–	(48,337,050)
Consolidated revenue	22,641,987,898	21,181,210,416
Profit before tax		
Total profit before tax for reportable segments	3,014,222,446	3,787,351,715
Elimination of inter-segment profit	(1,132,645,845)	(1,575,361,922)
Elimination of discontinued operation	–	210,824,830
Consolidated profit before tax from continuing operations	1,881,576,601	2,422,814,623
Assets		
Total assets for reportable segments	34,262,104,401	32,149,660,179
Elimination of inter-segment assets	(12,201,723,373)	(11,855,448,872)
Consolidated total assets	22,060,381,028	20,294,211,307
Liabilities		
Total liabilities for reportable segments	11,346,756,286	10,691,983,339
Elimination of inter-segment liabilities	(279,210,157)	(199,895,189)
Consolidated total liabilities	11,067,546,129	10,492,088,150

2019	Reportable segment totals Rs.	Adjustments Rs.	Consolidated totals Rs.
Other material items			
Interest income	227,531,530	943,853	228,475,383
Interest expense	(576,467,912)	16,399,630	(560,068,282)
Capital expenditure	(1,387,342,284)	(95,757,764)	(1,483,100,048)
Depreciation and amortisation	(754,491,658)	34,784,421	(719,707,237)
Impairment losses on trade and other receivables	(70,937,688)	52,925,382	(18,012,306)

2018	Reportable segment totals Rs.	Adjustments Rs.	Consolidated totals Rs.
Other material items			
Interest income	228,027,986	(17,643,658)	210,384,328
Interest expense	(389,649,929)	23,092,374	(366,557,555)
Capital expenditure	(2,095,171,975)	(40,892,169)	(2,136,064,144)
Depreciation and amortisation	(641,965,817)	(7,448,226)	(649,414,043)
Impairment losses on trade and other receivables	(33,476,084)	(848,565)	(34,324,649)

9. REVENUE

Accounting policy

SLFRS 15 – "Revenue from contracts with customers", establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The Group recognises revenue when a customer obtains control of the goods or services. Judgement is used to determine the timing of transfer of control – at a point in time or over time.

The effect of initial application of SLFRS 15 on the Group's revenue from contracts with customers is described in Note 7. Due to the transition method chosen by the Group on adoption of the said standard, the comparative information have not been restated to reflect the new requirements.

A. REVENUE STREAMS

The Group generates revenue primarily from investment, healthcare, plantation, consumer goods, energy and other sectors.

For the year ended 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Revenue from contracts with customers	22,622,953,083	21,178,480,416	514,907,500	340,599,522
Other revenue				
Rentals from Investment property	19,034,815	2,730,000	–	–
	22,641,987,898	21,181,210,416	514,907,500	340,599,522

B. DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

In the following table, revenue from contacts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 8).

For the year ended 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Primary geographic markets				
Local	22,261,335,570	20,886,563,961	514,907,500	340,599,522
Exports	380,652,328	294,646,455	–	–
	22,641,987,898	21,181,210,416	514,907,500	340,599,522
Major product/service lines				
Investments	16,430,382	121,055,808	514,907,500	340,599,522
Healthcare	9,314,768,314	8,161,804,449	–	–
Plantation	7,076,483,230	7,265,782,000	–	–
FMCG	5,859,499,638	5,381,457,699	–	–
Energy	355,771,519	248,380,460	–	–
Rent income	19,034,815	2,730,000	–	–
	22,641,987,898	21,181,210,416	514,907,500	340,599,522
Timing of revenue recognition				
Products transferred at a point in time	22,622,953,083	21,178,480,416	514,907,500	340,599,522
Products and services transferred over time	19,034,815	2,730,000	–	–
Revenue from contracts with customers	22,641,987,898	21,181,210,416	514,907,500	340,599,522
Other revenue	–	–	–	–
External revenue as reported in Note 8	22,641,987,898	21,181,210,416	514,907,500	340,599,522

C. CONTRACT BALANCES

These refer to the Group's rights to consideration for work completed but not billed at the reporting date. There were no contract balances as at the reporting date.

D. PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION POLICIES

Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a good or service to a customer.

The following table provides information about the nature and timing of the satisfaction of performance obligation in contacts with customers, including significant payment terms and related revenue recognition policies:

Type of product/ service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15 (applicable from 1 April 2018)	Revenue recognition under LKAS 18 (applicable before 1 April 2018)
Investments	Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.	Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established. This is now under the scope of SLFRS 9.	Dividend income was recognised in profit or loss on the date on which the Group's right to receive payment was established, which in the case of quoted securities is the ex-dividend date.
Healthcare	Customers obtain control of the goods sold when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time.	Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control is at a point in time.	The Group recognises revenue when persuasive evidence of an arrangement exists, delivery has occurred and risk of loss has passed to the customer. The sales price is determinable and collection of the resulting receivable is reasonably assured.
Plantation	Customers obtain the control of the produce after the customer acknowledgement at the dispatch point.	Revenue is recognised point in time, at the time of dispatch after the customer acknowledgement.	Revenue is recognised at the time of dispatch after the customer acknowledgement.
FMCG	Customers obtain control of the goods sold when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time.	Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control is at a point in time.	Revenue is recognised when the risk and rewards of ownership are transferred to the buyer, which is at the point of delivery of the goods.
Energy	This includes income from generating electricity units and transferred to Ceylon Electricity Board of Sri Lanka.	Revenue is recognised point in time as the electricity units are transferred to Ceylon Electricity Board of Sri Lanka.	Revenue is recognised upon transferring of energy units to Ceylon Electricity Board of Sri Lanka.
Rent income	This includes rental income earned from renting out investment property owned by the Subsidiary.	Revenue is recognised over time as the rent income is recognised on a straight line basis over the term of the agreement.	Rent income is recognised on an accrual basis.

10. OTHER INCOME

Accounting policy

Gains and losses on disposal of an item of property, plant and equipment.
Profit or loss is determined by comparing the net sales proceeds with the carrying amounts of property, plant and equipment.

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 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 Profit or Loss on a systematic basis over the useful life of the asset.

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

Dividend income
Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

For the year ended 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Dividend income	7,088,000	5,188,091	–	–
Gain on sale of property, plant and equipment	78,376,481	22,869,231	–	1,733,615
Amortisation of capital grants	56,823,000	56,995,000	–	–
Profit on sale of trees (Note 10.1)	33,105,000	72,625,000	–	–
Fair value gain on investment properties	–	127,092,307	–	–
Lease rent – Bungalow and others	7,356,000	–	–	–
Income from investment fund	23,456,000	29,733,000	–	–
Scrap sales	20,026	–	–	–
Royalty	–	569,578	–	–
Sundry income (Note 10.3)	84,500,489	111,597,532	72,848	435
Rent income	55,420,506	52,459,000	–	–
Service income	–	–	283,950,180	251,615,718
Change in fair value of quoted shares	(11,017,276)	(1,131,063)	(11,017,276)	(1,131,063)
Change in fair value of live stock	(24,493,000)	31,785,000	–	–
Change in fair value of unharvested crop	2,128,000	–	–	–
Change in fair value of biological assets (Note 10.2)	9,479,000	30,745,000	–	–
	322,242,226	540,527,676	273,005,752	252,218,705

10.1 Profit on sale of trees of Watawala Plantation PLC, a subsidiary of the Company, represents the gain on disposal of trees recognised as consumable biological assets and bears biological assets at the reporting date.

10.2 The gain/(loss) on fair value of trees in Watawala Plantation PLC, a subsidiary of the Company, represents the unrealised gain from valuation of trees/timber at the reporting date.

10.3 Sundry income mainly includes commission income received from foreign suppliers for securing contracts with Government to Sunshine Healthcare Lanka Limited amounting to Rs. 75.4 Mn. (2018 – Rs. 79.9 Mn.).

11. OPERATING PROFIT

Accounting policy

Operating profit is the result generated from the continuing principal revenue – producing activities of the Group as well as other income and expenses related to operating activities. Operating profit excludes net finance costs, share of profit of equity-accounted investees and income taxes.

Expenses

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.

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 capitalised as part of the cost of that asset.

For the year ended 31 March		GROUP		COMPANY	
		2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Staff costs (Note 11.1)		4,541,157,583	4,591,018,661	289,521,114	271,628,281
Statutory audit fees	– KPMG	6,721,000	4,395,000	1,500,000	1,375,000
	– Other auditors	2,161,000	6,320,138	–	–
Audit related	– KPMG	1,561,974	1,189,812	1,465,189	1,189,812
Non-audit	– KPMG	32,076	3,288,208	32,076	737,423
	– Other auditors	2,069,733	1,178,346	1,936,152	–
Provision/(Reversal) for doubtful debts		(22,673,239)	29,133,824	–	5,190,824
Depreciation					
– Property, plant and equipment		508,242,444	430,759,094	5,245,999	2,539,144
– Immovable lease assets		17,158,385	23,662,489	–	–
– Biological assets – bearer		192,050,000	178,387,000	–	–
Amortisation of intangible assets		29,858,361	23,164,457	753,125	753,125
Amortisation – Leasehold right to bare land		7,034,000	7,476,000	–	–
Write-off of PPE		–	–	–	343,006

11.1 STAFF COSTS

For the year ended 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Defined benefit plan (Gratuity)	294,987,287	160,831,128	14,409,308	12,633,327
Defined contribution EPF and ETF	393,023,177	320,104,034	24,588,838	23,383,402
Salaries, wages and other staff cost	3,853,147,119	4,110,083,499	250,522,968	235,611,552
	4,541,157,583	4,591,018,661	289,521,114	271,628,281

12. NET FINANCE COST

Accounting policy

The Group's finance income and finance costs include:

- Interest income
- Interest expenses
- The foreign currency gain or losses on financial assets and financial liabilities

Interest income or expenses is recognised using the effective interest method.

The "effective interest rate" is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments to:

- the gross carrying amount of the financial assets; or
- the amortised cost of the financial liability.

In calculating interest income and expenses, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial assets. if the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

	GROUP		COMPANY	
For the year ended 31 March	**2019 Rs.**	2018 Rs.	**2019 Rs.**	2018 Rs.
Interest income from related companies	–	–	16,730,630	3,437,196
Exchange gain	77,551,283	15,293,313	–	–
Interest income on others deposits/loan	150,924,100	195,091,015	98,187,469	63,989,414
Finance income	228,475,383	210,384,328	114,918,099	67,426,610
Interest on overdrafts and loans	483,879,972	293,877,744	178,218,809	41,781,020
Interest on finance lease	45,211,310	22,621,811	–	–
Contingent lease series of payments	30,977,000	50,058,000	–	–
Finance cost	560,068,282	366,557,555	178,218,809	41,781,020
Net finance cost	(331,592,899)	(156,173,227)	(63,300,710)	25,645,590

13. INCOME TAX EXPENSE

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.

The Group has determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 – "Provisions, Contingent Liabilities and Contingent Assets".

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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. Refer Note 27 for detail accounting policy.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are offset only if certain criteria are met.

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.

13.I AMOUNT RECOGNISED IN PROFIT OR LOSS

For the year ended 31 March	GROUP 2019 Rs.	GROUP 2018 Rs.	COMPANY 2019 Rs.	COMPANY 2018 Rs.
Current tax expense				
Current income tax expense (Note 13.1.A)	473,491,505	415,832,228	4,365,938	–
Changes in estimates relating to prior years	(19,152,020)	29,346,097	–	–
Unclaimable economic service charges (ESC) (Note 30.2)	18,264,615	–	–	–
WHT on dividends from subsidiaries	150,245,840	57,758,272	–	–
	622,849,940	502,936,597	4,365,938	–
Deferred tax expenses				
Origination and reversal of deferred tax assets (Note 27.2)	(160,282,357)	31,135,579	(23,720,940)	–
Origination and reversal of deferred tax liabilities (Note 27.3)	273,374,859	84,219,851	104,828	–
	113,092,502	115,355,430	(23,616,112)	–
Tax expenses on continuing operations	735,942,442	618,292,027	(19,250,174)	–

Tax expense on continuing operations excludes the Group's share of the tax expenses of equity-accounted investee of Rs. Nil (2018 – Rs. Nil), which has been included in "share of profit of equity-accounted investee, net of tax".

13.I.A CURRENT TAXES

Company

In terms of the Inland Revenue Act No. 24 of 2017 and subsequent gazette notifications thereto, the Company is liable for income tax at 28% (2018 – 28%) on its taxable income.

Group

In accordance with the provision of the Inland Revenue Act No. 24 of 2017 and subsequent gazette notifications thereto, the subsidiary companies of the Company are liable for income tax at the following rates:

For the year ended 31 March		Tax Rate 2019 %	Tax Rate 2018 %
Sunshine Healthcare Lanka Limited		28	28
Estate Management Services (Private) Limited	– Interest income	28	28
Watawala Plantations PLC	– Profits from cultivation	14	10
	– Profits from bulk tea exports	14	28
	– Profits from packeted tea exports	14	10
	– Profits from other activities	28	28
Healthguard Pharmacy Limited		28	28
Watawala Tea Ceylon Limited		28	28
Sunshine Packaging Limited		28	28
Sunshine Energy Limited		28	28
Sky Solar (Pvt) Ltd.		28	–
Waltrim Energy Limited		28	28
Waltrim Hydropower (Private) Limited		20	10
Hatton Plantations PLC		14	16

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

WALTRIM HYDROPOWER (PRIVATE) LIMITED

Persuant to the agreement entered into with the Board of Investments (BOI) of Sri Lanka, profit of the subsidiary was exempted from income tax for a period of five years reckoned from the year of assessment as may be determined by the Board in which the subsidiary commenced to make profits or any year of assessment not later than two years from the date of commencement of operations of the subsidiary whichever was earlier. Accordingly, the subsidiary was exempt from February 2014.

After the expiration of the aforesaid tax exemption period, the profit of the Company is taxed at the rate of 10% for a period of two years and at 20% thereafter. Accordingly, the Company has become liable for income tax at a rate of 10% from the year 2019.

UPPER WALTRIM HYDROPOWER (PRIVATE) LIMITED AND ELGIN HYDROPOWER (PRIVATE) LTD.

Pursuant to the agreement entered into with the Board of Investments (BOI) of Sri Lanka, profit of the Upper Waltrim Hydropower (Private) Limited and Elgin Hydropower (Private) Ltd., shall qualify for tax exemption period of seven years as stipulated in the Inland Revenue Act No. 10 of 2006 as amended by Inland Revenue (Amendment) Act No. 8 of 2012 (Section 17A) based on proposed investment of more than Sri Lankan Rupees Five Hundred Million (Rs. 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 years reckoned from the date of commencement of commercial operations whichever is earlier as such.

The exemption period for Upper Waltrim Hydropower (Private) Limited commenced from financial year 2017/18.

The exemption period for Elgin Hydropower (Private) Ltd., commenced from financial year 2017/18.

WALTRIM ENERGY LIMITED

Pursuant to the agreement entered into with the Board of Investments (BOI) of Sri Lanka, profit of the Company is exempt from income tax for a period of five years reckoned from the year of assessment as may be determined by the Board in which the Company commences to make profits or any year of assessment not later than two years from the date of commencement of operations of the Company whichever is earlier. Accordingly, the Company is exempt from February 2014.

After expiration of the aforesaid tax exemption period, the profit of the Company is taxed at the rate of 10% for a period of two years and 20% thereafter. Accordingly, the Company is liable for income tax at a rate of 10% from the year 2019.

WATAWALA TEA CEYLON LIMITED

Watawala Tea Ceylon Limited claims tax relief under Section 16 of the Inland Revenue Act No. 10 of 2006.

WATAWALA DAIRY LIMITED

Watawala Dairy Limited enjoys a tax exemption period of five years from the year in which the enterprise commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever is earlier, under Section 17 (2) of the Board of Investment of Sri Lanka Law No. 4 of 1978 and in accordance with the provisions of the Inland Revenue Act No. 10 of 2006.

After the expiration of the tax exemption period, the profit and income of the Company shall be charged at the rate of twenty percent (20%) for any year of assessment immediately succeeding the last date of the tax exemption period during which the profit and income of the entity is exempted from income tax.

13.II AMOUNT RECOGNISED IN OCI

For the year ended 31 March	GROUP 2019 Rs.	GROUP 2018 Rs.	COMPANY 2019 Rs.	COMPANY 2018 Rs.
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit liability/(asset)	41,516,040	(3,647,362)	658,294	–
Equity investments at FVOCI – net change in fair value	(6,277,311)	–	(6,277,311)	–
	35,238,729	(3,647,362)	(5,619,017)	–

13.III AMOUNTS RECOGNISED DIRECTLY IN EQUITY

There were no items recognised directly in equity during the year ended 31 March 2019.

13.IV RECONCILIATION OF EFFECTIVE TAX RATE

Group

	%	2019 Rs.	%	2018 Rs.
Profit before tax from continuing operations		1,881,576,601		2,422,814,623
Tax using the Company's domestic tax rate	28	526,841,448	28	678,388,095
Effect of the tax rates in subsidiaries	7	127,885,700	2	57,941,321
Tax effect of:				
Share of profit of equity-accounted investees	0	–	0	–
Net non-deductible expenses	10	194,603,852	5	120,799,136
Tax-exempt income	-19	(364,503,710)	-18	(438,536,319)
Changes in estimates relating to prior years	-1	(19,152,020)	1	29,346,097
Recognition of previously unrecognised tax losses	-1	(11,335,785)	0	(2,760,005)
Unclaimable Economic Service Charges (ESC)	1	18,264,615	0	–
WHT on dividends from subsidiaries	8	150,245,840	2	57,758,272
	33	622,849,940	21	502,936,597

Company

	%	2019 Rs.	%	2018 Rs.
Profit before tax from continuing operations		240,636,058		148,558,341
Tax using the Company's domestic tax rate	28	67,378,096	28	41,596,335
Tax effect of:				
Non-deductible expenses	3	53,124,805	1	27,477,241
Tax-exempt income	-6	(116,136,964)	-4	(95,367,866)
Current year losses for which no deferred tax asset is recognised	0	–	1	26,294,289
	2	4,365,938	0	–

13.V TAX LOSSES CARRIED FORWARD

For the year ended 31 March	GROUP 2019 Rs.	GROUP 2018 Rs.	COMPANY 2019 Rs.	COMPANY 2018 Rs.
Tax loss brought forward	1,620,927,641	1,136,366,720	255,439,994	169,616,620
Reassessment of previous year tax losses	(35,347,456)	(74,436,641)	(35,282,339)	(8,084,802)
Tax loss for the year of assessment	280,118,480	568,854,722	–	93,908,176
Set-off against the current taxable income	(96,807,974)	(9,857,160)	–	–
Tax loss carried forward	1,768,890,691	1,620,927,641	220,157,655	255,439,994

The tax losses for which no deferred tax asset was recognised are as follows:

For the year ended 31 March	GROUP 2019 Rs.	GROUP 2018 Rs.	COMPANY 2019 Rs.	COMPANY 2018 Rs.
Expire	898,553,679	242,629,785	1,371,228,461	341,885,153
Never expire	–	–	–	–
	898,553,679	242,629,785	1,371,228,461	341,885,153

14. ADJUSTED EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION (ADJUSTED EBITDA)

Management has presented the performance measure adjusted EBITDA because it monitors this performance measure at a consolidated level and it believes that this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting profit from continuing operations to exclude the impact of taxation, net financier costs, depreciation, amortisation, impairment losses/reversals related to goodwill, intangible assets, property, plant and equipment and the premeasurement of disposal groups and share of profit of equity-accounted investees.

Adjusted EBITDA is not a defined performance measure in SLFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosers by other entities.

Reconciliation of adjusted EBITDA to profit from continuing operations – Group

For the year ended 31 March	2019 Rs.	2018 Rs.
Profit from continuing operations	1,145,634,159	1,804,522,596
Income tax expense	735,942,442	618,292,027
Profit before tax	1,881,576,601	2,422,814,623
Adjustment for –		
Net finance costs	331,592,899	156,173,227
Depreciation	717,450,829	632,808,583
Amortisation	36,892,361	30,640,457
Share of loss of equity-accounted investee, net of tax	5,161,319	1,040,385
Adjusted EBITDA	2,972,674,009	3,243,477,275

15. DISCONTINUED OPERATIONS

Accounting policy

A discontinued operation is a component of the Group's business, the operations and cash flows of which can be clearly distinguished from the rest of the Group and which:

- represents a separate major line of business or geographic area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographic area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs at the earlier of disposal or when the operation meet the criterial to be classified as held for sale.

When an operation is classified as a discontinued operation, the comparative statement of profit or loss and OCI is represented as if the operation had been discontinued from the start of the comparative year.

15.1 RESULTS OF DISCONTINUED OPERATION

In August 2017, the Sunshine Packaging Lanka Limited (Subsidiary) discontinued its entire operation of manufacturing and selling metal cans and allied products for the food canning industry.

Subsequent to discontinuation of the operation, the Subsidiary changed its business model and is engaged in the business of renting premises and earning rent income. Accordingly, the Subsidiary eliminated the results of the discontinued operations as follows:

For the year ended 31 March	2018 Rs.
Revenue	48,337,050
Cost of sales	(123,277,232)
Gross loss	(74,940,182)
Other income	17,846,601
Impairment of assets held for sale	(105,641,566)
Selling and distribution expenses	(1,607,769)
Administrative expenses	(34,459,220)
Loss from operations	(198,802,136)
Net finance expenses	(12,022,694)
Loss before taxation	(210,824,830)
Income tax expense	–
Loss from discontinued operation, net of tax	(210,824,830)
Basic loss per share (Rs.)	(5.91)
Diluted loss per share (Rs.)	(5.91)

The loss from the discontinued operation of Rs. 211 Mn. for the year ended 31 March 2018 is attributable entirely to the owners of the Group.

16. EARNINGS PER SHARE

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 outstanding 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 outstanding for the effects of all dilutive potential ordinary shares.

16.1 BASIC EARNINGS PER SHARE

The earnings per share is computed on the profit attributable to ordinary shareholders after tax and non-controlling interest divided by the weighted average number of ordinary shares during the year.

For the year ended 31 March 2019	GROUP			COMPANY		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Profit for the year, attributable to the owners of the Company (Rs.)	646,984,059	–	646,984,059	259,886,232	–	259,886,232
Weighted average No. of ordinary shares (basic) – Note 16.1.2	145,910,189	145,910,189	145,910,189	145,910,189	–	145,910,189
Basic Earnings per share (Rs.)	4.43	–	4.43	1.78	–	1.78
For the year ended 31 March 2018						
Profit for the year, attributable to the owners of the Company (Rs.)	829,362,966	(210,824,830)	618,538,136	148,558,341	–	148,558,341
Weighted average No. of ordinary shares (basic) – Note 16.1.2	136,114,658	136,114,658	136,114,658	136,114,658	–	136,114,658
Basic Earnings per share (Rs.)	6.08	(1.55)	4.54	1.09	–	1.09

16.1.2 WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

	2019	2018
Issued ordinary shares as at 1 April	136,492,280	135,140,986
Effect of shares issued via scrip dividends	826,761	973,672
Effect of shares issued via private placement	8,591,149	–
	145,910,189	136,114,658

16.2 DILUTED EARNINGS PER SHARE

There was no dilution of ordinary shares outstanding at any time during the year. Therefore, diluted earnings per share is the same as basic earning per share as shown in Note 16.1.

17. DIVIDEND PER SHARE

Accounting policy

Dividend declared by the Board of Directors after the reporting date is not recognised as a liability and is disclosed as a Note to the Financial Statements.

The Board of Directors of the Company has declared a first and final dividend of Rs. 1.25 per share (2018 – Rs. 1.00 of cash dividend and Rs. 0.50 of scrip dividend per share) for the financial year ended 31 March 2019.

	2019	2018
Dividend declared (Rs.)	186,942,629	204,738,420
Number of ordinary shares	149,554,103	136,492,280
Dividend per share (Rs.)	1.25	1.50

Compliance with Sections 56 and 57 of Companies Act No. 07 of 2007

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, prior to declaring the final dividend. A statement of solvency duly completed and signed by the Directors on 30 May 2019 has been audited by Messrs KPMG.

17.1 DIVIDEND PAID DURING THE YEAR

	2019 Rs.	2018 Rs.
First and final dividend	204,738,420	236,496,726

18. FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS

A. POLICY APPLICABLE FROM 1 APRIL 2018

RECOGNITION AND INITIAL MEASUREMENT

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI (Fair value through OCI) – debt investment; FVOCI – equity investment; or FVTPL (Fair value through profit or loss).

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

FINANCIAL ASSETS – BUSINESS MODEL ASSESSMENT

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to Management.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

FINANCIAL ASSETS – ASSESSMENT WHETHER CONTRACTUAL CASH FLOWS ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST

For the purposes of this assessment, "principal" is defined as the fair value of the financial asset on initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument.

FINANCIAL ASSETS – SUBSEQUENT MEASUREMENT AND GAINS AND LOSSES

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to profit or loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

FINANCIAL ASSET CLASSIFICATION CHANGE

Measurement	SLFRS 9 (After 1 April 2018)	LKAS 39 (Prior to 1 April 2018)
Fair value	FVTPL/FVOCI	FVTPL/AFS
Amortised cost	Amortised cost	HTM/loans and receivables

B. POLICY APPLICABLE BEFORE 1 APRIL 2018

Initial Recognition, Classification and Subsequent Measurement based on LKAS 39.

DATE OF RECOGNITION

All financial assets and liabilities were initially recognised on the trade date, i.e., the date the Group becomes a party to the contractual provisions of the instrument.

INITIAL MEASUREMENT OF FINANCIAL INSTRUMENTS

The classification of Financial Instruments at initial recognition depends on their purpose and characteristics and the Management's intention in acquiring them.

Financial Instruments were measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Transaction cost in relation to financial assets and financial liabilities at fair value through profit or loss were dealt with through the Profit or Loss.

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

The Group classified its financial assets into the following categories:

LOANS AND RECEIVABLES;

The subsequent measurement of financial assets depends on their classification.

FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES

Financial Assets classified as "Loans and Receivables" include Deposits Receivable, Trade and Other Receivables, Amounts due from related parties and Cash and Cash Equivalents. After initial measurement, these were subsequently measured at amortised cost using the EIR, less provision for impairment. Amortised cost was calculated by taking into account any discount or premium on acquisition and fees and costs that are an integral part of the EIR. The amortisation was included in "Interest Income" in the Profit or Loss. The losses arising from impairment were recognised in the Income Statement in "impairment charges for loans and other losses".

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL LIABILITIES

At inception, a financial liability was classified at amortised cost.

The subsequent measurement of financial liabilities depends on their classification.

RECLASSIFICATION OF FINANCIAL INSTRUMENTS

In certain circumstances, the Group was permitted to reclassify Financial Instruments out of the "available-for-sale" category and into the "loans and receivables" category. Reclassifications were recorded at fair value at the date of reclassification, which becomes the new amortised cost.

For a financial asset with a fixed maturity reclassified out of the "available-for-sale" category, any previous gain or loss on that asset that has been recognised in Equity is amortised to profit or loss over the remaining life of the asset using the EIR. Any difference between the new amortised cost and the expected cash flows was also amortised over the remaining life of the asset using the EIR. In the case of a financial asset that does not have a fixed maturity, the gain or loss was recognised in the profit or loss when such financial asset was sold or disposed. If the financial asset is subsequently determined to be impaired, then the amount recorded in Equity was recycled to the Profit or Loss.

Reclassification was at the election of management, and was determined on an instrument-by-instrument basis.
The Group did not reclassify any Financial Instrument into the fair value through profit or loss category after initial recognition.

NON-DERIVATIVE FINANCIAL LIABILITIES

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables, amounts due to related parties and bank overdrafts.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

DERECOGNITION

A. FINANCIAL ASSETS

The Group derecognised a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group entered into transactions whereby it transfers assets recognised in its Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets were not derecognised.

B. FINANCIAL LIABILITIES

The Group derecognised a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognised a financial liability when its terms are modified and the cash flows of the modified liability were substantially different, in which case a new financial liability based on the modified terms was recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) was recognised in profit or loss.

OFFSETTING

Financial assets and financial liabilities were offset and the net amount presented in the Statement of Financial Position when, and only when, the Group currently has a legally enforceable right to setoff the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following table provides a reconciliation between line item in the Statement of Financial Position and categories of financial instruments:

31 March 2019	Mandatorily at FVTPL Rs.	FVOCI – Equity instruments Rs.	Amortised cost Rs.	Total carrying value Rs.
Financial assets				
Investment in unquoted shares	–	594,319,053	–	594,319,053
Investment in quoted shares	61,297,280	–	–	61,297,280
Investment in unit trust	8,461,934	–	–	8,461,934
Investment fund	312,051,000	–	–	312,051,000
Trade and other receivables	–	–	3,788,362,024	3,788,362,024
Amounts due from related parties	–	–	27,998,528	27,998,528
Cash and cash equivalents	–	–	1,843,593,506	1,843,593,506
Total financial assets	381,810,214	594,319,053	5,659,954,058	6,636,083,325
Financial liability				
Loans and borrowings			4,412,962,430	4,412,962,430
Bank overdraft			826,769,498	826,769,498
Trade and other payables			3,242,514,435	3,242,514,435
Amounts due to related parties			25,190,848	25,190,848
Total financial liabilities			8,507,437,210	8,507,437,210

31 March 2018	Mandatorily at FVTPL Rs.	FVOCI – Equity instruments Rs.	Amortised cost Rs.	Total carrying value Rs.
Financial assets				
Investment in unquoted shares	–	566,210,085	–	566,210,085
Investment in quoted shares	81,237,481	–	–	81,237,481
Investment in unit trust	5,948,890	–	–	5,948,890
Investment fund	288,595,000	–	–	288,595,000
Trade and other receivables	–	–	3,233,987,996	3,233,987,996
Amounts due from related parties	–	–	14,950,556	14,950,556
Cash and cash equivalents	–	–	1,374,218,432	1,374,218,432
Total financial assets	375,781,371	566,210,085	4,623,156,983	5,565,148,440
Financial liability				
Loans and borrowings	–	–	4,380,977,634	4,380,977,634
Bank overdraft	–	–	927,663,776	927,663,776
Trade and other payables	–	–	3,120,599,883	3,120,599,883
Amounts due to related parties	–	–	3,675,182	3,675,182
Total financial liabilities	–	–	8,432,916,475	8,432,916,475

19. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Recognition and measurement
Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses if any –
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 and equipment have different useful lives, they are accounted for as separate items or major components of property, plant and 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.

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 capitalisation. Capital work-in-progress is stated at cost less any accumulated impairment loss.

Accounting policy

Leasehold assets

The determination of whether an arrangement is, a lease is based on the substance of the arrangement at inception date, whether fulfilment 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.

Subsequent costs

The cost of replacing a component of an item of property, plant and 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.

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on derecognition are recognised in Statement of Profit or Loss and gains are not classified as revenue.

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 and 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 derecognised.

The estimated useful lives for the current and comparative periods are as follows:

Freehold assets	Years
Buildings	15 – 40
Roads and bridges	40
Sanitation, water and electricity	20
Plant and machinery	13
Furniture and fittings	05 – 10
Equipment	05 – 08
Computer equipment	03 – 05
Computer software	04 – 06
Motor vehicles	04 – 05
Electrical equipment	02
Diagnostics and analyser equipment	04
Medical equipment	04
Hydro power plant	20
Fence and security lights	03

Leasehold assets	Years
Bare land	53
Roads and bridges	40
Improvements to land	30
Vested other assets	30
Buildings	25
Plant and machinery	13
Sanitation, water and electricity	20
Water supply system	20
Mini-hydro power plant	10
Motor vehicles	04 – 05

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.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amount to Groups non-financial assets are reviewed at each reporting date to determine if 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.

CALCULATION OF RECOVERABLE AMOUNT

The recoverable amount of an asset or cash-generating unit is the great 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 other risk specific to the asset. A cash generating unit is the smallest identifiable assets group that generates cash flows that are largely independent from other assets and groups.

PROVISION FOR/REVERSAL OF IMPAIRMENT

The carrying value of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying value exceed the estimated recoverable amount the assets are written down to their recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income unless it reverses a previous revaluation surplus for the same asset.

19.1 RECONCILIATION OF CARRYING AMOUNT

A. GROUP

COST

	Balance as at 1 April 2017 Rs.	Additions Rs.	Disposals Rs.	Transfers Rs.	Balance as at 31 March 2018 Rs.
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 and 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 equipment	10,932,848	–	(711,888)	(10,220,960)	–
Furniture and 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	98,790,209	12,741,132	–	(2,729,914)	108,801,427
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
Medical equipment	191,527,498	63,240,843	–	–	254,768,341
Other	184,123,100	132,160,000	–	31,366,000	347,649,100
Capital work-in-progress	665,550,916	514,065,572	–	(373,271,580)	806,344,908
	7,075,924,347	1,440,069,281	(88,807,258)	(380,266,089)	8,046,920,281
Leasehold assets					
Roads and 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-hydropower plant	1,540,000	–	–	–	1,540,000
Motor vehicles	34,787,340	–	–	–	34,787,340
Mature plantations	257,202,000	–	–	–	257,202,000
	430,281,340	–	–	–	430,281,340
Total cost	7,506,205,687	1,440,069,281	(88,807,258)	(380,266,089)	8,477,201,621

Balance as at 1 April 2018 Rs.	Additions Rs.	Disposals Rs.	Transfers Rs.	Balance as at 31 March 2019 Rs.	
					Freehold assets
192,240,816	–	–	-	192,240,816	Land
1,781,312,555	219,025,500	(51,640,774)	266,686,004	2,215,383,285	Buildings
1,909,438,586	77,065,251	(18,466)	–	1,986,485,371	Plant and machinery
1,253,618,771	–	–	717,429,627	1,971,048,398	Power plant
–	68,200,000	–	–	68,200,000	Tools
–	–	–	–	–	Machinery oil project
–	–	–	–	–	Factory equipment
199,249,375	4,101,194	(7,879,898)	2,673,326	198,143,997	Furniture and fittings
272,073,404	18,083,781	(6,428,538)	–	283,728,647	Equipment
–	–	–	–	–	Water tank
108,801,427	10,995,859	(274,996)	3,323,577	122,845,867	Computer equipment
887,391,449	112,290,500	(100,741,666)	582,500	899,522,783	Motor vehicles
34,031,549	1,525,427	(7,290,186)	17,910	28,284,700	Electrical equipment
254,768,341	86,777,417	–	–	341,545,758	Medical equipment
347,649,100	27,898,000	–	(3,797,000)	371,750,100	Other
806,344,908	231,842,965	(3,058,267)	(986,915,944)	48,213,662	Capital work in progress
8,046,920,281	857,805,894	(177,332,791)	–	8,727,393,384	
					Leasehold assets
484,000	–	–	–	484,000	Roads and bridges
3,340,000	–	–	–	3,340,000	Improvements to land
3,305,000	–	–	–	3,305,000	Vested other assets
93,279,000	–	–	–	93,279,000	Buildings
3,838,000	–	–	–	3,838,000	Water supply system
32,506,000	–	–	–	32,506,000	Machinery
1,540,000	–	–	–	1,540,000	Mini-hydro power plant
34,787,340	–	(7,425,060)	–	27,362,280	Motor vehicles
257,202,000	–	–	–	257,202,000	Mature plantations
430,281,340	–	(7,425,060)	–	422,856,280	
8,477,201,621	857,805,894	(184,757,851)	–	9,150,249,664	**Total cost**

ACCUMULATED DEPRECIATION

	Balance as at 1 April 2017 Rs.	Depreciation Rs.	Disposals Rs.	Transfers Rs.	Balance as at 31 March 2018 Rs.
Freehold assets					
Buildings	248,604,180	45,434,496	–	(17,687,102)	276,351,574
Plant and 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 and 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	72,568,200	19,085,250	–	(2,207,129)	89,446,321
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
Other	52,537,264	4,259,000	–	–	56,796,264
	2,392,692,402	430,759,094	(57,683,346)	(123,238,115)	2,642,530,035
Leasehold assets					
Roads and 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-hydropower plant	1,540,000	–	–	–	1,540,000
Motor vehicles	9,513,513	8,697,489	–	–	18,211,002
Mature plantations	182,655,000	13,739,000	–	–	196,394,000
	326,659,513	23,662,489	–	–	350,322,002
Total accumulated depreciation	2,719,351,915	454,421,583	(57,683,346)	(123,238,115)	2,992,852,037
Carrying value	4,786,853,772				5,484,349,584

** Assets in estates that are held under leasehold right to use have been taken into books of the Group retrospective from 18 June 1992. For this purpose, the Board of Directors of Watawala Plantation PLC is decided at its meeting on 8 March 1995 that those assets would be taken at their book value as they appeared in the books of the JEDB/SLSPC, on the date immediately preceding the date of formation of Watawala Plantation PLC.*

** The assets shown above includes assets vested in the Watawala Plantation PLC and Hatton Plantation PLC the subsidiaries of the Company, by Gazetted notification on the date of formation of the subsidiary (18 June 1992) and all the investments made in the fixed assets by subsidiary since its formation.*

** Investment by the Group on mature and immature plantations are shown separately under biological assets – mature/immature explanations.*

** The transfer of immature plantation to mature plantations commences at the time the plantation is ready for commercial harvesting.*

Balance as at 1 April 2018 Rs.	Depreciation Rs.	Disposals Rs.	Balance as at 31 March 2019 Rs.	
				Freehold assets
276,351,574	56,299,479	(44,214,499)	288,436,554	Buildings
961,831,158	130,797,942	(15,579)	1,092,613,521	Plant and machinery
215,853,491	68,594,363	–	284,447,854	Power plant
–	1,026,667	–	1,026,667	Tools
–	–	–	–	Machinery oil project
–	–	–	–	Factory equipment
120,678,445	19,506,934	(6,429,112)	133,756,267	Furniture and fittings
175,486,954	26,553,058	(6,187,778)	195,852,234	Equipment
–	–	–	–	Water tank
89,446,321	12,410,606	(147,277)	101,709,650	Computer equipment
544,888,794	114,307,230	(97,103,551)	562,092,473	Motor vehicles
35,668,182	5,841,702	(7,290,186)	34,219,698	Electrical equipment
165,528,852	41,547,463	–	207,076,315	Medical equipment
56,796,264	31,357,000	–	88,153,264	Other
2,642,530,035	508,242,444	(161,387,982)	2,989,384,497	
				Leasehold assets
303,000	12,000	–	315,000	Roads and bridges
2,860,000	110,000	–	2,970,000	Improvements to land
1,152,000	47,000	–	1,199,000	Vested other assets
93,518,000	–	–	93,518,000	Buildings
3,838,000	–	–	3,838,000	Water supply system
32,506,000	–	–	32,506,000	Machinery
1,540,000	–	–	1,540,000	Mini-hydro power plant
18,211,002	8,618,385	(7,070,037)	19,759,350	Motor vehicles
196,394,000	8,371,000	–	204,765,000	Mature plantations
350,322,002	17,158,385	(7,070,037)	360,410,350	
2,992,852,037	525,400,829	(168,458,019)	3,349,794,847	**Total accumulated depreciation**
5,484,349,584			5,800,454,817	**Carrying value**

B. COMPANY

COST

	Balance as at 1 April 2017 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31 March 2018 Rs.
Freehold assets				
Furniture and 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)	–
	11,911,494	1,861,384	(4,021,109)	9,751,769

ACCUMULATED DEPRECIATION

	Balance as at 1 April 2017 Rs.	Depreciation Rs.	Disposals Rs.	Balance as at 31 March 2018 Rs.
Freehold assets				
Furniture and 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)	–
	6,010,179	2,539,144	(2,088,241)	6,461,082
Carrying value	5,901,315			3,290,687

19.2 TITLE RESTRICTION ON PROPERTY, PLANT AND EQUIPMENT

There are no restrictions that existed on the title of the property, plant and equipment of the Group as at the reporting date.

19.3 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT DURING THE YEAR

During the financial year, the Company acquired property, plant and equipment to the aggregate value of Rs. 858 Mn. (2018 – Rs. 1,440 Mn.). Cash payments amounting to Rs. 858 Mn. (2018 – Rs. 1,440 Mn.). were made during the year for purchase of property plant and equipment.

19.4 CAPITALISATION OF BORROWING COSTS

Borrowing cost amounting to Rs. 92 Mn. was capitalised as borrowing costs relating to the acquisition of property, plant and equipment by the Group during the year (2018 – Rs.16 Mn.).

19.5 AMOUNT OF CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT

The Group had no contractual commitments for the acquisition of property, plant and equipment as at the reporting date. (2018: Nil) .

19.6 THE DETAILS OF FREEHOLD LAND AND BUILDINGS WHICH ARE STATED AT VALUATION – GROUP

Property	Extent (Perches)	Square feet (Building)	Carrying value
Land and building situated at Mattakkuliya	142.60	29,449	83,595,409
Land situated at Mattakkuliya	122.54	N/A	63,233,820
Land situated at Norris Canal Road, Colombo 10.	28.25	N/A	83,634,000

Balance as at 1 April 2018 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31 March 2019 Rs.	
				Freehold assets
2,786,980	148,561	–	2,935,541	Furniture and fittings
1,573,953	307,500	–	1,881,453	Equipment
5,390,836	462,890	–	5,853,726	Computer equipment
–	17,370,000	–	17,370,000	Motor vehicles
9,751,769	18,288,951	–	28,040,720	

Balance as at 1 April 2018 Rs.	Depreciation Rs.	Disposals Rs.	Balance as at 31 March 2019 Rs.	
				Freehold assets
1,929,011	527,057	–	2,456,068	Furniture and fittings
729,671	960,890	–	1,690,561	Equipment
3,802,400	312,605	–	4,115,005	Computer equipment
–	3,445,447	–	3,445,447	Motor vehicles
6,461,082	5,245,999	–	11,707,081	
3,290,687			16,333,639	

19.7 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31 March 2019. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date in respect of property, plant and equipment.

19.8 PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY

None of the property, plant and equipment have been pledged as securities as at the reporting date.

19.9 TEMPORARILY IDLE PROPERTY, PLANT AND EQUIPMENT

There are no temporarily idle property, plant and equipment as at the reporting date.

19.10 COMPENSATION FROM THIRD PARTIES FOR ITEMS OF PROPERTY, PLANT AND EQUIPMENT

There were no compensation received/receivable from third parties for items of property, plant and equipment that were impaired, lost or given up.

20. INTANGIBLE ASSETS

Accounting policy

Recognition and measurement

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.

Gains or losses arising from derecognition 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.

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.

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.

Accounting policy

Brand name

Brands acquired as part of a business combination, are capitalised 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.

Computer software

Computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives and carried at its cost less accumulated amortisation and accumulated impairment losses. Costs associated with maintaining computer software programmes 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, capitalised 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.

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.

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 capitalised as project development cost.

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 licence	02 – 06 years
Software development cost	02 – 05 years

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.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

20.1 RECONCILIATION OF CARRYING AMOUNT

	GROUP		
	Software Rs.	Brand Rs.	Total Rs.
Cost			
Balance as at 1 April 2017	138,651,583	59,150,000	197,801,583
Acquisitions	25,674,615	–	25,674,615
Balance as at 31 March 2018	164,326,198	59,150,000	223,476,198
Balance as at 1 April 2018	164,326,198	59,150,000	223,476,198
Acquisitions	68,676,718	–	68,676,718
Balance as at 31 March 2019	233,002,916	59,150,000	292,152,916

	GROUP		
	Software Rs.	Brand Rs.	Total Rs.
Accumulated amortisation and impairment losses			
Balance as at 1 April 2017	37,842,539	8,872,500	46,715,039
Amortisation	20,206,957	2,957,500	23,164,457
Balance as at 31 March 2018	58,049,496	11,830,000	69,879,496
Balance as at 1 April 2018	58,049,496	11,830,000	69,879,496
Amortisation	26,900,861	2,957,500	29,858,361
Balance as at 31 March 2019	84,950,357	14,787,500	99,737,857
Carrying value as at 31 March 2018	106,276,702	47,320,000	153,596,702
Carrying value as at 31 March 2019	148,052,559	44,362,500	192,415,059

20.1.1 BRAND ACQUISITION

The Group has recognised the brand "HEALTHGUARD" upon the acquisition of Healthguard Pharmacy Limited, on 19 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 amortise the brand for 20 years beginning from the year 2014/15.

	COMPANY	
	2019 Rs.	2018 Rs.
Software		
Cost		
Balance as at 1 April	3,012,500	3,012,500
Acquisitions	–	–
Balance as at 31 March	3,012,500	3,012,500
Accumulated amortisation and impairment losses		
Balance as at 1 April	2,232,128	1,479,003
Amortisation	753,125	753,125
Balance as at 31 March	2,985,253	2,232,128
Carrying value as at 31 March	27,247	780,372

21. LEASEHOLD LAND

LEASEHOLD RIGHT TO LAND OF JEDB/SLSPC ESTATES

	GROUP	
	2019 Rs.	2018 Rs.
Cost/Revaluation		
Balance as at 1 April	372,840,000	372,840,000
Balance as at 31 March	372,840,000	372,840,000
Accumulated amortisation		
Balance as at 1 April	181,843,000	174,367,000
Amortisation	7,034,000	7,476,000
Balance as at 31 March	188,877,000	181,843,000
Carrying amount	183,963,000	190,997,000

The lease of JEDB/SLSPC estates handed over to the subsidiary, Watawala Plantation PLC for the period of 53 years are all executed. The leasehold rights to the land on all these estates are taken into the books of the subsidiary as at 18 June 1992 immediately after formation of the subsidiary Watawla Plantation PLC in terms of a ruling obtained from the Urgent Task Force (UTIF) of The Institute of Chartered Accountants of Sri Lanka. The bare land are revalued at the value established for this land by valuation specialists, Dr 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 with corresponding liability is shown as a lease payable to JEDB/SLSPC.

22. BIOLOGICAL ASSETS

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.

Livestock

A biological asset is a living animal or plant. Livestock are measured at their fair value less estimated costs to sell with any change therein recognised in Statement of Profit or Loss. Estimated cost to sell includes all costs that would be necessary to sell the assets such as transport cost, commission etc.

The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit. The fair value represent the estimated amount for which cattle could be sold on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing where in the parties had each acted knowledgeably, prudently and without compulsion.

Mature and immature plantations

The costs directly attributable to replanting 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 on "Property, Plant and 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 capitalised as biological assets. All expenses subsequent to maturity are recognised directly in Statement of Profit or Loss. General charges incurred on the replantation and new plantations are apportioned based on the labour days spent on respective replanting and new planting and capitalised 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 capitalised and depreciated over the remaining useful life at rates applicable to mature plantations. Infilling costs that are not capitalised 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 Years	Leasehold Years
Tea	33	30
Rubber	20	20
Palm Oil	20	20
Caliandra	10	–
Coconut	33	–

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.

	GROUP	
	2019 Rs.	2018 Rs.
Biological assets – Bearer (22.1)	3,338,804,000	3,200,693,000
Biological assets – Consumables (22.2)	738,496,000	717,321,000
Biological assets – Live stock (22.3)	662,620,000	539,602,000
	4,739,920,000	4,457,616,000
Non-current	4,694,037,000	4,408,582,000
Current	45,883,000	49,034,000
	4,739,920,000	4,457,616,000

22.1 BIOLOGICAL ASSETS – BEARER

	Nursaries Rs.	Immature plantations Rs.	Mature plantations Rs.	**Total 2019 Rs.**	Total 2018 Rs.
Cost					
Balance as at 1 April	13,240,000	807,964,000	3,536,644,000	4,357,848,000	4,305,800,000
Fair value of growing crops	–	–	(3,151,000)	(3,151,000)	13,277,000
Additions	3,398,000	331,639,000	592,000	335,629,000	351,182,000
Vested with Hatton Plantations PLC	–	–	–	–	(257,202,000)
Impairment losses and write-downs	2,018,000	(4,335,000)	–	(2,317,000)	(2,687,000)
Disposal	–	–	(23,516,000)	(23,516,000)	(52,522,000)
Transfers	(98,000)	(557,335,000)	557,433,000	–	–
Balance as at 31 March	18,558,000	577,933,000	4,068,002,000	4,664,493,000	4,357,848,000
Accumulated depreciation					
Balance as at 1 April	–	–	1,157,155,000	1,157,155,000	1,211,036,000
Charged for the year	–	–	192,050,000	192,050,000	178,387,000
Disposals for the year	–	–	(23,516,000)	(23,516,000)	(40,060,000)
Vested with Hatton Plantations PLC	–	–	–	–	(192,208,000)
Balance as at 31 March	–	–	1,325,689,000	1,325,689,000	1,157,155,000
Carrying value					
As at 31 March 2019	18,558,000	577,933,000	2,742,313,000	3,338,804,000	
As at 31 March 2018	13,240,000	807,964,000	2,379,489,000		3,200,693,000

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 2 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".

22.2 BIOLOGICAL ASSETS – CONSUMABLES

	Nursaries Rs.	Immature plantations Rs.	Mature plantations Rs.	**Total 2019 Rs.**	Total 2018 Rs.
Cost					
Balance as at 1 April	2,189,000	140,717,000	574,415,000	717,321,000	648,831,000
Gain arising from changes in fair value less costs to sell	–	–	9,480,000	9,480,000	30,745,000
Additions	1,520,000	27,244,000	–	28,764,000	37,745,000
Decrease due to harvest	(1,307,000)	–	(15,755,000)	(17,062,000)	–
Disposal	(7,000)	–	–	(7,000)	–
Transfers	–	(11,830,000)	11,830,000	–	–
Balance as at 31 March	2,395,000	156,131,000	579,970,000	738,496,000	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.

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:

	2019 Rs.	2018 Rs.
Value stand as now	662,620,000	57,4415,000
Value stand as at 10% positive variance	906,710,576	60,3468,871
Value stand as at 10% negative variance	418,530,296	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:

	2019 Rs.	2018 Rs.
Value stand as now	662,620,000	574,415,000
Value stand as at 1% positive variance	646,084,849	577,724,371
Value stand as at 1% negative variance	679,968,810	572,144,465

22.3 BIOLOGICAL ASSETS – LIVESTOCK

	GROUP	
	2019 Rs.	2018 Rs.
Balance as at 1 April	539,602,000	24,944,000
Additions	159,205,000	241,889,000
Government grant	–	240,984,000
Disposals during the year	(11,694,000)	
Gain arising from changes in fair value less costs to sell	(24,493,000)	31,785,000
Balance as at 31 March	662,620,000	539,602,000

LKAS 41-AMENDED-VALUATION OF GROWING CROPS ON BEARER PLANTS

The amendment 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 cycle of 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 measured 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	
	2019 Rs.	2018 Rs.
Balance as at 1 April	49,033,962	35,757,000
Change during the year	(3,178,000)	13,276,962
Balance as at 31 March	45,855,962	49,033,962

MEASUREMENT OF FAIR VALUES

A. FAIR VALUE HIERARCHY

The fair value measurements for the timber have been categorised as Level 3 fair values based on the inputs to the valuation techniques used. The fair value measurements of live stock have been categorised as Level 2 fair values based on observable market sales data.

B. LEVEL 3 FAIR VALUES

The following table shows a breakdown of the total gains (losses) recognised in respect of Level 3 fair values (Timber):

	GROUP	
	2019 Rs.	2018 Rs.
Gain included in "other income"		
Change in fair value (realised)	–	–
Change in fair value (unrealised)	9,479,000	30,745,000
Gain included in OCI		
Effect of movements in exchange rates	–	–

C. VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement	Profit/(loss) Rs.	
				Increase	Decrease
Biological Assets	Fair value less cost to sell	Livestock	The estimated fair value increase/(decrease) if:		
		– Expected Selling Price	– the estimated future selling prices were higher/(lower) – 10%	244,089,000	244,089,000
		– Risk adjusted discount rate	– the risk adjusted discount rate were lower/(higher) – 1%	16,535,000	17,348,000

RISK MANAGEMENT STRATEGY RELATED TO AGRICULTURAL ACTIVITIES

REGULATORY AND ENVIRONMENTAL RISKS

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws.

SUPPLY AND DEMAND RISK

The Group is exposed to risks arising from fluctuations in the price and sales volume. When possible, the Group manages this risk by aligning its harvest volume to market supply and demand. Management performs regular industry trend analyses for projected harvest volumes and pricing.

CLIMATE AND OTHER RISKS

The Group's plantations are exposed to the risk of damage from climatic changes, diseases, forest fires and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular forest health inspections and industry pest and disease surveys.

23. INVESTMENT PROPERTY

Accounting policy

Recognition and measurement

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease.

23.1 RECONCILIATION OF CARRYING AMOUNT

	GROUP		
	Land Rs.	Building Rs.	Total Rs.
Balance as at 1 April 2017	119,731,875	80,380,818	200,112,693
Fair value gain	82,418,125	44,674,182	127,092,307
Balance as at 31 March 2018	202,150,000	125,055,000	327,205,000
Balance as at 1 April 2018 (Note 23.1.1)	202,150,000	125,055,000	327,205,000
Balance as at 31 March 2019	202,150,000	125,055,000	327,205,000

Changes in fair values are recognised as gains in profit or loss and included in "other income". All gains are unrealised.

23.1.1 Investment property as at 1 April 2018 comprises a commercial property that is leased to Abans Electricals PLC. This Lease contains an initial period of 3-5 years from 2018 to 2023. Subsequent renewals are negotiated with the lessee and no contingent rents are charged.

23.1.2 DETAILS OF LAND AND BUILDING UNDER INVESTMENT PROPERTY

Location	Extent		Revalued amount				
	Land (Perches)	Building (Square feet)	No. of Buildings	Land Rs.	Building Rs.	Carrying Value after revaluation Rs.	Carrying Value if carried at cost Rs.
No. 75A, Kandawala Road, Ratmalana	195.5	42,367.5	2	202,150,000	125,055,000	327,205,000	200,112,693

The land and building at Ratmalana were revalued as at 3 October 2017, by Mr S Sivaskantha, B.Sc. Est, Mgt & Val (SL), Diploma in Valuation a professional valuer in Sri Lanka. The fair value is determined based on an open market value using existing use basis.

23.2 MEASUREMENT OF FAIR VALUES

FAIR VALUE HIERARCHY

The fair value of investment property was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every 3 years.

The fair value measurement of all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

The table below sets out the significant unobservable inputs used in measuring land and building categorised as Level 3 in the fair value hierarchy as at 31 March 2019:

Location and address of the property	Method of valuation	Significant unobservable inputs	Range of estimates for unobservable inputs	Estimated fair value would increases or decreases
No. 75A, Kandawala Road, Ratmalana.	Market Based Valuation	Land – Price per perch	Rs. 1,000,000 – Rs. 1,100,000	Price per perch for land increases, decreases
		Building – Price per square feet	Rs. 2,900 – Rs. 3,100	Price per square feet for Building increases, decreases

Significant assumptions used by the valuer:

Long term growth in future rentals	7% per annum
Anticipated maintenance cost	5% on Rental Income
Yield/discount rate	11% per annum

23.3 INCOME FROM INVESTMENT PROPERTY SITUATED AT RATMALANA

	GROUP	
	2019 Rs.	2018 Rs.
Rent income from investment property (Note 9)	19,034,815	2,730,000
Direct operating expenses (including maintenance) generating rent income	(2,886,603)	–
Net profit from investment property carried at fair value	19,034,815	2,730,000

24. INVESTMENT IN SUBSIDIARIES

Accounting policy

Recognition and measurement

Subsidiaries are entities controlled by the Group. The Group "controls" an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commenced until the date on which control ceases.

Investments in subsidiaries are recognised at cost of acquisition and thereafter it is carried at cost less any impairment losses in the separate financial statements of the Company. The net assets of each subsidiary are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the recoverable amount of the investment is estimated and the impairment loss is recognised to the extent of its net assets loss.

COMPANY	2019				
	Holding %	**No. of Shares**	**Cost Rs.**	**Impairment Rs.**	**Carrying value Rs.**
Unquoted					
Sunshine Healthcare Lanka Limited	100	8,274,535	446,657,088	–	446,657,088
Estate Management Services (Private) Limited	60	19,340,618	1,864,918,516	–	1,864,918,516
Sunshine Energy (Pvt) Ltd.	100	42,125,000	557,908,231	–	557,908,231
Sunshine Packaging Lanka Limited (Note 24.1)	100	77,056,250	621,500,000	(177,581,884)	443,918,116
Elgin Hydropower (Private) Limited	–	1	10	–	10
Upper Waltrim Hydropower (Private) Limited	–	1	10	–	10
Sunshine Holdings International (Pte) Ltd. (Note 24.2)	–	–	–	–	–
			3,490,983,855	(177,581,884)	3,313,401,971

24.1 The Board of Directors of Sunshine Packaging Lanka Limited, fully owned subsidiary of Sunshine Holdings PLC, decided to discontinue the manufacture and sell metal cans and allied products for the food canning industry with effect from 31 August 2017. Subsequent to the discontinue the operation, the Company is engaged in renting out premises and earn rental income. However, considering the net asset position and future cash flows of the subsidiary the Board has decided to make a further provision for probable impairment of investment during the year amounting to Rs. 87.8Mn.

24.2 Sunshine Holdings International (Pte) Ltd, fully owned subsidiary of Sunshine Holdings PLC, has been liquidated during the year and accordingly, the investment has been written off.

24.3 GROUP'S INDIRECT HOLDINGS

	2019 %	2018 %
Watawala Plantations PLC	44.54	44.54
Watawala Tea Ceylon Limited	60.00	60.00
Watawala Tea Australia Pty Limited	44.54	44.54
Hatton Plantations PLC	45.39	45.39
Watawala Dairy Limited	30.40	30.40
Zesta Tea Ceylon (Shenzhen) Co. Limited	60.00	60.00
Zesta Tea Ceylon Limited	60.00	60.00
Healthguard Pharmacy Limited	100.00	100.00
Waltrim Energy Ltd.	60.59	60.63
Waltrim Hydropower (Pvt) Ltd.	60.20	61.19
Elgin Hydropower (Pvt) Ltd.	60.59	60.63
Upper Waltrim Hydropower (Pvt) Ltd.	60.59	60.63
Sky Solar (Pvt) Ltd.	100.00	–

24.3.1 Waltrim Energy Limited was previously known as Sunshine Energy Limited.

24.3.2 Waltrim Hydropower (Pvt) Limited was previously known as Sunshine Power (Private) Limited.

2018					COMPANY
Holding %	No. of Shares	Cost Rs.	Impairment Rs.	Carrying value Rs.	
					Unquoted
100	8,274,535	446,657,088	–	446,657,088	Sunshine Healthcare Lanka Limited
60	19,340,618	1,864,918,516	–	1,864,918,516	Estate Management Services (Private) Limited
100	31,270,787	439,640,664	–	439,640,664	Sunshine Energy (Pvt) Ltd.
100	35,650,007	356,500,000	(89,815,462)	266,684,538	Sunshine Packaging Lanka Limited (Note 24.1)
–	1	10	–	10	Elgin Hydropower (Private) Limited
–	1	10	–	10	Upper Waltrim Hydropower (Private) Limited
–	1	95	–	95	Sunshine Holdings International (Pte) Ltd. (Note 24.2)
		3,107,716,383	(89,815,462)	3,017,900,921	

25. EQUITY ACCOUNTED IN INVESTEE

Accounting policy

The Group's interest in equity-accounted investees comprise interests in associates.

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence ceases.

Transactions eliminated on consolidation
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.

25.1 ASSOCIATE – COMPANY

	Holding %	Number of Shares	**2019 Cost Rs.**	2018 Cost Rs.
Strategic Business Innovator (Pvt) Ltd.	20	900,000	9,000,000	9,000,000

25.2 ASSOCIATE – GROUP

	2019 Rs.	2018 Rs.
Interests in associate	2,798,296	7,959,615
Balance as at 31 March	2,798,296	7,959,615

The Group has a stake of 20% (900,000 shares) in Strategic Business Innovator (Pvt) Ltd.

Strategic Business Innovator (Pvt) Ltd is the only Associate which the group owns. The associate was formed through the partnership of Sunshine Holdings PLC and SBI Ven Holdings Pte. Ltd. (Head Office: Singapore), a subsidiary company of SBI Holdings (Japan). The SBI Group is a key player in the Japanese securities industry and has keen interests in the financial services sector in Japan.

VALUE OF THE EQUITY ACCOUNTED ASSOCIATE

	2019 Rs.	2018 Rs.
Balance as at 1 April	7,959,615	–
Acquisitions during the year	–	9,000,000
Current year's share of total comprehensive income		
Included in Profit or loss (Note 25.2.A)	(5,161,319)	(1,040,385)
Included in Other Comprehensive Income	–	–
	(5,161,319)	(1,040,385)
Dividend received	–	–
Balance as at 31 March	2,798,296	7,959,615

The following table summarises the financial information of Strategic Business Innovators (Pvt) Ltd as included in its own financial statements, adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconcile the summarised financial information to the carrying amount of the Group's interest in Strategic Business Innovation (Pvt) Ltd.:

	2019 Rs.	2018 Rs.
Percentage Ownership Interest (%)	20	20
Financial Position of Equity accounted associate		
Non-Current Assets	12,613,467	29,566,337
Current Assets	1,448,439	10,539,378
Non-Current Liabilities	–	–
Current Liabilities	(70,423)	(307,638)
Net assets (100%)	13,991,483	39,798,077
Group's share of net assets (20%)	2,798,296	7,959,615
Elimination of unrealised profit on downstream sales	–	–
Carrying amount of interest in associate	2,798,296	7,959,615
Revenue	3,043,763	–
Profit for the year, net of tax (100%)	(25,806,593)	(5,201,924)
Other comprehensive income (100%)	–	–
Total comprehensive income (100%)	(25,806,593)	(5,201,924)
Total comprehensive income (20%)	(5,161,319)	(1,040,385)
Elimination of unrealised profit on downstream sales	–	–
Group's share of total comprehensive income (20%)	(5,161,319)	(1,040,385)

The following table analyses, in aggregate, the carrying amount and share of profit and OCI of these associates:

	2019 %	2018 %
Carrying amount of interest in associate	2,798,296	7,959,615
Share of:		
– Profit from continuing operations	(5,161,319)	(1,040,385)
– OCI	–	–

25.2.A PROFIT FROM CONTINUING OPERATIONS

	2019 %	2018 %
Share of profit before tax	(5,161,319)	(1,040,385)
Share of tax expense	–	–
Share of profit, net of tax	(5,161,319)	(1,040,385)

26. OTHER INVESTMENTS, INCLUDING DERIVATIVES

See accounting policies in Note 18.

The effect of initially applying IFRS 9 in the Group's financial instruments is described in Note 7. Due to the transition method chosen in applying IFRS 9, comparative information has not been restated to reflect the new requirements.

The Group's financial instruments are summarised as follows:

For the year ended 31 March	Note	GROUP		COMPANY	
		2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Fair value through profit or loss – FVTPL	26.1	381,810,214	375,781,371	69,759,214	87,186,371
Fair value through other comprehensive income – FVOCI (2018 – Available for sale – AFS)	26.2	594,319,053	566,210,085	577,866,053	555,447,085
Derivative instruments	26.3	203,742,135	–	203,742,135	–
		1,179,871,402	941,991,456	851,367,402	642,633,456
Non-current investments		976,129,267	941,991,456	647,625,267	642,633,456
Current investments		203,742,135	–	203,742,135	–
		1,179,871,402	941,991,456	851,367,402	642,633,456

Information about the Group's exposure to credit and market risk, and fair value measurement, is included in Note 40 and 41.

26.1 FAIR VALUE THROUGH PROFIT OR LOSS – FVTPL

For the year ended 31 March	Note	GROUP		COMPANY	
		2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Investment in quoted shares	26.1.1	61,297,280	81,237,481	61,297,280	81,237,481
Investment in unit trust	26.1.2	8,461,934	5,948,890	8,461,934	5,948,890
Investment fund	26.1.3	312,051,000	288,595,000	–	–
		381,810,214	375,781,371	69,759,214	87,186,371

26.1.1 INVESTMENT IN QUOTED SHARES

Group and Company	2019			2018		
	No. of shares	Cost Rs.	Fair Value Rs.	No. of shares	Cost Rs.	Fair value Rs.
Dialog Axiata PLC	568,581	6,252,380	5,174,087	610,000	6,717,280	8,418,000
John Keells Holdings PLC	–	–	–	–	–	–
Commercial Bank of Ceylon PLC	50,935	6,065,408	5,027,285	76,749	9,043,189	10,422,514
Aitken Spence PLC	–	–	–	100,000	9,828,823	5,060,000
Hatton National Bank PLC – Non-voting	17,929	2,983,094	2,635,563	17,762	2,951,122	3,310,837
NTB	–	–	–	–	–	–
Kelani Tyres PLC	–	–	–	14,644	1,250,845	720,485
Hayleys Fabric PLC	274,850	2,903,195	2,336,225	274,850	2,903,195	3,435,625
Distilleries Company of Sri Lanka PLC	230,000	3,335,000	3,335,000	–	–	–
Hemas Holdings PLC	83,971	7,479,089	6,297,825	–	–	–
Expolanka Holdings PLC	–	–	–	790,000	5,530,000	3,871,000
National Development Bank PLC	–	–	–	–	–	–
Ceylon Hotels Corporation PLC	234,662	5,779,655	2,158,890	234,662	5,779,655	3,519,930
Aitken Spence Hotels Holdings PLC	18,000	1,456,128	426,600	18,000	1,456,128	603,000
Ceylinco Insurance PLC	10,000	6,774,917	9,004,000	10,000	6,774,918	10,000,000
People's Insurance Limited	–	–	–	72,700	1,090,500	1,563,050
People's Leasing and Finance PLC	300,000	5,010,000	4,020,000	–	–	–
Melstacorp PLC	–	–	–	114,000	6,757,350	6,634,800
Chevron Lubricants Lanka PLC	49,000	8,085,000	3,067,400	49,000	8,085,000	5,120,500
Sampath Bank PLC	26,967	6,768,826	4,856,757	14,114	3,859,066	4,234,200
Access Engineering PLC	137,000	3,527,429	1,781,000	137,000	3,527,429	2,808,500
Central Finance Company PLC	56,864	5,622,150	4,805,008	50,000	5,000,000	4,995,000
Cargills Ceylon PLC	18,286	3,217,600	3,657,200	16,000	3,217,600	3,118,400
LVL Energy Fund Limited	343,600	3,436,000	2,714,440	343,600	3,436,000	3,401,640
Total	–	78,695,871	61,297,280	–	87,208,100	81,237,481
Fair value adjustment		(17,398,591)			(5,970,619)	
Fair value		61,297,280			81,237,481	

26.1.2 INVESTMENT IN UNIT TRUSTS

Group and Company	2019			2018		
	No. of units	Cost Rs.	Fair value Rs.	No. of units	Cost Rs.	Fair value Rs.
Investment in unit trusts	481,147	8,036,452	8,461,934	377,949	5,934,104	5,948,890
Total cost		8,036,452			5,934,104	
Fair value adjustment		425,482			14,786	
Fair value		8,461,934			5,948,890	

26.1.3 INVESTMENT FUND

For the year ended 31 March	GROUP	
	2019 Rs.	2018 Rs.
Balance as at 1 April	288,595,000	258,319,000
Gain on increase in net asset value during the year	23,456,000	30,276,000
Carrying value as at 31 March	312,051,000	288,595,000

The fund managed by Guardian Fund Management Limited, comprises mainly listed debentures and fixed term deposits. The average yield for the year was 12.80% (2018 – 11.72%).

The carrying value of the investment fund represents the following:

For the year ended 31 March	GROUP	
	2019 Rs.	2018 Rs.
Quoted shares	20,947,635	29,255,096
Debentures	183,742,753	177,880,065
Fixed deposits	78,539,243	69,534,471
Unit trusts	24,551,849	7,139,071
Cash at bank	343,445	449,947
Sales proceeds receivables	3,493,125	–
Interest receivables	1,439,700	4,309,350
Dividend receivables	26,005	27,000
Purchase awaiting settlements	(678,009)	–
Debenture WHT payables	(354,746)	–
	312,051,000	288,595,000

26.2 FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – FVOCI

For the year ended 31 March	Note	GROUP		COMPANY	
		2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Investment in Unquoted Shares	26.2.1	594,319,053	566,210,085	577,866,053	555,447,085
		594,319,053	566,210,085	577,866,053	555,447,085

26.2.1 INVESTMENT IN UNQUOTED SHARES

For the year ended 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
TATA Communication Lanka Limited	449,990,321	428,894,797	449,990,321	428,894,797
Lanka Commodity Brokers Limited	127,875,732	126,552,288	127,875,732	126,552,288
Unit Energy Lanka (Pvt) Ltd.	16,453,000	10,763,000	–	–
	594,319,053	566,210,085	577,866,053	555,447,085

Group and Company	Unit Energy Lanka (Pvt) Ltd. Rs.	Lanka Commodity Brokers Limited Rs.	TATA Communication Lanka Limited Rs.	Total Rs.
Cost				
Balance as at 1 April 2017	10,763,000	117,692,727	75,000,000	203,455,727
Balance as at 31 March 2018	10,763,000	117,692,727	75,000,000	203,455,727
Balance as at 1 April 2018	10,763,000	117,692,727	75,000,000	203,455,727
Balance as at 31 March 2019	10,763,000	117,692,727	75,000,000	203,455,727
Fair Value				
Balance as at 1 April 2017	–	5,279,918	322,601,251	327,881,169
Increase in fair valuation during the year	–	3,579,643	31,293,546	34,873,189
Balance as at 31 March 2018	–	8,859,561	353,894,797	362,754,358
Balance as at 1 April 2018	–	8,859,561	353,894,797	362,754,358
Increase in fair valuation during the year	5,690,000	1,323,444	21,095,524	28,108,968
Balance as at 31 March 2019	5,690,000	10,183,005	374,990,321	390,863,326
Carrying value of investment as at 31 March 2018	10,763,000	126,552,288	428,894,797	566,210,085
Carrying value of investment as at 31 March 2019	16,453,000	127,875,732	449,990,321	594,319,053

In the year 2016, Watawala Plantations PLC, a subsidiary of the Company received Rs. 10,763,000.00 worth of investment from Unit Energy Lanka (Pvt) Limited against their land rights. In September 2017, this investment was vested from Watawala Plantations PLC to Hatton Plantations PLC (between two subsidiaries). This investment represents 5% of investment in Unit Energy Lanka (Private) Limited. The Group has changed the measurement of the investment to the fair value method during the year. Accordingly, the investment was carried at fair value as at 31 March 2019.

EQUITY SECURITIES DESIGNATED AS AT FVOCI*

As at 1 April 2018, the Group designated the investment shown below as equity securities at FVOCI because these equity securities represent investment that the Group intends to hold for the long term for strategic purposes. In 2018, these investments were classified as available for sale (Note 34).

	% Holding	**Fair value at 31 March 2019 Rs.**	**Dividend income recognised during 2019 Rs.**
Lanka Commodity Brokers Limited	15.55	127,875,732	8,742,943
TATA Communication Lanka Limited	10	449,990,321	13,054,250
Unit Energy Lanka (Pvt) Ltd.	5	16,453,000	–
		594,319,053	21,797,193

No strategic investments were disposed during the year 2019, and there were no transfer of any cumulative gain or loss within equity relating to these investments.

26.3 DERIVATIVE INSTRUMENTS

For the year ended 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Interest rate and exchange rate swaps	203,742,135	–	203,742,135	–
	203,742,135	–	203,742,135	–

During the year, Group had entered into a derivative agreement for fixed interest rate and fixed exchange rate with Standard Chartered Bank of Sri Lanka for the loan obtained from Standard Chartered Bank Mauritius of Rs. 1.4 Bn. (USD 9.15 Mn.) in April 2018.

27. DEFERRED TAXATION

Accounting policy

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and 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 are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For this purpose, the carrying amount of investment property measured at fair value is presumed to be recovered through sale, and the Group has not rebutted this presumption.

Deferred tax assets and liabilities are offset only if certain criteria are met.

27.1 COMPOSITION OF NET DEFERRED TAX ASSET/(LIABILITY)

For the year ended 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Net deferred tax asset	57,495,834	73,620,009	17,997,095	–
Net deferred tax liability	(512,234,939)	(450,505,341)	–	–
	(454,739,105)	(376,885,332)	17,997,095	–

27.2 DEFERRED TAX ASSET (GROSS)

For the year ended 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Balance as at 1 April	262,791,893	297,574,834	–	–
Charge/(reversal) for the year recognised in profit or loss	160,282,357	(31,135,579)	23,720,940	–
Charge/(reversal) for the year recognised in other comprehensive income	41,516,040	(3,647,362)	658,294	–
Balance as at 31 March	464,590,290	262,791,893	24,379,234	–

27.3 DEFERRED TAX LIABILITY (GROSS)

For the year ended 31 March	Note	GROUP		COMPANY	
		2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Balance as at 1 April		639,677,225	555,457,374	0	–
Charge/(reversal) for the year recognised in profit or loss		273,374,859	84,219,851	104,828	–
Charge/(reversal) for the year recognised in other comprehensive income		6,277,311	–	6,277,311	–
Balance as at 31 March		919,329,395	639,677,225	6,382,139	–
Net deferred tax asset/(liability)	27.1	(454,739,105)	(376,885,332)	17,997,095	–

27.4 RECONCILIATION OF DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS

Group	**2019**		2018	
	Temporary Difference Rs.	**Tax effect Rs.**	Temporary Difference Rs.	Tax effect Rs.
Property, plant and equipment	(2,393,236,360)	(449,213,016)	(1,140,960,581)	(210,612,390)
Biological assets – Bearer	(3,136,967,000)	(439,175,460)	(2,972,775,000)	(424,592,000)
Biological assets – Consumable	(86,280,000)	(12,079,000)	(31,403,979)	(4,397,000)
Retirement benefit obligation	1,468,354,003	239,686,835	402,633,793	156,242,657
Fair value gain on Investment property	(44,674,182)	(12,508,771)	–	–
Capital grants	176,104,000	24,654,100	186,150,000	33,183,000
Trade receivable impairment provision	14,571,045	4,079,893	12,052,251	3,374,630
Fair value gain on Investments at FVOCI	(22,418,968)	(6,277,311)	–	–
Tax losses carried forward	870,337,011	196,093,626	249,699,180	69,915,770
	(3,154,210,450)	(454,739,105)	(3,294,604,336)	(376,885,332)

UNRECOGNISED DEFERRED TAX ASSETS ON TAX LOSSES:

Group	2019		2018	
	Temporary Difference Rs.	**Tax effect Rs.**	Temporary Difference Rs.	Tax effect Rs.
Sunshine Holdings PLC	220,157,655	61,644,143	255,439,994	71,523,198
Sunshine Packaging Lanka Ltd.	435,533,559	121,949,397	362,100,341	101,388,095
Waltrim Hydropower (Pvt) Ltd.	112,065,568	22,413,114	525,735,191	105,147,038
Upper Waltrim Hydropower (Pvt) Ltd.	130,796,897	36,623,131	224,826,384	62,951,388
Elgin Hydropower (Private) Limited	–	–	3,126,551	875,434
Sky Solar (Pvt) Ltd.	–	–	–	–
	898,553,679	242,629,785	1,371,228,461	341,885,153

The deferred tax assets and liabilities are arrived by applying the relevant tax rate applicable for the sources of income of the Company and its subsidiaries.

With the introduction of the Inland Revenue Act No. 24 of 2017 which became effective from 1 April 2018, the Group will have taxable income from the year ended 31 March 2019. As such, the Group will be eligible to claim its brought forward tax losses against its future taxable income within a period of 6 years.

Accordingly, during the year ended 31 March 2019, the Group recognised a deferred tax asset amounting to Rs.196 Mn. (2018 – Rs. 70 Mn.) arising from brought forward tax losses as at 31 March 2019 after assessing the availability of future taxable profits for utilisation based on the 5 year profit projection approved by the Board. The deferred tax asset recognised will be tested for impairment on an annual basis and deferred tax asset recognised may written off if required. Accordingly, unrecognised deferred tax asset as at reporting date was Rs. 243 Mn. (2018 – Rs. 342 Mn.).

DEFERRED TAX LIABILITY ARISING FROM REVALUATION GAIN

Deferred tax recognised in profit or loss for Sunshine Packaging Lanka Limited amounted to Rs. 12,508,771 includes deferred tax on revaluation surplus of Rs. 44,674,182 relating the revaluation of the Buildings as at reporting date.

Due to uncertainties that exist on the interpretation of the new tax law relating to freehold land for tax purposes, significant judgement was exercised to determine the provision required for deferred taxes on capital gains applicable to freehold land.

Having discussed internally and based on market practices, Sunshine Packaging Lanka Limited is of the view that the freehold land used in the business falls under the category "Investment Assets" and accordingly Sunshine Packaging Lanka Limited will be liable for capital gain tax at a rate of 10% on the revaluation surplus in excess of the deemed cost of investment assets as at 30 September 2017. However, there was no significant variation in the fair value as at 31 March 2019. Accordingly, no deferred tax liability is recognised in the financial statements. In the event it is deemed that freehold land be considered as "Capital Assets used in the business", Sunshine Packaging Lanka Limited would have to make an additional deferred tax charge in the statement of profit or loss for the year ended 31 March 2019 amounting to Rs. 23,077,075 with a consequential increase in the deferred tax liability on the statement of financial position.

Company	2019		2018	
	Temporary Difference Rs.	**Tax effect Rs.**	Temporary Difference Rs.	Tax effect Rs.
Property, plant and equipment	(374,387)	(104,828)	–	–
Retirement benefit obligation	87,068,694	24,379,234	–	–
Fair value gain on investments at FVOCI	(22,418,968)	(6,277,311)	–	–
	64,275,339	17,997,095	–	–

28. INVENTORIES

Accounting policy

Recognition and measurement

Inventories other than produce stock and nurseries are stated at the lower of cost and net realisable 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 realisable value
- Work in progress are valued at actual cost

As at 31 March	Note	GROUP	
		2019 Rs.	2018 Rs.
Medical Items		2,296,046,794	2,322,321,245
Harvested Crop		408,179,000	566,990,000
Input Materials and Consumables		676,679,916	645,987,184
Finished Goods		169,486,134	278,075,461
Work in Progress		64,432,005	68,176,596
Goods in Transit		312,750,384	106,328,915
Machinery Spares		11,039,612	10,789,611
		3,938,613,845	3,998,669,012
Less: Provision for impairment of inventories	28.1	(32,203,640)	(28,130,146)
		3,906,410,205	3,970,538,866

28.1 PROVISION FOR IMPAIRMENT OF INVENTORIES

As at 31 March	GROUP	
	2019 Rs.	2018 Rs.
Balance as at 1 April	28,130,146	–
Charge during the year	4,073,494	28,130,146
Balance as at 31 March	32,203,640	28,130,146

29. CURRENT TAX ASSETS/LIABILITIES

As at 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Current tax assets	9,893,358	9,366,776	3,158,748	3,158,748
Current tax liabilities	(227,763,976)	(168,509,469)	–	–
	(217,870,619)	(159,142,694)	3,158,748	3,158,748
Balance as at 1 April	159,142,694	203,072,801	(3,158,748)	(3,158,748)
Current income tax expense	473,491,505	415,832,228	–	–
Changes in estimate relating to prior years	(19,152,020)	29,346,097	–	–
WHT on dividends from subsidiaries	150,245,840	57,758,272	–	–
Payment during the year	(462,423,561)	(420,524,932)	–	–
Set off against WHT/ESC	(83,433,840)	(126,341,773)	–	–
Balance as at 31 March	217,870,619	159,142,694	(3,158,748)	(3,158,748)

30. TRADE AND OTHER RECEIVABLES

The accounting policy for trade and other receivables has been given in Note 18. The effect of initially applying SLFRS 15 and SLFRS 9 is described in Note 7.

As at 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Trade receivables	2,373,913,642	2,054,843,614	–	–
Less: Provision for impairment (Note 30.1)	(33,821,437)	(56,494,676)	–	–
	2,340,092,205	1,998,348,938	–	–
Staff loan recoverable	64,729,763	55,125,342	54,796	135,930
Other receivables	736,476,827	553,408,517	10,145,865	7,538,135
Withholding tax recoverable	46,213,296	39,818,739	41,552,687	38,107,854
Interest income receivables	39,778,611	22,761,725	39,778,611	6,990,918
ESC recoverable	71,685,757	47,353,291	10,329,820	6,104,875
VAT recoverable	182,966,833	178,180,814	–	–
Advances and deposits	358,087,879	338,990,629	572,248	528,723
	1,490,704,647	1,235,639,058	102,434,027	59,406,435
Less: Provision for impairment	(51,669,147)	–	–	–
	1,448,269,819	1,235,639,058	102,434,027	59,406,435
	3,788,362,024	3,233,987,996	102,434,027	59,406,435

30.1 PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

As at 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Balance as at 1 April	56,494,676	27,360,852	–	–
(Reversal)/charge during the year	(22,673,239)	29,133,824	–	–
Balance as at 31 March	33,821,437	56,494,676	–	–

30.2 PROVISION FOR IMPAIRMENT OF OTHER RECEIVABLES

As at 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Balance as at 1 April	–	–	–	–
Charge during the year	51,669,147	–	–	–
Balance as at 31 March	51,669,147	–	–	–

Provision for impairment of other receivables include provisions made against irrecoverable VAT receivable amounting to Rs. 26 Mn, irrecoverable ESC receivables of Rs. 18 Mn and other receivables amounting to Rs. 8 Mn. The provision for impairment on ESC receivables amounting to Rs.18 Mn. was included under income tax expenses.

B. CREDIT AND MARKET RISKS, AND IMPAIRMENT LOSSES

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in Note 41.

31. AMOUNTS DUE FROM RELATED PARTIES

The accounting policy for amount due from related parties has been given in Note 18.

As at 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Sunshine Packaging Lanka Ltd.	–	–	205,371,140	167,190,777
Sunshine Tea (Pvt) Ltd.	6,057,068	939,867	–	–
Sunshine Energy (Pvt) Ltd.	–	–	–	695
Sunshine Holdings International Pte Ltd.	–	3,699,689	–	3,699,689
Norris Canal Properties (Pvt) Ltd.	23,460	–	23,460	–
Pyramid Lanka (Private) Ltd.	21,918,000	10,311,000	–	–
Sky Solar (Pvt) Ltd.	–	–	20,332,676	–
	27,998,528	14,950,556	225,727,276	170,891,161

CREDIT AND MARKET RISKS, AND IMPAIRMENT LOSSES

Information about the Group's exposure to credit and market risks, and impairment losses for amount due from related parties is included in Note 41.

32. CASH AND CASH EQUIVALENTS

Accounting policy

The accounting policy for cash and cash equivalents has been given in Note 18.

Cash and cash equivalents in the Statement of Financial Position comprise cash at banks and in hand with a maturity of three months or less.

Statement of Cash Flows

The Statement of Cash Flows has been prepared using the Indirect Method of preparing Cash Flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, "Statement of Cash Flows".

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. The cash and cash equivalents include cash in-hand, balances with banks and short-term deposits with banks.

For cash flow purposes, cash and cash equivalents are presented net of bank overdrafts.

As at 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Cash at bank	459,256,342	585,734,853	51,809,138	61,443,840
Fixed deposits	1,370,240,480	734,755,308	990,343,699	464,815,308
Call deposits	20	26,000,000	–	–
TR/Import margins	6,263,259	9,686,916	–	–
Cash in hand	7,833,406	18,041,355	178,538	76,463
	1,843,593,506	1,374,218,432	1,042,331,375	526,335,611
Bank overdraft (Note 32.1)	(826,769,498)	(927,663,776)	–	–
Cash and cash equivalents in the Statement of Cash Flows	1,016,824,009	446,554,656	1,042,331,375	526,335,611

32.1 BANK OVERDRAFTS

As at	**31 March 2019 Rs.**	31 March 2018 Rs.	Security
Estate Management Services (Pvt) Ltd.			
Hatton National Bank PLC	–	2,353,809	Unsecured
	–	2,353,809	
Watawala Dairy Limited			
Hatton National Bank PLC	43,026,309	36,588,000	Corporate Guarantee (Rs. 25 Mn.) from Watawala Plantations PLC
Seylan Bank PLC	24,835,483	–	Corporate Guarantee (Rs. 25 Mn.) from Watawala Plantations PLC
Nations Trust Bank	42,891,208	–	Corporate Guarantee (Rs. 50 Mn.) from Watawala Plantations PLC
	110,753,000	36,588,000	

As at	31 March 2019 Rs.	31 March 2018 Rs.	Security
Sunshine Healthcare Lanka Limited			
MCB Bank Limited	142,045,948	186,594,921	A. Overdraft agreement or accepted offer letter for Rs. 50 Mn.
Sampath Bank PLC	3,851,844	4,137,682	A. Bank Overdraft agreement for Rs. 30 Mn.
Nations Trust Bank PLC	101,212,374	95,846,573	A. Primary concurrent mortgage over stocks and book Debts for Rs. 100 Mn.
			B. Bank Overdraft agreement for Rs. 100 Mn.
Commercial Bank of Ceylon	96,470,486	78,054,141	Bank Overdraft agreement for Rs. 100 Mn.
Hatton National Bank PLC	172,524,148	129,104,665	A. Bank Overdraft agreement for Rs. 200 Mn.
Seylan Bank PLC	20,476,138	1,631,307	A. Bank Overdraft agreement for Rs. 390 Mn.
Standard Chartered Bank Ltd.	13,143,876	–	A. Concurrent mortgage over stocks and book debts for LKR Rs. 350 Mn. located at No.130/6, Sri Wickrama Mawatha, Colombo 15
	549,724,814	495,369,289	
Watawala Tea Ceylon Ltd.			
Hatton National Bank PLC	–	89,413,105	Unsecured
Commercial Bank of Ceylon PLC	80,313,744	13,120,363	Unsecured
MCB Bank Limited	31,130,986	143,278,741	Unsecured
Standard Chartered Bank Ltd.	–	239,374	
	111,444,730	246,051,583	
Healthguard Pharmacy Ltd.			
Hatton National Bank PLC	31,464,807	94,327,845	
Nation Trust Bank	–	6,997,997	A. Primary Mortgage Bond over stocks for Rs. 50,000,000 Overdraft Agreement for Rs. 50,000,000 Board resolution
Commercial Bank of Ceylon	178,644	3,097,579	A. Floating Primary Mortgage Bond No. FCC/09/46 dated 12–10–2009 for Rs. 5,000,000 B. Insurance Policy bearing No. FAR201,6–09 for Rs. 410,350,000
	31,643,451	104,423,421	
Sunshine Packaging Lanka Ltd.			
Hatton National Bank PLC	16,361,483	20,137,448	Bank Overdraft agreement
Sampath Bank PLC	–	4,604,650	Unsecured
Bank of Ceylon PLC	–	5,964,820	Bank Overdraft agreement
	16,361,483	30,706,918	
Waltrim Hydropower (Pvt) Ltd.			
Hatton National Bank PLC	6,842,020	168,128	Unsecured
	6,842,020	168,128	
Elgin Hydropower (Private) Ltd.			
DFCC Bank PLC	–	12,002,628	
	–	12,002,628	
Total	826,769,498	927,663,776	

33. ASSETS HELD FOR SALE

Accounting policy

Recognition and measurement
Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for-sale, if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held for sale or held for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

33.1 RECONCILIATION OF CARRYING AMOUNT

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 31 August 2017, and to classify its plant and machineries as a non-current assets held for sale.

	GROUP	
	2019 Rs.	2018 Rs.
Balance as at 1 April	53,813,315	–
Plant and machinery transferred	–	56,915,281
Disposals during the year	(12,996,443)	(3,101,966)
Write-off during the year	(15,496,709)	–
	25,320,163	53,813,315
Provision for Impairment	(25,320,163)	–
Balance as at 31 March	–	53,813,315

During the year, the Company had written off Rs.15 Mn. and has made a provision of Rs. 25 Mn. due to unavailability of active market for assets classified as held for sale.

33.2 ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALE

As at 31 March 2019, the disposal group was stated at fair value less costs to sell and comprised the following assets and liabilities:

	GROUP	
	2019 Rs.	2018 Rs.
Plant and machinery	21,553,178	50,046,333
Tools	645,661	645,661
Factory equipment	1,884,488	1,884,488
Furniture and fittings	133,303	133,303
Office equipment	126,644	126,644
Motor vehicles	130	130
Machinery oil project	958,007	958,007
Computer equipment	18,749	18,749
	25,320,163	53,813,315
Provision for impairment	(25,320,163)	–
Total	–	53,813,315

33.3 CUMULATIVE INCOME OR EXPENSES INCLUDED IN OCI

There are no cumulative income or expenses included in OCI relating to the disposal group.

34. CAPITAL AND RESERVES

Accounting policy

Ordinary shares
Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with LKAS 12.

Repurchase and reissue of ordinary shares (treasury shares)
When shares recognised as equity are repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the treasury share reserve. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity and the resulting surplus or deficit on the transaction is presented within share premium.

34.1 STATED CAPITAL

As at 31 March	Number of shares		Value	
	2019	2018	**2019 Rs.**	2018 Rs.
Balance as at 1 April	136,492,280	135,140,986	798,504,357	730,939,657
Issues during the year				
Scrip dividend (Note 34.1.A)	1,138,746	1,351,294	68,210,885	67,564,700
Private placement (Note 34.1.B)	11,923,077	–	775,000,005	–
Balance as at 31 March	149,554,103	136,492,280	1,641,715,247	798,504,357

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.

ISSUE OF ORDINARY SHARES

34.1.A On 28 June 2018, an ordinary resolution was passed at the annual general meeting of shareholders to approve the issue of ordinary shares of 1,138,746 in the form of scrip dividends for a value of Rs. 68,210,885.

34.1.B On 28 June 2018, a special resolution was passed at extraordinary general meeting of the shareholders to approve the issue of ordinary shares of 11,923,077 in the form of a private placement to SBI Ven Holdings Pte Ltd. for a value of Rs. 775,000,005.

34.2 NATURE AND PURPOSE OF RESERVES

RESERVE ON EXCHANGE GAIN OR LOSS

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation.

FAIR VALUE RESERVE

The fair value reserve (2017 – fair value gain or loss reserve on AFS) comprises:

- the cumulative net change in the fair value of equity securities designated at FVOCI (2017 – available-for-sale financial assets); and
- the cumulative net change in fair value of debt securities at FVOCI (2017 – available-for-sale financial assets) until the assets are derecognised or reclassified. This amount is reduced by the amount of loss allowance.

GENERAL RESERVE

This reserve has been allocated for the purpose of future distribution.

34.3 NON-CONTROLLING INTERESTS

See accounting policies in Note 6.

The following table summarises the information relating to each of the Group's subsidiaries that has material NCI, before any intra-group eliminations:

31 March 2019	Estate Management Services (Pvt) Ltd. Rs.	Watawala Plantation PLC Rs.	Hatton Plantations PLC Rs.	Watawala Tea Ceylon Ltd. Rs.	Waltrim Energy Ltd. Rs.
NCI percentage (%)	40.00	55	54.61	40	39.37
Non-current assets	8,554,700,169	5,988,934,000	2,547,562,000	221,893,944	823,924,538
Current assets	27,362,048	713,476,000	875,139,312	1,426,002,880	43,837,960
Non-current liabilities	–	(2,049,537,600)	(1,427,310,000)	(47,209,871)	–
Current liabilities	(5,702,789)	(730,396,400)	(431,705,000)	(551,345,581)	(566,380)
Net assets	8,576,359,428	3,922,476,000	1,563,686,312	1,049,341,373	867,196,118
Net assets attributable to NCI	3,430,543,771	2,175,405,190	853,929,095	419,736,549	341,415,112
Revenue	–	3,081,760,000	4,039,996,000	5,859,499,638	–
Profit	708,076,483	762,976,000	(112,589,000)	488,937,994	47,979,887
Other comprehensive income	1,251,287	(23,090,000)	(216,212,000)	(2,509,347)	–
Total comprehensive income	709,327,770	739,886,000	(328,801,000)	486,428,647	47,979,887
Profit allocated to NCI	283,230,593	423,146,490	(61,484,853)	195,575,198	18,889,682
OCI allocated to NCI	500,515	(12,805,714)	(118,073,373)	(1,003,739)	–
Cash flows from operating activities	(821,472)	1,197,405,279	127,462,668	549,118,380	36,410,412
Cash flows from investment activities	723,419,376	(712,352,528)	(27,489,000)	(34,280,158)	(101,649,838)
Cash flows from financing activities	(787,271,697)	(535,480,751)	(170,242,668)	(452,625,026)	69,712,195
Net increase/(decrease) in cash and cash equivalents	(64,673,793)	(50,428,000)	(70,269,000)	62,213,196	4,472,769

	Watawala Dairy Ltd. Rs.	Waltrim Hydropower (Pvt) Ltd. Rs.	Upper Waltrim Hydropower (Pvt) Ltd. Rs.	Elgin Hydropower (Pvt) Ltd. Rs.	Intra-group elimination Rs.	Total Rs.
	70	40	39.37	39		
	2,418,872,815	406,451,172	580,426,734	713,380,656		
	101,856,833	25,030,356	59,190,835	25,458,326		
	(1,223,595,435)	(14,453,405)	(286,440,853)	(361,000,000)		
	(531,822,023)	(62,208,841)	(74,425,880)	(103,290,279)		
	765,312,190	354,819,282	278,750,836	274,548,703		
	532,657,285	141,040,665	109,744,204	108,089,824	(4,635,910,683)	3,476,651,011
	493,300,743	114,542,463	225,505,848	11,006,848		
	(234,624,000)	28,928,672	59,003,542	(3,857,622)		
	(4,449,943)	(70,560)	100,354	–		
	(239,073,943)	28,858,112	59,103,896	(3,857,622)		
	(163,298,304)	11,499,147	23,229,694	(1,518,746)	(230,618,800)	498,650,100
	(3,097,160)	(28,048)	39,509	–	3,414,041	(131,053,969)
	(60,386,091)	91,045,159	193,442,277	23,102,403		
	(347,744,494)	(3,621,838)	(4,723,636)	(201,872,417)		
	311,309,249	(85,887,837)	(167,682,774)	174,201,893		
	(96,821,337)	1,535,484	21,035,867	(4,568,121)		

31 March 2018	Estate Management Services (Pvt) Ltd. Rs.	Watawala Plantation PLC Rs.	Hatton Plantations PLC Rs.	Watawala Tea Ceylon Ltd. Rs.	Waltrim Energy Ltd. Rs.
NCI percentage (%)	40.00	55	54.61	40	39.37
Non-current assets	8,553,362,338	5,508,647,000	2,690,243,000	215,599,748	721,264,954
Current assets	111,107,722	902,754,000	1,139,510,961	1,312,610,052	43,539,778
Non-current liabilities	–	(2,223,991,000)	(1,235,695,000)	(32,909,497)	–
Current liabilities	(223,666,702)	(552,653,721)	(642,404,298)	(479,762,556)	(15,300,696)
Net assets	8,440,803,356	3,634,756,279	1,951,654,665	1,015,537,749	749,504,036
Net assets attributable to NCI	3,376,321,342	2,015,835,832	1,065,798,612	406,215,100	295,079,739
Revenue	–	4,948,755,000	2,317,027,000	5,400,264,837	–
Profit	1,169,716,399	938,668,000	240,831,000	293,794,588	5,007,444
OCI	6,883,261,978	32,276,000	–	(3,091,195)	–
Total comprehensive income	8,052,978,377	970,944,000	240,831,000	290,703,393	5,007,444
Profit allocated to NCI	467,886,560	520,585,273	131,517,809	117,517,835	1,971,431
OCI allocated to NCI	2,753,304,791	17,900,270	–	(1,236,478)	–
Cash flows from operating activities	(64,311,460)	967,550,382	472,131,336	247,150,348	(49,076,187)
Cash flows from investment activities	1,417,446,250	(1,375,085,000)	(48,878,000)	(4,692,287)	(141,833,709)
Cash flows from financing activities	(1,400,406,190)	(333,198,382)	(171,494,336)	(106,500,006)	191,667,726
Net increase/(decrease) in cash and cash equivalents	(47,271,400)	(740,733,000)	251,759,000	135,958,055	757,830

	Watawala Dairy Ltd. Rs.	Waltrim Hydropower (Pvt) Ltd. Rs.	Upper Waltrim Hydropower (Pvt) Ltd. Rs.	Elgin Hydropower (Pvt) Ltd. Rs.	Intra group elimination Rs.	Total Rs.
	70	39	39.37	39		
	2,173,099,571	434,400,316	615,654,496	515,822,032		
	181,150,432	15,938,636	42,470,370	28,919,710		
	(1,423,500,147)	(62,697,713)	(280,288,242)	(308,904,295)		
	(103,687,555)	(61,680,069)	(88,306,528)	(60,211,120)		
	827,062,301	325,961,170	289,530,096	175,626,325		
	575,635,362	126,505,530	113,987,999	69,144,084	(4,617,324,980)	3,427,198,621
	169,229,240	89,517,905	158,862,555	–		
	(90,774,312)	8,960,636	48,880,302	(1,381,664)		
	1,852,957	7,479	(193,500)	–		
	(88,921,355)	8,968,115	48,686,802	(1,381,664)		
	(63,178,921)	3,477,623	19,244,175	(543,961)	(223,318,193)	975,159,630
	1,289,658	2,903	(76,181)	–	(2,748,163,455)	23,021,508
	(137,300,753)	71,883,440	141,597,884	(26,890,010)		
	(1,093,935,240)	11,495,335	(3,974,274)	(346,956,233)		
	1,207,347,356	(84,563,307)	(133,499,283)	382,419,094		
	(23,888,637)	(1,184,532)	4,124,327	8,572,851		

35. LOANS AND BORROWINGS

Accounting policy

The accounting policy for loans and borrowings has been given in Note 18.

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 capitalisation when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Capitalisation 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 capitalisation by applying a capitalisation 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 capitalisation.

For the year ended 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Amount repayable after one year				
Loans (Note 35.1)	2,983,653,296	3,248,917,284	1,235,793,320	1,143,330,000
Finance lease obligations (Note 35.2)	1,628,286	4,282,701	–	–
SLSPC/JEDB Lease Creditors (Note 35.3)	314,640,000	318,814,000	–	–
	3,299,921,582	3,572,013,986	1,235,793,320	1,143,330,000
Amount repayable within one year				
Loans (Note 35.1)	1,101,542,471	795,067,554	429,114,709	256,670,000
Finance lease obligations (Note 35.2)	4,228,377	6,906,094	–	–
SLSPC/JEDB Lease Creditors (Note 35.3)	7,270,000	6,990,000	–	–
	1,113,040,848	808,963,648	429,114,709	256,670,000
	4,412,962,430	4,380,977,634	1,664,908,029	1,400,000,000

35.1 LOANS

For the year ended 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Balance as at 1 April	4,043,984,839	1,231,759,899	1,400,000,000	–
Loans obtained during the year	3,173,460,541	5,488,458,921	1,550,112,500	1,400,000,000
Fair value adjustment	203,742,136	(3,295,000)	203,742,135	–
Accrued Interest	36,053,394	–	36,053,394	–
Repayment during the year	(3,372,045,143)	(2,672,938,981)	(1,525,000,000)	–
Balance as at 31 March	4,085,195,767	4,043,984,839	1,664,908,029	1,400,000,000
Total amount repayable within one year	1,101,542,471	795,067,554	429,114,709	256,670,000
Total amount repayable after one year	2,983,653,296	3,248,917,284	1,235,793,320	1,143,330,000

35.2 FINANCE LEASE OBLIGATIONS

For the year ended 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Balance as at 1 April	12,798,123	20,949,522	–	–
Repayment during the year	(6,349,434)	(8,151,399)	–	–
Balance as at 31 March	6,448,680	12,798,123	–	–
Interest in suspense	(592,026)	(1,609,328)	–	–
Net Lease Obligation	5,856,663	11,188,795	–	–
Total amount repayable within one year	4,228,377	6,906,094	–	–
Total amount repayable after one year	1,628,286	4,282,701	–	–

35.3 SLSPC/JEDB LEASE CREDITORS

For the year ended 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Balance as at 1 April	536,743,000	568,960,000	–	–
Repayment during the year	(20,320,000)	(32,217,000)	–	–
Balance as at 31 March	516,423,000	536,743,000	–	–
Interest in suspense	(194,513,000)	(210,939,000)	–	–
Net Lease Obligation	321,910,000	325,804,000	–	–
Total amount repayable within one year	7,270,000	6,990,000	–	–
Total amount repayable after one year	314,640,000	318,814,000	–	–

The annual lease series of payments payable by Watawala Plantations PLC, a subsidiary of the Company, with effect from 18 June 1996 in respect of these estates is Rs. 20.32 Mn. (basic lease series of payments) plus an amount to reflect inflation during the previous year determined by multiplying Rs. 20.32 Mn. 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 Rs. 29,041,405.00. Since this agreement lapsed on 31 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 lesser represents the total basic lease series payable by the Company for the remaining term of the lease. The net liability to the lesser 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 lesser on 18 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.

35.4 TERM LOANS

Company/Lender	Year	Interest rate % p.a.	2019 Repayable within one year Rs.	2019 Repayable after one year Rs.	2019 Balance as at 31 March 2019 Rs.
Watawala Plantations PLC					
Hatton National Bank PLC	2014	AWPLR + 0.5%	31,250,000	62,500,000	93,750,000
Tea Board	2016	0.41%	2,640,000	882,000	3,522,000
			33,890,000	63,382,000	97,272,000
Hatton Plantations PLC					
National Development Bank PLC	2017	6%	–	–	–
Seylan Bank PLC	2015	AWPLR – 0.5%	62,000,000	46,370,000	108,370,000
Tea Board	2017	0.41%	10,020,000	3,347,000	13,367,000
	2018	5%	24,257,000	824,000	25,081,000
			96,277,000	50,541,000	146,818,000
Watawala Dairy Limited					
Hatton National Bank PLC	2017	AWPLR + 1.25%	60,000,000	300,000,000	360,000,000
	2017	16%	393,000	8,141,000	8,534,000
State Bank of India	2017	AWPLR – 0.25%	45,000,000	495,000,000	540,000,000
Standard Chartered Bank Ltd.	2017	AWPLR + 1.5%	–	–	–
People's Bank	2018	AWPLR + 2%	5,200,000	244,800,000	250,000,000
			110,593,000	1,047,941,000	1,158,534,000

2018					
Repayable within one year Rs.	Repayable after one year Rs.	Balance as at 31 March 2018 Rs.	Purpose	Repayment terms	Security
31,250,000	93,750,000	125,000,000	To finance re-planting of plantation	96 equal monthly instalments commencing from April 2014	N/a
1,980,000	4,186,000	6,166,000	For replanting and working capital financing	36 equal monthly instalments commencing from August 2017	
33,230,000	97,936,000	131,166,000			
5,547,000	4,408,000	9,955,000	Mini hydropower project	42 equal monthly instalments commencing from August 2017	N/a
62,000,000	108,410,000	170,410,000	Working capital/ factory development	60 equal monthly instalments commencing from December 2015	N/a
10,020,000	13,368,000	23,388,000	Working capital financing	36 equal monthly instalments commencing from August 2017	N/a
24,257,000	25,692,000	49,949,000	Working capital financing	36 equal monthly instalments commencing from October 2016	
101,824,000	151,878,000	253,702,000			
–	360,000,000	360,000,000	Construction of dairy farm	12 biannual instalment after 18 month grace period	Project assets and corporate guarantee from Watawala Plantations PLC
393,000	9,861,000	10,254,000	Purchase of lorry	36 equal monthly instalments commencing from November 2017	Ownership of lorry
–	540,000,000	540,000,000	Construction of dairy farm	12 biannual instalment after 2 Year grace period	Project assets and corporate guarantee from Watawala Plantations PLC
–	298,000,000	298,000,000		12 Quarterly instalment after one Year grace period	Corporate guarantee from Watawala Plantations PLC
–	–	–		48 monthly instalments after 12 months grace period	
393,000	1,207,861,000	1,208,254,000			

Company/Lender	Year	Interest rate % p.a.	2019 Repayable within one year Rs.	2019 Repayable after one year Rs.	2019 Balance as at 31 March 2019 Rs.
Sunshine Healthcare Lanka limited					
Public Bank Berhad		12.07% p.a	–	–	–
Hatton National Bank PLC		AWPLR + 0.5% (weeklly review)	54,993,259	–	54,993,259
Commercial Bank of Ceylon PLC		AWPLR + 1.0% p.a. (Reviewed monthly)	–	–	–
MCB Bank		1 Month AWPLR +0.50% p.a.	237,694,868	–	237,694,868
			292,688,127	–	292,688,127
Sunshine Holdings PLC					
Standard Chartered Bank Ltd.	2018	12.15%	429,114,709	1,235,793,320	1,664,908,029
			429,114,709	1,235,793,320	1,664,908,029

2018					
Repayable within one year Rs.	Repayable after one year Rs.	Balance as at 31 March 2018 Rs.	Purpose	Repayment terms	Security
5,184,689	–	5,184,689		60 equated monthly instalments Rs. 1,115,000	Primary Mortgage Bond Rs. 50,000,000
–	–	–	Working capital financing	Loans to be settled with sale proceeds	Registered concurrent Mortgage bond for Rs. 150 Mn. over stocks and receivables
30,146,066	–	30,146,066	Working capital financing		General terms and conditions relating to Import Demand Loans for Rs. 50,000,000 dated 28/4/2017 signed by the company.
–	–	–	Working capital financing	Within 150 days	Short-Term Loan agreement/ Concurrent Mortgage over stocks and trade and book debts for Rs. 400 Mn.
35,330,755	–	35,330,755			
256,670,000	1,143,330,000	1,400,000,000		8 equal monthly instalments commencing from March 2016	Registered primary mortgage bond over moveable assets lying at No. 139/A, Dharmapala Mawatha, Colombo 7; No. 229, Kirula Road, Colombo 5 and No. 415, Galle Road, Colombo 3
256,670,000	1,143,330,000	1,400,000,000			

Company/Lender	Year	Interest rate % p.a.	2019 Repayable within one year Rs.	2019 Repayable after one year Rs.	2019 Balance as at 31 March 2019 Rs.
Sunshine Packaging Lanka Limited					
Hatton National Bank PLC	2017	AWPLR +1%	–	–	–
			–	–	–
Waltrim Hydropower (Pvt) Ltd.					
Hatton National Bank PLC	2011	AWPLR + 0.5% (3 month avg.)	37,975,627	–	37,975,627
			37,975,627	–	37,975,627
Estate Management Services (Pvt) Ltd.					
Commercial Bank of Ceylon PLC	2018	AWPLR + 0.75%	–	–	–
ICICI Bank	2013	SLIBOR + 3.25%	–	–	–
			–	–	–
Upper Waltrim Hydropower (Private) Limited					
DFCC Bank PLC		AWPLR + 0.5%	70,000,008	209,999,976	279,999,984
			70,000,008	209,999,976	279,999,984
Elgin Hydropower (Pvt) Limited					
DFCC Bank PLC	2016	8%	26,000,000	361,000,000	387,000,000
			26,000,000	361,000,000	387,000,000
Sky Solar (Pvt) Ltd.					
Hatton National Bank PLC	2019	AWPLR + 1.65%	5,004,000	14,996,000	20,000,000
			5,004,000	14,996,000	20,000,000

2018					
Repayable within one year Rs.	Repayable after one year Rs.	Balance as at 31 March 2018 Rs.	Purpose	Repayment terms	Security
33,119,800	–	33,119,800	Purchase of machinery and working capital		Registered primary floating mortgage bond for Rs. 111.25 Mn. over immovable property at No. 75, Kandawala Road, Ratmalana
33,119,800	–	33,119,800			
51,000,000	59,018,338	110,018,338		08 years inclusive of an initial grace period of 24 months from the date of first disbursement.	Primary on current mortgage bond for Rs. 290 Mn. over the sub-lease right over the project property and structure to be constructed/machinery to be installed therein
51,000,000	59,018,338	110,018,338			
190,000,000	–	190,000,000		Re-payable in six months	Unsecured
23,500,000	–	23,500,000	To Purchase shares of Watawala Plantations PLC	10 semi-annual instalments	Unsecured
213,500,000	–	213,500,000			
70,000,000	279,999,992	349,999,992		08 years inclusive of an initial grace period of 24 months from the date of first disbursement.	Corporate Guarantee of the Sunshine Holdings PLC
70,000,000	279,999,992	349,999,992			
–	308,893,954	308,893,954			
–	308,893,954	308,893,954			
–	–	–			
–	–	–			

36. EMPLOYEE BENEFITS

Accounting policy

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Employees' Provident Fund and Employees' Trust Fund is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts.

All the employees who are eligible for Employees' Provident Fund and Employees' Trust Fund are covered by relevant contribution funds in line with the respective statutes. Employer's contribution to the defined contribution plans are recognised as an expense in the Statement of Comprehensive Income when incurred.

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.

Defined benefit plans

The liability recognised in the Statement of Financial Position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. Benefits falling due more than 12 months after the reporting date are discounted to present value. The defined benefit obligation is calculated annually by Independent Actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee Benefits".

- Actuarial gains and losses in the period in which they occur have been recognised in the Statement of Other Comprehensive Income.
- The Gratuity liability is not externally funded.

Gratuity liability is computed from the first year of service for all employees in conformity with Sri Lanka Accounting Standards 19 – "Employee Benefit".

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The Company is liable to pay gratuity in terms of the relevant statute.

Actuarial gains and losses

The remeasurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised in Other Comprehensive Income.

Short-term benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Employees' Provident Fund				
Employers' contribution	318,126,629	256,083,227	20,072,533	19,093,459
Employees' contribution	212,084,419	170,722,151	13,381,689	12,728,973
Employees' Trust Fund	74,896,548	64,020,807	4,516,305	4,289,942

As at 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Present value of defined benefit obligations (Note 36.1)	1,499,417,003	1,062,640,865	87,068,694	78,399,096

36.1 MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS (PVDBO)

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Liability for defined benefit obligation at 1 April	1,062,640,865	1,085,479,743	78,399,096	51,881,378
Staff transfers	3,051,198	(224,021)	–	14,944,783
	1,065,692,063	1,085,255,722	78,399,096	66,826,161
Included in profit or loss				
Current service cost	127,084,280	87,539,990	5,947,203	5,283,488
Interest cost	167,903,008	73,291,138	8,462,105	7,349,839
	294,987,288	160,831,128	14,409,308	12,633,327
Included in OCI				
Actuarial (gains)/losses on PVDBO	291,058,626	(37,314,385)	2,351,050	(889,542)
	291,058,626	(37,314,385)	2,351,050	(889,542)
Benefits paid	(152,320,973)	(146,131,600)	(8,090,760)	(170,850)
Liability for defined benefit obligation at 31 March	1,499,417,004	1,062,640,865	87,068,694	78,399,096

ACTUARIAL ASSUMPTIONS

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Interest rate		Salary increment rate		Staff turnover rate	
	2019 %	2018 %	**2019 %**	2018 %	**2019 %**	2018 %
Sunshine Holding PLC – Company	12	11	11	7	16	15
Watawala Plantation PLC	10.0	11.5				
– estate workers (every 3 years)			25	19		
– estate staff (every 3 years)			25	20		
– estate management and head office staff (every year)			7.5	7.5		
Hatton Plantations PLC	12	11.5				
– estate workers (every 2 years)			25	20		
– estate staff (every year)			25	7.5		
– estate management and head office staff (every year)			7.5	7.5		
Watawala Tea Ceylon Limited	11.5	11	16.5	12	18	18
Sunshine Packaging Lanka Limited	–	0	–	0	–	–
Waltrim Hydropower (Pvt) Ltd.	11	11	10	10	20	6.7
Upper Waltrim Hydropower (Pvt) Ltd.	11	10	9	10	13	13.3
Sunshine Healthcare Lanka Limited	11	10	10	8	20	26
Healthguard Pharmacy Ltd.	11	10	9	11	26	26

*** The retiring age for the Group (except for Watawala Plantation PLC) is 55 years. The retiring age for Watawala Plantation PLC is 60 years.*

SENSITIVITY ANALYSIS

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

	GROUP		COMPANY	
As at 31 March	**2019 Rs.**	2018 Rs.	**2019 Rs.**	2018 Rs.
1% increase in discount rate	1,477,185,890	1,033,411,695	85,571,151	77,252,683
1% decrease in discount rate	1,526,151,647	1,072,546,847	88,655,573	79,618,640
1% increase in salary increment rate	1,517,315,035	1,065,322,253	88,655,573	79,653,612
1% decrease in salary increment rate	1,484,479,374	1,039,012,046	85,544,713	77,200,327

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

37. DEFERRED INCOME AND CAPITAL GRANTS

Accounting policy

Government grants

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	
	2019 Rs.	2018 Rs.
Balance as at 1 April	377,516,000	193,528,000
Received during the year	–	240,984,000
Amortised during the year	(56,823,000)	(56,996,000)
Balance as at 31 March	320,693,000	377,516,000

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 amortised on a straight line basis over the useful life of the respective asset.

Further, funds have been received by Watawala Dairy Limited, a subsidiary of the Company from the Ministry of Rural Development Affairs for Development of Dairy Industry amounting to Rs. 241 Mn.

38. TRADE AND OTHER PAYABLES

Accounting policy

The accounting policy for trade and other payables has been given in Note 18.

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.

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Trade payables	2,258,060,140	2,208,187,972	–	–
Sales representatives security deposits	14,398,933	13,145,583	–	–
Retention payable to contractors	21,190,333	–	–	–
NBT payable	9896,560	3,068,716	9,896,560	3,068,716
Advance for customers	6,502,606	359,992	–	–
Accrued expenses and other payables	932,465,862	895,837,620	16,925,220	22,056,939
	3,242,514,434	3,120,599,883	26,821,780	25,125,655

39. AMOUNTS DUE TO RELATED PARTIES

The accounting policy for amount due to related parties has been given in Note 18.

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Sunshine Tea (Pvt) Ltd.	2,940,848	3,675,182	–	–
Duxton Asset Management Limited	22,250,000	–	–	–
	25,190,848	3,675,182	–	–

40. FAIR VALUE MEASUREMENT

Accounting policy

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short position at an ask price.

The best evidence of the fair value of a financial instrument or initial recognition is normally the transaction price- i.e., the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability not based on a valuation techniques for which any unobservable inputs are judged to be insufficient in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, threat difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of the fair value measurement of financial and non-financial assets and liabilities are provided below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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).

This category includes instruments valued using;

a. quoted prices in active markets for similar instruments;
b. quoted prices for identical or similar instruments in markets that are considered to be less active, or
c. other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

31 March 2019	GROUP					
			Fair value			
	Classification	Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets measured at fair value						
Investment in unquoted shares	Fair value through OCI	594,319,053	–	–	594,319,053	594,319,053
Investment in quoted shares	Fair value through P&L	61,297,280	61,297,280	–	–	61,297,280
Investment in unit trust	Fair value through P&L	8,461,934	8,461,934	–	–	8,461,934
Investment fund	Fair value through P&L	312,051,000	–	312,051,000	–	312,051,000
		976,129,267	69,759,214	312,051,000	594,319,053	976,129,267
Financial assets not measured at fair value						
Trade and other receivables**	Amortised cost	3,788,362,024	–	3,788,362,024	–	3,788,362,024
Amounts due from related parties**	Amortised cost	27,998,528	–	27,998,528	–	27,998,528
Cash and cash equivalents**	Amortised cost	1,843,593,506	1,843,593,506	–	–	1,843,593,506
		5,659,954,058	1,843,593,506	3,816,360,552	–	5,659,954,058
Financial liabilities not measured at fair value						
Loans and borrowings***	Other financial liabilities	4,412,962,430	–	4,412,962,430	–	4,412,962,430
Bank overdraft**	Other financial liabilities	826,769,498	–	826,769,498	–	826,769,498
Trade and other payables**	Other financial liabilities	3,242,479,427	–	3,242,479,427	–	3,242,479,427
Amounts due to related parties**	Other financial liabilities	25,190,848	–	25,190,848	–	25,190,848
		8,507,402,202	–	8,507,402,202	–	8,507,402,202

COMPANY					31 March 2019
	Fair value				
Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.	
					Financial assets measured at fair value Investment in unquoted shares
577,866,053	–	–	577,866,053	577,866,053	Investment in quoted shares
61,297,280	61,297,280	–	–	61,297,280	Investment in unit trust
8,461,934	8,461,934	–	–	8,461,934	Investment fund
	–	–	–	–	
647,625,267	69,759,216	–	577,866,053	647,625,267	Financial assets not measured at fair value Trade and other receivables**
102,434,027	–	–	–	–	Amounts due from related parties**
225,727,276	–	–	–	–	Cash and cash equivalents**
1,042,331,375	–	–	–	–	
1,370,492,678	–	–	–	–	Financial liabilities not measured at fair value
1,664,908,029	–	1,664,908,029	–	1,664,908,029	Loans and borrowings***
–	–	–	–	–	Bank overdraft**
26,821,779	–	26,821,779	–	26,821,779	Trade and other payables**
–	–	–	–	–	Amounts due to related parties**
1,691,729,808	–	1,691,729,808	–	1,691,729,808	

31 March 2018	GROUP					
			Fair value			
	Classification	Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets measured at fair value						
Investment in unquoted shares	Fair value through OCI	566,210,085	–	–	566,210,085	566,210,085
Investment in quoted shares	Fair value through P&L	81,237,481	81,237,481	–	–	81,237,481
Investment in unit trust	Fair value through P&L	5,948,890	5,948,890	–	–	5,948,890
Investment fund	Fair value through P&L	288,595,000	–	288,595,000	–	288,595,000
		941,991,456	87,186,371	288,595,000	566,210,085	941,991,456
Financial assets not measured at fair value						
Trade and other receivables**	Amortised cost	3,233,987,996	–	–	3,233,987,996	3,233,987,996
Amounts due from related parties**	Amortised cost	14,950,556	–	–	14,950,556	14,950,556
Cash and cash equivalents**	Amortised cost	1,374,218,432	1,374,218,432	–	–	1,374,218,432
		4,623,156,983	1,374,218,432	–	3,248,938,552	4,623,156,983
Financial liabilities not measured at fair value						
Loans and borrowings***	Other financial liabilities	4,380,977,634	–	4,380,977,634	–	4,380,977,634
Bank overdraft**	Other financial liabilities	927,663,776	–	927,663,776	–	927,663,776
Trade and other payables**	Other financial liabilities	3,120,599,836	–	3,120,599,836	–	3,120,599,836
Amounts due to related parties**	Other financial liabilities	3,675,182	–	3,675,182	–	3,675,182
		8,432,916,428	–	8,432,916,428	–	8,432,916,428

*** Classes of financial instruments that are not carried at fair value and of which carrying amounts are a reasonable approximation of fair value. This includes trade receivables, cash and cash equivalents, trade payable, other payables, amounts due to and due from related parties and bank overdraft. The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair values due to their short term nature.*

**** Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.*

31 March 2018	COMPANY				
		Fair value			
	Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets measured at fair value					
Investment in unquoted shares	555,447,085	–	–	555,447,085	555,447,085
Investment in quoted shares	81,237,481	81,237,481	–	–	81,237,481
Investment in unit trust	5,948,890	5,948,890	–	–	5,948,890
Investment fund	–	–	–	–	–
	642,633,456	87,186,371	–	555,447,085	642,633,456
Financial assets not measured at fair value					
Trade and other receivables**	59,406,435	–	–	59,406,435	59,406,435
Amounts due from related parties**	170,891,161	–	–	170,891,161	170,891,161
Cash and cash equivalents**	526,335,611	526,335,611	–	–	526,335,611
	756,633,208	526,335,611	–	230,297,596	756,633,208
Financial liabilities not measured at fair value					
Loans and borrowings***	1,400,000,000	–	1,400,000,000	–	1,400,000,000
Bank overdraft**	–	–	–	–	–
Trade and other payables**	25,125,655	–	25,125,655	–	25,125,655
Amounts due to related parties**	–	–	–	–	–
	1,425,125,655	–	1,425,125,655	–	1,425,125,655

VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

The following tables show the valuation techniques used in measuring level 2 and level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement	Profit/(loss)	
				Increase	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% – TATA 4%	– the EBITDA margin were higher/(lower) – 1%	22,613,947	(21,866,053)
		Risk adjusted discount rate: – LCBL 16.54% – TATA 13.82%	– the risk adjusted discount rate were lower/(higher) – 1%	(45,456,053)	53,903,947

TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

There were no transfers between Level 1 and Level 2 during the year ended 31 March 2019.

LEVEL 3 FAIR VALUES

Reconciliation of Level 3 fair value

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Equity securities	
	Group Rs.	Company Rs.
Balance as at 1 April 2017	531,336,896	520,573,896
Gain included in OCI		
– Net change in fair value (unrealised)	34,873,189	34,873,189
Balance as at 31 March 2018	566,210,085	555,447,085
Balance as at 1 April 2018	566,210,085	555,447,085
Gain included in OCI		
– Net change in fair value (unrealised)	28,108,968	22,418,968
Balance as at 31 March 2019	594,319,053	577,866,053

41. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks arising from financial instruments:

a. Credit risk (Note 41.2)

b. Liquidity risk (Note 41.3)

c. Market risk (Note 41.4)

d. Operational risk (Note 41.5)

41.1 RISK MANAGEMENT FRAMEWORK

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly 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.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk Management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

41.2 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

As at 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Impairment loss on trade receivables and contract assets arising from contracts with customers	33,821,437	56,494,676	–	–
	33,821,437	56,494,676	–	–

TRADE RECEIVABLES AND CONTRACT ASSETS

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, Management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

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 agreements made for every high-value transactions.
In addition, receivable balances are monitored on an ongoing basis with the results that the Group's exposure to bad debts is not significant.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to the credit risk as at 31 March 2019 is as follow.

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Other investments	976,129,267	941,991,456	647,625,267	642,633,456
Trade and other receivables	3,788,362,024	3,233,987,996	102,434,027	59,406,435
Amount due from related parties	27,998,528	14,950,556	225,727,276	170,891,161
Cash and cash equivalents	1,843,593,506	1,374,218,432	1,042,331,375	526,335,611
	6,636,083,325	5,565,148,439	2,018,117,945	1,399,266,663

41.3 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. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

EXPOSURE TO LIQUIDITY RISK

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

As at 31 March 2019	**Contractual cash flows**				
GROUP	**Carrying amount Rs.**	**Total Rs.**	**6 months or less Rs.**	**6-12 months Rs.**	**More than 12 months Rs.**
Bank overdrafts	826,769,498	826,769,498	826,769,498	–	–
Loans and borrowings	4,412,962,430	4,412,962,430	556,520,424	556,520,424	3,299,921,582
Trade and other payables	3,242,514,435	3,242,514,435	3,242,514,435	–	–
Amount due to related parties	25,190,848	25,190,848	25,190,848	–	–
	8,507,437,210	8,507,437,210	4,650,995,204	556,520,424	3,299,921,582

As at 31 March 2019	Contractual cash flows				
COMPANY	Carrying amount Rs.	Total Rs.	6 months or less Rs.	6- 12 months Rs.	More than 12 months Rs.
Loans and borrowings	1,664,908,029	1,664,908,029	214,557,355	214,557,355	1,235,793,320
Trade and other payables	26,821,780	26,821,780	26,821,780	–	–
	1,691,729,809	1,691,729,809	241,379,135	214,557,355	1,235,793,320

As at 31 March 2018 GROUP	Contractual cash flows				
	Carrying amount Rs.	**Total Rs.**	**6 months or less Rs.**	**6-12 months Rs.**	**More than 12 months Rs.**
Bank overdrafts	927,663,776	927,663,776	927,663,776	–	–
Loans and borrowings	4,380,977,634	4,380,977,634	404,481,824	404,481,824	3,572,013,986
Trade and other payables	3,120,599,883	3,120,599,883	3,120,599,883	–	–
Amount due to related parties	3,675,182	3,675,182	3,675,182	–	–
	8,432,916,475	8,432,916,475	4,456,420,665	404,481,824	3,572,013,986

As at 31 March 2018 COMPANY	Contractual cash flows				
	Carrying amount Rs.	Total Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.
Loans and borrowings	1,400,000,000	1,400,000,000	128,335,000	128,335,000	1,143,330,000
Trade and other payables	25,125,655	25,125,655	25,125,655	–	–
	1,425,125,655	1,425,125,655	153,460,655	128,335,000	1,143,330,000

41.4 MARKET RISK

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the risk management committee. Generally, the Group seeks to apply hedge accounting to manage volatility in profit or loss.

CURRENCY RISK

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currency of Group companies are primarily LKR. The currencies in which these transactions are primarily denominated are Euro, US Dollars, Australian Dollar, Singapore Dollar and Japanese Yen.

EXPOSURE TO CURRENCY RISK

The summary quantitative data about the Group's exposure to currency risk as reported to the Management of the Group is as follows:

As at 31 March 2019	GROUP		
	USD Rs.	Rs.	Total Rs.
Financial assets			
Other investments	–	203,742,135	203,742,135
Trade and other receivables	82,748,834	3,705,613,190	3,788,362,024
Amount due from related parties	–	27,998,528	27,998,528
Cash and cash equivalents	824,674	1,842,768,832	1,843,593,506
	83,573,508	5,780,122,685	5,863,696,193
Financial liabilities			
Loans and borrowings	–	(1,113,040,848)	(1,113,040,848)
Trade and other payables	(1,972,973,536)	(1,269,540,899)	(3,242,514,435)
Amount due to related parties	–	(25,190,848)	(25,190,848)
Bank overdrafts	–	(826,769,498)	(826,769,498)
	(1,972,973,536)	(3,234,542,092)	(5,207,515,628)
Net exposure	(1,889,400,028)	2,545,580,593	656,180,565

As at 31 March 2018	GROUP		
	USD Rs.	Rs.	Total Rs.
Financial assets			
Trade and other receivables	143,609,236	3,090,378,760	3,233,987,996
Amount due from related parties	–	14,950,556	14,950,556
Cash and cash equivalents	718,115	1,373,500,317	1,374,218,432
	144,327,351	4,478,829,632	4,623,156,983
Financial liabilities			
Loans and borrowings	–	(808,963,648)	(808,963,648)
Trade and other payables	(1,759,172,124)	(1,361,427,759)	(3,120,599,883)
Amount due to related parties	–	(3,675,182)	(3,675,182)
Bank overdrafts	–	(927,663,776)	(927,663,776)
	(1,759,172,124)	(3,101,730,365)	(4,860,902,489)
Net exposure	(1,614,844,773)	1,377,099,267	(237,745,506)

SENSITIVITY ANALYSIS

A reasonably possible strengthening (weakening) of the US dollar against all other currencies at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases:

	GROUP			
	Profit or loss		Equity, net of tax	
	Strengthening Rs.	Weakening Rs.	Strengthening Rs.	Weakening Rs.
As at 31 March 2019				
USD (1% movement)	(18,894,000)	18,894,000	(18,894,000)	18,894,000
As at 31 March 2018				
USD (1% movement)	(16,148,448)	16,148,448	(16,148,448)	16,148,448

INTEREST RATE RISK

Interest rate risk is a key constitute of the market risk exposure of the Group due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the earnings of the company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arises due to differences in the bases of interest rates.

EXPOSURE TO INTEREST RATE RISK

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Fixed-rate instruments				
Financial liabilities				
Loans and borrowings	4,412,962,430	4,380,977,634	1,664,908,029	1,400,000,000
	4,412,962,430	4,380,977,634	1,664,908,029	1,400,000,000
Variable-rate instruments				
Financial liabilities				
Bank overdrafts	826,769,498	927,663,776	–	–
	826,769,498	927,663,776	–	–

41.5 OPERATIONAL RISK

"Operational risk" is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has established Board Integrated Risk Management Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- information technology and cyber risks; and
- risk mitigation, including insurance where this is cost-effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Company Operational Risk Committee, with summaries submitted to the Audit Committee and senior management of the Company.

42. RELATED PARTY TRANSACTIONS

The Group carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 – "Related party disclosures", the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Group and is comparable with what is applied to transactions between the Group and its unrelated customers:

Key Management Personnel (KMP)

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

KMP of the Company

The Board of Directors of the Company has been classified as KMP of the Company.

KMP of the Group

As the Company is the ultimate parent of the subsidiaries listed out on page 106, the Board of Directors of the Company has the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly.

Accordingly, the Board of Directors of the Company is also KMP of the Group. Therefore, officers who are only Directors of the subsidiaries and not of the Company have been classified as KMP only for that respective subsidiary.

42.1 COMPENSATION OF KEY MANAGEMENT PERSONNEL

For the year ended 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Short-term employee benefits	233,308,346	222,294,955	224,974,830	212,199,342
Post-employment benefits	4,750,445	4,337,698	4,750,445	4,337,698
	238,058,791	226,632,653	229,725,275	216,537,040

Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan.

No loans have been granted to the Directors of the Company.

Transactions, arrangements and agreements involving KMP and their Close Family Members (CFM).

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependants of the KMP or the KMP's domestic partner. CFM are related parties to the Group/Company.

There were no transactions, arrangements or agreements involving CFM during the year ended 31 March 2019.

42.2 TRANSACTIONS WITH GROUP ENTITIES

The Group entities include the subsidiaries and the associates of the Company.

Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2018 Audited Financial Statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2018 Audited Financial Statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

Transactions with subsidiaries

Company name	Relationship	Nature of transaction	**Transaction amount 2019 Rs.**	Transaction amount 2018 Rs.	**Amount payable/ receivable 2019 Rs.**	Amount payable/ receivable 2018 Rs.
Sunshine Healthcare Lanka Ltd.	Subsidiary	Service income	94,196,763	104,428,658	–	–
		Dividend income	146,396,385	103,500,000	–	–
		Gratuity transfer	–	15,312,446	–	–
Watawala Plantations PLC	Subsidiary	Service income	70,476,201	82,881,442	–	–
		Purchases	–	(65,842)	–	–
Hatton Plantations PLC	Subsidiary	Service income	65,161,481	26,592,993	–	–
		Purchases	(128,642)	(80,677)	–	–
Watawala Tea Ceylon Ltd.	Subsidiary	Service income	87,224,648	(70,737,716)	–	–
		Purchases	–	(340,158)	–	–
		Gratuity transfer	–	(143,642)	–	–
Sunshine Packaging Lanka Ltd.	Subsidiary	Interest income	15,833,580	(3,432,042)	205,371,140	167,190,777
		Loan obtained	(34,400,000)	(30,500,000)	–	–
		Loan settled	5,151,000	–	–	–
		Purchases	–	(60,885)	–	–
Estate Management Services (Pvt) Ltd.	Subsidiary	Dividend income	344,263,036	(116,043,720)	–	–
Sunshine Energy (Pvt) Ltd.	Subsidiary	Dividend income	7,817,697	–	–	696
		Advance given	(118,530,000)	–	–	–
		Advance settled	263,129	–	–	–
		Investment in shares	118,267,567	102,625,124	–	–
Waltrim Energy Ltd.	Subsidiary	Service income	8,007,070	4,717,266	–	–
		Advance given	–	(47,580,000)	–	–
Upper Waltrim Hydropower (Pvt) Ltd.	Subsidiary	Dividend income	2	–	–	–
Sky Solar (Pvt) Ltd.	Subsidiary	Interest income	897,050	–	20,332,676	–
		Loan obtained	(38,935,625)	–	–	–
		Loan settled	(19,500,000)	–	–	–
Sunshine Holdings International Pte Ltd.	Subsidiary	Advance given	(604,693)	–	–	3,699,689
		Advance settled	134,797	–	–	–
Lamurep Investments Ltd.	Subsidiary	Service income	1,476,544	–	–	–
Lamurep Properties Ltd.	Subsidiary	Rent paid	(15,836,535)	(16,255,837)	–	–
			(737,631,455)	(535,244,366)		

Refer Notes 31 and 39.

Transactions with associates
There were no transactions carried out between the Group and the associate during the year ended 31 March 2019.

Transactions with other related entities
Other related entities include significant investors (either entities or individuals) that have control, joint control or significant influence.

Company name	Relationship	Nature of transaction	**Transaction amount 2019 Rs.**	Transaction amount 2018 Rs.	**Amount payable/receivable 2019 Rs.**	Amount payable/receivable 2018 Rs.
Sunshine Tea (Pvt) Ltd.	Affiliate Company	Sales	601,916	17,044,313	–	–
		Service cost	(259,058,859)	(18,602,000)	–	–
		Rent paid	(5,677,000)	(2,899,000)	–	–
		Purchases	(7,485,347)	(199,164,503)	–	–
Pyramid Lanka (Pvt) Ltd.	Affiliate Company	Sales	2,004,233,963	1,723,902,000	–	–
Lamurep Properties Limited	Affiliate Company	Rent	(8,527,265)	(16,255,837)	–	–
		Purchases	(2,842,455)	–	–	–
Norris Canal Properties (Pvt) Ltd.	Affiliate Company	Advance given	23,460	–	23,460	–
Duxton Assets Management Limited	Affiliate Company	Consultancy fee	(22,250,000)	–	(22,250,000)	–
			1,699,018,412	1,504,024,973		

Refer Notes 31 and 39.

43. OPERATING LEASES

Accounting policy

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

Assets held under other leases are classified as operating leases and are not recognised in the Group's Statement of Financial Position.

Lease payments
Payments made under operating leases are recognised in profit or loss on a straight-eight basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

43.1 LEASES AS LESSEE

The Group leases a number of warehouse and factory facilities under operating leases. The leases typically run for a period of 1-10 years, with an option to renew the leases after that date. Lease payments are renegotiated every five years to reflect market rentals.

Future minimum lease payments

The future minimum lease payments under non-cancellable leases were payable as follows:

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Less than one year	64,699,664	61,770,210	15,473,484	15,022,800
Between one to five years	175,708,410	222,992,532	16,415,819	16,908,293
More than five years	–	17,415,543	–	17,415,542
	240,408,074	302,178,285	31,889,303	49,346,635
Amount recognised in profit or loss				
Lease expenses	61,770,210	57,729,168	15,022,800	14,135,510
	61,770,210	57,729,168	15,022,800	14,135,510

43.2 LEASES AS LESSOR

The Group leases out its investment properties (refer Note 23).

Future minimum lease payments

The future minimum lease payments under non-cancellable leases were receivables as follows:

	GROUP	
	2019 Rs.	2018 Rs.
Less than one year	21,186,252	19,814,815
Between one to five years	48,817,936	69,008,688
More than five years	–	995,500
	70,004,188	89,819,003
Amount recognised in profit or loss		
Investment property rentals	17,901,815	2,730,000
	17,901,815	2,730,000

44. COMMITMENTS

Company

There were no contract for capital expenditure of material amounts approved or contracted for as at the reporting date.

Group

There were no contract for capital expenditure of material amounts approved or contracted for as at the reporting date.

45. CONTINGENCIES

Accounting policy

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised in profit or loss.

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Use of Judgements and Estimates

Provisions and Contingencies

The Company receives legal claims against it in the normal course of business. Management has made judgement as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in the respective legal jurisdictions.

Company

The guarantee given by the Company to banks and other institutions on behalf of subsidiaries to facilitate obtained are as follows:

	2019 Rs.	2018 Rs.
Elgin Hydropower (Pvt) Limited		
DFCC Bank PLC	–	320,000,000
Upper Waltrim Hydropower (Pvt) Limited		
DFCC Bank PLC	–	420,000,000

The above corporate gurantees were given on top of the collateral, already vested by the respective subsidiaries.

There are no litigations and claims as at the reporting date.

Group

Watawala Plantation PLC, a subsidiary of the Company, has given a bank guarantees amounting to Rs. 11,000,000 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 Rs. 1,150,000,000.

Sunshine Healthcare Lanka Limited, a subsidiary of the Company, has given a bank guarantee amounting to Rs. 17,000,000 on behalf of its subsidiary.

Elgin Hydropower (Pvt) Limited, a subsidiary of the Company, has given a bank guarantee amounting to Rs. 503,000.

There were no material contingencies as at the reporting date except for disclosed above.

46. EVENTS AFTER THE REPORTING PERIOD

Accounting policy

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

All material 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.

Company

There have been no events subsequent to the reporting date, which would have any material effect on the Company, other than the following:

The Board of Directors of the Company has declared a first and final dividend of Rs. 1.25 per share for the financial year ended 31 March 2019.

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the company satisfied the solvency test in accordance with Section 57, prior to declaring the final dividend. A statement of solvency duly completed and signed by the Directors on 30 May 2019 has been audited by Messrs. KPMG.

In accordance with the LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2019.

Group

No events have occurred after the reporting date, which would require adjustments to or disclosure in the Financial Statements, except as follows:

On 28 May 2019, Estate Management Services (Pvt) Ltd. ("EMSPL"), a subsidiary, has disposed of 120,700,002 ordinary shares amounting to 51% of the shares in issue in Hatton Plantations PLC for a purchase consideration of LKR 1,001,810,017, at a price of Rs. 8.30 per share to Lotus Renewable Energy (Private) Limited ("LREL"). It has also been agreed by EMSPL that it will not accept the mandatory offer except to the extent of ensuring that LREL acquires at least 75.65% of the issued shares subsequent to such mandatory offer.

LREL has also granted EMSPL the right and entitlement to sell (i.e. a Put Option) all or part of the balance 58,334,368 ordinary shares which are held by EMSPL to them at any time within a period of three months from the expiry of the Mandatory Offer at a price of Rs. 8.30 per share.

47. COMPARATIVE INFORMATION

Where necessary information has been restated to conform to current year's presentation and classification.

(a) As described in Note 7, the adoption of SLFRS 15 and SLFRS 9 did not have a significant effect on the Company's Financial Statements. Accordingly, comparative information have not been restated based on adoption of the said accounting standards.

48. DIRECTOR'S RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of the Financial Statements in accordance with Sri Lanka Accounting Standards.

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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

	31 March 2019	31 March 2018
Total numbers of shareholders	1,837	1,615
Total numbers of shares	149,554,103	136,492,280

31 March 2019		
Number of holders	Holdings	Total holdings %
1,378	1 – 1,000 shares	0.23
330	1,001 – 10,000 shares	0.60
99	10,001 – 100,000 shares	1.74
21	100,001 – 1000,000 shares	4.01
9	Over 1,000,000	93.41
1,837		100.00

Analysis of shareholders	31 March 2019			31 March 2018		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
Individuals	1,786	16,182,045	10.82	1,522	5,860,844	4.29
Institutions	51	133,372,058	89.18	93	130,631,436	95.71
Total	1,837	149,554,103	100.00	1,615	136,492,280	100.00

Public shareholdings	Requirement by CSE	As at 31 March 2019	Comply with CSE rule 7.13.1 (a)	Requirement by CSE	As at 31 March 2018	Comply with CSE rule 7.13.1 (a)
Option	5	5	Yes	4	4	Yes
Float adjusted market capitalisation	Less than Rs. 2,500,000,000/-	2,398,309,417	Yes	Rs. 2,500,000,000/- to Rs. 5,000,000,000/-	3,685,418,498	Yes
The percentage of shares held by the public	20%	34.12%	Yes	10%	48.13%	Yes
Number of shareholders representing public holding	500	1,829	Yes	500	1,612	Yes

SHAREHOLDER TRADING INFORMATION FROM 1 APRIL 2018 TO 31 MARCH 2019

	2019	2018	2017	2016	2015	2014	2013
Highest price (Rs.)	60.00	64.90	58.80	62.00	63.50	38.90	34.00
Lowest price (Rs.)	42.00	46.10	45.00	45.20	28.00	26.60	18.10
As at 31 March (Rs.)	47.00	56.10	46.10	50.00	48.00	28.70	26.60
Number of transactions	506	1,048	1,093	1,216	6,626	2,453	1,794
Number of shares traded	1,237,912	8,347,901	34,337,459	3,596,659	59,275,212	20,960,576	2,574,012
Value of shares traded (Rs.)	68,718,164	476,911,459	1,684,887,480	200,914,813	2,348,879,263	710,627,572	67,442,412

MARKET CAPITALISATION VS SHAREHOLDERS' FUNDS

	Rs.
Market capitalisation as at 31 March 2019	7,029,042,841
Shareholders funds as at 31 March 2019	7,516,183,889

DIVIDEND

	2019	2018	2017	2016	2015
Proposed and final dividend (Rs.)	186,942,629	204,738,420	236,496,726	141,898,035	128,383,937
Dividend per share (Rs.)	1.25	1.50	1.75	1.05	0.95
Normalised dividend pay-out ratio (%)	70.2	137.8	125.4	64.4	43.5

TWENTY (20) LARGEST SHAREHOLDERS AS AT

Name	**31 March 2019**		31 March 2018	
	Number of shares held	**%**	Number of shares held	%
Lamurep Investments Limited	67,905,601	45.41	67,343,470	49.34
SBI Ven Holdings Pte Limited	27,046,773	18.08	14,998,500	10.99
Deepcar Limited	26,071,826	17.43	25,856,000	18.94
Sampath Bank/Dr T Senthilverl	9,173,828	6.13	10,026,767	7.35
Ceylon Property Development Limited	3,055,292	2.04	3,030,000	2.22
J B Cocoshell (Pvt) Limited	2,331,967	1.56	2,312,663	1.69
GF Capital Global Limited	1,900,718	1.27	1,677,155	1.23
Deutsche Bank AG – National Equity Fund	1,210,016	0.81	1,200,000	0.88
Hatton National Bank PLC – Candor Opportunities Fund	1,008,347	0.67	800,000	0.59
Seylan Bank PLC/Dr Thirugnanasambandar Senthilverl	711,383	0.48	–	–
Mr P H A K Fernando	655,935	0.44	650,506	0.48
Nuwara Eliya Property Developers (Pvt) Ltd.	585,862	0.39	581,013	0.43
Mr V Govindasamy	451,500	0.30	447,763	0.33
Pershing LLC S/A Aerbach Grauson & Co.	328,225	0.22	325,508	0.24
E W Balasuriya and Co. (Pvt) Limited	301,800	0.20	276,989	0.20
Cocoshell Activated Carbon Company Limited	290,963	0.19	288,555	0.21
Deutsche Bank AG Singapore Branch	282,337	0.19	280,000	0.21
Mrs N C Madanayake	282,337	0.19	280,000	0.21
Mr U G Madanayake	282,337	0.19	280,000	0.21
Mr R Maheswaran	254,607	0.17	252,500	0.18
Sub Total	144,131,654	96.37	130,907,389	95.91
Others	5,422,449	3.63	5,584,891	3.91
Total	149,554,103	100.00	136,492,280	100.00

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE AT SUNSHINE HOLDINGS

Sunshine Holdings PLC (Sunshine Holdings) 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 6 to 7 of this Report.

Sunshine Holdings believes that an important aspect of communication with stakeholders and other interested parties, is the extent of compliance with best practice on corporate governance as promulgated in the Code of Best Practice on Corporate Governance 2017 issued by The Institute of Chartered Accountants of Sri Lanka (ICASL), the rules set out in Section 07 of the Listing Rules of the Colombo Stock Exchange (CSE) and 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 require Board approval, can be delegated to Management and require review by Board subcommittees.

THE BOARD OF DIRECTORS

The Company's business and operations are managed under the supervision of the Board, which consists of members with expertise and experience and strong financial and business acumen in activities that the Company is engaged in. They have a strong understanding of their roles and responsibilities.

BOARD RESPONSIBILITIES AND RIGHTS

The Board has the following powers for discharging its responsibilities:

STRATEGIC DIRECTION

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

BUSINESS PERFORMANCE

The Board reviews business results on a regular basis and guides the Management by giving appropriate direction in achieving its goals.

MANAGEMENT OF RISKS

In consultation with the Audit Committee, a risk management system was developed and periodically reviewed. The Risk Management report is given on page 75 of this Report. Further, the Audit Committee Report is also given on page 83.

CODE OF CONDUCT AND ETHICS

The Company has a code of conduct and ethics which is communicated to all levels of the employees including its 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. Interim and final 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 and its future potential.

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 (AGM).

BUDGET

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

CORPORATE GOVERNANCE

Board monitors and periodically reviews the Company's Corporate Governance practices in accordance with the mandatory requirements arising from the Listing Rules of the CSE and the Code of Best Practice on Corporate Governance issued by The Institute of Chartered Accountants of Sri Lanka.

BOARD BALANCE

The Company maintains a Board balance of Executive, Non-Executive and Independent Directors as required under Listing Rules of the CSE. Together, the Directors with their wide experience in both the public and the 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.

COMPOSITION OF THE BOARD

The Board consists of ten (10) members. Eight (8) members are Non-Executive Directors (including the Chairman) and two (2) are Executive Directors. Five (5) 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 S Shishoo
- Mr H Abeywickrama
- Mr A D B Talwatte
- Mr A Cabraal

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

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 seven (7) meetings including the AGM and two (2) Extraordinary General Meetings (EGM) were held in the financial year ended 31 March 2019. The attendances of Directors at these meetings were as follows:

Attendance

Name of Director	Attendance at meetings	%
Mr Munir Shaikh	7/7	100
Mr G Sathasivam*	3/4	75
Mr V Govindasamy	7/7	100
Mr S G Sathasivam	5/7	71
Mr N B Weerasekera**	1/1	100
Mr A D B Talwatte	7/7	100
Mr B A Hulangamuwa****	6/7	86
Mr H Abeywickrama	5/7	71
Mr A Cabraal	7/7	100
Mr S Shishoo	6/7	86
Mr Y Kitao***	0/2	0

** Mr G Sathasivam ceased to be a Director on 28 June 2018 and was reappointed to the Board on 9 August 2018.*
*** Mr N B Weerasekera retired from the Board w.e.f. 28 May 2018.*
**** Mr Y Kitao appointed to the Board w.e.f. 9 August 2018.*
***** Mr B A Hulangamuwa retired from the Board w.e.f. 30 May 2019.*

RE-ELECTION OF DIRECTORS

The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next AGM and seek reappointment by the shareholders at that meeting. The Articles call for one-third of the Directors in office to retire at each AGM. The Directors who retire are those who have served for the longest period after their appointment/reappointment. 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 AGM immediately following his appointment. The GMD 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 calibre 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 Directors' remuneration is disclosed in Note 42.1 of the Financial Statements.

DELEGATION OF BOARD AUTHORITY – BOARD COMMITTEES

The Board in discharging its duties, establishes various Board committees. The functions and terms of reference of the Board committees are clearly defined and where applicable, comply with the recommendations of the Code of Best Practice on Corporate Governance. The Group has four (4) Board committees,

- Board Audit Committee
- Board Nomination and Remuneration Committee
- Board Investment Committee
- Board Related Party Transactions Review Committee

However, the Board of Directors is collectively responsible for the decisions taken on the recommendation by Board committees.

BOARD 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 carries out their statutory duties in an independent and objective manner. It also assists the Board in ensuring that a sound system of internal control is in place. 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 being present except for the Group Secretaries, at least once a year. The report of the Audit Committee is presented on page 83 and the duties of the Audit Committee are included therein.

BOARD NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration 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.

It also makes recommendations to the Board on the remuneration policy and the remuneration to be paid to each Executive Director. It also reviews the Group's remuneration policy and the remuneration packages of executive employees of the Group.

BOARD 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.

BOARD RELATED PARTY TRANSACTIONS REVIEW 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

	Appointment to the Board	Board Nomination and Remuneration Committee	Board Audit Committee	Board Investment Committee	Board Related Party Transactions Review Committee
Executive					
Mr V Govindasamy	08.02.2000				
Mr S G Sathasivam	13.06.2006				
Non-Executive					
Mr G Sathasivam	08.02.2000	x			
Mr B A Hulangamuwa***	01.02.2002		x		x
Independent Non-Executive					
Mr Munir Shaikh	16.07.2010	x			
Mr N B Weerasekara*	21.11.2008	x	x	x	x
Mr S Shishoo	18.12.2017		x		x
Mr A D B Talwatte	30.05.2016	x	x	x	x
Mr Y Kitao**	09.08.2018				
Mr A Cabraal	30.05.2017	x	x	x	x
Mr H Abeywickrama	30.06.2014		x		x

**Resigned w.e.f. 28 May 2018.*
*** Appointed w.e.f. 9 August 2018.*
****Resigned w.e.f. 30 May 2019.*

FINANCIAL ACUMEN

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

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.

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 1 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 principal communication with them and other stakeholders. These reports are provided to the CSE and also published in print media. Shareholders may bring up concerns they have, either with the Chairman or the GMD 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 about 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.

CORPORATE GOVERNANCE DISCLOSURES

The Company has published Quarterly Financial Statements with the necessary explanatory notes as required by the Rules of the CSE 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 number	Compliance requirement	Compliance status	Section	Page number
The Board of Directors	A 1	Company to be headed by an effective Board to direct and control the Company.	Complied	Profiles of the Board	20
	A 1.1	Regular Board meetings	Complied	Composition and attendance	209
	A 1.2	Responsibilities	Complied	Board responsibility	86
	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	4
	A 1.4	Access to Company Secretary	Complied	Communication with stakeholders	212
	A 1.5	Bring Independent judgement on various business issues and standards of business conduct	Complied	The Directors are permitted to get professional advice when necessary and the Directors of Sunshine Holdings Group has obtained professional advice for certain matters during the year and coordinated through Company secretaries	211
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	209

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
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	209
	A 3.1	Ensure Board proceedings are conducted in a proper manner	Complied	The Chairman is responsible for the effective participation of both Executive and Non-Executive Directors, their contribution for the benefit of the Group, balance of power between Executive and Non-Executive Directors and control of Group's affairs and communicate to stakeholders	209
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Profiles of the Board	20
Board Balance	A 5.1	Non-Executive Directors	Complied	Eight (8) out of Ten (10) are Non-Executive Directors	209
	A 5.2	Independent Non-Executive Directors	Complied	Five (5) out of Eight (8) Non-Executive Directors are Independent	209
	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	209
	A 5.4	Annual Declaration	Complied	Submitted the declarations as prescribed	209
	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	211
Supply of Information	A 6.1	Provide appropriate and 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	211
	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.	211
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	210
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied	Nomination Committee makes recommendations to the Board on new Board appointments	210

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
	A 7.2	Assessment of the capability of the Board to meet strategic demands of the Company	Complied	Profiles of the Board	20
	A 7.3	Disclosure of new Board member profile and interests	Complied	Profiles of the Board	20
Re-election	A 8 – 8.2	Board members should be subject to election, and re-election by shareholders	Complied	Re-election of Directors	210
Appraisal of Board performance	A 9 – 9.3	Existence of Board evaluation methods and execution	Complied	The Chairman and Remuneration Committee evaluates the performance of the Executive Directors	210
Disclosure of information in respect of Directors	A 10 – 10.1	Profiles of Directors, Directors' interests, Board meeting attendance, Board Committee memberships	Complied	Profiles of the Board	20
Appraisal of GMD	A 11 – 11.2	Appraisal of the GMD against the set strategic targets	Complied	Evaluation is done by the Chairman and Remuneration Committee based on the financial and non-financial targets set with the discussion of the Committee	210
Directors' Remuneration	B 1	Establishment of the Remuneration Committee	Complied	Remuneration Committee Report	82
	B 1 – 1.3	Membership of the Remuneration Committee to be disclosed and should only comprise Non-Executive Directors	Complied	Discussed under subcommittees	82
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Discussed under subcommittees	82
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	enclosed

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
	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	230
	C 1.3	Heads of Board subcommittees to be available to answer queries	Complied	Subcommittee Chairmen are present at the AGM	230
	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	230
	C 1.5	Summary of procedures governing voting at General Meetings to be informed	Complied	Circulated through Notice of the Annual General Meeting	230
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 CSE, print media, and the Company website	83
Accountability and 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	4
	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	4
	D 1.3	Statement of Directors' Responsibility	Complied	Directors' Responsibility Report	86
	D 1.4	Management Review and Preview	Complied	Segment analysis	14
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	83
Audit Committee	D 3.1	Audit Committee composition	Complied	Composition of Audit Committee	83

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
	D 3.2	Terms of reference, duties and responsibilities	Complied	Clearly documented to Audit Committee charter	83
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 and provided to the CSE	212

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

Subject	Rule number	Applicable requirement	Compliance status	Details	Page number
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	209
Independent Directors	7.10.2 (a)	Two or one-third of Non-Executive Directors, whichever is higher should be Independent	Complied	Five (5) out of Eight (8) Non-Executive Directors are Independent	209
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	209
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Please refer page 211	211
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 on page 209 under the heading of Board balance	209
Disclosure relating to Directors	7.10.3 (c)	A brief résumé of each director should be included in the Annual Report and should include the Director's areas of expertise	Complied	Profiles of the Directors	20
Disclosure relating to Directors	7.10.3 (d)	Forthwith provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3 (d) to the CSE	Complied	Brief résumés have been provided to the CSE	20
Remuneration Committee	7.10.5	A listed company shall have a Remuneration Committee	Complied	Remuneration Committee comprises – M Munir Shaikh Mr A Cabraal Mr G Sathasivam Mr A D B Talwatte	82
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	211

Subject	Rule number	Applicable requirement	Compliance status	Details	Page number
Remuneration Committee functions	7.10.5 (b)	Shall recommend the remuneration of the GMD and the Executive Directors	Complied	As above	82
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 211	211
		Statement of Remuneration Policy	Complied	Please refer page 82	82
		Aggregated remuneration paid to Executive and Non-Executive Directors	Complied	Note 42.1 of Financial Statement	199
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Please refer Report of the Audit Committee on page 83	83
Composition of Audit Committee	7.10.6 (a)	Shall comprise Non-Executive Directors, majority of whom will be Independent	Complied	Four (4) out of Five (5) Directors are Independent Non-Executive Directors	211
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an Independent Non-Executive Director	83
		GMD and Group Chief Financial Officer (GCFO) should attend Audit Committee meetings	Complied	GMD and GCFO attend meetings by invitation	83
		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	20
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	83
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 211	211
		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 83	83
		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 83	83

DECADE AT A GLANCE

	2019		2018		2017		2016		2015	
Operating results	**Group Rs.**	**Company Rs.**	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
Revenue	22,641,987,898	514,907,500	21,181,210,416	340,599,522	18,890,754,460	414,779,815	17,422,249,764	265,431,378	16,326,528,096	313,557,464
Gross profit	5,699,290,610	514,907,500	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)
Profit before interest and tax	2,218,330,819	303,936,768	2,580,028,235	122,912,751	2,072,983,275	107,404,856	1,660,598,576	157,704,853	1,413,268,709	268,518,924
Profit before tax	1,881,576,601	240,636,058	2,422,814,623	148,558,341	2,042,853,510	190,800,831	1,591,244,008	221,176,398	1,309,333,699	221,878,292
Income tax	(735,942,442)	19,250,174	(618,292,027)	–	(430,088,964)	(342,692)	(373,645,411)	(769,355)	(335,820,583)	(2,023,953)
Profit for the year	1,145,634,159	259,886,232	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
Profit or (loss) on discontinued operations, net of tax	–	–	(210,824,830)	–	8,456,167	–	–	–	–	–
Other comprehensive income	(224,826,836)	14,448,901	68,902,741	35,762,731	94,713,453	6,968,821	92,461,096	(6,992,058)	73,387,932	57,076,838
Total comprehensive income	920,807,323	274,335,133	1,662,600,507	184,321,072	1,715,934,166	197,426,960	1,310,059,693	213,414,985	1,046,901,048	349,793,639
Profit Attributable to owners of parent company	646,984,059	274,335,133	829,362,966	184,321,072	563,802,278	197,426,960	605,789,388	213,414,985	542,303,854	349,793,639
Equity and liabilities										
Stated capital	1,641,715,247	1,641,715,247	798,504,357	798,504,357	730,939,657	730,939,657	730,939,657	730,939,657	730,939,657	730,939,657
Capital and other reserves	386,181,166	380,153,740	390,893,755	364,012,083	331,838,036	329,138,894	324,854,614	322,155,472	1,257,725	1,257,725
Retained profit	5,488,287,476	1,781,111,290	5,185,526,424	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
Shareholders' fund	7,516,183,889	3,802,980,277	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
Non-controlling interest	3,476,651,011	–	3,427,198,621	–	5,340,766,263	–	4,168,557,293	–	3,643,544,084	–
Total equity	10,992,834,900	3,802,980,277	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
Non-current liabilities	5,632,266,525	1,322,862,014	5,462,676,192	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
Current liabilities	5,435,279,604	455,936,489	5,029,411,958	281,795,654	3,502,375,661	15,817,458	3,288,027,254	13,691,515	3,058,199,960	17,293,912
Total equity and liabilities	22,060,381,028	5,581,778,780	20,294,211,307	4,433,397,391	17,932,193,592	2,982,182,431	16,121,993,661	2,915,844,711	14,612,639,692	2,801,198,128
Assets										
Property, plant and equipments	5,800,454,817	16,333,639	5,484,349,584	3,290,687	4,952,870,651	5,901,315	4,104,956,315	6,077,792	3,830,814,031	3,031,897
Leasehold right to bare land	183,963,000	–	190,997,000	–	–	–	–	–	–	–
Biological assets	4,694,037,000	–	4,408,582,000	–	3,629,026,000	–	3,431,155,000	–	3,350,253,000	–
Investment property	327,205,000	–	327,205,000	–	–	–	–	–	–	–
Intangible assets	192,415,059	27,247	153,596,702	780,372	168,765,418	1,533,497	137,471,955	2,191,875	110,539,090	–
Investments in subsidiaries	–	3,313,401,971	–	3,017,900,921	–	1,376,748,442	–	1,041,371,979	–	961,371,884
Other investments	664,078,267	647,625,267	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
Investment in gratuity fund	312,051,000	–	288,595,000	–	258,319,000	–	234,369,000	–	220,262,000	–
Investment in associate	2,798,296	9,000,000	7,959,615	9,000,000	–	–	6,275,928	6,111,426	4,292,875	2,719,920
Deferred tax	57,495,834	17,997,095	73,620,009	–	75,590,768	–	82,380,722	–	92,863,490	–
Current assets	9,825,882,756	1,577,393,561	8,705,909,941	759,791,955	8,210,888,423	972,028,845	6,828,519,697	1,138,586,595	6,330,472,442	1,160,931,663
Total assets	22,060,381,028	5,581,778,780	20,294,211,307	4,433,397,391	17,932,193,592	2,982,182,431	16,121,993,661	2,915,844,711	14,612,639,692	2,801,198,128
Key indicators										
Earnings per share	4.43	1.78	6.08	1.09	4.13	1.41	4.34	1.63	3.62	2.19
Dividends per share – cash	1.25	1.25	1.00	1.00	1.50	1.50	1.05	1.05	0.95	0.95
Dividends per share – scrip	–	–	0.50	0.50	0.50	0.50	–	–	–	–
Net assets per share	50.26	25.43	46.71	21.47	46.25	21.57	42.78	21.16	39.24	20.53
Current ratio	1.81	3.46	1.73	2.70	2.34	66.71	2.08	83.16	2.06	67.13
Dividend payout ratio (%)	–	70.22	–	137.61	–	141.84	–	64.4	–	43.5

2014		2013		2012		2011		2010		2009	
Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs. '000	Company Rs.	Group Rs.	Company Rs.
14,696,587,869	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
3,510,997,629	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
1,595,297,083	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
1,450,026,167	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
(324,141,236)	(6,218,055)	(299,952,674)	–	(300,914,098)	–	(219,814,038)	–	(108,401,185)	–	(128,847,482)	(668,686)
1,125,884,931	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
–	–	–	–	–	–	–	–	–	–	–	–
42,414,470	107,525,886	51,423,000	2,124,123	(95,826,331)	16,703,238	56,345,000	–	–	–	–	–
1,168,299,401	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
687,649,273	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
690,993,533	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
1,257,725	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
4,156,248,570	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
4,848,499,828	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
3,422,805,717	–	2,972,805,082	–	2,457,276,937	–	2,531,624,546	–	1,609,021,951	–	1,520,382,041	–
8,271,305,545	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
2,747,833,165	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
2,480,487,844	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
13,499,626,554	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
3,679,264,826	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
–	–	–	–	–	–	–	–	–	–	–	–
3,139,569,000	–	2,880,079,000	–	2,766,583,000	–	2,460,320,000	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
153,569,864	–	143,633,919	–	134,829,240	–	120,728,232	–	36,712,570	–	–	–
–	961,371,884	–	860,698,768	–	817,752,548	–	817,752,548	–	649,402,568	125,001,473	417,402,568
506,094,835	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
200,000,000	–	127,267,000	–	42,641,000	–	–	–	–	–	–	–
2,845,696	2,719,920	–	–	–	–	–	–	–	–	–	–
91,018,038	–	86,088,863	–	85,734,448	–	46,412,333	–	–	–	–	–
5,727,264,295	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
13,499,626,554	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
4.47	8.25	4.73	1.33	3.51	0.86	4.76	0.83	2.97	0.86	14.37	7.03
0.95	0.95	0.50	0.50	0.30	0.30	0.30	0.30	0.3	0.3	2.5	2.5
–	–	–	–	–	–	–	–	–	–	–	–
36.23	18.77	28.14	10.17	23.71	9.13	18.56	8.45	13.98	6.9	103.88	62.77
2.3	93.3	1.7	25.3	1.5	22.5	1.5	9.7	1.59	40.44	1.5	24.14
–	36.1		37.6	–	35.1	–	36.1	–	34.9	–	35.6

USD STATEMENTS

STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME IN USD

For the year ended 31 March	GROUP		COMPANY	
	2019 USD	2018 USD	**2019 USD**	2018 USD
Continuing operations				
Revenue	134,254,301	138,376,699	3,053,113	2,225,134
Cost of sales	(100,460,701)	(103,194,185)	–	–
Gross profit	33,793,600	35,182,514	3,053,113	2,225,134
Other income	1,910,716	3,531,264	1,618,771	1,647,743
Selling and distribution expenses	(10,281,404)	(9,216,187)	–	–
Administrative expenses	(12,269,453)	(12,642,284)	(2,349,304)	(2,625,824)
Impairment of investment in subsidiary	–	–	(520,406)	(444,065)
Operating profit	13,153,459	16,855,306	1,802,175	802,988
Finance income	1,354,731	1,374,439	681,400	440,498
Finance costs	(3,320,891)	(2,394,718)	(1,056,738)	(272,955)
Net finance costs	(1,966,160)	(1,020,279)	(375,338)	167,542
Share of Profit/(loss) of equity-accounted investees, net of tax	(30,604)	(6,797)	–	–
Profit before tax	11,156,695	15,828,231	1,426,837	970,531
Income tax expenses	(4,363,726)	(4,039,297)	114,143	–
Profit from continuing operations	6,792,969	11,788,933	1,540,980	970,531
Discontinued operations				
Loss on discontinued operations, net of tax	–	(1,377,317)	–	–
Profit for the year	6,792,969	10,411,616	1,540,980	970,531
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of retirement benefit liability	(1,725,815)	243,775	(13,940)	5,811
Equity investments at FVOCI – net change in fair value	166,670	–	132,932	–
Equity accounted investees – share of OCI	–	–	–	–
Related tax	208,946	(23,828)	(33,318)	–
	(1,350,198)	219,946	85,674	5,811
Items that are or may be reclassified subsequently to profit or loss				
Foreign operations – foreign currency translation differences	17,101	2,368	–	–
Fair value change in available for sale financial assets	–	227,826	–	227,826
Equity accounted investees – share of OCI	–	–	–	–
Other comprehensive income for the year	(1,333,097)	450,141	85,674	233,638
Total comprehensive income for the year	5,459,871	10,861,757	1,626,654	1,204,168

For the year ended 31 March	GROUP		COMPANY	
	2019 USD	2018 USD	**2019 USD**	2018 USD
Profit attributable to				
Owners of the Company	3,836,253	4,040,905	1,540,980	970,531
Non-controlling interest	2,956,716	6,370,711	–	–
	6,792,969	10,411,616	1,540,980	970,531
Continuing operations				
Owners of the Company	3,836,253	5,418,222	1,540,980	970,531
Non-controlling interest	2,956,716	6,370,711	–	–
	6,792,969	11,788,933	1,540,980	970,531
Discontinued operations				
Owners of the Company	–	(1,377,317)		–
Non-controlling interest	–	–	–	–
	–	(1,377,317)		–
Total comprehensive income attributable to:				
Owners of the Company	3,280,232	4,340,647	1,626,654	1,204,168
Non-controlling interest	2,179,639	6,521,110	–	–
Total comprehensive income for the year	5,459,871	10,861,757	1,626,654	1,204,168

STATEMENT OF FINANCIAL POSITION IN USD

As at 31 March	GROUP		COMPANY	
	2019 USD	2018 USD	2019 USD	2018 USD
Assets				
Property, plant and equipment	32,932,804	35,162,286	92,736	21,098
Intangible assets	1,092,460	984,768	155	5,003
Leasehold land	1,044,473	1,224,556	–	–
Biological assets	26,650,979	28,265,124	–	–
Investment property	1,857,747	2,097,838	–	–
Investments in subsidiaries	–	–	18,812,252	19,348,930
Equity-accounted investee	15,888	51,032	51,099	57,702
Other investments, including derivatives	5,542,095	6,039,471	3,676,973	4,120,172
Deferred tax assets	326,440	472,006	102,181	–
Non-current assets	69,462,887	74,297,080	22,735,396	23,552,905
Inventories	22,179,130	25,456,660	–	–
Biological assets	260,506	314,376	–	–
Other investments, including derivatives	1,156,771	–	1,156,771	–
Current tax assets	56,171	60,054	17,934	20,252
Trade and other receivables	21,508,897	20,734,347	581,582	380,878
Amounts due from related parties	158,965	95,854	1,166,153	1,095,649
Cash and cash equivalents	10,467,232	8,810,646	5,917,966	3,374,541
	55,787,672	55,471,937	8,840,407	4,871,320
Assets held for sales	–	345,018	–	–
Current assets	55,787,672	55,816,955	8,840,407	4,871,320
Total assets	125,250,559	130,114,035	31,575,803	28,424,225
Equity				
Stated capital	10,939,956	5,940,188	10,939,956	5,940,188
Reserves	2,192,592	2,506,171	2,158,370	2,333,822
Retained earnings	29,541,522	32,425,747	8,378,126	10,510,536
Equity attributable to owners of the Company	42,674,070	40,872,106	21,476,453	18,784,546
Non-controlling interests	19,739,119	21,973,095	–	–
Total equity	62,413,189	62,845,201	21,476,453	18,784,546
Liabilities				
Loans and borrowings	18,735,716	22,901,563	7,016,370	7,330,331
Employee benefits	8,513,127	6,813,001	494,343	502,647
Deferred income and capital grants	1,820,774	2,420,401	–	–
Deferred tax liabilities	2,908,278	2,888,364	–	–
Non-current liabilities	31,977,894	35,023,329	7,510,714	7,832,978
Bank overdraft	4,694,087	5,947,611	–	–
Current tax liabilities	1,293,158	1,080,379	–	–
Loans and borrowings	6,319,428	5,186,579	2,436,352	1,645,611
Trade and other payables	18,409,779	20,007,372	152,284	161,090
Amounts due to related parties	143,024	23,563	–	–
Current liabilities	30,859,477	32,245,505	2,588,636	1,806,701
Total liabilities	62,837,371	67,268,834	10,099,350	9,639,678
Total equity and liabilities	125,250,559	130,114,035	31,575,803	28,424,225

STATEMENT OF CASH FLOW IN USD

For the year ended 31 March	GROUP		COMPANY	
	2019 USD	2018 USD	**2019 USD**	2018 USD
Cash flows from operating activities				
Profit before tax for the period	10,682,885	14,181,922	1,366,241	952,465
Adjustments for:				
Interest income	(856,890)	(1,350,502)	(652,462)	(432,298)
Dividend income	(40,243)	(33,263)	–	–
Write-off of assets held for sale	87,984	–	–	–
Impairment of assets held for sale	143,758	–	–	–
Profit on disposal of property, plant and equipment	(444,992)	(146,623)	–	(11,115)
Write-off of property, plant and equipment	–	2,199	–	2,199
Biological assets – (Gain)/loss from produce crop valuation	17,890	(85,124)	–	–
Opening stock adjustment	–	(173,370)	–	–
Provision for other receivables	293,358	–	–	–
Write-off of other receivables	23,674	33,280	23,674	33,280
Impairment losses and write-downs	13,155	17,227	–	–
Impairment of investment	–	–	498,305	435,799
Gain on fair valuation of livestock	139,062	(203,786)	–	–
Interest expense	3,179,857	2,428,871	1,011,859	267,874
Depreciation and amortisation	4,242,941	4,115,713	34,061	21,108
Provision/(reversal) for bad and doubtful debts	(128,730)	186,788	–	–
Write-off of inventory	–	–	–	–
Provision for inventories	23,128	–	–	–
Fair value gain on investment property	–	(814,838)	–	–
Loss on discontinued operation	–	453,754	–	–
Profit/(loss) of equity investee	29,304	6,670	–	–
Amortisation of capital grants	(322,620)	(365,423)	–	–
Amortisation of leasehold right to land	39,936	47,932	–	–
Profit on sale of rubber trees	(187,958)	(465,627)	–	–
Fair value gain/loss	62,552	7,252	62,552	7,252
Provision for retirement benefit obligations	1,692,151	1,029,714	81,811	176,814
Staff transfer – Gratuity payment	–	–	–	–
Timber fair valuation gain	(53,784)	(197,118)	–	–
Fair value adjustment of concessionary loan	–	(21,126)	–	–
Profit on disposal of assets held for sale	(6,769)	–	–	–
China subsidiary consolidations adjustment	–	–	–	–
Deferred revenue	–	–	–	–
	18,629,650	18,654,523	2,426,041	1,453,378

For the year ended 31 March	GROUP		COMPANY	
	2019 USD	2018 USD	**2019 USD**	2018 USD
Changes in:				
Inventories	340,971	(5,316,560)	–	–
Trade and other receivables	(3,913,240)	(1,830,477)	(267,968)	(124,611)
Amounts due from related parties	(74,081)	505,391	(311,339)	135,315
Trade and other payables	692,185	5,782,008	19,112	59,678
Amounts due to related parties	122,158	12,831	–	–
Cash generated from operating activities	15,797,642	17,807,715	1,865,845	1,523,761
Interest paid	(2,876,123)	(2,428,871)	(816,644)	(267,874)
Income tax paid	(2,625,467)	(3,501,870)	(24,788)	–
Employee benefits paid	(864,821)	(936,906)	(45,936)	(1,095)
Net cash from operating activities	9,431,230	10,940,067	978,477	1,254,791
Cash flows from investing activities				
Interest received	856,890	1,350,502	652,462	432,298
Dividend received	40,243	33,263	–	–
(Investments)/disposal in other investments	36,393	109,500	36,393	109,500
(Investment)/disposal of subsidiary	–	(57,702)	(2,176,049)	(11,015,564)
Acquisition of EMSPL from TATA	–	(10,299,893)	–	–
Investment in gratuity fund	(133,174)	(194,111)	–	–
Additions to bearer plants	(1,905,575)	(2,493,561)	–	–
Additions to consumable biological assets	(163,311)	–	–	–
Investment in livestock	(837,512)	(1,550,844)	–	–
Additions to property, plant and equipment	(4,870,300)	(9,501,903)	(103,838)	(11,934)
Acquisition of intangible assets	(389,921)	(148,825)	–	–
Proceeds from sale of trees	284,829	545,526	–	–
Proceeds from sale of property, plant and equipment	537,537	363,860	–	21,308
Proceeds from assets held for sale	80,558	–	–	–
Net cash from/(used in) investing activities	(6,463,343)	(21,844,189)	(1,591,032)	(10,464,392)

For the year ended 31 March	GROUP		COMPANY	
	2019 USD	2018 USD	**2019 USD**	2018 USD
Cash flows from financing activities				
Proceeds from issue of shares	4,400,159	–	4,400,159	
Share issuing cost	(225,402)		(225,402)	
Re-purchase of shares by subsidiaries	–	(9,896,275)	–	
Receipts of interest bearing borrowings	18,017,717	35,188,632	8,800,957	8,975,941
Proceeds from share issued by subsidiary to NCI	213,578	570,887	–	–
Repayments of interest bearing borrowings	(19,145,206)	(17,137,245)	(8,658,377)	–
Repayment of lease principal	(151,419)	(100,900)	–	–
Dividend paid	(775,152)	(1,083,089)	(775,152)	(1,083,089)
Payments to NCI	(2,080,762)	(1,243,751)	–	–
Net cash from/(used in)financing activities	253,513	6,298,259	3,542,185	7,892,853
Net increase/(decrease) in cash and cash equivalents	3,221,400	(4,605,863)	2,929,630	(1,316,749)
Cash and cash equivalents at 1 April	2,535,370	7,466,573	2,988,336	4,691,290
Effect of movement in exchange rates	16,375	2,324	–	–
Cash and cash equivalents at 31 March	5,773,145	2,863,035	5,917,966	3,374,541

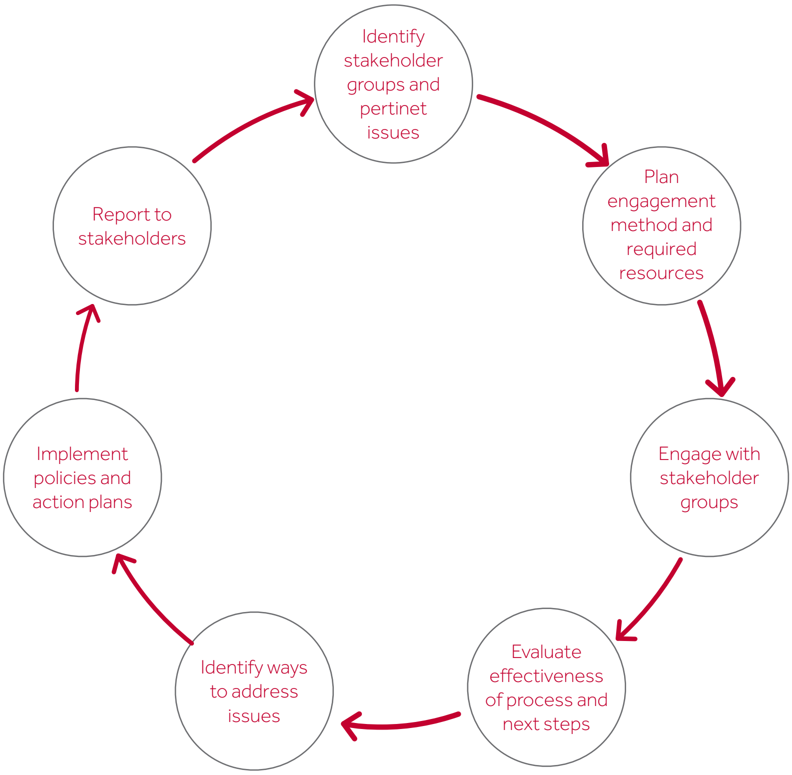
Figures in brackets indicate deductions.

CONNECTING WITH STAKEHOLDERS

We define any individual or a group that could be significantly impacted by our actions, products, or services as stakeholders. We know that our stakeholders' insights and behaviour can have a considerable impact on our capacity to meet our strategic goals.

OUR PROCESS FOR ENGAGING STAKEHOLDERS

Identifying our stakeholders and engaging successfully with key stakeholder groups help us better understand and address their concerns while effectively balancing the distribution of value created.



Formal and informal mechanisms are in place to connect with our stakeholder groups as shown below.

Key stakeholders	Method	Frequency	Material issues/Concerns
Investors	• Investor forums • Annual Report • Annual General Meeting • Extraordinary • General Meeting • Press releases	• Quarterly • Biannually • Annually	• Operational viability and returns • Ethical and responsible corporate conduct • Timely disclosures
Employees	• Staff meetings • Performance reviews • Training • Staff Circulars • Newsletters • Employee surveys • Awards • Networking events • Intranet	• Daily • Monthly • Quarterly • Biannually • Annually	• Fair labour practices • Industry competitive compensation • and benefits • Skills development • Career development
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

Key stakeholders	Method	Frequency	Material issues/Concerns
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
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
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

Every member of Sunshine Holdings shares the responsibility of engaging with stakeholders at every contact point. Such engagement gears us for the future, powers innovation, and gains us vital insights for our strategic planning process.

MATERIAL MATTERS

As a responsible corporate citizen, our strategy centres on creating value: delivering value to stakeholders and, in turn, deriving value from them. To create value in a responsible manner, we endeavour to understand the needs of the stakeholder against the overarching trends that impact our operations as outlined on page 18 under "Implementing strategy" and on page 70 under "Future outlook".

Matters that were material to the Company – those that significantly impact our ability to create value over the short, medium and long term – were mapped according to their impact on stakeholders and the Company itself. The materiality of each topic is determined by its relevance, the magnitude of its impact, and the probability of occurrence. These matters were then categorised as risks, opportunities or both.

Following this study, we identified four strategic imperatives, as described on page 19 required to capitalise on opportunities, mitigate risks, and continue our value creation journey.

MANAGEMENT APPROACH

Our material topics are managed through our strategic planning process. We assign responsibility to the relevant business heads and allocate resources as required based on the significance of each material topic towards achieving our strategic imperatives.

Goals and targets, where relevant, are embedded into the KPIs of the Key Management Personnel to ensure that the Organisation achieves its objectives with regard to its material topics. These are reviewed at regular intervals.

Our people are guided by a number of policies designed to foster an environment where activities are conducted in a responsible, transparent, and ethical manner in managing the material topics. These policies are duly adopted by the Board of Directors and are reviewed regularly to ensure that the Company remains abreast of trends in the changing environment.

Where relevant, grievance mechanisms are in place with assigned responsibility to the relevant divisional heads to manage, address and resolve the same.

Internal and external audits are carried out to ensure that the stipulated internal controls, policies and procedures are adhered to. Results of these audits are reported to the Board of Directors and/or to the Management Committees on a regular basis for corrective action as needed.

GLOSSARY

ACCRUAL BASIS
Recording revenues and 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 capitalisation plus net debt.

FIELD
A 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 Organisation.

INTEREST COVER
Profit before tax plus interest charges divided by interest charges, including interest capitalised.

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 CAPITALISATION
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).

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	16 June 1973
REGISTRATION NUMBER	PQ13
ACCOUNTING YEAR	31 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 May 2018) Mr S G Sathasivam Mr H D Abeywickrama Mr B A Hulangamuwa (Resigned w.e.f. 30 May 2019) Mr A D B Talwatte Mr S Shishoo Mr D A Cabraal Mr Y Kitao (Appointed w.e.f. 09 August 2018) Mr Shiran Dias – Alternate Director (Appointed w.e.f. 09 August 2018) Ms Shalini Ratwatte (Appointed w.e.f 30 May 2019)
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.

NOTICE OF MEETING

Notice is hereby given that the forty sixth (46th) Annual General Meeting ("AGM") of Sunshine Holdings PLC (the "Company") will be held at "Committee Room B", Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 on Thursday, the 27 June 2019 at 2.00pm and the business to be brought before the meeting will be:

1. To receive and consider the Annual Report of the board of Directors together with the Audited Financial Statements of the Company and Group for the year ended 31 March 2019 and the report of the Auditors thereon.
2. To declare a final cash dividend of Rs. 1.25 per share as recommended by the Directors.
3. To propose the following resolution for the re-appointment of Mr Munir Shaikh who is above the age of seventy (70) years:

   IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 (the "Companies Act") shall not apply to Mr Munir Shaikh who is above the age of seventy (70) years and that he be re-appointed as a Director of the Company.
4. To propose the following resolution for the re-appointment of Mr G Sathasivam who is above the age of seventy (70) years:

   IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act shall not apply to Mr G Sathasivam who is above the age of seventy (70) years and that he be re-appointed as a Director of the Company.
5. To re-appoint Mr Y Kitao who retires in terms of article 110 of the articles of association (the "Articles") of the Company.
6. To re-appoint Ms S Ratwatte who retires in terms of article 110 of the Articles of the Company.
7. To re-appoint Mr D A Cabraal who retires by rotation in terms of article 104 of the Articles of the Company.
8. To re-appoint Mr H D Abeywickrama who retires by rotation in terms of article 104 of the Articles of the Company.
9. To re-appoint KPMG Chartered Accountants, who are deemed to be re-appointed as auditors of the Company until the conclusion of the next AGM of the Company in terms of Section 158 (1) of the Companies Act, to audit the financial statements of the Company for the year ending 31 March 2020 and to authorise the Directors to determine their remuneration therefor.
10. To authorise the Directors to determine the contributions to charities.

By order of the Board

Corporate Services (Private) Limited
Secretaries

30 May 2019
Colombo.

We shall be obliged if the shareholders/proxies attending the AGM, 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.

FORM OF PROXY

*I/We...of

.... being a shareholder/shareholders

of SUNSHINE HOLDINGS PLC do hereby appoint,

1. Mr M Shaikh 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 H D Abeywickrama or failing him,
6. Mr A D B Talwatte or failing him,
7. Mr D A Cabraal or failing him,
8. Mr S Shishoo or failing him,
9. Mr Y Kitao or failing him,
10. Ms S Ratwatte or failing her,

....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 the 27th day of June 2019 and at any adjournment thereof and at every poll which may be taken in consequence thereof.

		For	Against
1.	To receive and consider the Annual Report of the Board of Directors together with the Audited Financial Statements of the Company and the Group for the year ended 31 March 2019 and the report of the Auditors thereon.		
2.	To declare a final cash dividend of Rs. 1.25 per share as recommended by the Directors.		
3.	To re-appoint Mr Munir Shaikh who is above the age of seventy (70) years.		
4.	To re-appoint Mr G Sathasivam who is above the age of seventy (70) years.		
5.	To re-appoint Mr Y Kitao who retires in terms of article 110 of the Articles of the Company.		
6.	To re-appoint Ms S Ratwatte who retires in terms of article 110 of the Articles of the Company.		
7.	To re-appoint Mr D A Cabraal who retires by rotation in terms of article 104 of the Articles of the Company.		
8.	To re-appoint Mr H D Abeywickrama who retires by rotation in terms of article 104 of the Articles of the Company.		
9.	To re-appoint KPMG Chartered Accountants, who are deemed to be re-appointed as Auditors of the Company until the conclusion of the next AGM of the Company in terms of Section 158 (1) of the Companies Act, to audit the Financial Statements of the Company for the year ending 31 March 2020 and to authorise the Directors to determine their remuneration therefor.		
10.	To authorise the Directors to determine the contributions to charities.		

Signed this .... day of .... Two Thousand and Nineteen.

....

*Signature/s

Note: Please delete the inappropriate words.

INSTRUCTIONS AS TO COMPLETION

1. Kindly complete 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 Form of Proxy is signed by an Attorney, the relevant Power of Attorney should also accompany the completed Form of Proxy, in the manner prescribed by the Articles of Association.
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 the holding of the meeting.

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LKA7575SUHXX0180190E105

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It is our stakeholders' trust in us that has coloured our 50-year history. We will strive to continue winning their trust in everything we do, every single day of the next 50 years of our legacy... and beyond.

HEALTHCARE

CONSUMER GOODS

AGRIBUSINESS

ENERGY AND OTHER

Sectorwise contribution to Group revenue

We provide comprehensive solutions for pharmaceuticals and medical devices including the retail sector.

Consisting of the largest branded tea company in the country, our tea brands are trusted names in the domestic and international markets.

Our agribusinesses span sixteen estates, consisting of tea, oil palm, other minor export crops and dairy farming.

We contribute to the national grid through three mini-hydropower plants in Lindula and Talawakelle, with rooftop solar giving a combined capacity of 7.1 MW.

REVENUE [Rs.]