

# A GROWING CONCERN

SUNSHINE HOLDINGS PLC

ANNUAL REPORT 2020/21





With a track record for responsible, prudent governance stretching over half a century, Sunshine Holdings has always strived to achieve the highest standards of corporate ethics and social responsibility.

The past year has challenged us all in unexpected ways. Be it through aiding in national efforts against the pandemic or empowering our employees and communities, we persist in upholding our corporate and social responsibility to all our stakeholders.

**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.**



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### Printed Annual Report

Limited copies of this  
Report are available  
on request

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### Online HTML

An interactive HTML  
version is published online

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### 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.

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# RESPONSIBILITY FOR THE REPORT

## ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors are pleased to present this 48th 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 2021 and the Independent Auditors' Report on page 47 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.

## 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 63.

## 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, and the Group Managing Director's Review on page 12. 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 9.1 to the Financial Statements.

## FINANCIAL STATEMENTS

In terms of Sections 150 (1), 151, 152 and 153 (1) and (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 52 to 186 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 2021, including comparatives for 2019/20, were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 May 2021. 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 2021, and their brief profiles are given on page 16. The names of all the Directors who held office anytime during the reporting year are given on page 22. The names of Directors who will retire and those who will seek reappointment at the forthcoming Annual General Meeting (AGM) are given in the Notice of Meeting on page 193.

## DIRECTORS' INTERESTS IN CONTRACTS AND PROPOSED CONTRACTS

Except as stated in Note 41 to the Financial Statements, during and at the end of the financial year 2020/21, 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:

	2021*	2020
Mr V Govindasamy	3,079,500	451,500
Mr G Sathasivam	9,165	3,055
Mr S G Sathasivam	3,054	1,018
Mr A D B Talwatte	3,054	1,018
Mrs S Ratwatte	7,500	–

\* Subsequent to the subdivision of shares on 25 March 2021

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

## DIVIDEND

The Directors recommend that a final cash dividend of Rs. 224,331,155 equivalent to Rs. 0.50 per ordinary share and Interim dividend Rs. 149,554,103 equivalent to Rs. 1 per ordinary share for the financial year 2020/21 (FY 2019/20 Rs. 112,165,577, equivalent to Rs. 0.75 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 47th AGM, have expressed their opinion on pages 47 to 51. Details of their remuneration are given in Note 12 on page 77 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 2020/21.

## 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.

The Board carried out an assessment of the potential implications of COVID-19 on profitability and liquidity of each Group's entity and at consolidated Group level, and incorporated the required adjustments in the revised budget for the year ending 31 March 2022. Based on this assessment, the Board is of the view that the Group has adequate liquidity position considering the cash flows in hand and the secured facilities available through bank credit facilities. Accordingly, the Group will not have any limitations in meeting the future obligations and ensuring business continuity.

The Board therefore is confident that COVID-19 will not impact the going concern ability of the Group and the Company, and will continue to monitor any material changes in future economic conditions and amend the business projections accordingly, if required. The Group is regularly monitoring the situation.

## 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 2021, are given in Note 41 to the Financial Statements on page 176 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.



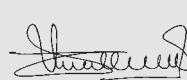
Mr M Shaikh  
Chairman



Mr D A Cabraal  
Vice-Chairman



Mr G Sathasivam  
Director



Mr V Govindasamy  
Group Managing Director



Mr A D B Talwatte  
Director



Mrs S Ratwatte  
Director



Mr S G Sathasivam  
Director



Mr H D Abeywickrama  
Director



Mr S Shishoo  
Director



Mr Y Kitao  
Director



Mr S Dias  
Alternate Director



Mrs Aruni Goonetilleke  
Director

25 May 2021

## 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.

## 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.

## ANNUAL GENERAL MEETING

Please refer the Notice of Meeting that appears on page 193 of this Annual Report.

## DIRECTORS' CORPORATE GOVERNANCE DECLARATION

The Directors declare that:

- the Company complied with all applicable laws and regulations in conducting its business;
- 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;
- the Company has made all endeavours to ensure the equitable treatment of shareholders;
- the business is a going concern with supporting assumptions or qualifications as necessary; and that
- 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.

Business segment	Contribution towards group revenue
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## HEALTHCARE

- Sunshine Healthcare Lanka Ltd. and its subsidiaries

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

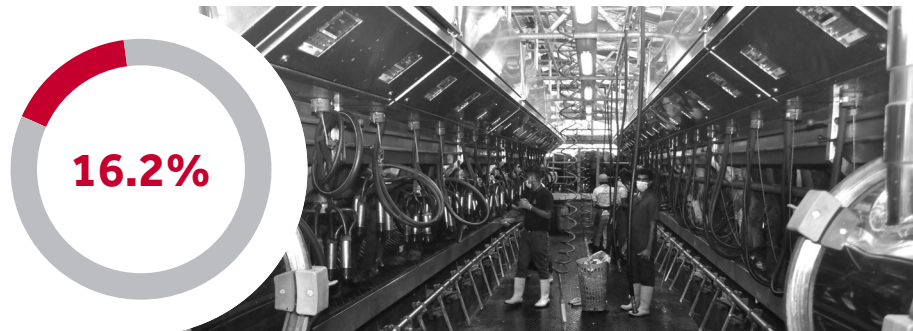
- Sunshine Consumer Lanka Ltd. and its subsidiaries

The largest branded tea company in the country. Its tea brands are trusted names in the domestic and international markets.



## AGRIBUSINESS

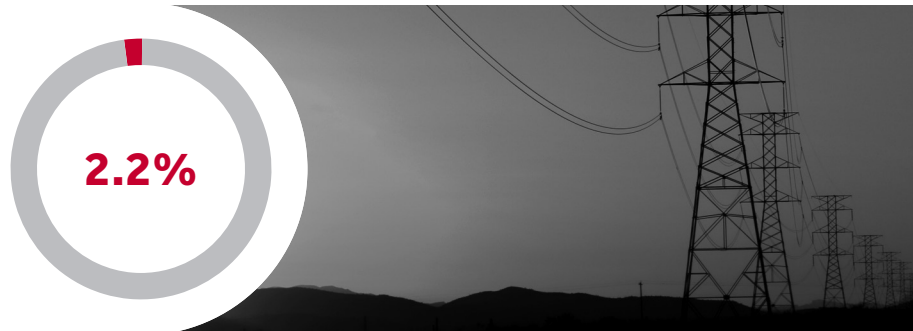
- Watawala Plantations PLC and its subsidiaries



## ENERGY AND OTHER

- Sunshine Energy (Pvt) Ltd. and its subsidiary

70% subsidiary, SEL contributes to the national grid through three mini-hydropower and seven rooftop solar plants with a combined capacity of 8.3 MW and is exploring other renewable energy sources.



Strategic alliances and partners

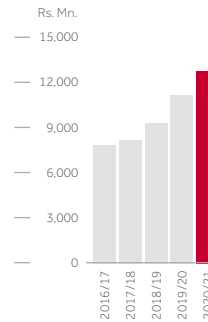


Performance highlights of the year

Revenue improved by 14.5% year-on-year to Rs. 11.2 Bn.

Akbar Pharmaceuticals merged with the healthcare arm.

Net profit increased by 162%.



Outlook for 2021/22 and beyond

With 12.33% market share, looking for an increase in share through mergers and acquisitions.

Focus on Pharmaceutical manufacturing.

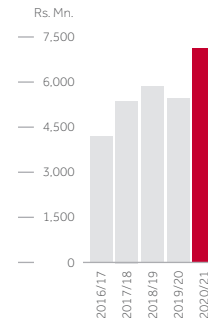
Our Brands



Revenue increased by 30.8% year-on-year to Rs. 7.1 Bn.

Daintee was acquired by the Consumer arm.

Net profit increased by 157%.



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

Business Partners

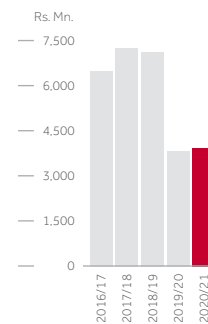
- Keells • Cargills • Arpico • SPAR
- Laugfs • Sathosa • Softlogic Glomark

Watawala Plantations PLC



Revenue increased by 2.5% year-on-year to Rs. 3.9 Bn.

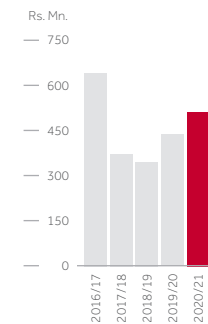
Net profit increased by 120%.



Continued focus on existing palm oil plantation and diversifying into other crops while looking to scale up dairy business



Hydropower segment was divested and more focus will be on solar energy segment.



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.

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# We are a growing concern

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, consumer goods, agribusiness, and renewable energy.

Since 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.

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# LEADERSHIP

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**Board of  
Directors**

**The nation has been through some of its most challenging moments in the past few years. Sunshine Holdings, however, remains bullish on the future of Sri Lanka. That is why we made some of the most significant investments in our history in FY 2020/21.**

Dear Shareholder,

I do not have to reiterate that we have all been through a tremendously challenging year. The global pandemic added to a string of woes for our country, the effects of which will be felt well into 2021. At Sunshine Holdings, we see these as temporary setbacks and we remain bullish on the future of Sri Lanka. That is why we made some of the most significant investments in our history in FY 2020/21, laying the foundation for the future of our Company and aiming towards where we believe the country is headed.

The country rapidly responded to the coronavirus pandemic as it gripped the world and successfully contained the first wave. The lockdown and successive waves unfortunately took a toll on the country's economy, which receded a – 3.6%. The Government undertook a variety of measures to provide relief, including easing monetary policy and introducing debt moratoriums for businesses and individuals affected by the pandemic. Imports were restricted to counter the impact of the reduced exports and financial inflows, which helped to improve the country's trade balance. However, foreign reserves fell to their lowest point in 11 years in February 2021 and the exchange rate depreciated by 7.5% in the first quarter of 2021. This currency depreciation will bear a significant impact on the country and businesses reliant on imports, including ours, going forward.

**Sunshine Holdings has always strived to create value through sustainable means. The diversification of our portfolio and operations has been key to this and we looked to expand our presence in sectors essential to the nation and our customers.**

With the rebranding of Watawala Tea Ceylon Ltd. to Sunshine Consumer Lanka Ltd., we have made clear our new strategic direction to grow beyond tea and step into the Fast-Moving Consumer Goods (FMCG) sector. Our acquisition of Daintee Limited in August 2020 was a critical step towards this new direction and today, we have the leading tea brands with Watawala, Zesta, and *Ran Kahata*, and the leading sweets brands in the confectionery segment with Daintee and Milady.

The other significant move we made towards diversifying our portfolio and operations was the strategic merger of our healthcare business with the healthcare division of Akbar Brothers. This merger has led to the creation of the nation's first fully integrated healthcare company, with Akbar Pharmaceuticals, Lina Manufacturing, and Lina Spiro

operating in the research and development and manufacturing segments, and Sunshine Healthcare Lanka and Healthguard Pharmacy operating in the healthcare supply chain, importation, distribution, and retail segments. The combined entities will greatly expand the pharmaceutical capabilities and capacity of the nation and open up exciting possibilities for the Company, as health and wellness grow increasingly important to consumers in the wake of the pandemic.

We continued to invest in our people and in technology to empower our people and enable further growth for our businesses. We continue to leverage our existing strengths to create value in new and meaningful ways, such as with the launch of Healthguard Infinity, our new Distribution-as-a-Service model and the first of its kind in the healthcare sector of Sri Lanka. The combination of our stringent pharmaceutical supply chain and cutting-edge technologies such as Artificial Intelligence and cloud analytics will enable us to deliver valuable insights to our partners and greatly benefit customers and the local healthcare sector.

As the world and our nation continues to emerge from the health crisis, it remains difficult to assess how the changing situation will affect outcomes for the remainder of the year. We at Sunshine Holdings believe that despite the challenges, the future remains bright and promising for Sri Lanka. The investments and moves we have made in this past year are a testament to that belief. Our strategies have always been crafted and executed with the long term in mind and we feel that we are perfectly poised to capitalise on evolving consumer trends and address the needs of the nation.

In closing, I would like to express how grateful I am to our Board of Directors for their steady guiding hand and their invaluable support. I thank our many stakeholders, including our investors, business partners, employees, and customers for their trust in us, in our products and services, and ask for your continued trust and patronage. While we have made significant moves to lay the foundation for the future of Sunshine Holdings in FY 2020/21 to deliver sustainable value to our stakeholders, this continues to be an ongoing process and FY 2021/22 will be no different. We look forward to what the future holds for our Company.



**M Shaikh**  
Chairman

25 May 2021

**As the nation entered the lockdown in March 2020, we found ourselves as equally prepared as our peers. However, our portfolio of businesses has proven to be resilient in challenging times and our investment in our people and the technologies that enable them helped Sunshine to rise to the challenge.**

At the turn of the decade, nobody could have anticipated that the world would be gripped by a health crisis. As we entered the lockdown in March 2020, we found ourselves as equally prepared as our peers. However, our portfolio of businesses has proven to be resilient in challenging times like these and our investment in our people and the technologies that enable them helped Sunshine to rise to the challenge and carried us through. We came together as a family and a company to support each other and the nation, ensuring that we continued to serve our customers and deliver critical medicines and equipment.

Sunshine Holdings did not just adopt a reactive approach during the pandemic. During 2020, we made significant moves to affirm the strategic direction of the Company. Our strategic merger with Akbar Pharmaceuticals, the launch of the Healthguard Infinity distribution service, and the acquisition of Daintee Limited will reshape our businesses for years to come and establish Sunshine Holdings as a major player in the country's healthcare and consumer goods sectors. These moves are the result of careful planning and a bold vision that have been executed over several years under the guidance of our Board of Directors. Fitch Ratings upgraded our National Long-Term Rating at "AA+(lka)" with a stable outlook, acknowledging our measured approach to mergers and acquisitions, our exposure to the strong healthcare and consumer goods segments, and our healthy balance sheet.

### **AIDING THE NATIONAL EFFORTS AGAINST COVID-19**

Sunshine Holdings has a long history of responding to the needs of the nation in times of crisis. Our priority was towards our employees and we ensured that they continued to be paid on time, even though we lacked clarity on our own cash flows as the nation entered a lockdown. We engaged with our business partners to obtain medicines that could be used for possible treatments as the understanding of the virus continued to evolve. The Company donated pharmaceutical goods for the needy, PCR tests, and ICU beds, of which there was a shortage, and contributed to the President's Fund. At the request of the Ceylon Chamber of Commerce, we donated a Rs. 9.5 Mn. mechanical ventilation and air conditioning system together with Fairfirst Insurance to the new ICU facility at the National Institute of Infectious Diseases to assist in the fight against COVID-19. Furthermore, we distributed 2,000 care packages in Galle to people who were not able to visit their grocery stores and supplied tea free of charge to all the quarantine centres operated by the Army across the country.

### **HEALTHCARE**

In January 2021, we completed the strategic merger of our healthcare business with the healthcare division of Akbar Brothers, which consists of Akbar Pharmaceuticals, Lina Manufacturing, and Lina Spiro. This has led to the creation of Sri Lanka's first fully integrated healthcare company that operates in all five segments of the healthcare industry including research and development, manufacturing, importation, distribution, and retail. We had long been considering making this expansion to our healthcare business and Akbar Pharmaceuticals was the right fit for us in terms of capabilities, values, thought processes, and their people. We expect this merger will greatly help us to expand our market share over the next few years.

During the period under review, we also launched Healthguard Infinity, the first of its kind healthcare Distribution-as-a-Service to assist local pharmaceutical importers and manufacturers to expand their reach across the island through a reliable and sophisticated last-mile distribution partner. We have long utilised our own integrated distribution system to deliver to over 3,000 pharmacies and clinics in Sri Lanka and identified that there were considerable inefficiencies in the distribution models currently utilised in the sector. Developing a competent distribution system for pharmaceuticals and implementing stringent distribution practices requires significant investment, particularly where the cold chain is involved. By leveraging our distribution system and cutting-edge technology such as Artificial Intelligence, machine learning, and cloud analytics, any pharma company can realise significant efficiencies and cost savings in the distribution of pharmaceutical goods.

### **CONSUMER GOODS**

Prior to our acquisition of Daintee Limited in August 2020, we were a one-product consumer goods company. We had identified consumer goods as a burgeoning sector in the country and developed an appetite to become one of the largest Fast-Moving Consumer Goods (FMCG) companies in Sri Lanka. As the market leader in tea, we saw Daintee, a market leader in the confectionery business, and its brands as complementary to our business. The time was right to rebrand Watawala Tea Ceylon Limited to Sunshine Consumer Lanka Ltd. to reflect our new strategic direction and move beyond tea. Sunshine Consumer Lanka Ltd. is now home to the market leading brands of tea – Watawala, Zesta, and *Ran Kahata*, and market leading brands in confectionery – Daintee, Milady, Bensons, Chito, Chix, X-tra, and Mr Bitz. The 100% acquisition of Daintee Limited was valued at Rs. 1.7 Bn.

## AGRIBUSINESS

Although our palm oil plantation was operating at optimal levels for most of the year, the lockdown led to labour shortages during the first quarter of FY21, causing the plantation to operate at a reduced capacity. With the Government's import ban on chemical/inorganic fertilizers that was imposed in April 2021, there will be a negative impact on the palm oil segment from the resulting reduction in growth and crop yields. We are looking into alternative methods of supplying nutrients organically to mitigate this impact.

Our dairy business has continued to operate at normal capacity, although sourcing local feed proved to be challenging under the restrictions imposed by the lockdown. The increase in demand for fresh milk in the country will see us further consolidate our operations in our dairy segment, which will result in better prices. The capital raised through the private placement to SBI Japan will help to strengthen our balance sheet and increase our herd to optimal levels.

## RENEWABLE ENERGY

As the energy requirements of the country continue to grow, there is an increasing need for stable power generation. We currently generate approximately 1.4 MW of solar energy which is connected to the national grid. However, Sunshine has strategically exited from hydropower segment in April 2021 to focus more on Healthcare and Consumer businesses.

## HUMAN CAPITAL

We believe that our employees are the embodiment of our values. In a year such as the one we have just had, the continuous investment that Sunshine Holdings makes in its people truly comes to the fore. Our leadership ensured that our employees were able to work safely during the pandemic and carried our teams forward. We continued to engage with our employees transparently and even though most of our employees were working remotely, we held employees' engagements virtually, adhering to the guidelines issued by the Health authorities.

The Company amended its employment terms and conditions to include a zero-tolerance approach to proven cases of gender-based violence and sexual harassment. Our reporting mechanisms were updated to protect the identity of complainants and adopt a victim-centred approach in applying remediation in accordance with our HR policies and national regulations. The complaints channel is open to all staff, including outsourced and contracted staff. The Great Place to Work® (GPTW) survey endorsed that Sunshine entities are great places to work.

## SOCIAL CAPITAL

Corporate social responsibility lies in the DNA of our Company. Beyond our nation building efforts across our businesses, we firmly believe in giving back to the society with whom we do business. With the establishment of the "Sunshine Foundation for Good" during our 50th anniversary, all our companies were able to channel their corporate social responsibility efforts and initiatives under one umbrella, with health and education being the two main pillars of the foundation. During the period under review, we commissioned four reverse osmosis (RO) plants in Galewela in the Central Province, Galgamuwa in the North Western Province, Rajanganaya and Medawachchiya in the North Central Province, enabling over 6,000 students and 10,000 residents of the surrounding villages to have access to over 40,000 litres of clean drinking water a day at Mahasen Maha Vidyalaya, Usgala Gemunu Maha Vidyalaya, Galewela Madhya Maha Vidyalaya, and Anuradhapura Sri Sobitha Maha Vidyalaya. The lack of access to clean drinking water is a major contributor to chronic kidney disease and providing clean RO water will not only help to eliminate the disease but also help to reverse the effects for those who have been affected. In partnership with the Sri Lanka Navy, we have commissioned a total of eight RO plants in the North Western, North Central, Southern, Central, and Uva Provinces, providing clean water to over 20,000 residents and we will continue to carry on these efforts.

## OUTLOOK

Our financial performance is the result of prudent cash management, optimal debt, careful strategies, and productivity enhancement. We determined a need for increased liquidity in the market and in February 2021, we announced a subdivision of our shares on the basis of one into three. This would increase our shares in issue from 149.55 million to 448.66 million.


Our investments in technology have been quite measured and always done with our customers in mind and how they stand to benefit. We invested in rolling out the IFS Enterprise Resource Planning (ERP) system across the Group, having evaluated how integrating the system will benefit our expansion plans. Our digital transformation greatly contributed to the ease in with which we shifted to working from home during the pandemic. The past year has also shifted our thinking in the role of the office and how working from home may become more universally accepted going forward. As always, it is a journey and when a strong business case presents itself, we will make the necessary investments and changes.

Recruiting good talent in Sri Lanka remains a challenge. Education is critical to developing good talent but there remains a dichotomy between what is taught in schools and what is required to function in a business. We continue to invest in our employees and provide them opportunities for learning, even making it a part of their KPIs to develop themselves. The bigger picture is that self-development benefits everyone, including the Company.

We anticipate that there will be opportunities for consolidation in various sectors and we will continue to explore these on a case-by-case basis. With the expansion of our healthcare business, we see opportunities to expand production of prescription products and an emerging market for wellness products. However, the challenge to the Company we currently perceive is the depreciation of the Sri Lankan Rupee. We are reliant on imports for our pharmaceutical products and medical devices, whose prices are highly regulated. We have long requested the Government to implement price controls that are tied to the currency exchange rate, but a long-term pricing mechanism is yet to be developed. Unfortunately, the ongoing pandemic may continue to impact the currency, although our Government is trying earnestly to bring in foreign investment to the country and stabilise the situation.

**As a Sri Lanka-focused conglomerate, we are willing to capitalise on opportunities and take risks because we remain bullish in the long term on Sri Lanka and believe that the market has plenty of scope to develop.**

In closing, I would like to express my thanks to our many stakeholders, including our investors, business partners, suppliers, bankers, the Government, and regulators. I thank our customers for their continued patronage of our Company. I thank our team at Sunshine Holdings for carrying our Company through the past year. We will continue to live up to our values and persevere through whatever challenges lie ahead of us, with the continued support of our stakeholders.



**V Govindasamy**  
Group Managing Director

25 May 2021

**M Shaikh**  
Chairman

Mr 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 these companies are publicly listed with their shares quoted on the Colombo, Mumbai, and Karachi Stock Exchanges respectively. Mr Shaikh has held several Senior Management positions in Latin America, United States, Middle East and Africa, and Asia Pacific with Abbott, a Global healthcare corporation, headquartered near Chicago in the United States. He was Managing Director of Abbott 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.

**Amal Cabraal**  
Vice-Chairman

Mr Amal Cabraal is a Director of Sunshine Holdings PLC since 2017. He was appointed as the Vice-Chairman of the Company with effect from 13 February 2020.

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 four 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, Hutton National Bank and an advisor to a number of leading companies. He is 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.

**G Sathasivam**  
Director

Mr G Sathasivam began his career in the pharmaceutical sector. Over the past 54 years of success and innovation, he established Sunshine Healthcare Lanka Ltd. (SHL) into a leader in Sri Lanka's pharmaceutical industry. Not content to rest on his laurels, he drove the Group's diversification into uncharted territories – molding Sunshine Holdings into the pride of the nation. His business acumen has 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 from largely an agri based company into newer, but key economic sectors such as Consumer Goods, Renewable Energy, Dairy, and Retail. Mr V Govindasamy, spear headed the House of TATA investing in telecommunications in Sri Lanka. In recognition of his efforts, the House of TATA has nominated him to several Boards of their companies in Sri Lanka.

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

He holds a Bachelor of Science in Electrical Engineering and an MBA from the University of Hartford, USA. He is a Fellow member of the Institute of Certified Professional Managers of Sri Lanka. Mr Govindasamy is the Vice Chairman of The Ceylon Chamber of Commerce and 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 (CA Sri Lanka) and the Chartered Institute of Management Accountants of the UK, has served as the Country Managing Partner of Ernst & Young for over a decade. Besides his distinguished career of more than 37 years in Assurance, Business Risk and Advisory Services, Talwatte has served as the head of numerous leading industry bodies and has been closely associated with the development of Corporate Governance in Sri Lanka.

A former President of The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) (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) and also the Chairman of Integrated Reporting Council of Sri Lanka. He serves on Boards and chairs the audit committees of several public listed companies.

**S G Sathasivam**  
Director

Mr S G Sathasivam is the Managing Director of the Sunshine Healthcare Lanka Ltd., Sunshine Consumer Lanka Ltd. and Sunshine Energy sector. He graduated from The London School of Economics and Political Science, UK and holds a Masters in Business Administration from Kellogg School of Management, USA.

**H D Abeywickrama** Air Chief Marshal (Retd) Harsha Duminda Abeywickrama is a graduate of the Air Command and Staff College, 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. He also holds a commercial pilots licence with an Instrument rating.

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

He was the Corporate Vice-President, Global Shared Services, at Novo Nordisk a global healthcare company with more than 90 years of innovation and leadership in diabetes care. Headquartered in Denmark, Novo Nordisk employees over 41,000 people in 77 countries and markets its products in more than 165 countries.

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

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

**Yoshitaka Kitao** Mr Yoshitaka 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 companies. Mr Kitao graduated from Keio University with degree in Economics in 1974 and received Economics degree from Cambridge University (England) in 1978.

**Shalini Ratwatte** Mrs Shalini Ratwatte is a qualified legal professional, with over 25 years of extensive experience in coalition of building, policy development, strategic planning, programme implementation and legal action at regional, state and local levels. She has skillfully organised and led policy initiatives on Emerging Technology, Cybersecurity and Data Privacy, Intellectual Property Rights and Environment protection across counties.

Shalini concurrently serves on the Board of the Environmental Foundation Ltd. and is the CEO of Shanthi Maargam, a non-profit organisation providing support for children and adolescents to improve their emotional well-being with the goal of breaking the cycle of violence in communities.

**Aruni Goonetilleke** Mrs Aruni Goonetilleke is a financial services expert with over 25 years of experience in regional financial markets. She has extensive experience in enterprise risk management, credit, audit and business origination and has held leadership positions in local and international banks. Her last role was Head of Corporate Banking at People's Bank, where she was responsible for a large portfolio of public and private sector clients. Immediately prior to that, she was the Head of Credit for Commercial Banking, at Standard Chartered Bank, Singapore. She has also held the positions of Head of Credit for SME at Standard Chartered Bank, Singapore, Chief Risk Officer, Standard Chartered Bank, Sri Lanka and global audit roles in wholesale and retail Bank and distressed assets management at Standard Chartered Bank Singapore. She has a Master's in Law from Harvard Law School, Harvard University, USA and a Bachelor's in Law (Honours) from the Faculty of Law, University of Colombo. She was a visiting lecturer in law at the University of Colombo. She is on the Board of Trustees of the Overseas School of Colombo and a Director of Tea Smallholder Factories PLC and Softlogic Finance PLC.

**Shiran Dias** 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 boasts 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.

# 3

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# The strictest standards of corporate ethics and social responsibility are what guides Sunshine Holdings

How we manage our business, our relationships, and our resources are all guided by our adherence to these strict standards. In seeking to mitigate risk for the Company and our stakeholders, we have pursued a strategy of sector and market diversification. Managing risk is critical to how we, as a listed, diversified entity, conduct our operations and essential to maintaining our relationships with our stakeholders, society, and the environment in which we operate. Any oversight could have significant implications for our financial performance, our ability to create value, and our hard-earned reputation.

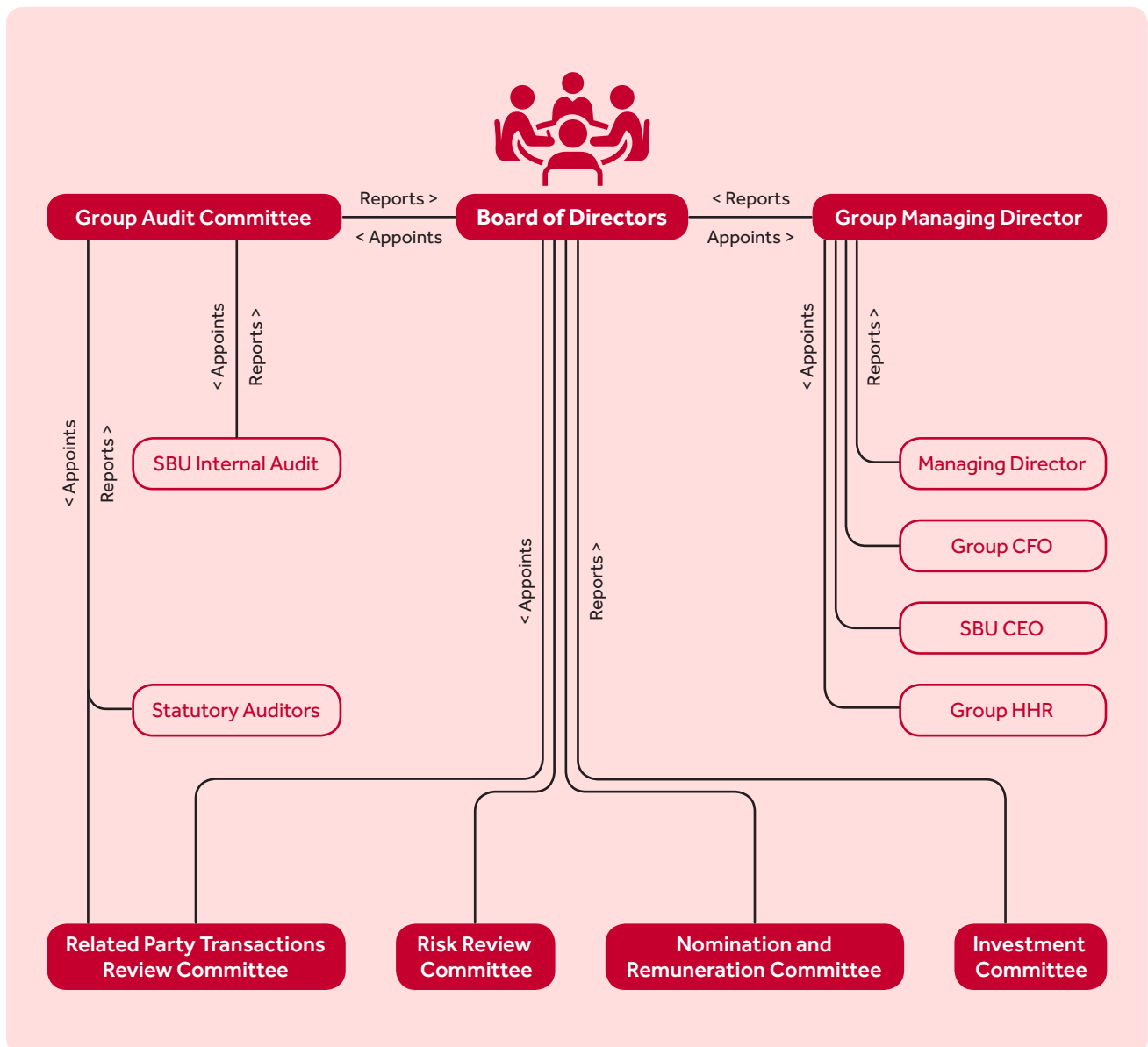
Sunshine Holdings PLC (SUN) is the holding company of five subsidiaries namely Sunshine Healthcare Lanka Ltd., Sunshine Consumer Lanka Ltd., Sunshine Wilmar (Pvt) Ltd., Sunshine Packaging Lanka Ltd. and Sunshine Energy (Pvt) Ltd., representing the business sectors, healthcare, consumer, agriculture and others .

SUN believes that an important aspect of communication with stakeholders and other interested parties, is in compliance with best practice on corporate governance issued by The

Institute of Chartered Accountants of Sri Lanka in 2017, the rules set out in Section 7 of the Listing Rules of the Colombo Stock Exchange and compliance with the Country's Legislative and Regulatory requirements relevant to the Group.

The Group's corporate governance framework provides the Directors and the Corporate Management guidance on their responsibilities and duties. It defines the matters which require Board approval, delegate to Management and requiring review by Board subcommittee.

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



**THE BOARD OF DIRECTORS**

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

**BOARD RESPONSIBILITIES AND RIGHTS**

The Board has the following powers to execute its responsibilities.

**STRATEGIC DIRECTION**

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

**BUSINESS PERFORMANCE**

Reviews business results on a regular basis and guides the Management by giving appropriate direction in achieving its goals.

**MANAGEMENT OF RISKS**

With the consultation of the Audit Committee and Risk Review Committee, a risk management system was developed and periodically reviewed. Risk Review Committee Report is depicted on page 39 of this report. Further, the Audit Committee Report is also given on page 36.

**CODE OF CONDUCT AND ETHICS**

The Company's Code of Conduct sets out the Standard of Conduct Expected of all employees. While all executives and clerical staff are provided with the Code of Conduct, we rely on training, meetings and trilingual communication of corporate values for associates who are mainly engaged in field work. The Board is not aware of any material violations of any of the provisions of the Code of Conduct and Ethics/Standard of Conduct by any Director or employee of the SUN.

**FINANCIAL PERFORMANCE OF THE COMPANY**

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

**INVESTOR RIGHTS AND RELATIONS**

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

**AUDIT**

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

**BUDGET**

The Board is responsible for approval of annual budgets, capital budgets and new projects. The performances are monitored and reviewed against budgets quarterly.

**CORPORATE GOVERNANCE**

Monitoring and reviewing corporate governance in accordance with the best practice framework 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 Colombo Stock Exchange. Together, the Directors with their wide experience in both the public and private sectors and diverse academic backgrounds provide a collective range of skills, expertise and experience, which is vital for the successful direction of the Group.

**COMPOSITION OF THE BOARD** The Board consists of eleven (11) members. Nine (9) members are Non-Executive Directors (including the Chairman) and two (2) are Executive Directors. Seven (7) Non-Executive Directors are independent as defined under the Listing Rules of the Colombo Stock Exchange.

The Non-Executive Independent Directors are:

- Mr M Shaikh
- Mr S Shishoo
- Mr H Abeywickrama
- Mr A D B Talwatte
- Mr A Cabraal
- Mrs S Ratwatte
- Mrs A Goonetilleke (Appointed w.e.f. 21 August 2020)

There is a distinct and clear division of responsibility between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority. The roles of the Chairman and the Group Managing Director are separated and clearly defined. The Chairman is responsible for ensuring Board effectiveness and conduct whilst the Group Managing Director 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 nine (9) meetings including the Annual General Meeting and Extraordinary General Meeting were held in the financial year ended 31 March 2021. The attendances of Directors at these meetings were as follows:

**Attendance**

Name of Director	Attendance at meetings	Percentage (%)
Mr M Shaikh	8	89
Mr G Sathasivam	8	89
Mr V Govindasamy	9	100
Mr S G Sathasivam	9	100
Mr A D B Talwatte	9	100
Mr H Abeywickrama	9	100
Mr A Cabraal	9	100
Mr S Shishoo	8	89
Mr Y Kitao/(Alternate: Mr S Dias)	2	22
Mrs S Ratwatte	7	78
Mrs A Goonetilleke (Appointed w.e.f. 21 August 2020)	5	100

Agenda and Board papers are sent seven (7) days before the meeting, allowing members sufficient time to review same. Chairman sets the Board agenda, assisted by the Group Managing Director. Care is taken to ensure that the Board spends sufficient time considering matters critical to the Company's success, as well as compliance and administrative matters.

Resolutions concerning business matters may be passed by circulation, within regulations. However, if a single Director deems it necessary that such resolution must be decided at a Board meeting not by circulation, the Director shall put the resolution to be decided in a meeting.

All Board minutes are circulated to members, and formally approved at the subsequent Board meeting. Directors' concerns regarding matters which are not resolved unanimously are recorded in the minutes. Directors have access to the past Board papers and minutes in case of need via electronic means at all times.

Executive Committee meet weekly/monthly to review performance against the strategic plan and budgets, identifying matters requiring intervention and escalation to Board.

#### **OTHER BUSINESS COMMITMENTS AND CONFLICTS OF INTERESTS**

The Board is aware of other commitments of its Directors and is satisfied that all Directors allocate sufficient time to enable them to discharge their responsibilities. Directors declare their outside business interests at appointment and quarterly thereafter. The Company Secretary maintains a register of Directors' interests, which is tabled to the Board annually. The Register is available for inspection in terms of the Companies Act. Key appointments of the directors are included in their profiles on pages 16 to 17. Related party transactions are given in Note 41 to the Financial Statements.

#### **BOARD ACCESS TO INFORMATION AND RESOURCES**

Directors have unrestricted access to management and organisation information, as well as the resources required to carry out their duties and responsibilities, independently and effectively. Members of the Corporate Management make regular presentations with regard to the business environment and in relation to Group operations. The Company has appointed F J & G De Saram and Nithya Partners as their legal consultants. Access to independent professional advice, co-ordinated through the Company Secretary, is available to Directors at the Company's expense.

#### **DIRECTORS INDEPENDENCE**

Directors exercise their independent judgement, promoting constructive board deliberations and objective evaluation of the performance of the Company. Independence of Directors is determined by the Board based on annual declarations submitted by NEDs.

#### **INDUCTION AND ONGOING TRAINING FOR DIRECTORS**

On appointment, Directors are provided with an orientation pack with all relevant external and internal regulation documents. The Board of Directors recognise the need to keep abreast of current developments affecting the sectors both globally and locally with reference to regulatory changes and the country's economy. They undertake training and professional attending seminars/workshops/conferences, participating as speakers at events, using web based learning resources and reading regulatory updates etc.

#### **APPRAISAL OF GROUP MANAGING DIRECTOR (GMD)**

Performance of Group Managing Director is evaluated annually at year end by the Board against predetermined criteria aligned to the short, medium, and long-term objectives of SUN and agreed with GMD at the beginning of the year. Remuneration is revised based on performance.

### **APPOINTMENT, RE-ELECTION AND RESIGNATION**

The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next Annual General Meeting and seek reappointment by the shareholders at that Meeting. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/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 Annual General Meeting immediately following his appointment. The Managing Director does not retire by rotation. Appointments/resignations are communicated to the CSE. Appointment communications include a brief résumé of the Director.

### **DIRECTORS' REMUNERATION**

The objectives of the Company's policy on Directors' remuneration is 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 Nomination and Remuneration Committee recommends to the Board the frameworks of the Executive Director's remuneration and the remuneration package for the Executive Director and Senior Management team. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of the Executive Director. The Director's remuneration is disclosed in Note 41 of the Financial Statements.

### **DELEGATION OF BOARD AUTHORITY – BOARD COMMITTEES**

The Board in discharging its duties, establishes various Board committees. The function and terms of reference of the Board Committee are clearly defined and where applicable, comply with the recommendations of the Code of Best Practice on Corporate Governance. The Group has five Board subcommittees,

- Audit Committee
- Nomination and Remuneration Committee
- Investment Committee
- Related Party Transactions Review Committee
- Risk Review Committee

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

### **AUDIT COMMITTEE**

The Audit Committee provides an oversight on the Financial Statements and other related information prepared for presentation for external financial reporting, review the work of the internal audit function and ensures that the External Auditor carry out their statutory duties in an independent and objective manner. It also assists the Board in ensuring a sound system of internal control. The Committee has full access to the Auditors both internal and external who, in turn, have access at all times to the Chairman of the Committee. The Committee meets with the External Auditors without any Executives present except for the Group Secretaries, at least once a year. The report on the Audit Committee is presented on page 36 and the duties of the Audit Committee are included therein.

### NOMINATION AND REMUNERATION COMMITTEE

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

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

### INVESTMENT COMMITTEE

The role of the Investment Committee is to review capital expenditure budget, mergers, acquisitions, divestments and new projects and make recommendations to the Board of Directors.

### 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 Board Subcommittees are listed below:

	Appointment to the Board	Nomination and Remuneration Committee	Audit Committee	Investment Committee	Related Party Transactions Review Committee	Risk Review Committee
<b>Executive</b>						
Mr V Govindasamy	8 February 2000					
Mr S G Sathasivam	13 June 2006					
<b>Non-Executive</b>						
Mr G Sathasivam	8 February 2000	✓				
<b>Independent Non-Executive</b>						
Mr M Shaikh	16 July 2010	✓				
Mr S Shishoo	18 December 2017		✓		✓	
Mr A D B Talwate	30 May 2016	✓	✓	✓	✓	
Mr Y Kitao	9 August 2018					
Mr A Cabraal	30 May 2017	✓	✓	✓	✓	
Mr H Abeywickrama	30 June 2014		✓		✓	
Mrs S Ratwate	30 May 2019					✓
Mrs A Goonetilleke	21 August 2020		✓		✓	✓

**FINANCIAL ACUMEN** The Board comprises two Senior Chartered Accountants and one of them serve as member of the Audit Committee and Related Party Transaction 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 ensuing 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.

**DISCLOSURE OF MAJOR TRANSACTIONS** During the year, there were no major transactions as defined by Section 185 of the Companies Act No. 07 of 2007.

**RELATIONS WITH SHAREHOLDERS** Engagement with shareholders and potential investors is a key element of good corporate governance. The Board is conscious of their responsibility towards stakeholders and is committed to fair disclosure, with emphasis on the integrity, timeliness and relevance of the information provided, to avoid the creation of a false market.

**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 Colombo Stock Exchange and also published in print media. Shareholders may bring up concerns they have, either with the Chairman or Group Managing Director as appropriate. Sunshine Holdings PLC's website [www.sunshineholdings.lk](http://www.sunshineholdings.lk) and websites of listed companies within the Group serve to provide a wide range of information on the Group. The Company has reported a fair assessment of its position via the published audited Financial Statements and quarterly accounts. In preparation of these documents, the company has complied with the requirements of the Companies Act No. 07 of 2007 and in accordance with the Sri Lanka Financial Reporting Standards.

**CONSTRUCTIVE  
USE OF ANNUAL  
GENERAL  
MEETING (AGM)**

The AGM is the main mechanism for the Board to interact with and account to shareholders and provides an opportunity for shareholders' views to be heard. Notice of the AGM, the Annual Report and Accounts and any other resolution together with the corresponding information that may be set before the shareholders at the AGM, are circulated to shareholders minimum 15 working days prior to the AGM allowing for all the shareholders to attend the AGM. A separate resolution is proposed for each item of business, giving shareholders the opportunity to vote on each of such issue, separately. Voting procedures at the AGM are circulated to the shareholders in advance. An effective mechanism to count all proxies lodged on each resolution is maintained. The Board is mindful of their accountability to shareholders. At the AGM, the Board provides an update to shareholders on the Company's performance and shareholders ask questions and vote on resolutions. It is the key forum for shareholders to engage in decision making matters reserved for the shareholders which typically include proposals to adopt the Annual Report and Accounts, appointment of Directors and auditors and other matters requiring special resolutions. The Board Chairman and Board members particularly Chairmen of the sub-committees are present and available to answer questions. All Shareholders are encouraged to participate at the AGM and exercise their voting rights. Details of votes cast against a resolution are made available at the AGM and subsequently posted on the company website, as soon as practicable.

**CORPORATE  
GOVERNANCE  
DISCLOSURE**

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

Subject	Rule/Code 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	Board of Directors	16
	A 1.1	Regular Board meetings	Complied	Composition and attendance	22
	A 1.2	Responsibilities	Complied	Board Responsibility	22
	A 1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	Complied	Corporate Governance	23
	A 1.4	Access to Company Secretary	Complied	Communication with stakeholders	27
	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 SUN Group has obtained professional advice for certain matters during the year and coordinated through Company Secretaries	23
	A 1.6	Dedicate adequate time and effort to Board matters sufficient time to review Board Pack	Complied	Other Business Commitments and conflicts of interest	23
	A 1.7	Calls for resolutions by at least 1/3rd of Directors	Complied	Appointment, re-election and resignation	24
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	22
	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	22
Chairman's Role	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	22

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Financial acumen	26
Board Balance	A 5	Board Balance	Complied	Board balance	22
	A 5.1	Non-Executive Directors	Complied	Nine (9) out of eleven (11) are Non-Executive Directors	22
	A 5.2	Independent Non-Executive Directors	Complied	Seven (7) out of nine (9) Non-Executive Directors are independent	22
	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	23
	A 5.4	Annual declaration	Complied	Submitted the declarations as prescribed	23
	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	23
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	23
	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.	23
Appointments to the Board	A 7	Formal and transparent procedure for Board appointments	Complied	Appointment, re-election and resignation	24
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied	Appointment, re-election and resignation	24
	A 7.2	Assessment of the capability of the Board to meet strategic demands of the Company	Complied	Appointment, re-election and resignation	24
	A 7.3	Disclosure of New Board member profile and interests	Complied	Appointment, re-election and resignation	24
Re-election	A 8-8.2	Board members should be subject to election, and re-election by shareholders	Complied	Appointment, re-election and resignation	24

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
	A 8.3	Resignation of Directors prior to completion of his appointed term	Complied	Appointment, re-election and resignation	24
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	35
Disclosure of information in respect of Directors	A 10-10.1	Profiles of Directors Directors' interests Board meeting attendance Board committee memberships	Complied	Board of Directors	16
Appraisal of GMD	A 11-11.2	Appraisal of the GMD against the set strategic targets	Complied	Appraisal of the GMD	23
Directors' Remuneration	B 1	Establishment of the Nomination and Remuneration Committee	Complied	Report of the Nomination and Remuneration Committee	35
	B 1-1.3	Membership of the Nomination and Remuneration Committee to be disclosed and should only comprise of Non-Executive Directors	Complied	Discussed under subcommittees	35
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Discussed under subcommittees	35
Relations with Shareholders	C 1	Constructive use of the AGM and other General Meetings	Complied	Constructive use of Annual General Meeting (AGM)	27
	C 1.1	Company should arrange for the Notice of the AGM and related papers to be sent to shareholders as determined by statute, before the meeting	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	27
	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	193
	C 1.4	Heads of Board subcommittees to be available to answer queries	Complied	Subcommittee Chairman's are present at the AGM	27
	C 1.5	Summary of procedures governing voting at General Meetings to be informed	Complied	Circulated through Notice of the Annual General Meeting	193
Major Transactions	C 3-3.2	Disclosure of all material facts involving any proposed acquisition, sale or disposal of assets	Complied	Major transactions of the Group were disclosed to all stakeholders through the Colombo Stock Exchange, print media, and the Company website	26

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
Accountability and Audit	D 1.1	Balanced Annual Report	Complied	Communication with shareholders	27
	D 1.2	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	Complied	Communication with shareholders	27
	D 1.3	GCFO/GMD Declaration	Complied	Group Managing Director's and Group Chief Financial Officer's Responsibility Statement	46
	D 1.4	Directors Report declaration	Complied	Annual Report of the Board of Directors on the Affairs of the Company	4
	D 1.5	Financial reporting statement on board responsibilities	Complied	Statement of Directors' Responsibility	45
	D 1.7	Net Assets < 50%.	Complied	In the unlikely event of the net assets of the Company falling below 50% of Shareholders Funds the Board will summon an Extraordinary General Meeting (EGM) to notify the shareholders of the position and to explain the remedial action being taken	–
	D 1.8	Related Party Transaction report	Complied	Other Business Commitments and conflicts of interest	23
Risk Management and 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.	37
	D 2.2	Confirm assessment and risks identified and mitigated	Complied	Risk Management	40
	D 2.3	Internal Audit Function	Complied	Report of the Audit Committee	36
	D 2.4	Board responsibilities for disclosure	Complied	Directors' Statement on Internal Control	4-5
	D 2.5	Directors responsibility on internal control system	Complied	Directors' Statement on Internal Control	4-5
Audit Committee	D 3.1	Audit Committee composition	Complied	Report of the Audit Committee	36
	D 3.2	Terms of reference, duties and responsibilities	Complied	Clearly documented to Audit Committee Charter	36
Related Party Transactions review Committee	D 4	Composition, Terms of reference, duties and responsibilities	Complied	Report of the Related Party Transactions Review Committee	38

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
Code of Business Conduct and Ethics	D 5	Company must adopt code of conduct	Complied	Code of Conduct and Ethics	21
	D 5.1	Board declaration for compliance with Code	Complied	Code of Conduct and Ethics	21
	D 5.2	Price sensitive information	Complied	Relations with Shareholders	26
	D 5.3	Monitor Share purchase by Directors/KPI	Complied	Other Business Commitments and conflicts of interest	23
	D 5.4	Chairman's statement	Complied	Code of Conduct and Ethics	21
Corporate Governance Disclosures	D 6	Company adheres to established principles and practices of good Corporate governance	Complied	Corporate Governance	20
Institutional and other investors	E/F	Institutional and other investors	Complied	Relations with Shareholders	26
Cyber Security	G	Internet of things and Cyber security	Complied	Cyber Security	41
Sustainable Reporting	H	Environment, Society and Governance	Complied	Sustainable Reporting	13

Levels of Compliance with the CSE's Listing Rules Section 7 – 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	Nine (9) out of eleven (11) Directors are Non-Executive Directors	24
Independent Directors	7.10.2 (a)	Two or one-third of Non-Executive Directors, whichever is higher should be independent	Complied	Seven (7) out of nine (9) Non-Executive Directors are independent	22
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	23
Disclosure relating to Directors	7.10.3 (a)	Name of Independent Directors should be disclosed in the Annual Report	Complied	Composition of the Board	22
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	Board balance	22
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	Board of Directors	16
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 résumé have been provided to the Colombo Stock Exchange	24
Remuneration Committee	7.10.5	A listed company shall have a Remuneration Committee	Complied	Nomination and Remuneration Committee comprises Mr Shaikh Mr A Cabraal Mr G Sathasivam Mr A D B Talwatte	35
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	35

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 and Senior Management	Complied	As above	35
Disclosure in the Annual Report relating to Remuneration Committee	7.10.5 (c)	The Annual Report should set out Names of Directors comprising the Nomination and Remuneration Committee	Complied	Report of the Nomination and Remuneration Committee	35
		Statement of Remuneration Policy	Complied	As above	35
		Aggregated remuneration paid to Executive and Non-Executive Directors	Complied	Note 41 of Financial Statement	176
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Report of the Audit Committee	36
Composition of Audit Committee	7.10.6 (a)	Shall comprise of Non-Executive Directors, majority of whom will be independent	Complied	Five (5) out of five (5) Directors are Independent Non-Executive Directors	36
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an Independent Non-Executive Director	36
		GMD and Group Chief Financial Officer should attend Audit Committee meetings	Complied	GMD and Group Chief Financial Officer attend meetings by invitation	36
		The Chairman of the Audit Committee or one member should be a member of a professional accounting body	Complied	One (1) member is a Qualified Chartered Accountant	36
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	36
Disclosure in the Annual Report relating to Audit Committee	7.10.6 (c)	(a) Names of the Directors comprising the Audit Committee	Complied	Report of the Audit Committee	36
		(b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied	Report of the Audit Committee	36
		(c) The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions	Complied	Report of the Audit Committee	36

## REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee appointed by the Board of Directors comprises four Directors namely Messrs M Shaikh, G Sathasivam, A D B Talwate and D A Cabraal. 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, CEO's, and the Group Heads. The Committee also discusses and advises the Senior 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. In addition, the Committee reviewed succession plans of the Group for corporate management positions.

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.



**M Shaikh**  
Chairman

25 May 2021

## REPORT OF THE AUDIT COMMITTEE

The Committee consists of five (5) members and one member is a Senior Chartered Accountant. 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 Managing Director 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 international best practice. 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 five (5) 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  
5 of 5 meetings

A Cabraal (Member) – Independent Non-Executive  
5 of 5 meetings

H Abeywickrama (Member) – Independent Non-Executive  
5 of 5 meetings

S Shishoo (Member) – Independent Non-Executive  
5 of 5 meetings

Mrs A Goonetilleke (Member) – Independent Non-Executive,  
(appointed w.e.f. 5 November 2020)  
1 of 5 meetings

### → THE AUDIT COMMITTEE AND ITS RESPONSIBILITIES

The objectives of the Audit Committee are 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, assess 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 the annual Consolidated Financial Statements in accordance with 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 accounting policies, disclosures and fair presentation of the Consolidated Financial Statements for the financial year ended 31 March 2021.
- Reviewed and discussed 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.
- Coordinated with the Risk Committee and reviewed the procedures for identifying business risk and management of its impact on the Group.
- Reviewed the operational effectiveness of internal controls.
- Reviewed the compliance reports presented by the Senior Management for monitoring the compliances with laws and regulations.
- Reviewed the ability of the company to continue as a going concern by review of budgets and discussion with the management taking into consideration of the probable impact on COVID-19.

- 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 Financial Reporting Standards and the Companies Act No. 7 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.
- Obtained a confirmation on independence from the External Auditors, and recommended that the Board selects 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

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

On behalf of the Audit Committee.



**A D B Talwatte**

Chairman  
Audit Committee

25 May 2021

# 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 five (5) Non-Executive Independent, One (1) Committee member is a Senior Chartered Accountant. The Committee's composition as at 31 March 2021 is:

- A D B Talwatte (Chairman) – Independent Non-Executive
- A Cabraal (Member) – Independent Non-Executive
- H Abeywickrama (Member) – Independent Non-Executive
- S Shishoo (Member) – Independent Non-Executive
- Mrs A Goonetilleke (Member) – Independent Non-Executive, (appointed w.e.f. 5 November 2020)

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 16 to 17 of the Annual Report. The Company Secretary functions as the Secretary to the Committee.

## → MEETINGS

The Committee met four (04) times during the year. Attendance of the Committee members at each of these meetings is as follows:

- A D B Talwatte – 4 of 4 meetings
- A Cabraal – 4 of 4 meetings
- H Abeywickrama – 4 of 4 meetings
- S Shishoo – 4 of 4 meetings
- A Goonetilleke – 1 of 4 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 CSE Listing Rules (Section 9) for adoption by the Board of Directors of the Company (the Board) and its subsidiaries, and reviewing the processes followed for reporting Related Party Transactions ("RPTs").

2. Reviewing all RPTs in compliance with the provisions of the Rules.
3. Advising the Board on obtaining shareholders' approval, making immediate market disclosures and disclosures in the Annual Report where necessary, in respect of RPTs, in compliance with the provisions of the Rules, Procedures and Directives/Guidelines.
4. Ensuring that Procedures/Directives/Guidelines are issued to require all RPTs to be referred to the Committee for review.

## → REVIEW FUNCTION OF THE COMMITTEE

Review of the RPTs by the Committee takes place quarterly. The Committee has communicated its observations to the Board. RPTs are disclosed in Note 41 to the Financial Statements.

## → REPORTING TO THE BOARD

The minutes of the Committee meetings are presented at Board meetings enabling all Board members to have access to same and where necessary prior approval of the Board is obtained.

## → 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

25 May 2021

# REPORT OF THE BOARD RISK REVIEW COMMITTEE

The Board Risk Review Committee consists of two (2) Independent/Non-Executive Board Directors. The Committee is chaired by Ms Aruni Goonetilleke, and Corporate Services (Private) Limited, the Secretaries of the Company function as the Secretaries to the Board Risk Review Committee. The Group Managing Director has a standing invitation to meetings and the Group Chief Financial Officer, Sector Business Heads and Heads of Finance attend meetings on request. The Charter for the Board Risk Review Committee is in line with the best practice framework and was set up in November 2020. The Charter will be reviewed annually and updated to reflect current developments and to include other matters considered necessary by the Committee.

## → MEETINGS

The Committee met two (2) times since its inception on 4th November 2020. The attendance of the Committee members at each of these meetings is as follows:

## → ATTENDANCE

Mrs A Goonetilleke (Chairperson) – Independent Non-Executive  
2 of 2 meetings

Mrs S Ratwatte (Member) – Independent Non-Executive  
2 of 2 meetings

## → THE BOARD RISK REVIEW COMMITTEE

The Board Risk Review Committee is appointed by the Board as per the Section D.2 of the Code of Best Practice of the Corporate Governance Act of 2017. The Purpose of the Committee is to establish a Risk Management Policy and Framework to safeguard shareholders' investments and the Company's assets and to oversee and approve the Company wide risk management practices to assist the Board in:

- Overseeing that the executive team has identified and assessed all the key risks that the organisation faces and has established a risk management infrastructure and mitigation plan capable of addressing those risks
- Overseeing the monitoring of applicable risks such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational, and other risks
- Overseeing the division of risk-related responsibilities and performing a gap analysis to determine that the oversight of any risks is not missed
- In conjunction with the full Board, approving the Company's enterprise-wide risk management policy and framework

## → THE RESPONSIBILITY OF THE COMMITTEE

- The establishment and implementation of a risk management framework for identification of financial and non-financial risks of the Group, monitor, assess and the development of strategies to manage and mitigate those risks
- Periodically reviewing the Group's Risk Management Policy and disclosing, in relation to each reporting period, whether such a review has taken place
- Carrying out any processes or procedures required by the Group's Risk Management Policy as amended from time to time
- Review of compliance with approved Risk Management Policy
- Monitor the organisation's Risk Profile Matrix, its ongoing and potential exposure to risks of various types

## → CONCLUSION

The Board Risk Review Committee has periodically evaluated the risk identification and assessment process of risks in the business units/sectors and mitigation actions taken to control or eliminate the potential business risks. The evaluation is based on the risk matrix given the probability of occurrence of the event and the potential impact to the business.

The Committee is of the view that the adequate risk mitigation controls and procedures are in place at Business Unit level to provide a reasonable assurance that businesses are safeguarded from the potential risks identified.

On behalf of the Board Risk Review Committee.



**A Goonetilleke**  
Chairperson  
Board Risk Review Committee

25 May 2021

Serial number	Headline risk	Related risk	Risk	Risk control measure/mitigation action
1.	Political/ Regulatory	Changes in Government policies	Price control of pharmaceutical and medical devices products by the Government	<ul style="list-style-type: none"> <li>(a) Continuous negotiations with the principals to transfer the risk on price control to them through CIF reduction</li> <li>(b) Balance with volume driven revenue growth.</li> <li>(c) Continuous lobbying and discussion with Regulator to increase the MRP of the products to mitigate the currency devaluation risks of the business</li> <li>(d) Exploring the opportunities in local manufacturing of pharmaceutical products</li> </ul>
2.	External	Foreign Currency Exchange rate risk  Interest Rate Risk	Potential losses as a result of adverse exchange movement  Potential increase in interest rates and cost of borrowing	<ul style="list-style-type: none"> <li>(a) Negotiation with principals to fix the exchange rate through the contracts</li> <li>(b) Hedging techniques – E.g: Forward booking</li> <li>(c) Premature settling of bills at favourable exchange rates</li> <li>(d) Settlement in US Dollars when available</li> <li>(e) Negotiation with banks for fixed rates while rates are low and diversification of the funding pool</li> </ul>
3.	Strategic	Government policy on oil palm expansion/ Cultivation	Obstacles to palm oil expansion due to new regulations on the ban of replanting and social pressure	<ul style="list-style-type: none"> <li>(a) Diversification into other crops</li> <li>(b) Engagement with government agencies and Planters Association, Palm Oil Industry Association for constructive discussions on best practices of cultivations and protection of environment</li> <li>(c) RSPO certification (Roundtable on Sustainable Palm Oil)</li> <li>(d) Public awareness programme</li> </ul>
4.	External	Global Pandemics – E.g. COVID-19	Disruptions to the business operations due to lockdown, movement restrictions to field staff, health issues to workforce, work from home arrangements  Disruptions to the value chain  Health and Safety	<ul style="list-style-type: none"> <li>(a) Strict compliances and adherence on the health guidelines issued by the health authorities</li> <li>(b) Regular awareness and health precautions for staff members and work arrangements</li> <li>(c) Supplying of adequate logistics and infrastructure to staff where necessary to perform their tasks</li> <li>(d) Management of cash flows, Treasury and supply chain proactively to avoid any disruptions</li> <li>(e) Regular assessment of business risks and take necessary precautions</li> </ul>

Serial number	Headline risk	Related risk	Risk	Risk control measure/mitigation action
5.	Business	Increase in raw material prices	Potential impact to the costs structure due to trend of requesting higher prices for packing materials, and other ancillary services.  Potential increasing trends on the tea and sugar prices	<ul style="list-style-type: none"> <li>(a) Weekly tea buying strategy meeting with experts to take buying decisions on time, and private purchases where necessary</li> <li>(b) Contract purchasing</li> <li>(c) Competitive bidding process and also moved on to digital platform, E-Tender</li> <li>(d) Research and study to trigger the changes of market fundamentals affecting material prices and take immediate action appropriately</li> </ul>
6.	External	Damages or destruction to the Company's assets/ properties	Financial losses due to damages to the assets/ properties of the group and also business interruptions	<ul style="list-style-type: none"> <li>(a) Periodic risk assessment in manufacturing, distribution sites and warehouses and take preventive controls</li> <li>(b) Comprehensive insurance covers/ policies for Fire and Property All risk, Electronic equipment All risks, Marine Goods in Transit</li> <li>(c) Insurance policies covering business interruptions</li> <li>(d) Regular review of adequacy of Sum Insured and coverage</li> <li>(e) Regular awareness programmes, fire and safety drills, emergency evacuations</li> </ul>
7.	Technological Reputational	Cybersecurity Information Security	Business continuity challenges due to data/ Information breach of the business entities, Potential cyberattacks for internal IT system and technical infrastructure, reputational risks	<ul style="list-style-type: none"> <li>(a) IT audit and IT control and compliance reviews</li> <li>(b) IT Governance framework on security controls, policies and procedures, user awareness and trainings, business continuity and disaster recovery protocols</li> <li>(c) IT security; Performing regular vulnerability risk assessments, penetration testing and networking scanning assessments for group application systems and websites, Review and support group firewalls, anti-virus software, patch management systems</li> <li>(d) Cloud services management</li> </ul>

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**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.

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## 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 2021 presented in the report have been prepared in accordance with the Sri Lanka Financial Reporting Standards/ SLFRS and the Companies Act No. 07 of 2007. In preparing the Financial Statements, the Directors have selected appropriate accounting policies and have applied them consistently. Reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis.

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

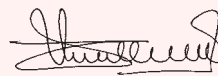
The Directors are required to provide the Auditors with all required information and explanations and every opportunity to take whatever steps and undertake whatever audit procedures, they consider appropriate for the purpose of enabling them to provide and audit opinion on Financial Statements. The 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 and belief, all taxes and levies payable by the company and all contributions, and all other known statutory obligations as at the reporting date have been paid or provided for in the Financial Statements and have obtained the compliance reports from Senior Management on a quarterly basis in areas such as Finance, Human Resources, Insurance, Company Secretarial, Company relevant regulatory, and Information security controls.

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 proposed distributions, and any other circumstances as required in accordance with the Companies Act No. 07 of 2007.

By Order of the Board



**V Govindasamy**  
Group Managing Director



**A D B Talwatte**  
Director

25 May 2021

## 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 Financial Reporting 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 reclassified 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 judgments relating to the Consolidated Financial Statements were made on a prudent and reasonable basis, in order that the Consolidated Financial Statements reflect in a true and fair manner, the forms and substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Subsidiaries Internal Auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be 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 pages 47 to 51 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

25 May 2021

# INDEPENDENT AUDITORS' REPORT



KPMG  
(Chartered Accountants)  
32A, Sir Mohamed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300, Sri Lanka.

Tel : +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
: +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 2021, 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 52 to 186 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 2021, 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 judgement, 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's 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.

#### Recognition of goodwill and assessment of potential impairment

Refer to Note 24.4 to the consolidated financial statements and the accounting policies on pages 114 and 116.

As at 31 March 2021 the carrying value of the Group's goodwill, which arose from the acquisition of two subsidiaries during the year, was Rs. 1,577 Mn.

#### Risks description

The recognition and subsequent impairment testing of goodwill is considered to be a key audit matter due to the significance to the Consolidated Financial Statements, complexity of the accounting requirements and the significant judgement required in determining the assumptions to be used to estimate the recoverable amount. The recoverable amount of the Cash Generating Units (CGUs) which is based on the higher of the value in use or fair value less costs of disposal, has been derived from discounted forecast cash flow models.

#### Our responses – Our audit procedures included:

Our audit procedures to assess the recognition and potential impairment of goodwill included the following:

- Involving our own valuation specialist to assist in evaluating the appropriateness of the discount rates applied, which included comparing the weighted-average cost of capital with sector averages for the relevant market in which the CGUs operate;



These models use several key assumptions, including estimates of future sales volumes and prices, operating costs, terminal value, growth rates and the weighted-average cost of capital (discount rate).

Significant judgement had to be applied by the Group as a result of the current COVID-19 environment. Significant estimation uncertainty has resulted in use of increased judgement in forecasting cash flows and the underlying assumptions used in the discounted cash flow models. Due to these conditions and the uncertainty of their continuation, there is a risk that the carrying value of goodwill may not be recoverable in full through the future cash flows to be generated from the related cash-generating unit (the "CGU") to which the goodwill has been allocated.

The majority of goodwill has been allocated to the health sector manufacturing and distribution cash-generating unit (CGU).

- Evaluating the appropriateness of the assumptions applied by the management to key inputs such as sales volumes and prices, operating costs, and long-term growth rates, which included comparing these inputs with our own assessments based on our knowledge of the industry;
- Evaluating the appropriateness of management's identification of the Group's CGUs, the allocation of goodwill to CGUs and testing the design and implementation of key controls embedded in the Group's impairment assessment process.
- Evaluating the Group's assessment of the potential impacts of COVID-19 on cash flows and underlying assumptions as well as likelihood of the recovery period;
- Evaluating the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements

#### Measurement of biological assets

Refer to Note 22 (accounting policy and financial statement disclosures) to these Financial Statements on page 104.

The Group reported bearer biological assets of Rs. 2,763 Mn., and livestock biological assets of Rs. 749 Mn. carried at fair value as at 31 March 2021.

#### Risks description

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 has a significant impact on the carrying value of the bearer plants and the reported profits as capitalisation of costs will cease from the point of transfer and the mature plantations are depreciated over the useful lives of the plants. As per the industry practice, transfer of immature plantations to mature plantation fields happens at the point of commencement of commercial harvesting. The actual point of which commercial harvesting could start depends on the soil condition, weather patterns and plant breed.

The biological assets livestock include cattle 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, market prices of raw milk, expected costs and discounting factor.

#### Our responses – Our audit procedures included:

##### *Bearer biological assets*

- Understanding the process of transfer from immature to mature plantation 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 a sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified.
- Physical verification of fields on a sample basis and evaluating 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 were consistent with the Company accounting policy and industry norms.



We considered measurement of biological assets as a key audit matter due to the magnitude of the value of bearer biological assets and significant management judgement involved as explained above, which could be subject to errors or potential management bias.

#### **Livestock biological assets**

- Understanding the process of valuation and testing the design and operating effectiveness of the key controls in relation to the valuation of livestock. Challenging the methodologies adopted in the valuation of livestock with reference to the requirements of the prevailing accounting standards.
- Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, average milk production, selling price of milk, average cost per cow, weight and selling price of the cattle in evaluating the appropriateness of the valuation methodology and discount rate used.
- Evaluating the accuracy, completeness and reasonableness of the data and inputs used for the valuation of livestock and evidence for physical verification of cows during the year.
- Comparing the discount rate, normal life cycle of a milking cow, milking yield per lactation with available industry data.
- Evaluating the adequacy of the disclosures in the Financial Statements regarding the degree of judgement and estimation involved and the sensitivity of the assumptions and estimates.

#### **Valuation of unquoted investments classified as FVOCI**

Refer to Note 18 (accounting policy), Note 26 (Financial Statement disclosures) to these Financial Statements on pages 86 and 122.

Valuation of Unquoted Equity Instruments at Fair Value Through Other Comprehensive Income (FVOCI).

The Group's portfolio of Investments comprised financial assets classified at FVOCI as at 31 March 2021 which comprise investment in unquoted shares of Rs. 505 Mn. which have been valued using discounted cash flows.

#### **Risks description**

The fair value of the Group's unquoted (Level 3) financial instruments is determined by the Group through the application of valuation techniques which often involved the exercise of judgement and the use of assumptions and estimates.

We focused on this area because of the degree of complexity associated with the valuation methodology and model increase in subjectivity and estimate uncertainty. In particular, the determination of the valuation of these unquoted investments is more subjective given the lack of available market-based observable data of the unquoted equity instruments.

#### **Our responses – Our audit procedures included:**

- Documenting and assessing the design and implementation of the investment valuation processes and key controls relating specifically to these financial instruments;
- Evaluating the key assumptions used and discount factors applied by the management to develop the cash flow projections and assessing whether the estimate reflected the latest economic conditions pursuant to the COVID-19 outbreak;
- Comparing key underlying financial data inputs used in the valuation with the external sources such as investee company audited financial statements; and
- 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.



## 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.

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

25 May 2021

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	GROUP		COMPANY		
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Restated* Rs.	2020 Previously reported** Rs.
Revenue	10	24,339,446,156	20,874,637,494	850,202,179	655,897,433	497,330,868
Cost of sales		(16,601,729,049)	(14,696,653,353)	–	–	–
<b>Gross profit</b>		<b>7,737,717,107</b>	<b>6,177,984,141</b>	<b>850,202,179</b>	<b>655,897,433</b>	<b>497,330,868</b>
Other income	11	291,436,825	408,845,415	341,800,630	314,317,165	314,317,165
Selling and distribution expenses		(2,182,677,904)	(2,001,552,253)	–	–	–
Administrative expenses		(2,177,851,096)	(2,016,956,500)	(449,704,631)	(463,493,381)	(427,259,581)
Impairment of asset held for sale	42	(143,246,439)	–	–	–	–
Impairment of investment in equity-accounted investee	24/25	–	–	(59,452)	(7,648,541)	(7,648,541)
Gain on disposal of subsidiaries	24.3.1	–	340,726,887	2,032,745,933	1,477,356,546	–
Gain on disposal of subsidiary shares	24.4	–	–	260,563,654	–	–
<b>Operating profit</b>	12	<b>3,525,378,493</b>	<b>2,909,047,690</b>	<b>3,035,548,313</b>	<b>1,976,429,222</b>	<b>376,739,911</b>
Finance income	13	252,646,432	264,490,490	156,225,875	195,468,866	120,047,566
Finance costs	13	(468,793,779)	(608,747,322)	(170,998,805)	(184,130,732)	(183,975,056)
<b>Net finance costs</b>		<b>(216,147,347)</b>	<b>(344,256,832)</b>	<b>(14,772,930)</b>	<b>11,338,134</b>	<b>(63,927,490)</b>
Share of loss of equity-accounted investees, net of tax	25	(92,356)	(1,413,934)	–	–	–
<b>Profit before tax</b>		<b>3,309,138,790</b>	<b>2,563,376,924</b>	<b>3,020,775,383</b>	<b>1,987,767,356</b>	<b>312,812,421</b>
Income tax expenses	14	(771,610,789)	(730,739,358)	(117,053,693)	(12,231,530)	7,725,317
<b>Profit for the year</b>		<b>2,537,528,001</b>	<b>1,832,637,566</b>	<b>2,903,721,690</b>	<b>1,975,535,826</b>	<b>320,537,738</b>
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit or loss</b>						
Remeasurement of retirement benefit liability		(25,750,348)	(7,926,899)	6,049,909	2,266,758	2,266,758
Equity investments at FVOCI – net change in fair value		(32,088,698)	(40,343,414)	(32,088,698)	(40,343,415)	(40,343,415)
Related tax		18,776,503	11,731,076	10,912,884	10,661,464	10,661,464
		(39,062,543)	(36,539,237)	(15,125,905)	(27,415,193)	(27,415,193)
<b>Items that are or may be reclassified subsequently to profit or loss</b>						
Foreign operations – foreign currency translation differences		1,092,211	1,183,969	–	–	–
		1,092,211	1,183,969	–	–	–
Other comprehensive income for the year, net of tax		(37,970,332)	(35,355,268)	(15,125,905)	(27,415,193)	(27,415,193)
<b>Total comprehensive income for the year</b>		<b>2,499,557,669</b>	<b>1,797,282,298</b>	<b>2,888,595,785</b>	<b>1,948,120,633</b>	<b>293,122,545</b>

For the year ended 31 March	Note	GROUP		COMPANY		
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Restated* Rs.	2020 Previously reported** Rs.
<b>Profit attributable to:</b>						
Owners of the Company		1,522,207,103	1,147,045,943	2,903,721,690	1,975,535,826	320,537,738
Non-controlling interests		1,015,320,898	685,591,623	–	–	–
		2,537,528,001	1,832,637,566	2,903,721,690	1,975,535,826	320,537,738
<b>Total comprehensive income attributable to:</b>						
Owners of the Company		1,478,363,138	1,114,929,100	2,888,595,785	1,948,120,633	293,122,545
Non-controlling interests		1,021,194,531	682,353,198	–	–	–
<b>Total comprehensive income for the year</b>		<b>2,499,557,669</b>	<b>1,797,282,298</b>	<b>2,888,595,785</b>	<b>1,948,120,633</b>	<b>293,122,545</b>
<b>Earnings per share</b>						
Basic earnings per share (Rs.)	16	3.39	2.56	6.47	4.40	0.71
Diluted earnings per share (Rs.)	16	3.39	2.56	6.47	4.40	0.71

\* The balances presented represent the restated balances for the year ended 31 March 2020 to reflect the adjustments made due to the amalgamation between the Company and Estate Management Services (Pvt) Ltd. Refer Note 46 for details.

\*\* The balances presented represent the balances as reported in the Audited Financial Statements for the year ended 31 March 2020. These balances are presented for the purposes of comparability.

Figures in brackets indicate deductions.

The Notes to the Financial Statements on pages 63 to 186 are integral part of these Financial Statements.

# STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	GROUP		COMPANY		
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Restated* Rs.	2020 Previously reported** Rs.
<b>Assets</b>						
Property, plant and equipment	19	4,794,110,834	4,719,959,469	33,067,152	45,406,172	45,352,383
Intangible assets	20	249,057,345	165,942,721	7,555,660	4,685	4,685
Leasehold land	21	238,853,000	241,439,000	–	–	–
Biological assets	22	3,492,193,000	3,449,345,000	–	–	–
Investment property	23	769,499,144	709,499,144	–	–	–
Investments in subsidiaries	24	–	–	3,767,962,237	3,232,076,136	3,388,401,971
Equity-accounted investee	25	1,292,006	1,384,362	1,292,007	1,351,459	1,351,459
Other investments, including derivatives	26	1,004,330,898	1,070,904,297	647,177,898	727,179,297	727,179,297
Deferred tax assets	27	42,611,982	65,787,835	42,536,150	32,017,938	32,017,938
Goodwill on acquisition	24.4	1,576,648,378	–	–	–	–
<b>Non-current assets</b>		<b>12,168,596,587</b>	<b>10,424,261,828</b>	<b>4,499,591,104</b>	<b>4,038,035,687</b>	<b>4,194,307,733</b>
Biological assets	22	52,688,000	41,797,000	–	–	–
Inventories	28	5,145,162,996	3,177,211,186	–	–	–
Other investments, including derivatives	26	335,364,187	234,792,226	222,469,740	234,792,226	234,792,226
Current tax assets	29	29,585,672	9,893,358	14,318,672	9,809,784	3,158,748
Trade and other receivables	30	4,848,691,358	4,295,571,105	70,396,643	107,974,290	95,768,884
Amounts due from related parties	31	475,000	78,704,645	223,215,489	240,777,370	240,777,370
Cash and cash equivalents	32	2,520,552,239	4,572,232,065	1,281,865,256	3,879,071,288	2,238,482,618
Assets held for sale	42	1,781,889,421	–	–	–	–
<b>Current assets</b>		<b>14,714,408,873</b>	<b>12,410,201,585</b>	<b>1,812,265,800</b>	<b>4,472,424,958</b>	<b>2,812,979,846</b>
<b>Total assets</b>		<b>26,883,005,460</b>	<b>22,834,463,413</b>	<b>6,311,856,904</b>	<b>8,510,460,645</b>	<b>7,007,287,579</b>
<b>Equity</b>						
Stated capital	33	1,641,715,247	1,641,715,247	1,641,715,247	1,641,715,247	1,641,715,247
Reserves	33	339,686,250	358,317,875	331,382,645	351,106,481	351,106,481
Retained earnings		8,551,561,683	6,414,107,233	3,141,800,110	3,398,264,201	1,916,338,466
<b>Equity attributable to owners of the company</b>		<b>10,532,963,180</b>	<b>8,414,140,355</b>	<b>5,114,898,002</b>	<b>5,391,085,929</b>	<b>3,909,160,194</b>
Non-controlling interests	33	4,808,856,243	4,035,566,113	–	–	–
<b>Total equity</b>		<b>15,341,819,423</b>	<b>12,449,706,468</b>	<b>5,114,898,002</b>	<b>5,391,085,929</b>	<b>3,909,160,194</b>

As at 31 March	Note	GROUP		COMPANY		
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Restated*	2020 Previously reported** Rs.
<b>Liabilities</b>						
Loans and borrowings	34	1,968,834,746	2,311,846,644	–	939,000,820	939,000,820
Employee benefits	35	713,774,478	559,458,926	103,878,290	96,712,325	96,712,325
Contingent consideration	24.4.b.1	78,026,414	–	–	–	–
Deferred income and capital grants	36	91,996,000	142,550,000	–	–	–
Deferred tax liabilities	27	632,277,792	533,907,752	–	–	–
<b>Non-current liabilities</b>		<b>3,484,909,430</b>	<b>3,547,763,322</b>	<b>103,878,290</b>	<b>1,035,713,145</b>	<b>1,035,713,145</b>
Trade and other payables	37	3,775,377,119	2,450,696,610	24,974,054	21,817,698	20,989,334
Amounts due to related parties	38	12,802,099	27,513,242	–	2,875,808	2,651,108
Current tax liabilities	29	354,693,979	223,047,621	60,099,084	19,956,847	–
Loans and borrowings	34	2,184,694,049	2,971,899,695	1,006,808,533	1,986,273,778	1,986,273,778
Bank overdraft	32	872,203,730	1,163,836,455	1,198,941	52,737,440	52,500,020
Liabilities directly associated with assets held for sale	42	856,505,631	–	–	–	–
<b>Current liabilities</b>		<b>8,056,276,607</b>	<b>6,836,993,623</b>	<b>1,093,080,612</b>	<b>2,083,661,571</b>	<b>2,062,414,240</b>
<b>Total liabilities</b>		<b>11,541,186,037</b>	<b>10,384,756,945</b>	<b>1,196,958,902</b>	<b>3,119,374,716</b>	<b>3,098,127,385</b>
<b>Total equity and liabilities</b>		<b>26,883,005,460</b>	<b>22,834,463,413</b>	<b>6,311,856,904</b>	<b>8,510,460,645</b>	<b>7,007,287,579</b>
Net assets per share***		23.48	56.26	11.40	36.05	26.14

\* The balances presented represent the restated balances for the year ended 31 March 2020 to reflect the adjustments made due to the amalgamation between the Company and Estate Management Services (Pvt) Ltd. Refer Note 46 for details.

\*\* The balances presented represent the balances as reported in the Audited Financial Statements for the year ended 31 March 2020. These balances are presented for the purposes of comparability.

\*\*\* Number of shares increased from 149,554,103 to 448,662,309 shares due to share split.

Figures in brackets indicate deductions.

The notes to the Financial Statements on pages 63 to 186 are 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.

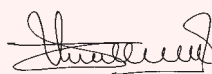


**Aruna Deepthikumara**  
Group Chief Financial Officer

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.



**Amal Cabraal**  
Vice-Chairman/Director



**V Govindasamy**  
Group Managing Director

25 May 2021  
Colombo

# STATEMENT OF CHANGES IN EQUITY

	Note	Stated capital Rs.	General reserve Rs.
<b>GROUP</b>			
<b>Balance as at 1 April 2019</b>		1,641,715,247	1,257,725
Fair value adjustment of right-to-use assets			
<b>Adjusted balance as at 1 April 2019 – Restated</b>		1,641,715,247	1,257,725
<b>Total comprehensive income for the year</b>			
Profit for the year		–	–
Total other comprehensive income for the year		–	–
<b>Total comprehensive income for the year</b>			
<b>Transactions with owners of the Company</b>			
Adjustment on disposal of investment in Hatton Plantations PLC		–	–
Effective loss of control in Waltrim Hydropower (Pvt) Ltd.		–	–
Investment in NCI – Watawala Dairy Ltd.		–	–
Issue of shares to NCI – Watawala Plantations PLC		–	–
Scrip Dividend to NCI – Watawala Plantations PLC		–	–
Acquisition of NCI – Waltrim Hydropower (Pvt) Ltd.		–	–
Impact on loss of effective shareholding in Sunshine Energy Group		–	–
Dividend paid to owners for 2018/19		–	–
		–	–
<b>Balance as at 31 March 2020</b>		1,641,715,247	1,257,725
<b>Balance as at 1 April 2020</b>		1,641,715,247	1,257,725
<b>Total comprehensive income</b>			
Profit for the year		–	–
Total other comprehensive income for the year		–	–
<b>Total comprehensive income for the year</b>		–	–
<b>Transactions with owners of the Company</b>			
Issue of shares to NCI of Sunshine Wilmar (Pvt) Ltd.	24.2/33.3.A	–	–
Impact on loss of effective shareholding in Watawala Plantations PLC Group	24.3.1/33.3.A	–	–
Acquisition of NCI in Estate Management Services (Pvt) Ltd.	24.3.2/33.3.A	–	–
Impact on gaining effective shareholding in Sunshine Consumer Lanka Ltd. Group (formerly known as “Watawala Tea Ceylon Limited Group”)	24.3.2/33.3.A	–	–
Acquisition through business combination	24.4	–	–
Impact of loss effective shareholding of 25% in Sunshine Healthcare Lanka Ltd.	24.4/33.3.A	–	–
Impact of disposal of 3% shares held in Sunshine Healthcare Lanka Ltd.	24.4/33.3.A	–	–
Dividend paid to owners for 2019/20 and FY2020/21 interim	17.1	–	–
		–	–
<b>Balance as at 31 March 2021</b>		<b>1,641,715,247</b>	<b>1,257,725</b>

Attributable to owners of the Company			Total Rs.	Non-controlling interests Rs.	Total equity Rs.
Reserve on exchange gain/(loss) Rs.	Fair value reserve Rs.	Retained earnings Rs.			
1,947,973	382,975,467	5,488,287,477	7,516,183,889	3,476,651,011	10,992,834,900
		25,835,075	25,835,075	32,163,925	57,999,000
1,947,973	382,975,467	5,514,122,552	7,542,018,964	3,508,814,936	11,050,833,900
-	-	1,147,045,943	1,147,045,943	685,591,623	1,832,637,566
1,183,969	(29,047,259)	(4,253,553)	(32,116,843)	(3,238,425)	(35,355,268)
1,183,969	(29,047,259)	1,142,792,390	1,114,929,100	682,353,198	1,797,282,298
-	-	-	-	(365,855,341)	(365,855,341)
-	-	(2,589,742)	(2,589,742)	10,822,742	8,233,000
-	-	(103,641,337)	(103,641,337)	(76,448,663)	(180,090,000)
-	-	-	-	13,356,018	13,356,018
-	-	-	-	(15,530,243)	(15,530,243)
-	-	(2,606,350)	(2,606,350)	(8,275,650)	(10,882,000)
-	-	52,972,349	52,972,349	286,329,116	339,301,465
-	-	(186,942,629)	(186,942,629)	-	(186,942,629)
-	-	(242,807,709)	(242,807,709)	(155,602,021)	(398,409,730)
3,131,942	353,928,208	6,414,107,233	8,414,140,355	4,035,566,113	12,449,706,468
3,131,942	353,928,208	6,414,107,233	8,414,140,355	4,035,566,113	12,449,706,468
-	-	1,522,207,103	1,522,207,103	1,015,320,898	2,537,528,001
1,092,211	(19,723,836)	(25,212,340)	(43,843,965)	5,873,633	(37,970,332)
1,092,211	(19,723,836)	1,496,994,763	1,478,363,138	1,021,194,531	2,499,557,669
-	-	1,520,750,002	1,520,750,002	1,520,750,002	1,520,750,002
(352,071,099)	(352,071,099)	352,071,099	-	352,071,099	-
(307,579,587)	(307,579,587)	(2,595,484,445)	(2,903,064,032)	(2,595,484,445)	(2,903,064,032)
522,016,592	522,016,592	(522,016,592)	-	(522,016,592)	-
	-	131,339,319	131,339,319	1,391,844,424	2,320,249,300
928,404,876	928,404,876	1,391,844,424	2,320,249,300	1,391,844,424	2,320,249,300
111,408,585	111,408,585	167,021,331	278,429,916	167,021,331	278,429,916
(261,719,680)	(261,719,680)	(693,429,539)	(955,149,219)	(693,429,539)	(955,149,219)
640,459,687	640,459,687	(247,904,401)	392,555,286	(247,904,401)	392,555,286
<b>4,224,153</b>	<b>334,204,372</b>	<b>8,551,561,683</b>	<b>10,532,963,180</b>	<b>4,808,856,243</b>	<b>15,341,819,423</b>

For the year ended 31 March 2021		Stated capital	General reserve
	Note	Rs.	Rs.
<b>COMPANY</b>			
<b>Balance as at 1 April 2019</b>		1,641,715,247	1,257,725
Transferred through amalgamation		–	–
Effect of cancellation of stated capital of Estate Management Services (Pvt) Ltd.		–	–
Reversal of fair value of investment of Sunshine Consumer Lanka Ltd. (formerly known as "Watawala Tea Ceylon Ltd.")		–	–
Adjusted balance as at 1 April 2019 – Restated		1,641,715,247	1,257,725
<b>Total comprehensive income for the year – Restated</b>			
Profit for the year – Restated		–	–
Total other comprehensive income for the year – Restated		–	–
<b>Total comprehensive income for the year – Restated</b>		–	–
<b>Transactions with owners of the Company</b>			
Dividend paid to owners for 2018/19		–	–
<b>Balance as at 31 March 2020 – Restated</b>		1,641,715,247	1,257,725
<b>Balance as at 1 April 2020</b>		1,641,715,247	1,257,725
<b>Total comprehensive income for the year</b>			
Profit for the year		–	–
Total other comprehensive income for the year		–	–
<b>Total comprehensive income for the year</b>		–	–
Set-off of acquisition of 40% of non-controlling interest in Estate Management Services (Pvt) Limited. (EMSPL) against the investment made during the year	24.3.2/ 33.3.A	–	–
Dividend paid to owners – 2019/20 and FY 2020/21 interim	17.1	–	–
<b>Balance as at 31 March 2021</b>		<b>1,641,715,247</b>	<b>1,257,725</b>

\* The balances has been restated for the year ended 31 March 2020 to reflect the adjustments made due to the amalgamation between the Company and Estate Management Services (Pvt) Ltd. Refer Note 46 for details.

Figures in brackets indicate deductions.

The Accounting Policies and Notes from page 63 to 186 are an integral part of these Financial Statements.

	Fair value reserve Rs.	Retained profit restated* Rs.	Total restated* Rs.
	378,896,015	1,781,111,291	3,802,980,278
	–	7,781,156,395	7,781,156,395
	–	(1,069,715,483)	(1,069,715,483)
	–	(6,884,513,265)	(6,884,513,265)
	378,896,015	1,608,038,938	3,629,907,925
	–	1,975,535,826	1,975,535,826
	(29,137,929)	1,722,736	(27,415,193)
	(29,137,929)	1,977,258,562	1,948,120,633
	–	(186,942,629)	(186,942,629)
	349,758,086	3,398,354,871	5,391,085,929
	349,758,086	3,398,354,871	5,391,085,929
	–	2,903,721,690	2,903,721,690
	(19,723,836)	4,597,931	(15,125,905)
	(19,723,836)	2,908,319,621	2,888,595,785
	–	(2,903,064,032)	(2,903,064,032)
	–	(261,719,680)	(261,719,680)
	<b>330,034,250</b>	<b>3,141,890,780</b>	<b>5,114,898,002</b>

# STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	GROUP		COMPANY		
		2021 Rs.	2020 Rs.	2021 Rs.	2020 restated* Rs.	2020 Previously reported** Rs.
<b>Cash flows from operating activities</b>						
Profit before tax for the year		3,309,138,790	2,563,376,924	3,020,775,383	1,987,767,356	312,812,421
<b>Adjustments for:</b>						
Interest income	13	(202,383,169)	(218,405,325)	(156,225,875)	(195,468,866)	(120,047,566)
Scrip dividend		–	–	–	(38,492,321)	–
Profit on disposal of property, plant and equipment	11	(31,708,661)	(44,059,002)	–	(2,011,685)	(2,011,685)
Write-off of intangible assets	20	–	–	–	–	–
Biological assets – (gain)/loss from produce crop valuation	22	(10,891,000)	(10,526,000)	–	–	–
(Reversal)/Provision for other receivables	30.2	370,565	(8,107,946)	–	–	–
Impairment losses and write-downs	22.1	20,126,000	–	59,452	7,648,541	7,648,541
Gain on fair valuation of livestock	22.3	30,000	(12,634,000)	–	–	–
Interest expense	13	468,793,779	608,747,322	170,998,805	184,130,732	183,975,056
Depreciation of property, plant and equipment	19.1	647,977,610	580,883,367	21,463,966	20,804,093	17,965,559
Amortisation of intangible assets	20.1	38,151,772	37,014,521	4,685	22,562	–
Depreciation of mature plantations	22.1	157,230,000	167,161,000	–	–	–
Provision/(reversal) and write-off for bad and doubtful debts	30	57,788,999	22,994,323	–	–	–
Provision/(reversals) and Write-off for inventories	28.2	72,364,883	7,231,966	–	–	–
Fair value gain on investment property	23.1	–	(116,267,064)	–	–	–
Profit/(loss) of equity accounted investee	25	92,356	1,413,934	–	–	–
Amortisation of capital grants	36	(50,554,000)	(50,555,000)	–	–	–
Amortisation of leasehold right to land	21	10,120,000	10,283,000	–	–	–
Loss/(profit) on sale of rubber trees	11	–	(7,747,000)	–	–	–
Fair value gain/loss	10/11	1,086,323	(4,422,113)	2,225,511	(48,171,352)	(4,422,113)
Provision for retirement benefit obligations	35	119,130,631	110,473,610	13,526,859	15,108,292	15,108,292
Rent concession	34.3	(22,153,634)	–	(1,079,325)	–	–
Fair value gain/(loss) on consumable biological assets	22.2	(1,200,000)	6,656,000	–	–	–
Loss/(gain) on disposal of a subsidiary	24.4	63,000	(340,726,887)	(2,032,745,933)	(1,477,356,546)	–
Gain on partial disposal of investment in subsidiary	24.4	–	–	(260,563,654)	–	–
Loss/(profit) on sale of investments	10	–	–	(9,007,485)	–	–
Provision for impairment for asset held for sale	42	143,246,439	–	–	–	–
<b>Operating profit before working capital change</b>		<b>4,726,820,683</b>	<b>3,302,785,630</b>	<b>769,432,389</b>	<b>453,980,806</b>	<b>411,028,505</b>
<b>Changes in:</b>						
(Increase)/decrease in inventories		(1,282,057,453)	252,317,053	–	–	–
Decrease/(increase) in trade and other receivables		47,163,592	(894,578,911)	27,247,827	(37,071,935)	(33,113,470)
Decrease/(increase) in amounts due from related parties		78,318,595	133,353,924	17,561,881	(15,050,095)	(15,050,094)
Increase/(decrease) in trade and other payables		1,043,501,778	(439,863,491)	(5,755,018)	(6,340,936)	(1,466,508)
(Decrease)/increase in amounts due to related parties		(21,760,652)	(144,545,426)	(3,186,792)	2,875,808	2,651,108
<b>Cash generated from operating activities</b>		<b>4,591,986,543</b>	<b>2,209,468,779</b>	<b>805,300,287</b>	<b>398,393,648</b>	<b>364,049,541</b>
Interest paid		(372,313,140)	(487,833,502)	(169,371,726)	(127,892,181)	(163,945,575)
Income tax paid	29	(643,172,689)	(506,422,254)	(63,223,579)	–	–
Employee benefits paid	35	(44,655,744)	(58,074,587)	–	(3,197,904)	(3,197,904)
<b>Net cash from operating activities</b>		<b>3,531,844,970</b>	<b>1,157,138,436</b>	<b>572,704,982</b>	<b>267,303,563</b>	<b>196,906,062</b>

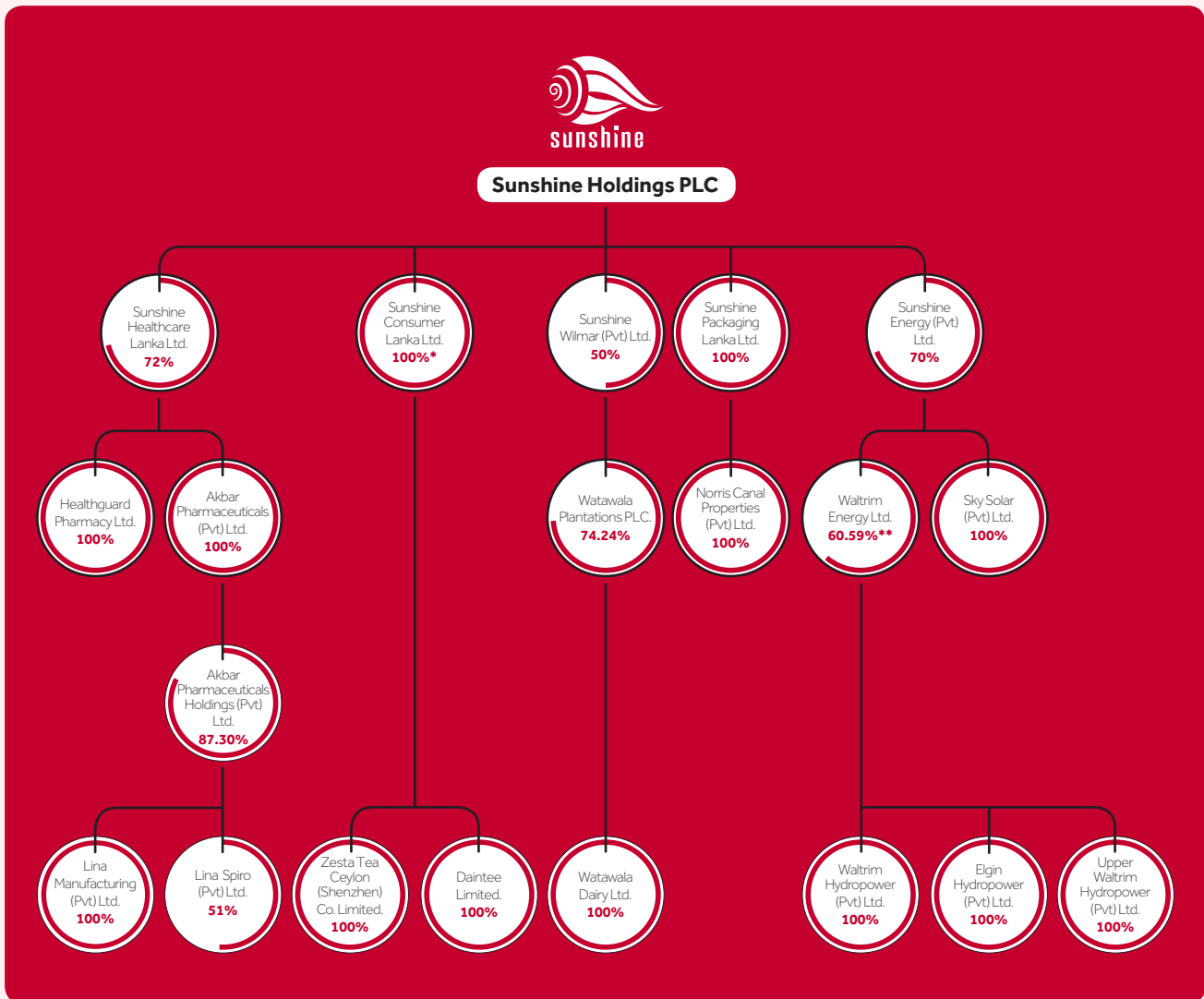
For the year ended 31 March	Note	GROUP		COMPANY		
		2021 Rs.	2020 Rs.	2021 Rs.	2020 restated* Rs.	2020 Previously reported** Rs.
<b>Cash flows from investing activities</b>						
Interest Received		175,994,128	218,405,325	156,256,012	195,468,866	120,047,566
(Investments)/disposal in other investments		52,076,228	(115,475,331)	54,664,537	(71,726,089)	(115,475,329)
(Investments)/disposal in short-term investments		375,484,496		-	-	-
(Investment)/disposal of subsidiary		-	-	(4,423,814,034)	(75,000,000)	(75,000,000)
Investment in gratuity fund		(13,428,000)	(31,674,000)	-	-	-
Additions to bearer plants	22.1	(165,202,000)	(211,390,000)	-	-	-
Additions to consumable biological assets	22.2	-	(438,000)	-	-	-
Net investment in livestock	22.3	(53,832,000)	(20,284,000)	-	-	-
Additions to property, plant and equipment	19.1	(345,733,540)	(420,804,390)	(4,504,705)	(15,245,259)	(15,245,259)
Acquisition of intangible assets	20.1	(52,883,028)	(13,632,499)	(7,555,660)	-	-
Proceeds from sale of trees		-	8,020,000	-	-	-
Proceeds from sale of property, plant and equipment		77,070,511	79,653,225	-	8,501,000	8,501,000
Acquisition of non-controlling interest in subsidiaries	24.3	(2,903,064,032)	(190,972,000)	-	-	-
Acquisition of subsidiaries (net of cash)	24.4	(2,238,359,537)	-	-	-	-
Disposal of subsidiary (net of cash)	24.5	1,268,000	1,286,196,546	2,999,743,572	1,477,356,546	-
Proceeds on disposal of shares held in subsidiary		278,429,916	-	278,429,916	-	-
Additions to the investment properties		-	(119,159,260)	-	-	-
<b>Net cash (used in)/generated from investing activities</b>		<b>(4,812,178,858)</b>	468,445,616	<b>(946,780,362)</b>	1,519,355,064	(77,172,022)
<b>Cash flows from financing activities</b>						
Share issuing cost		-	(35,671,225)	-	-	-
Receipts of interest-bearing borrowings	34.1	11,031,270,271	3,575,138,157	3,104,000,000	1,580,000,000	1,580,000,000
Proceeds from share issued by subsidiary to NCI	24.2	1,520,750,002	374,972,690	-	-	-
Repayments of interest-bearing borrowings	34	(11,852,381,665)	(2,810,824,356)	(4,999,121,698)	(429,949,394)	(393,896,000)
Payment of lease liabilities (repayment of lease principal)	34	(175,206,298)	(191,647,668)	(14,750,775)	(18,006,816)	(15,022,800)
Dividend paid	17.1	(955,149,219)	(186,942,629)	(261,719,680)	(186,942,629)	(186,942,629)
<b>Net cash from financing activities</b>		<b>(430,716,909)</b>	725,024,969	<b>(2,171,592,153)</b>	945,101,161	984,138,571
Net (decrease)/increase in cash and cash equivalents		(1,711,050,797)	2,350,609,021	(2,545,667,533)	2,731,759,788	1,103,872,611
Cash and cash equivalents as at 1 April 2020		3,408,395,610	1,056,602,620	3,826,333,848	1,094,574,060	1,082,109,987
Effect of movement in exchange rates		1,092,211	1,183,969	-	-	-
<b>Cash and cash equivalents as at 31 March</b>	32	<b>1,698,437,024</b>	3,408,395,610	<b>1,280,666,315</b>	3,826,333,848	2,185,982,598

\* The balances presented represent the restated balances for the year ended 31 March 2020 to reflect the adjustments made due to the amalgamation between the Company and Estate Management Services (Pvt) Ltd. Refer Note 46 for details.

\*\* The balances presented represent the balances as reported in the Audited Financial Statements for the year ended 31 March 2020. These balances are presented for the purposes of comparability.

Figures in brackets indicate deductions.

The Accounting Policies and Notes from page 63 to 186 are an integral part of these Financial Statements.



\* Watawala Tea Ceylon Ltd. has changed its name to Sunshine Consumer Lanka Ltd. with effect from 2 February 2021

\*\* Group entered into sales agreement to dispose Waltrim Energy Ltd. and its subsidiaries on 7 April 2021. (Refer Note 45.2)

# NOTES TO THE FINANCIAL STATEMENTS

## → 1. REPORTING ENTITY

### 1.1 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.

Total staff strength of the Company and the Group on 31 March 2021 was as follow:

Group 3,130 (31 March 2020 – 2,663)

Company 21 (31 March 2020 – 20)

The Registrar General of Companies on 2 February 2021 issued the Certificate of Amalgamation in terms of Section 244 (1) (a) of the Companies Act No. 07 of 2007 that Estate Management Services (Pvt) Ltd. to be amalgamated with Sunshine Holdings PLC in accordance with the provisions of Part VIII of the Companies Act No. 07 of 2007 with Sunshine Holdings PLC as the surviving entity.

### 1.2 CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

The Consolidated Financial Statements of Sunshine Holdings PLC as at and for the year ended 31 March 2021 comprise the financial information of the 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.

#### Presentation of Financial Statements

The separate Financial Statements of the Company consists of the following.

- Financial performance of the amalgamated entity [Sunshine Holdings PLC and Estate Management Services (Pvt) Ltd.] for the years ended 31 March 2021, 31 March 2020 (restated) as if the amalgamation occurred as at 1 April 2020 and 31 March 2020 as previously reported for better presentation and purposes of comparability. The Consolidated Financial performance did not require restatement given that the Group structure existed even prior to amalgamation.

- Financial position of the amalgamated entity [Sunshine Holdings PLC and Estate Management Services (Pvt) Ltd.] for the years ended 31 March 2021, 31 March 2020 (restated) as if the amalgamation occurred as at 1 April 2020 and 31 March 2020 as previously reported for better presentation and purposes of comparability. The consolidated financial position did not require restatement given that the Group structure existed even prior to amalgamation.
- Cash flows of the amalgamated entity (Sunshine Holdings PLC and Estate Management Services (Pvt) Ltd.) for the year ended 31 March 2021, 31 March 2020 (restated) as if the amalgamation occurred as at 1 April 2020 and 31 March 2020 as previously reported for better presentation and purposes of comparability. The Consolidated cash flows did not require restatement given that the Group structure existed even prior to amalgamation.

### 1.3 PARENT ENTITY AND ULTIMATE PARENT ENTITY

Sunshine Holdings PLC does not have an identifiable parent of its own. The Company is the ultimate parent of the Group companies.

### 1.4 PRINCIPAL BUSINESS ACTIVITIES, NATURE OF OPERATIONS OF THE GROUP AND OWNERSHIP BY THE COMPANY IN ITS SUBSIDIARIES AND ASSOCIATES

The Group Structure is given on page 62.

Entity	Principal business activity
Sunshine Holdings PLC As explained in Note 1.1 Estate Management Services (Pvt) Ltd. has been amalgamated with Sunshine Holdings PLC.	Managing portfolio of investments
<b>Subsidiaries</b>	
Sunshine Healthcare Lanka Ltd.	Importing and distributing of pharmaceutical products island wide
Healthguard Pharmacy Ltd.	Engage in buying and selling of pharmaceutical items and healthcare through its chains of pharmacies
Akbar Pharmaceuticals (Pvt) Ltd. (w.e.f. 25 January 2021)	Importing of pharmaceutical and medical items for local distribution

Entity	Principal business activity
Akbar Pharmaceuticals Holdings (Pvt) Ltd. (w.e.f. 25 January 2021)	Managing portfolio of investments
Lina Manufacturing (Pvt) Ltd. (w.e.f. 25 January 2021)	Manufacturing of drugs
Lina Spiro (Pvt) Ltd. (w.e.f. 25 January 2021)	Manufacturing of drugs
Sunshine Consumer Lanka Ltd. (formerly known as "Watawala Tea Ceylon Ltd.")	Buying and adding value to tea for local and export markets
Daintee Limited (w.e.f. 30 August 2020)	Manufacturing and selling of confectioneries
Zesta Tea Ceylon (Shenzhen) Co. Limited	Wholesale, retail and import and export of tea leaves, tea set and accessories and raw materials
Sunshine Wilmar (Pvt) Ltd.	Managing investment portfolio
Watawala Plantations PLC	Engage in cultivation, manufacture and sale of crude palm oil
Watawala Dairy Ltd.	Engage in dairy farming
Sunshine Energy (Pvt) Ltd.	Investing in power generating companies
Waltrim Energy Ltd.	
Sunshine Packaging Lanka Ltd.	Engaging in renting out premises and earn rental income.
Norris Canal Properties (Pvt) Ltd.	Engage in renting out premises and earn rental income.

There were no significant changes in the nature of the principal activities of the Group during the financial year under review.

Refer Note 24 for the changes in the Group structure during the year.

## → 2. BASIS OF ACCOUNTING

### 2.1 STATEMENT OF COMPLIANCE

These Financial Statements of the Group and the Separated Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRSs and LKASs) 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 May 25, 2021.

These Financial Statements, except for information on cash flows have been prepared following the accrual basis of accounting.

Details of the Group's significant accounting policies followed during the year are given on Notes 6 to 46 on pages 66 to 186.

These Financial Statements include the following components:

- a Statement of Profit or Loss and Other Comprehensive Income providing information on the financial performance of the Group and the Company for the year under review; (Refer pages 52 and 53).
- a Statement of Financial Position providing information on the financial position of the Group and the Company as at the year end; (Refer pages 54 and 55).
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company; (Refer pages 54 and 55).
- a Statement of Cash Flows providing information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and the needs of the entity to utilise those cash flows; (Refer pages 60 to 61).
- Notes to the Financial Statements comprising accounting policies and other explanatory information. (Refer pages 63 to 186)

### 2.2 MATERIALITY AND AGGREGATION

Each item which is similar in nature is presented separately if material. Items of dissimilar nature or function are presented separately unless they are immaterial as permitted by the Sri Lanka Accounting Standard LKAS 1 – "Presentation of Financial Statements"

### 2.3 GOING CONCERN

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment took into consideration the existing and potential implications of COVID-19 pandemic on the

business operations and performance of the Group and the measures adopted by the Government to mitigate the pandemic's spread and support recovery of the economy. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the Financial Statements continue to be prepared on a going concern basis. Refer Note 48 for the Directors' assessment on going concern.

## 2.4 OFFSETTING

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Financial Position, only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the Income Statement, unless required or permitted by an Accounting Standard or Interpretation (issued by the IFRS Interpretations Committee and Standard Interpretations Committee) and as specifically disclosed in the significant accounting policies of the Group.

## 2.5 COMPARATIVE INFORMATION

Comparative information including quantitative, narrative and descriptive information is disclosed in respect of the previous period in the Financial Statements in order to enhance the understanding of the current period's Financial Statements and to enhance the inter period comparability.

The presentation and classification of the Financial Statements of the previous year are amended, where relevant for better presentation and to be comparable with those of the current year.

## → 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.

## Coronavirus (COVID-19) pandemic

The COVID-19 pandemic and its effect on the global economy have impacted the customers, operations, and performance of the Group. The outbreak necessitated the governments to respond at unprecedented levels to protect the health of the population, local economy, and livelihoods. Thus the pandemic has significantly increased the estimation uncertainty in the preparation of these Financial Statements including, the extent and duration of the disruption to businesses, the expected economic downturn, and subsequent recovery.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets. The impact of the COVID-19 pandemic on each of these estimates is discussed further in the relevant notes of these Financial Statements.

### (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 10 – 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
- Note 25 – equity-accounted investees: whether the Group has significant influence over an investee
- Note 34.3 – lease term: whether the Group is reasonably certain to exercise extension options.

### (b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 March 2021 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 35 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 14 – 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 44 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
- Note 6.3 – impairment of financial and non-financial assets
- Note 23 – determining the fair value of Investment Properties on the basis of significant unobservable inputs;
- Note 48 – potential impact of COVID-19 on financial reporting

## → 5. BASIS OF MEASUREMENT

The 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 Position.

Items	Measurement bases
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
Investment properties measured at fair value	Fair value less costs to sell
Derivative financial instruments	Fair value

## → 6. SIGNIFICANT ACCOUNTING POLICIES

Apart from the general accounting policies set out below, the specific accounting policies pertaining to each item in the Financial Statements have been presented within the respective notes to the Financial Statements. These significant accounting policies have been applied consistently to all periods presented in the Financial Statements of the Group, unless otherwise indicated. The accounting policies have been consistently applied by the Group entities where applicable and deviations if any have been disclosed accordingly. Further the changes in accounting policies due to adoption of new standards and interpretations or adoption of new accounting policies have been presented in Note 7 to the Financial Statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

### 6.1 BASIS OF CONSOLIDATION

#### Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

From 1 April 2020, in determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether

the acquired set has the ability to produce outputs. The Group has an option to apply a "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

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.

#### Subsidiaries

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

#### 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.

### Accounting period

The Financial Statements of all entities in the Group have a common financial year which ends on March 31.

## 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

The Group recognises loss allowances for Expected Credit Losses 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.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group considers a financial asset to be in default when:

- the debtors is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any held); or
- the financials asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-months ECLs are the portion of ECLs that result from default events that are possible within the 12-months after the reporting date (or a shorter period if the expected life of the instrument is less than 12-months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

### 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.

### Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

### Presentation of allowance for ECL in the Statement of Financial Position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

### Write-off

For individual customers, the Group has a policy of writing off the gross carrying amount as approved by the Board of Directors based on historical experience of recoveries of similar assets. For corporate customers, the Group individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due. Evidence of impairment included a significant or prolonged decline in its fair value below its cost.

### 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.

## → 7. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

### 7.1 ADOPTION OF NEW ACCOUNTING STANDARDS/AMENDMENTS TO ACCOUNTING STANDARDS

The Group initially applied Definition of a Business (Amendments to SLFRS 3) from 1 April 2020.

#### Definition of a business

The Group applied Definition of a Business (Amendments to SLFRS 3) to Business Combinations whose dates of acquisition are on or after 1 April 2020 in assessing whether it had acquired a business or a group of assets.

The Group has amended its accounting policies for acquisitions on or after 1 April 2020. The details of accounting policies are set out in Note 6.1 and Note 24.

While there are other amendments to the existing standards which are also effective from 1 April 2020, those do not have a material effect on the Group/separates Financial Statements.

### 7.2 APPLICATION OF NEW SIGNIFICANT ACCOUNTING POLICIES

#### Merger Accounting for Common Control Combination

The Group adopted the Statement of Recommended Practice (SORP) for Merger Accounting for Common Control Combinations approved by the Council of The Institute of Chartered Accountants of Sri Lanka on 19 December 2012, on merger accounting for common control combinations for annual periods beginning on or after 1 April 2020. The SORP is applicable for Consolidated Financial Statements. Due to the absence of clear guidance of accounting for amalgamation in the Separate Financial Statements, the Group adopted the SORP for Merger Accounting for Common Control Combinations, in preparing the Separate Financial Statements of the Company.

#### Consolidated/separate Financial Statements

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. The assets and liabilities of the acquired entity or business should be recorded at the book values as stated in the financial statements of the controlling party.

No amount is recognised as consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party or parties' interests; and,

Comparative amounts in the financial statements are presented using the principles as set out above as if the

entities or businesses had been combined at the previous balance sheet date unless the combining entities or businesses first came under common control at a later date.

The consolidated income statement includes the results of each of the combining entities or businesses from the earliest date presented (i.e. including the comparative period) or since the date when the combining entities or businesses first came under the control of the controlling party or parties, where this is a shorter period, regardless of the date of the common control combination. The consolidated income statement also takes into account the profit or loss attributable to the minority interest recorded in the consolidated financial statements of the controlling party.

Expenditure incurred in relation to a common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred. Such expenditure includes professional fees, registration fees, costs of furnishing information to shareholders, and salaries and other expenses involved in achieving the common control combination.

Consolidation is performed in accordance with LKAS 27. The principal consolidation entries are as follows:

- (a) the effects of all transactions between the combining entities or businesses, whether occurring before or after the common control combination, are eliminated; and

- (b) since the combined entity will present one set of consolidated financial statements, a uniform set of accounting policies is adopted which may result in adjustments to the assets, liabilities and equity of the combining entities or businesses.

## → 8. STANDARDS ISSUED BUT NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2021 and earlier application is permitted; however, the Group has not early adopted them in preparing these Financial Statements.

The following amended/new standards are not expected to have a significant impact on the Group's Financial Statements.

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37).
- COVID-19-Related Rent Concessions (Amendment to SLFRS 16).
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16).
- Reference to Conceptual Framework (Amendments to SLFRS 3).
- Interest Rate Benchmark Reform – Phase 1 and Phase 2 (Amendments to SLFRS 9, LKAS 39 and SLFRS 7).
- SLFRS 17 Insurance Contracts establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. SLFRS 17 introduces a new measurement model for insurance contracts and becomes effective in 2023.
- Annual improvements to SLFRSs 2018-2020.

## → 9. OPERATING SEGMENTS

### Accounting policy →

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with any of the Group's other components, whose operating results are regularly reviewed by the Group's Chief Operating Decision Maker (CODM) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO (being the CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses and tax assets and liabilities.

### 9.1 BASIS FOR SEGMENTATION

The Group has the following seven strategic divisions, which are reportable segments. These divisions offer different products and services, and are managed separately based on the Group's management and internal reporting structure.

Healthcare	Manufacturing, importing, Marketing pharmaceuticals, nutraceuticals, medical diagnostic equipment and surgical products
Agribusiness	Cultivation, farming and processing
Consumer goods	Sales and distribution of branded tea and confectionery
Energy	Power Generation from renewable energy sources
Investment and Management Services	Managing portfolio of investments and providing expert management services
Rental business	Renting out of premises

**2021**

	Healthcare Rs.	Agribusiness Rs.	Consumer goods Rs.
External revenues	12,769,793,315	3,933,523,000	7,124,963,802
Inter-segment revenue	–	–	–
<b>Segment revenue</b>	<b>12,769,793,315</b>	<b>3,933,523,000</b>	<b>7,124,963,802</b>
Segment profit/(loss) before tax	1,146,953,290	1,751,656,000	552,517,523
Interest income	49,042,296	15,532,000	33,709,335
Interest expense	(99,405,471)	(81,970,000)	(62,154,899)
Depreciation and amortisation	(215,268,385)	(357,058,000)	(140,590,464)
<b>Other material non-cash items</b>			
– Impairment losses on trade and other receivables	(63,672,974)	–	5,883,975
<b>Segment assets</b>	<b>10,720,898,200</b>	<b>7,106,719,000</b>	<b>3,774,410,106</b>
Capital expenditure	(71,617,176)	(367,758,000)	(70,451,498)
<b>Segment liabilities</b>	<b>4,862,966,416</b>	<b>2,044,309,000</b>	<b>2,493,442,307</b>

**2020**

	Healthcare Rs.	Agribusiness Rs.	Consumer goods Rs.
External revenues	11,150,105,066	3,839,078,000	5,448,416,503
Inter-segment revenue	–	–	–
<b>Segment revenue</b>	<b>11,150,105,066</b>	<b>3,839,078,000</b>	<b>5,448,416,503</b>
Segment profit/(loss) before tax	750,973,278	934,381,238	425,549,310
Interest income	38,803,564	12,342,715	15,162,232
Interest expense	(146,719,834)	(193,099,811)	(6,917,875)
Depreciation and amortisation	(201,752,178)	(331,780,000)	(127,610,556)
<b>Other material non-cash items</b>			
– Impairment losses on trade and other receivables	(25,116,900)	–	(13,862,424)
<b>Segment assets</b>	<b>6,158,349,660</b>	<b>6,987,543,000</b>	<b>1,700,388,897</b>
Capital expenditure	(124,500,327)	(359,184,999)	(36,215,484)
<b>Segment liabilities</b>	<b>3,555,603,977</b>	<b>2,389,390,000</b>	<b>435,382,831</b>

Segment performance is evaluated based on operating profits or losses which are measured differently from operating profits or losses in the consolidated financial statements. Income taxes are managed on a group basis and are not allocated to operating segments.

The Group's Management Committee reviews internal management reports from each division at least monthly.

### Information about reportable segments

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.

	Reportable segments			Total
	Energy Rs.	Investment and Management Services Rs.	Rental business Rs.	Rs.
	440,243,207	1,755,824,437	25,920,684	26,050,268,445
	–	–	9,616,639	9,616,639
	440,243,207	1,755,824,437	35,537,323	26,059,885,084
	(7,755,927)	3,908,055,600	10,696,790	7,362,123,276
	11,862,667	158,704,678	200,456	269,051,432
	(53,604,798)	(171,145,057)	(16,918,554)	(485,198,779)
	(113,264,570)	(22,476,545)	(4,821,418)	(853,479,382)
	–	–	–	(57,788,999)
	2,270,973,724	9,405,365,622	1,002,012,269	34,280,378,921
	(95,763,529)	(12,060,365)	–	(617,650,568)
	887,569,220	1,244,574,305	264,781,986	11,797,643,234

	Reportable segments			Total
	Energy Rs.	Investment and Management Services Rs.	Rental business Rs.	Rs.
	312,762,695	655,897,433	24,534,526	21,430,794,222
	–	–	10,288,235	10,288,235
	312,762,695	655,897,433	34,822,761	21,441,082,458
	33,368,350	1,987,767,355	200,745,304	4,332,784,835
	19,043,543	195,468,865	1,245,118	282,066,037
	(78,434,344)	(184,130,732)	(17,020,274)	(626,322,870)
	(108,417,960)	(20,826,654)	(4,954,540)	(795,341,888)
	(2,656,285)	(644,467)	(28,657,612)	(70,937,688)
	2,236,507,706	8,510,460,637	1,009,192,172	26,602,442,072
	(131,402,820)	(15,245,259)	(119,159,259)	(785,708,148)
	892,171,302	3,119,374,708	281,541,760	10,673,464,578

## 9.2 OPERATING SEGMENTS

### Reconciliations of information on reportable segments to SLFRS measures

	<b>2021</b> Rs.	2020 Rs.
<b>Revenue</b>		
Total revenue for reportable segments	26,059,885,084	21,441,082,458
Elimination of inter-segment revenue	(1,720,438,928)	(566,444,964)
<b>Consolidated revenue</b>	<b>24,339,446,156</b>	<b>20,874,637,494</b>
<b>Profit before tax</b>		
Total profit before tax for reportable segments	7,362,123,276	4,332,784,835
Elimination of inter-segment profit	(4,052,984,486)	(1,769,407,911)
<b>Consolidated profit before tax from operations</b>	<b>3,309,138,790</b>	<b>2,563,376,924</b>
<b>Assets</b>		
Total assets for reportable segments	34,280,378,921	26,602,442,072
Elimination of inter-segment assets	(7,397,373,461)	(3,767,978,659)
<b>Consolidated total assets</b>	<b>26,883,005,460</b>	<b>22,834,463,413</b>
<b>Liabilities</b>		
Total liabilities for reportable segments	11,797,643,234	10,673,464,578
Elimination of inter-segment liabilities	(256,457,197)	(288,707,633)
<b>Consolidated total liabilities</b>	<b>11,541,186,037</b>	<b>10,384,756,945</b>

<b>2021</b>	Reportable segment totals Rs.	Adjustments Rs.	Consolidated totals Rs.
<b>Other material items</b>			
Finance income	269,051,432	(16,405,000)	252,646,432
Finance cost	(485,198,779)	16,405,000	(468,793,779)
Capital expenditure	(617,650,568)	–	(617,650,568)
Depreciation and amortisation	(853,479,382)	–	(853,479,382)
Impairment losses on trade and other receivables	(57,788,999)	–	(57,788,999)

2020	Reportable segment totals Rs.	Adjustments Rs.	Consolidated totals Rs.
<b>Other material items</b>			
Finance income	282,066,037	(17,575,547)	264,490,490
Finance cost	(626,322,870)	17,575,548	(608,747,322)
Capital expenditure	(785,708,148)	–	(785,708,148)
Depreciation and amortisation	(795,341,888)	–	(795,341,888)
Impairment losses on trade and other receivables	(70,937,688)	–	(70,937,688)

### 9.3 GEOGRAPHIC INFORMATION

The Agribusiness and Consumer Goods segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices primarily in Sri Lanka.

The geographic information analyses the Group's revenue and assets by the Company's country of domicile and other countries. In presenting the geographic information, segment revenue has been based on the geographic location of customers and segment assets were based on the geographic location of the assets.

	<b>2021</b> Rs.	2020 Rs.
<b>Revenue</b>		
Sri Lanka	25,966,906,717	21,060,477,395
China	15,985,927	189,889,525
Singapore	10,550,876	38,088,613
Philippines	-	22,176,079
Japan	17,681,874	13,141,577
Other countries	48,759,690	117,309,269
	<b>26,059,885,084</b>	<b>21,441,082,458</b>
<b>Segment assets</b>		
Sri Lanka	34,280,378,921	26,509,211,454
Other countries	-	93,230,618
	<b>34,280,378,921</b>	<b>26,602,442,072</b>

## → 10. 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.

#### 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		
	<b>2021</b> Rs.	2020 Rs.	<b>2021</b> Rs.	2020 Restated Rs.	2020 Rs.
Revenue from contracts with customers	23,398,286,575	20,839,814,733	850,202,179	655,897,433	497,330,868
<b>Other revenue</b>					
Rentals from Investment property	941,159,581	34,822,761	-	-	-
	<b>24,339,446,156</b>	<b>20,874,637,494</b>	<b>850,202,179</b>	<b>655,897,433</b>	<b>497,330,868</b>

## B. Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition.

For the year ended 31 March	GROUP		COMPANY		
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Restated Rs.	2020 Rs.
<b>Primary geographic markets</b>					
Local	24,230,588,284	20,696,419,687	850,202,179	655,897,433	497,330,868
Exports	108,857,872	178,217,807	–	–	–
	24,339,446,156	20,874,637,494	850,202,179	655,897,433	497,330,868
<b>Major product/service lines</b>					
Investments	45,002,148	99,740,704	850,202,179	655,897,433	497,330,868
Healthcare	12,769,793,315	11,150,105,066	–	–	–
Plantation	3,933,523,000	3,839,078,000	–	–	–
FMCG	7,124,963,802	5,448,416,503	–	–	–
Energy	440,243,207	312,762,695	–	–	–
Rent income	25,920,684	24,534,526	–	–	–
	24,339,446,156	20,874,637,494	850,202,179	655,897,433	497,330,868
<b>Timing of revenue recognition</b>					
Products transferred at a point in time	24,313,525,472	20,840,804,733	850,202,179	655,897,433	497,330,868
Products and services transferred over time	25,920,684	33,832,761	–	–	–
	24,339,446,156	20,874,637,494	850,202,179	655,897,433	497,330,868

## 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 contracts 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
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.
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.

Type of product/ service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
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.
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.
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.
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.

Following Coronavirus "COVID-19" outbreak in Sri Lanka the business operations and activities of the Group were temporarily interrupted. The operating segments of the of the Group being Healthcare, Agri business, Consumer goods and Energy, the potential impact of COVID-19 is expected to be minimal based on the internal assessment carried out by the Management.

## → 11. 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 Statement of Profit or Loss on a systematic basis in the periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised in Statement of Profit or Loss on a systematic basis over the useful life of the asset.

#### Gains and losses on the disposal of investments

Such gains and losses are recognised in Statement of 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.

#### Service income

Service income is recognised in profit or loss as per terms of the agreement on the basis of services rendered.

For the year ended 31 March	Note	GROUP		COMPANY		
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Restated Rs.	2020 Rs.
Dividend income		1,714,841	9	-	-	-
Gain on sale of property, plant and equipment		31,708,661	44,059,002	-	2,011,685	2,011,685
Amortisation of capital grants	36	50,554,000	50,555,000	-	-	-
Profit on sale of trees	11.1	-	7,747,000	-	-	-
Loss on disposal of investment		(5,700,960)		-	-	-
Fair value gain on investment properties	23	-	116,267,064	-	-	-
Lease rent – bungalow and others		-	134,129	-	-	-
Income from investment fund		20,666,000	31,674,000	-	-	-
Royalty		294,250	-	-	-	-
Sundry income	11.3	159,256,845	111,675,737	1,682,880	910,808	910,808
Rent income		21,968,511	25,807,361	-	-	-
Service income		-	-	342,343,261	306,972,559	306,972,559
Change in fair value of quoted shares		(1,086,323)	4,422,113	(2,225,511)	4,422,113	4,422,113
Change in fair value of livestock	22.3	(30,000)	12,634,000	-	-	-
Change in fair value of unharvested crop	22.1	10,891,000	10,526,000	-	-	-
Fair value gain/(loss) on consumable biological assets	11.2/22.2	1,200,000	(6,656,000)	-	-	-
		291,436,825	408,845,415	341,800,630	314,317,165	314,317,165

**11.1** Income from sale of trees of Watawala Plantation PLC, a subsidiary of the Company, represents the disposal of trees recognised as consumable biological assets and bears biological assets at the reporting date.

**11.2** The (loss)/gain 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.

**11.3** Sundry income mainly includes commission income received from foreign suppliers for securing contracts with government to Sunshine Healthcare Lanka Ltd. amounting to Rs. 109 Mn. (2020 – Rs. 78 Mn.).

## → 12. 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		
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Restated Rs.	2020 Previously reported Rs.
Staff costs (Note 12.1)	3,056,384,699	2,407,342,102	307,166,046	297,465,212	297,698,622
Statutory audit fees – KPMG	9,819,750	6,721,000	1,627,500	1,850,000	1,550,000
– Other auditors	582,712	2,161,000		–	–
Audit related – KPMG	2,583,723	1,561,974	500,000	1,561,974	970,000
Non-audit – KPMG	3,450,000	32,076	750,000	32,076	3,476,226
– Other auditors	7,498,521	2,069,733	7,072,621	2,069,733	1,009,290
Provision/(Reversal) for trade debtors	57,788,999	22,994,323	–	–	–
<b>Depreciation</b>					
– Property, plant and equipment	647,977,610	580,883,367	21,463,966	20,804,093	17,942,996
– Biological assets – bearer	157,230,000	167,161,000		–	–
Amortisation of intangible assets	38,151,772	37,014,521	4,685	22,562	22,562
Amortisation – Leasehold right to bare land	10,120,000	10,283,000	–	–	–

## 12.1 STAFF COSTS

For the year ended 31 March	GROUP		COMPANY		
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Restated Rs.	2020 Previously reported Rs.
Defined benefit plan (Gratuity)	119,130,631	110,473,610	13,526,859	14,874,882	14,874,882
Defined contribution EPF and ETF	201,476,157	183,369,474	26,209,335	26,566,821	26,566,821
Salaries, wages and other staff cost	2,735,777,911	2,113,499,019	267,429,852	256,023,509	256,023,509
	3,056,384,699	2,407,342,102	307,166,046	297,465,212	297,465,212

## → 13. 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 recognized 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.

For the year ended 31 March	GROUP		COMPANY		
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Restated Rs.	2020 Rs.
Interest income from related companies	–	–	16,405,000	17,575,548	17,575,548
Exchange gain	50,263,263	46,085,165	–	3,055	3,055
Interest income on other deposits/loans	202,383,169	218,405,325	139,820,875	177,890,263	102,468,963
<b>Finance income</b>	<b>252,646,432</b>	<b>264,490,490</b>	<b>156,225,875</b>	<b>195,468,866</b>	<b>120,047,566</b>
Interest on overdrafts and loans	390,181,698	534,256,783	168,806,964	180,331,879	180,331,879
Interest on finance lease	1,223,549	–	–	–	–
Exchange loss	4,327,542	–	–	–	–
Finance expense on lease liabilities	73,060,990	74,490,539	2,191,841	3,798,853	3,643,177
<b>Finance cost</b>	<b>468,793,779</b>	<b>608,747,322</b>	<b>170,998,805</b>	<b>184,130,732</b>	<b>183,975,056</b>
<b>Net finance cost</b>	<b>(216,147,347)</b>	<b>(344,256,832)</b>	<b>(14,772,930)</b>	<b>11,338,134</b>	<b>(63,927,490)</b>

## → 14. 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.

**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.

**14.1 AMOUNT RECOGNIZED IN PROFIT OR LOSS**

	GROUP		COMPANY		
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Restated Rs.	2020 Rs.
<b>Current tax expense</b>					
Current income tax expense (Note 14.1.A)	798,651,344	541,540,003	101,379,536	19,956,847	–
Changes in estimates relating to prior years	(40,350,079)	20,447,174	1,986,280	(4,365,938)	(4,365,938)
Unclaimable economic service charges (ESC)	11,095,159	1,013,891	10,329,819	–	–
Write-off of tax receivable	2,963,386	–	2,963,386	–	–
WHT on dividends from subsidiaries	2,281,132	90,537,142	–	–	–
	774,640,942	653,538,210	116,659,021	15,590,909	(4,365,938)
<b>Deferred tax expenses</b>					
Origination and reversal of deferred tax assets (Note 27.2)	486,289	19,485,816	4,279,438	(10,846,237)	(10,846,237)
Origination and reversal of deferred tax liabilities (Note 27.3)	(3,516,442)	57,715,332	(3,884,766)	7,486,858	7,486,858
	(3,030,153)	77,201,148	394,672	(3,359,379)	(3,359,379)
<b>Tax expense</b>	<b>771,610,789</b>	<b>730,739,358</b>	<b>117,053,693</b>	<b>12,231,530</b>	<b>(7,725,317)</b>

Tax expense on continuing operations excludes the Group's share of the tax expenses of equity-accounted investee of Rs. Nil/- (2020: Rs. Nil/-), which has been included in "share of profit of equity-accounted investee, net of tax".

**14.1.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 24% (2018- 28%) on its taxable income. Refer Note 27.

As instructed by the Ministry of Finance on 31 January 2020, changes to the current tax rate was proposed as below, pending formal amendments being made to the Act and to be implemented with effect from 1 January 2020. The Bill to amend the Inland Revenue Act No. 24 of 2017 was gazetted and issued on 18 March 2021. The Bill was presented at the Parliament for first reading and approved on 26 March 2021. Accordingly, the new tax rates disclosed below have been considered to be substantially enacted as at reporting date for the computation of Current and Deferred tax computation for the year ended 31 March 2021.

For the year ended 31 March	Tax Rate	
	2021 %	2020 %
Sunshine Holdings PLC	24	28
Sunshine Healthcare Lanka Ltd.	24	28
Estate Management Services (Pvt) Ltd. – Interest Income	24	28
Watawala Plantations PLC – Profits from Agri farming	Exempted	14
– Profits from Agri processing	14	14
– Profits from other activities	24	28
Healthguard Pharmacy Ltd.	24	28
Sunshine Consumer Lanka Ltd. (Formerly known as “Watawala Tea Ceylon Limited”)	18	28
Sunshine Packaging Limited	24	28
Sunshine Energy (Pvt) Ltd.	24	28
Sky Solar (Pvt) Ltd.	24	28
Waltrim Energy Ltd.	24	28
Waltrim Hydropower (Private) Limited	10	10
Norris Canal Properties (Pvt) Ltd.	24	28
Daintee Limited	18	–
Akbar Pharmaceuticals (Pvt) Ltd.	24	–
Akbar Pharmaceuticals Holdings (Pvt) Ltd.	24	–
Lina Manufacturing (Pvt) Ltd.	18	–
Lina Spiro (Pvt) Ltd.	18	–
Sunshine Wilmar (Pvt) Ltd.	24	–

Dividend income of the Group is liable for tax at 14% from 1 January 2020 to 31 March 2021.

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

#### Waltrim Hydropower (Private) Limited

Pursuant 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 2 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 in to 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 (Sec 17A) based on proposed investment of more than Sri Lanka Rupee 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.

### Watawala Dairy Ltd.

Watawala Dairy Ltd. 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.

## 14.2 AMOUNT RECOGNISED IN OCI

For the year ended 31 March	GROUP		COMPANY		
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Restated Rs.	2020 Rs.
<b>Items that will not be reclassified to profit or loss</b>					
Remeasurement of defined benefit liability/ (asset) (Note 27.2)	6,411,641	434,921	(1,451,978)	(634,692)	(634,692)
Equity investments at FVOCI – net change in fair value (Note 27.3)	12,364,862	11,296,155	12,364,862	11,296,156	11,296,156
	18,776,503	11,731,076	10,912,884	10,661,464	10,661,464

## 14.3 AMOUNTS RECOGNISED DIRECTLY IN EQUITY

There were no items recognised directly in equity during the year ended 31 March 2021.

## 14.4 RECONCILIATION OF EFFECTIVE TAX RATE

GROUP				
	%	2021 Rs.	%	2020 Rs.
Profit before tax		3,309,138,790		2,563,376,924
Tax using the Company's domestic tax rate	24	794,193,310	28	717,745,539
Effect of the tax rates in subsidiaries	-7	(223,473,413)	-6	(156,373,504)
<b>Tax effect of:</b>				
Non-deductible/Allowable expenses	11	375,218,829	2	40,063,570
Tax-exempt income	0	(2,161,796)	-1	(22,350,362)
Changes in estimates relating to prior years	-1	(40,350,079)	1	20,447,174
Recognition of previously unrecognized tax losses	-4	(145,125,586)	-1	(37,545,240)
Unclaimable Economic Service Charges (ESC)	0	11,095,159	0	1,013,891
Write-off of tax receivables	0	2,963,386	-	-
WHT on dividends from subsidiaries	0	2,281,132	2	90,537,142
	23	774,640,942	25	653,538,210

COMPANY						
	%	2021 Rs.	%	2020 Restated Rs.	%	2020 Previously reported Rs.
Profit before tax from continuing operations		3,020,775,383		1,987,767,356		312,812,421
Tax using the Company's domestic tax rate	24	724,986,092	28	556,574,860	28	87,587,478
Effect of use of different in tax rates		-	0	(2,798,988)	-	-
<b>Tax effect of:</b>						
Non-deductible expenses and allowable expenses	-11	(344,727,395)	-18	(351,395,107)	3	62,264,726
Tax-exempt income and non-taxable income	-6	(195,409,802)	-8	(162,960,620)	-45	(141,000,822)
Recognition of previously unrecognised tax losses	-3	(83,469,359)	-1	(19,463,298)	-3	(8,851,382)
Changes in estimates relating to prior years	0	1,986,280	0	(4,365,938)	-1	(4,365,938)
Unclaimable Economic Service Charges (ESC)	0	10,329,819		-	-	-
Write-off of tax receivables	0	2,963,386		-	-	-
		116,659,021		15,590,909		(4,365,938)

## 14.5 TAX LOSSES CARRIED FORWARD

For the year ended 31 March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Tax loss brought forward	3,731,024,993	3,182,472,156	340,275,545	220,157,655
Reassessment of previous year tax losses	7,265,400	227,649,385	22,447,642	151,729,963
Recognised through acquisition of business combination	102,043,455	–	–	–
Tax loss for the year of assessment	353,501,000	592,764,852	156,989,748	88,622,736
Set-off against the current taxable income	(700,251,381)	(271,861,400)	(347,788,994)	(120,234,809)
<b>Tax loss carried forward</b>	<b>3,493,583,468</b>	<b>3,731,024,993</b>	<b>171,923,941</b>	<b>340,275,545</b>

Tax losses carried forward includes Rs. 333 Mn. relating to disposal group held for sale (Note 42)

## → 15. 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 disclosures by other entities.

### Reconciliation of adjusted EBITDA to profit from continuing operations – Group

For the year ended 31 March	2021 Rs.	2020 Rs.
Profit from continuing operations	2,537,528,001	1,832,637,566
Income tax expense	771,610,789	730,739,358
<b>Profit before tax</b>	<b>3,309,138,790</b>	<b>2,563,376,924</b>
<b>Adjustment for:</b>		
Net finance costs	216,147,347	344,256,832
Depreciation	805,207,610	748,044,367
Amortisation	47,371,772	47,297,521
Share of loss of equity-accounted investee, net of tax	92,356	1,413,934
<b>Adjusted EBITDA</b>	<b>4,377,957,875</b>	<b>3,704,389,578</b>

There is no significant impact to EBITDA due to COVID-19 outbreak.

## → 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	GROUP		COMPANY		
	<b>2021</b> Rs.	2020 Restated Rs.	<b>2021</b> Rs.	2020 Restated Rs.	2020
Profit for the year, attributable to the owners of the Company (Rs.)	<b>1,522,207,103</b>	1,147,045,943	<b>2,903,721,690</b>	1,975,535,826	320,537,738
Weighted average number of ordinary shares (basic)	<b>448,662,309</b>	448,662,309	<b>448,662,309</b>	448,662,309	448,662,309
<b>Basic earnings per share (Rs.)</b>	<b>3.39</b>	2.56	<b>6.47</b>	4.40	0.71

**16.1.1 WEIGHTED AVERAGE NUMBER OF SHARES**

	<b>2021</b>	2020 Restated
Issued ordinary shares as at 1 April	<b>149,554,103</b>	149,554,103
Effect of the share split	<b>299,108,206</b>	299,108,206
<b>Weighted average No of shares*</b>	<b>448,662,309</b>	448,662,309

\* The denominator for the purposes of calculating both basic and diluted earnings per share has been adjusted to reflect the share split made in 2021 as disclosed in Note 33.1.A.

Further, Weighted average Number of Ordinary shares in 2020 has been adjusted based on post sub-division of 3 shares for every one ordinary share held.

## 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 final dividend of Rs. 0.50 per share (2020 – final dividend of Rs. 0.75 per share) for the financial year ended 31 March 2021.

	2021	2020
Dividend declared (Rs.)	373,885,258	112,165,577
Number of ordinary shares	448,662,309	149,554,103
Dividend per share (Rs.)	0.83	0.75

### 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 25 May 2021 has been audited by Messrs KPMG.

## 17.1 DIVIDEND PAID DURING THE YEAR

	2021 Rs.	2020 Rs.
Final dividend of Rs. 1.25 per share paid out of 2018/19 profit	–	186,942,629
Final Dividend of Rs. 0.75 per share out of 2019/20 profit	112,165,577	–
Interim dividend of Rs. 1.00 per share out of of 2020/21 profit	149,554,103	–
	261,719,680	186,942,629

## → 18. FINANCIAL ASSETS AND LIABILITIES

### Financial Assets

#### 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.

### 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 expired.

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 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 expired. 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 set off 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 2021	GROUP			
	Mandatorily at FVTPL Rs.	FVOCI – Equity instruments Rs.	Amortised cost Rs.	Total carrying value Rs.
<b>Financial assets</b>				
Investment in unquoted shares	–	505,433,941	–	505,433,941
Investment in quoted shares	35,354,916	–	–	35,354,916
Investment fund	357,153,000	–	–	357,153,000
Derivative instruments	222,469,740	–	–	222,469,740
Investment in debentures and other short-term investments	–	–	219,283,488	219,283,488
Trade and other receivables	–	–	4,281,151,733	4,281,151,733
Amounts due from related parties	–	–	475,000	475,000
Cash and cash equivalents	–	–	2,520,552,239	2,520,552,239
<b>Total financial assets</b>	<b>614,977,656</b>	<b>505,433,941</b>	<b>7,021,462,460</b>	<b>8,141,874,057</b>
<b>Financial liability</b>				
Loans and borrowings	–	–	4,153,528,795	4,153,528,795
Bank overdraft	–	–	872,203,730	872,203,730
Trade and other payables	–	–	2,593,943,975	2,593,943,975
Amounts due to related parties	–	–	12,802,099	12,802,099
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>7,632,478,599</b>	<b>7,632,478,599</b>

31 March 2020	GROUP			
	Mandatorily at FVTPL Rs.	FVOCI – Equity instruments Rs.	Amortised cost Rs.	Total carrying value Rs.
<b>Financial assets</b>				
Investment in unquoted shares	–	537,522,639	–	537,522,639
Investment in quoted shares	75,890,853	–	–	75,890,853
Investment in unit trust	7,346,627	–	–	7,346,627
Investment fund	343,725,000	–	–	343,725,000
Derivative instruments	234,792,226	–	–	234,792,226
Investment in debentures	–	–	106,419,178	106,419,178
Trade and other receivables	–	–	3,727,303,446	3,727,303,446
Amounts due from related parties	–	–	78,704,645	78,704,645
Cash and cash equivalents	–	–	4,572,232,065	4,572,232,065
<b>Total financial assets</b>	<b>661,754,706</b>	<b>537,522,639</b>	<b>8,484,659,334</b>	<b>9,683,936,679</b>
<b>Financial liability</b>				
Loans and borrowings	–	–	5,283,746,339	5,283,746,339
Bank overdraft	–	–	1,163,836,455	1,163,836,455
Trade and other payables	–	–	1,779,294,948	1,779,294,948
Amounts due to related parties	–	–	27,513,242	27,513,242
<b>Total financial liabilities</b>	<b>–</b>	<b>–</b>	<b>8,254,390,984</b>	<b>8,254,390,984</b>

COMPANY				
	Mandatorily at FVTPL Rs.	FVOCI – equity instruments Rs.	Amortised cost Rs.	Total carrying value Rs.
	–	505,433,941	–	505,433,941
	35,354,916	–	–	35,354,916
	–	–	–	–
	222,469,740	–	–	222,469,740
	–	–	106,389,041	106,389,041
	–	–	16,236,144	16,236,144
	–	–	223,215,489	223,215,489
	–	–	1,281,865,256	1,281,865,256
	257,824,656	505,433,941	1,627,705,930	2,390,964,527
	–	–	1,006,808,533	1,006,808,533
	–	–	1,198,941	1,198,941
	–	–	–	–
	–	–	–	–
	–	–	1,008,007,474	1,008,007,474

COMPANY				
	Mandatorily at FVTPL Rs.	FVOCI – equity instruments Rs.	Amortised cost Rs.	Total carrying value Rs.
	–	537,522,639	–	537,522,639
	75,890,853	–	–	75,890,853
	7,346,627	–	–	7,346,627
	–	–	–	–
	234,792,226	–	–	234,792,226
	–	–	106,419,178	106,419,178
	–	–	33,214,124	33,214,124
	–	–	240,777,370	240,777,370
	–	–	3,879,071,288	3,879,071,288
	318,029,706	537,522,639	4,259,481,960	5,115,034,305
	–	–	2,925,274,598	2,925,274,598
	–	–	52,737,440	52,737,440
	–	–	–	–
	–	–	2,875,808	2,875,808
	–	–	2,980,887,846	2,980,887,846

## → 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.

#### 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.

#### 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 de-recognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on de-recognition are recognised in Statement of Profit or Loss and gains are not classified as revenue.

### 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 de-recognised.

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	5-10
Equipment	5-8
Computer equipment	3-5
Computer software	4-6
Motor vehicles	4-5
Electrical equipment	2
Diagnostics and analyser equipment	4
Medical equipment	4
Hydropower plant	20
Fence and security lights	3
ROU assets	Over the lease period

Leasehold assets	Years
Bare land	53
Roads and bridges	40/Lease period
Improvements to land	30
Vested other assets	30
Buildings	25/Lease period
Plant and machinery	13
Sanitation, water and electricity	20
Water supply system	20
Mini-hydropower plant	10
Motor vehicles	4-5

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 greater of its value in use and its fair value less cost to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. A cash generating unit is the smallest identifiable assets group that generate 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 2019 Rs.	Recognition of right-of-use asset on initial application of SLFRS 16 Rs.	Additions Rs.	Disposals Rs.	Transfers Rs.	Adjustment related to Disposal of a subsidiary Rs.	Balance as at 31 March 2020 Rs.
<b>Freehold assets</b>							
Land	192,240,816	–	–	–	(146,867,820)	–	45,372,996
Buildings	2,215,383,285	–	50,034,708	(9,349,019)	–	(710,804,000)	1,545,264,974
Plant and machinery	1,986,485,371	–	36,530,002	(7,560,000)	–	(927,722,000)	1,087,733,373
Power plant	1,971,048,398	–	20,774,129	–	–	–	1,991,822,527
Tools	68,200,000	–	–	–	56,397,500	–	124,597,500
Furniture and fittings	198,143,997	–	62,634,589	(1,570,302)	–	(35,948,000)	223,260,284
Equipment	283,728,647	–	14,705,155	–	–	(113,779,000)	184,654,802
Computer equipment	122,845,867	–	11,372,627	–	(121,737)	(16,846,000)	117,250,757
Motor vehicles	899,522,783	–	61,559,000	(80,843,998)	–	(164,673,000)	715,564,785
Electrical equipment	28,284,700	–	9,779,176	(9,484,774)	–	–	28,579,102
Medical equipment	341,545,758	–	6,889,322	–	(37,191,179)	–	311,243,901
Other	371,750,100	–	1,595,000	–	(1,043)	(127,687,000)	245,657,057
Right-of-use assets (Note 34)	–	364,860,578	–	–	–	–	364,860,578
Capital work-in-progress	48,213,662	–	144,930,682	–	(56,397,500)	(555,000)	136,191,844
	8,727,393,384	364,860,578	420,804,390	(108,808,093)	(184,181,779)	(2,098,014,000)	7,122,054,480
<b>Leasehold assets</b>							
Roads and bridges	484,000	–	–	–	–	(479,000)	5,000
Improvements to land	3,340,000	–	–	–	–	(2,205,000)	1,135,000
Vested other assets	3,305,000	–	–	–	–	(2,104,000)	1,201,000
Buildings	93,279,000	–	–	–	–	(57,385,000)	35,894,000
Water supply system	3,838,000	–	–	–	–	(3,749,000)	89,000
Machinery	32,506,000	–	–	–	–	(9,298,000)	23,208,000
Mini-hydropower plant	1,540,000	–	–	–	–	(498,000)	1,042,000
Motor vehicles	27,362,280	–	–	(4,961,000)	–	–	22,401,280
Mature plantations	257,202,000	–	–	–	–	(257,202,000)	–
	422,856,280	–	–	(4,961,000)	–	(332,920,000)	84,975,280
<b>Total cost</b>	9,150,249,664	364,860,578	420,804,390	(113,769,093)	(184,181,779)	(2,430,934,000)	7,207,029,760

	Balance as at 1 April 2020 Rs.	Additions Rs.	Disposals Rs.	Write-off Rs.	Transfers Rs.	Acquisition through business combination Rs.	Transfer to Asset Held for sale Rs.	Balance as at 31 March <b>2021</b> Rs.
	45,372,996	–	–	–	–	806,165,000	–	<b>851,537,996</b>
	1,545,264,974	74,486,218	–	(177,538)	7,110,639	388,381,939	(6,261,668)	<b>2,008,804,564</b>
	1,087,733,373	14,366,922	(68,748,642)	(326,759)	–	653,772,746	–	<b>1,686,797,640</b>
	1,991,822,527	1,808,167	–	–	35,347,735	–	(2,031,928,431)	<b>(2,950,002)</b>
	124,597,500	–	–	–	62,357,620	–	–	<b>186,955,120</b>
	223,260,284	15,824,173	(6,211,322)	(611,837)	–	26,142,087	(3,891,370)	<b>254,512,015</b>
	184,654,802	25,542,333	–	–	–	13,029,476	(6,573,790)	<b>216,652,821</b>
	117,250,757	13,047,344	(6,802,668)	(1,639,700)	5,000,000	16,033,887	(2,933,041)	<b>139,956,579</b>
	715,564,785	39,002,000	(78,075,450)	(1,200,000)	12,540,000	26,647,346	(535,550)	<b>713,943,131</b>
	28,579,102	11,542,681	(12,149,516)	(1,492,023)	–	66,027,207	(53,709)	<b>92,453,742</b>
	311,243,901	34,805,797	(14,433,220)	–	–	65,405,315	–	<b>397,021,793</b>
	245,657,057	49,000	–	–	–	–	–	<b>245,706,057</b>
	364,860,578	206,049,375	(27,651,971)	–	–	105,269,688	(7,828,508)	<b>640,699,162</b>
	136,191,844	115,258,905	–	–	(109,815,994)	47,571,939	–	<b>189,206,694</b>
	<b>7,122,054,480</b>	<b>551,782,915</b>	<b>(214,072,789)</b>	<b>(5,447,857)</b>	<b>12,540,000</b>	<b>2,214,446,630</b>	<b>(2,060,006,067)</b>	<b>7,621,297,312</b>
	5,000	–	–	–	–	–	–	<b>5,000</b>
	1,135,000	–	–	–	–	–	–	<b>1,135,000</b>
	1,201,000	–	–	–	–	–	–	<b>1,201,000</b>
	35,894,000	–	–	–	–	–	–	<b>35,894,000</b>
	89,000	–	–	–	–	–	–	<b>89,000</b>
	23,208,000	–	–	–	–	–	–	<b>23,208,000</b>
	1,042,000	–	–	–	–	–	–	<b>1,042,000</b>
	22,401,280	–	–	–	(12,540,000)	–	(7,800,000)	<b>2,061,280</b>
	–	–	–	–	–	–	–	<b>–</b>
	84,975,280	–	–	–	(12,540,000)	–	(7,800,000)	<b>64,635,280</b>
	<b>7,207,029,760</b>	<b>551,782,915</b>	<b>(214,072,789)</b>	<b>(5,447,857)</b>	<b>–</b>	<b>2,214,446,630</b>	<b>(2,067,806,067)</b>	<b>7,685,932,592</b>

## ACCUMULATED DEPRECIATION

	Balance as at 1 April 2019 Rs.	Charge for the year Rs.	Disposals Rs.	Transfers Rs.	Adjustment related to Disposal of a subsidiary Rs.	Balance as at 31 March 2020 Rs.
<b>Freehold assets</b>						
Buildings	288,436,554	53,227,232	–	–	(183,745,000)	157,918,786
Plant and machinery	1,092,613,521	83,928,574	(6,397,000)	–	(570,763,000)	599,382,095
Power plant	284,447,854	98,935,590	–	–	–	383,383,444
Tools	1,026,667	5,611,820	–	–	–	6,638,487
Furniture and fittings	133,756,267	20,267,670	(947,467)	–	(30,358,000)	122,718,470
Equipment	195,852,234	14,719,399	–	–	(100,851,000)	109,720,633
Computer equipment	101,709,650	11,586,851	–	(121,737)	(15,463,000)	97,711,764
Motor vehicles	562,092,473	100,898,984	(68,959,719)	–	(118,602,000)	475,429,738
Electrical equipment	34,219,698	6,370,160	–	–	–	40,589,858
Medical equipment	207,076,315	43,461,135	–	–	–	250,537,450
Other	88,153,264	8,436,987	–	–	(62,165,000)	34,425,251
Right-of-use assets (Note 34)	–	127,331,253	–	–	–	127,331,253
	2,989,384,497	574,775,655	(76,304,186)	(121,737)	(1,081,947,000)	2,405,787,229
<b>Leasehold assets</b>						
Roads and bridges	315,000	3,000	–	–	(313,000)	5,000
Improvements to land	2,970,000	43,000	–	–	(1,964,000)	1,049,000
Vested other assets	1,199,000	41,000	–	–	(869,000)	371,000
Buildings	93,518,000	–	–	–	(57,624,000)	35,894,000
Water supply system	3,838,000	–	–	–	(3,749,000)	89,000
Machinery	32,506,000	–	–	–	(9,298,000)	23,208,000
Mini-hydropower plant	1,540,000	–	–	–	(498,000)	1,042,000
Motor vehicles	19,759,350	4,826,712	(4,961,000)	–	–	19,625,062
Mature plantations	204,765,000	1,194,000	–	–	(205,959,000)	–
	360,410,350	6,107,712	(4,961,000)	–	(280,274,000)	81,283,062
<b>Total accumulated depreciation</b>	3,349,794,847	580,883,367	(81,265,186)	(121,737)	(1,362,221,000)	2,487,070,291
<b>Carrying value</b>	5,800,454,817					4,719,959,469

- 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 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 plantations.

	Balance as at 1 April 2020 Rs.	Charge for the year Rs.	Disposals Rs.	Write-off Rs.	Transfers Rs.	Acquisition through business combination Rs.	Transfer to Asset Held for sale Rs.	Balance as at 31 March <b>2021</b> Rs.
	157,918,786	95,124,827	–	–	–	67,191,743	(3,795,732)	<b>316,439,624</b>
	599,382,095	91,838,574	(62,730,434)	(326,759)	–	214,875,671	–	<b>843,039,147</b>
	383,383,444	100,473,956	–	–	–	–	(483,927,684)	<b>(70,284)</b>
	6,638,487	7,494,128	–	–	–	–	–	<b>14,132,615</b>
	122,718,470	26,531,489	(3,823,931)	(503,712)	–	18,809,288	(1,799,053)	<b>161,932,551</b>
	109,720,633	18,907,983	–	–	–	8,991,628	(5,177,161)	<b>132,443,083</b>
	97,711,764	11,351,502	(4,769,233)	(1,597,680)	–	9,424,847	(2,198,857)	<b>109,922,343</b>
	475,429,738	74,462,190	(51,333,240)	(1,200,000)	12,540,000	25,335,940	(512,048)	<b>534,722,580</b>
	40,589,858	7,965,747	(11,519,869)	(1,480,416)	–	33,689,451	(53,709)	<b>69,191,062</b>
	250,537,450	47,538,876	(7,221,549)	–	–	19,901,491	–	<b>310,756,268</b>
	34,425,251	23,467,000	–	–	–	–	–	<b>57,892,251</b>
	127,331,253	140,003,959	–	–	–	11,757,878	(1,433,013)	<b>277,660,077</b>
	<b>2,405,787,229</b>	<b>645,160,231</b>	<b>(141,398,256)</b>	<b>(5,108,567)</b>	<b>12,540,000</b>	<b>409,977,937</b>	<b>(498,897,257)</b>	<b>2,828,061,317</b>
	5,000	–	–	–	–	–	–	<b>5,000</b>
	1,049,000	38,000	–	–	–	–	–	<b>1,087,000</b>
	371,000	11,000	–	–	–	–	–	<b>382,000</b>
	35,894,000	–	–	–	–	–	–	<b>35,894,000</b>
	89,000	–	–	–	–	–	–	<b>89,000</b>
	23,208,000	–	–	–	–	–	–	<b>23,208,000</b>
	1,042,000	–	–	–	–	–	–	<b>1,042,000</b>
	19,625,062	2,768,379	–	–	(12,540,000)	–	(7,800,000)	<b>2,053,441</b>
	–	–	–	–	–	–	–	<b>–</b>
	81,283,062	2,817,379	–	–	–	–	(7,800,000)	<b>63,760,441</b>
	<b>2,487,070,291</b>	<b>647,977,610</b>	<b>(141,398,256)</b>	<b>(5,108,567)</b>	<b>–</b>	<b>409,977,937</b>	<b>(506,697,257)</b>	<b>2,891,821,758</b>
	<b>4,719,959,469</b>							<b>4,794,110,834</b>

- The transfer of immature plantation to mature plantations commences at the time the plantation is ready for commercial harvesting.
- As described in Note 24.4, the Group has acquired the Subsidiaries namely Daintee Limited and Akbar Pharmaceuticals (Pvt) Ltd. during the year. The net book value of the Property, plant and equipment acquired through business combination amounted to Rs. 1,804 Mn.
- Land and building classified as investment properties in the respective entity level and classified as PPE at consolidated level are carried at revalued amounts.

**B. COMPANY****COST**

	Balance as at 1 April 2019 Restated Rs.	Recognition of right-of-use asset on initial application of SLFRS 16 Rs.	Additions Rs.	Disposals Rs.
<b>Freehold assets</b>				
Furniture and fittings	2,935,541	–	4,527,825	–
Equipment	1,881,453	–	3,339,934	–
Computer equipment	5,951,726	–	877,500	–
Motor vehicles	17,370,000	–	6,500,000	(6,500,000)
Right-of-use assets	–	41,034,138	–	–
	28,138,720	41,034,138	15,245,259	(6,500,000)

**ACCUMULATED DEPRECIATION**

	Balance as at 1 April 2019 Restated Rs.	Charge for the year Rs.	Disposals Rs.	Transfers Rs.
<b>Freehold assets</b>				
Furniture and fittings	2,456,068	470,043	–	–
Equipment	1,690,561	465,930	–	–
Computer equipment	4,126,461	810,311	–	(121,737)
Motor vehicles	3,445,447	3,494,203	(10,685)	–
Right-of-use assets	–	15,563,606	–	–
	11,718,537	20,804,093	(10,685)	(121,737)
<b>Carrying value</b>	16,420,183			

**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 Group acquired property, plant and equipment to the aggregate value of Rs. 421 Mn. (2020 – Rs. 614 Mn.). Cash payments amounting to Rs. 421 Mn. (2020 – Rs. 614 Mn.) were made during the year for purchase of property plant and equipment.

**19.4 CAPITALISATION OF BORROWING COSTS**

There is no capitalisation of borrowing cost relating to the acquisition of property, plant and equipment by the Group during the year (2020 – Nil).

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

The commitments for the acquisition of property, plant and equipment as at the reporting date has been disclosed in Note 43 (2020: Nil).

	Transfers Rs.	Balance as at 31 March 2020 Rs.	Balance as at 1 April 2020 Rs.	Additions Rs.	Balance as at 31 March <b>2021</b> Rs.
	–	7,463,366	7,463,366	232,400	<b>7,695,766</b>
	–	5,221,387	5,221,387	616,015	<b>5,837,402</b>
	(121,737)	6,707,489	6,707,489	3,656,290	<b>10,363,779</b>
	–	17,370,000	17,370,000	–	<b>17,370,000</b>
	–	41,034,138	41,034,138	4,620,241	<b>45,654,379</b>
	(121,737)	77,796,380	77,796,380	9,124,946	<b>86,921,326</b>

	Balance as at 31 March 2020 Rs.	Balance as at 1 April 2020 Rs.	Charge for the year Rs.	Balance as at 31 March <b>2021</b> Rs.
	2,926,111	2,926,111	1,103,059	<b>4,029,170</b>
	2,156,491	2,156,491	977,051	<b>3,133,542</b>
	4,815,035	4,815,035	864,471	<b>5,679,506</b>
	6,928,965	6,928,965	3,474,000	<b>10,402,965</b>
	15,563,606	15,563,606	15,045,385	<b>30,608,991</b>
	32,390,208	32,390,208	21,463,966	<b>53,854,174</b>
	45,406,172	45,406,172		<b>33,067,152</b>

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

Details of Group's land, building and other properties stated at valuation are indicated below;

Location	Extent		Number of Building	Revalued amount			Value carried at cost		
	Land (Perches)	Building (Square feet)		Land Rs.	Building Rs.	Total	Land Rs.	Building Rs.	Total Rs.
No130/6, Sri Wickrema Mawatha, Colombo 15	117	31,105	1	74,587,500	69,501,500	144,089,000	33,393,196	38,435,509	71,828,705
60/46, Sri Wickrama Road, Colombo 15	26	–	–	17,408,000	–	17,408,000	11,979,800	–	11,979,800
No. 8C, 1st Lane, Maligawa Road, Thelawela, Moratuwa	106	17,110	2	132,837,500	100,052,000	232,889,500	56,179,630	95,399,370	151,579,000
No. 72C, Kandawala Road, Ratmalana	50	11,878	2	75,000,000	38,955,825	113,955,825	456,202	3,833,166	4,289,368
Anura Mawatha, Borupana, Moratuwa	201	58,339	4	175,700,000	224,044,150	399,744,150	2,996,800	35,472,998	38,469,798
Koalin Refinery Road, Werahara, Boralasgamuwa	52	2,768	1	36,050,000	11,764,000	47,814,000	301,065	1,705,122	2,006,187
Janappriya Mawatha, Borupana, Moratuwa	21	N/A	–	20,700,000	–	20,700,000	5,240,000	–	5,240,000
				532,283,000	444,317,475	976,600,475	110,546,693	174,846,164	285,392,857

The land and buildings were revalued as at 31 March 2020, by Mr S Sivaskantha, BSc.Est.Mgt & Val (SL), Diploma in Valuation, a professional valuer in Sri Lanka. Further, the Management has obtained an addendum to the valuation obtained as at 31 March 2020 from Mr S Sivaskatha, to determine whether there is material change to the valuation of the property or change in assumptions used in the valuations as of 31 March 2021, due to potential implications of COVID 19 outbreak. Based on the said addendum, the fair value of the properties as at 31 March, 2021 has not changed compared to the valuation as at 31 March 2020. The fair value is determined based on an open market value using existing use basis.

## 19.7 MEASUREMENT OF FAIR VALUES

### Fair value hierarchy

The fair value of 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 three 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.

The valuer has considered the potential impact of COVID-19 in his report when arriving at the market rate.

## 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 2021.

Location and address of the property	Method of valuation	Significant unobservable inputs	Range of estimates for unobservable inputs	Estimated fair value would increase or decrease
No. 130/6, Sri Wickrama Mawatha, Colombo 15	Market Comparable method	Land – Price per perch	Rs. 637,500-Rs. 850,000	Price per perch for land increases, decreases
		Building – Price per square feet	Rs. 2,000-Rs. 5,000	Price per square feet for building increases, decreases
No. 60/46, Sri Wickrama Road, Colombo 15	Market Comparable method	Land – Price per perch	Rs. 680,000-Rs. 850,000	Price per perch for land increases, decreases
No. 8C, 1st Lane, Maligawa Road, Thelawela, Moratuwa	Market Comparable method	Land – Price per perch	Rs. 1,250,000	Price per perch for land increases, decreases
		Building – Price per square feet	Rs. 4,000-Rs. 7,500	Price per square feet for building increases, decreases
No. 72C, Kandawala Road, Ratmalana	Market Comparable method	Land – Price per perch	Rs. 1,500,000	Price per perch for land increases, decreases
		Building – Price per square feet	Rs. 3,500-Rs. 5,000	Price per square feet for building increases, decreases
Anura Mawatha, Borupana, Moratuwa	Market Comparable method	Land – Price per perch	Rs. 875,000	Price per perch for land increases, decreases
		Building – Price per square feet	Rs. 3,750-Rs. 5,500	Price per square feet for building increases, decreases
Koalin Refinery Road, Werahara, Boralasgamuwa	Market Comparable method	Land – Price per perch	Rs. 700,000	Price per perch for land increases, decreases
		Building – Price per square feet	Rs. 5,000	Price per square feet for building increases, decreases
Janappriya Mawatha, Borupana, Moratuwa	Market Comparable method	Land – Price per perch	Rs. 1,000,000	Price per perch for land increases, decreases

### Method of valuation – Market Comparable method

Comparison method for valuation of land considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets making appropriate adjustments for differences in size, nature, location, condition of specific property.

Significant assumptions used by the valuer	
Yield/Discount rate	20%-25% per annum

## 19.8 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 2021. 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.

## 19.9 PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY

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

## 19.10 TEMPORARILY IDLE PROPERTY, PLANT AND EQUIPMENT

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

## 19.11 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 de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is de-recognised.

#### 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 recognized 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.

#### 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 license	– 2-6 years
Software development cost	– 2-5 years
Brand	– 20 years
Development cost	– 10 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.	Capital work in progress Rs.	Total Rs.
<b>Cost</b>				
Balance as at 1 April 2019	233,002,916	59,150,000	–	292,152,916
Acquisitions	13,632,499	–	–	13,632,499
Transfers	(7,411,080)	–	–	(7,411,080)
<b>Balance as at 31 March 2020</b>	<b>239,224,335</b>	<b>59,150,000</b>	<b>–</b>	<b>298,374,335</b>
Balance as at 1 April 2020	239,224,335	59,150,000	–	298,374,335
Acquisition through business combination (Note 24.4)	4,918,693	82,270,651	–	87,189,344
Acquisition	5,042,272	–	47,840,756	52,883,028
<b>Balance as at 31 March 2021</b>	<b>249,185,300</b>	<b>141,420,651</b>	<b>47,840,756</b>	<b>438,446,707</b>

	GROUP			
	Software Rs.	Brand Rs.	Capital work in progress Rs.	Total Rs.
<b>Accumulated amortisation</b>				
Balance as at 1 April 2019	84,950,357	14,787,500	–	99,737,857
Amortisation	34,057,021	2,957,500	–	37,014,521
Transfers	(4,320,764)	–	–	(4,320,764)
<b>Balance at 31 March 2020</b>	<b>114,686,614</b>	<b>17,745,000</b>	<b>–</b>	<b>132,431,614</b>
Balance as at 1 April 2020	114,686,614	17,745,000	–	132,431,614
Acquisition through business combination (Note 24.4)	1,506,994	17,298,982	–	18,805,976
Amortisation	33,550,260	4,601,512	–	38,151,772
<b>Balance as at 31 March 2021</b>	<b>149,743,868</b>	<b>39,645,494</b>	<b>–</b>	<b>188,389,362</b>
<b>Carrying value as at 31 March 2020</b>	<b>124,537,721</b>	<b>41,405,000</b>	<b>–</b>	<b>165,942,721</b>
<b>Carrying value as at 31 March 2021</b>	<b>99,441,432</b>	<b>101,775,157</b>	<b>47,840,756</b>	<b>249,057,345</b>

### 20.1.1 BRAND ACQUISITION

The Group has recognised the brand "HEALTHGUARD" upon the acquisition of Healthguard Pharmacy Ltd., 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.

Group subsidiaries namely Lina Manufacturing (Pvt) Ltd. and Lina Spiro (Pvt) Ltd. engaged in the development of new medicines and the cost incurred for development of such medicinal products have been capitalized during the year.

### 20.1.2 CAPITAL WORK IN PROGRESS

The Group is in the process of customising of a New ERP Software purchased from a third party vendor. A cost of Rs. 48 Mn. has been paid for the purchase of user licenses and capitalised as part of the project development cost.

	COMPANY			
	Software Rs.	Capital work in progress Rs.	2021 Rs.	2020 Rs.
<b>Cost</b>				
Balance as at 1 April	3,012,500	–	3,012,500	3,012,500
Acquisitions	–	7,555,660	7,555,660	–
<b>Balance as at 31 March</b>	<b>3,012,500</b>	<b>7,555,660</b>	<b>10,568,160</b>	<b>3,012,500</b>
<b>Accumulated amortisation and impairment losses</b>				
Balance as at 1 April	3,007,815	–	3,007,815	2,985,253
Amortisation	4,685	–	4,685	22,562
<b>Balance as at 31 March</b>	<b>3,012,500</b>	<b>–</b>	<b>3,012,500</b>	<b>3,007,815</b>
<b>Carrying value as at 31 March</b>	<b>–</b>	<b>7,555,660</b>	<b>7,555,660</b>	<b>4,685</b>

#### Assessment of impairment of intangible assets

The Board of Directors has assessed the potential impairment loss of intangible assets as at 31 March 2021. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date.

#### Title restriction on intangible assets

There are no restrictions that existed on the title of the intangible assets of the Company/Group as at the reporting date.

#### Intangible assets pledged as security

None of the Intangible assets have been pledged as security as at the reporting date.

#### Acquisition of intangible assets during the year

During the financial year, the Group acquired intangible assets to the aggregate value of Rs. 53 Mn. (2020 – Rs. 14 Mn.). Cash payments amounting to Rs. 53 Mn. (2019 – Rs.14 Mn.) were made during the year.

#### Acquisition through business combination

As described in Note 24.4, the Group has acquired the Subsidiaries namely Daintee Limited and Akbar Pharmaceuticals (Pvt) Ltd. during the year. The fair value of the intangible assets acquired through business combination amounted to Rs. 68 Mn.

#### Amount of contractual commitments for the acquisition of intangible assets

The contractual commitments for the acquisition of Intangible Assets as at the reporting date has been disclosed in Note 43.

#### Fully amortised intangible assets in use

Intangible assets include fully amortised computer software which are in use in the normal business activities to the gross carrying value of Rs. 33 Mn. (2020 – Rs. 23 Mn.).

## → 21. LEASEHOLD LAND

## LEASEHOLD RIGHT TO LAND OF JEDB/SLSPC ESTATES

	GROUP	
	2021 Rs.	2020 Rs.
<b>Cost/Revaluation</b>		
Balance as at 1 April	433,895,000	372,840,000
Adjustment to right-of-use asset on application of SLFRS 16	–	174,011,000
Remeasurement of lease liabilities	5,367,000	–
Additions during the year	2,167,000	–
Adjustment related to disposal of a subsidiary	–	(112,956,000)
<b>Balance at 31 March</b>	<b>441,429,000</b>	<b>433,895,000</b>
<b>Accumulated amortisation</b>		
Balance as at 1 April	192,456,000	188,877,000
Amortisation	10,120,000	10,283,000
Adjustment related to disposal of a subsidiary	–	(6,704,000)
<b>Balance as at 31 March</b>	<b>202,576,000</b>	<b>192,456,000</b>
<b>Carrying amount</b>	<b>238,853,000</b>	<b>241,439,000</b>

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 in to the books of the subsidiary as at 18 June 1992 immediately after formation of the subsidiary Watawala Plantation PLC in terms of a ruling obtained from the Urgent Issue Task Force (UITF) of the Institute of Chartered Accountants of Sri Lanka. The bare land is 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 which was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December 2012. 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 represents 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 the parties had each acted knowledgeably, prudently and without compulsion.

### Mature and immature plantations

The costs directly attributable to re-planting and new planting are classified as immature plantations up to the time of harvesting the crop.

Since the market determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable, the Group measures immature and mature plantations of bearer biological assets such as tea, rubber, oil palm etc. at its cost less any accumulated depreciation and any accumulated impairment losses on initial recognition in line with the ruling given by the Institute of Chartered Accountants of Sri Lanka to measure bearer biological assets under LKAS 16, Property, Plant 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 re-plantation and new plantations are apportioned based on the labour days spent on respective re-planting 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
Calliandra	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	
	2021 Rs.	2020 Rs.
Biological assets – Bearer (22.1)	2,762,684,000	2,763,947,000
Biological assets – Consumables (22.2)	32,857,000	31,657,000
Biological assets – Livestock (22.3)	749,340,000	695,538,000
	3,544,881,000	3,491,142,000
Non-current	3,492,193,000	3,449,345,000
Current	52,688,000	41,797,000
	3,544,881,000	3,491,142,000

## 22.1 BIOLOGICAL ASSETS – BEARER

	Nurseries Rs.	Immature plantations Rs.	Mature plantations Rs.	Total 2021 Rs.	Total 2020 Rs.
<b>Cost</b>					
Balance as at 1 April	19,823,000	745,190,000	3,114,482,000	3,879,495,000	4,664,493,000
Fair value of growing crops	–	–	10,891,000	10,891,000	10,526,000
Additions	3,397,000	161,805,000	–	165,202,000	211,390,000
Impairment losses and write-downs	(20,126,000)	–	–	(20,126,000)	–
Adjustment related to disposal of a subsidiary	–	–	–	–	(1,006,914,000)
Transfers	–	(487,065,000)	487,065,000	–	–
<b>Balance as at 31 March</b>	3,094,000	419,930,000	3,612,438,000	4,035,462,000	3,879,495,000
<b>Accumulated depreciation</b>					
Balance as at 1 April	–	–	1,115,548,000	1,115,548,000	1,325,689,000
Charged for the year	–	–	157,230,000	157,230,000	167,161,000
Adjustment related to disposal of a subsidiary	–	–	–	–	(377,302,000)
<b>Balance as at 31 March</b>	–	–	1,272,778,000	1,272,778,000	1,115,548,000
<b>Carrying value</b>					
<b>As at 31 March 2021</b>	3,094,000	419,930,000	2,339,660,000	2,762,684,000	
<b>As at 31 March 2020</b>	19,823,000	745,190,000	1,998,934,000		2,763,947,000

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

	Mature plantations Rs.	Total <b>2021</b> Rs.	Total 2020 Rs.
<b>Cost</b>			
Balance as at 1 April	31,657,000	<b>31,657,000</b>	738,496,000
(Loss)/gain arising from changes in fair value less costs to sell	1,200,000	<b>1,200,000</b>	(6,656,000)
Additions	–	–	438,000
Decrease due to harvest	–	–	(273,000)
Adjustment related to disposal of a subsidiary	–	–	(700,348,000)
<b>Balance as at 31 March</b>	<b>32,857,000</b>	<b>32,857,000</b>	<b>31,657,000</b>

- Expected rate of return p.a. 14% (2020 – 14%)
- Maturity for harvesting – 25 years (2020 – 25 years)
- Number of trees valued – 7,569 (2020 – 7,574)

Immature consumer biological assets comprising trees under 5 years old are carried at cost less accumulated impairment losses.

### 22.1.1 MEASUREMENT OF FAIR VALUES

The valuation of consumable biological assets was carried by Mr Weerasinghe Chadrasena, an independent Incorporated Valuation Surveyor, using Discounted Cash Flows (DCF) methods. The Valuation Report dated 31 March 2021 has been prepared based on the physically verified timber statistics provided by the Group.

The future cash flows are determined by reference to current timber prices.

(a) 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 livestock 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	
	<b>2021</b> Rs.	2020 Rs.
<b>Gain included in “other income”</b>		
Change in fair value (unrealised)	<b>1,200,000</b>	(6,656,000)

**(c) Valuation techniques and significant unobservable inputs**

Following table shows the valuation techniques used in measuring Level 3 fair value of consumable biological assets as well as the significant unobservable inputs used for the valuation as at 31 March 2021.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber Standing timber older than 4 years	<p><b>Discounted cash flows</b></p> <p>The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree-per-tree basis.</p> <p>Expected cash flows are discounted using a risk-adjusted discount rate of 14% (2020: 14.0%). Following factors have been considered in determining the risk premium;</p> <ul style="list-style-type: none"> <li>– The illiquid nature of The plantations prior to maturity</li> <li>– A lack of market evidence as to the value of biological assets through their life cycle</li> <li>– Risk relations to diseases and fire affecting the biological assets</li> <li>– Adoption of conservative valuation approach</li> </ul>	<p><b>Determination of timber content</b></p> <p>Timber trees in inter-crop areas and pure crop areas have been identified field-wise and species were identified and harvestable trees were separated, according to their average girth and estimated age.</p> <p>Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size.</p> <p><b>Determination of price of timber</b></p> <p>Trees have been valued as per the current timber prices per cubic metre based on the industry average prices logs sawn timber at the popular timber traders in Sri Lanka.</p> <p>In this exercise, following factors have been taken into consideration</p> <ol style="list-style-type: none"> <li>(a) Cost of obtaining approval of felling.</li> <li>(b) Cost of felling and cutting into logs.</li> <li>(c) Cost of transportation.</li> <li>(d) Sawing cost.</li> <li>(e) Cost of sale.</li> <li>(f) f. Exclusion of trees located in restricted area specialized in the circular No. 2019/01 dated on 6 November 2019 issued by the Ministry of Plantation Industries.</li> </ol> <p>Price range per cu.ft. is Rs. 150/- to Rs. 650/- (2020- Rs. 150/- to Rs. 650/-)</p> <p><b>Risk-adjusted discount rate</b></p> <p>2021 - 14.0% (2020 - 14.0%).</p>	<p>The estimated fair value at the time of harvesting each specific species is sensitive to the following variables:</p> <ul style="list-style-type: none"> <li>– the estimated timber content (The higher the volume, the higher the fair value)</li> <li>– the estimated selling related costs (Lower the selling related costs, the higher the fair value)</li> <li>– the estimated maturity age (Lower the rotation period, the higher the fair value)</li> <li>– the estimated maturity age</li> <li>– the risk-adjusted discount rate. (The higher the discount rate, the lesser the fair value)</li> </ul>

**22.1.2 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:

	<b>2021</b> Rs.	2020 Rs.
Value stand as now	<b>32,857,000</b>	31,657,000
Value stand as at 10% (2020: 10%) positive variance	<b>36,143,000</b>	34,823,000
Value stand as at 10% (2020: 10%) negative variance	<b>29,572,000</b>	28,492,000

**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:

	<b>2021</b> Rs.	2020 Rs.
Value stand as now	<b>32,857,000</b>	31,657,000
Value stand as at 1% positive variance	<b>31,108,000</b>	31,974,000
Value stand as at 1% negative variance	<b>34,806,000</b>	31,341,000

**22.3 BIOLOGICAL ASSETS – LIVESTOCK**

	GROUP	
	<b>2021</b> Rs.	2020 Rs.
Balance as at 1 April	<b>695,538,000</b>	662,620,000
Additions	<b>59,114,000</b>	24,120,000
Disposals during the year	<b>(5,282,000)</b>	(3,836,000)
Gain/(loss) arising from changes in fair value less costs to sell	<b>(30,000)</b>	12,634,000
<b>Balance as at 31 March</b>	<b>749,340,000</b>	695,538,000

As at 31 March 2021 livestock comprised 1,632 cattle (2020 – 1,267 cattle).

**22.3.1 VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS**

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
<b>Livestock</b> Livestock comprises cattle	<b>Discounted cash flows</b> The valuation model considers present value of future net cash flows expected to be generated by the cattle based on lactation-wise annual milking averages and costs incurred. Expected cash flows are discounted using a risk-adjusted discount rate of 16.41% (2020: 19.36%).	<p><b>Determination of selling price</b> Selling price has been determined based on the market prices</p> <p><b>Determination of cost per cow</b> Cost per cow has been determined based on the adjusted cost during the year</p> <p><b>Determination of discount factor</b> Risk adjusted discount rate of 19.36% has been used for the valuation</p> <p><b>Determination of yield</b> Yield has been determined based on the actual milk production in each lactation</p> <p><b>Risk-adjusted discount rate</b> 2021 – 16.41% (2020 - 19.36%)</p>	The estimated fair value would increase/ (decrease): – the estimated milking prices were higher/ (lower) – the estimated yield per cow were higher/ (lower) – the risk-adjusted discount rate were higher/(lower)

### 22.3.2 SENSITIVITY ANALYSIS

The fair value measurements of livestock have been categorised as Level 3 fair value based on assumptions used.

#### Sensitivity variation sales price (using 10% estimated variation)

Simulations made for livestock show that an increase or decrease by 10% of the estimated future selling price has the following effect on the fair value of biological assets:

	2021 Rs.	2020 Rs.
Value stand as now	749,340,000	695,538,000
Value stand as at 10% positive variance	1,009,136,000	927,623,000
Value stand as at 10% negative variance	489,542,000	463,452,000

#### Sensitivity variation Cost (using 10% variation)

Simulations made for livestock show that an increase or decrease by 10% of the estimated future cost has the following effect on the fair value of biological assets:

	2021 Rs.	2020 Rs.
Value stand as now	749,340,000	695,538,000
Value stand as at 10% positive variance	937,262,000	862,149,000
Value stand as at 10% negative variance	561,416,000	528,926,000

#### Sensitivity variation discount rate (using 1.0% variation)

Simulations made for livestock show that an increase or decrease by 1% of the estimated future discount rate has the following effect on the fair value of biological assets:

	2021 Rs.	2020 Rs.
Value stand as now	749,340,000	695,538,000
Value stand as at 1% positive variance	763,548,000	709,754,000
Value stand as at 1% negative variance	735,710,000	684,788,000

#### Sensitivity Variation on yield (using 1.0% variation)

	2021 Rs.	2020 Rs.
Value stand as now	749,340,000	695,538,000
Value stand as at 1% positive variance	790,192,000	709,166,000
Value stand as at 1% negative variance	708,791,000	616,513,000

**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 fair valued and recognised in the financial statements.

GROUP		
	<b>2021</b>	2020
	Rs.	Rs.
Balance as at 1 April	41,797,000	45,883,000
Change during the year	10,891,000	(4,086,000)
<b>Balance as at 31 March</b>	<b>52,688,000</b>	41,797,000

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)

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 Tea commissioner's formula for bought leaf and the value of unharvested fresh fruit bunches (FFB) of Oil Palm is measured using the actual price used to purchase FFB from out growers.

**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 2019	202,150,000	125,055,000	327,205,000
Transfer from property, plant and equipment (Note 23.1.2)	146,867,820	–	146,867,820
Additions	119,159,260	–	119,159,260
Fair value	112,965,470	3,301,594	116,267,064
<b>Balance as at 31 March 2020</b>	<b>581,142,550</b>	<b>128,356,594</b>	<b>709,499,144</b>
Balance as at 1 April 2020 (Note 23.1.1)	581,142,550	128,356,594	709,499,144
Acquisition through business combination (Note 23.4)	60,000,000	–	60,000,000
<b>Balance as at 31 March 2021</b>	<b>641,142,550</b>	<b>128,356,594</b>	<b>769,499,144</b>

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 2020 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 were 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		Carrying value after revaluation Rs.	Carrying value if carried at cost Rs.
	Land (Perches)	Building (Square feet)	Number of Buildings	Land Rs.	Building Rs.		
No. 75A, Kandawala Road, Ratmalana	195.50	42,367.5	2	208,600,000	128,356,594	336,956,594	200,112,693
No. 107/11, Pasbatel Road, Mattakkuliya	108.43	–	–	64,515,850	–	64,515,850	104,828,000
No. 60/52, Sri Wickrama Mawatha, Mattakkuliya	137.86	–	–	82,026,700	–	82,026,700	66,846,080
No. 75, Norris Canal Road, Colombo 10	28.50	–	–	226,000,000	–	226,000,000	94,353,000
Budanapitiya Road, Hengawa and Modera, Kurunagala	1,672.00	–	–	36,000,000	–	36,000,000	17,554,000
Rukgaha Thothupola Road, Aluthgama, Bandaragama	160.00	–	–	24,000,000	–	24,000,000	16,960,000
				<b>641,142,550</b>	<b>128,356,594</b>	<b>769,499,144</b>	<b>500,653,773</b>

Kurunegala and Bandaragama lands were revalued as at 28 February 2021, by Mr S Sivaskantha, B.Sc.Est,Mgt & Val (SL), Diploma in Valuation, and by Mr J S M I B Karunatilaka, FIV, professional valuers respectively. The fair value is determined based on an open market value using direct comparison basis.

The rest of other land and buildings were revalued as at 31 March 2020, 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.

A reassessment of the fair value of land was carried out by Mr S Sivaskantha considering the potential COVID-19 implications as at 31 March 2021 except for Kurunegala and Bandaragama Lands and declared that there is no change in the value.

### 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 2021.

Location and address of the property	Method of valuation	Significant unobservable inputs	Range of estimates for unobservable inputs	Estimated fair value would increase or decrease
No. 75A, Kandawala Road, Ratmalana.	Market comparable method	Land – Price per perch	Rs. 1,050,000-Rs. 1,350,000	Price per perch for land increases, decreases
		Building – Price per square feet	Rs. 5,000-Rs. 5,750	Price per square feet for Building increases, decreases
No. 107/11, Pasbatel Road, Mattakkuliya	Market comparable method	Land – Price per perch	Rs. 595,000- Rs. 850,000	Price per perch for land increases, decreases
No. 60/52, Sri Wickrama Mawatha, Mattakkuliya	Market comparable method	Land – Price per perch	Rs. 850,000-Rs. 900,000	Price per perch for land increases, decreases
		Building – Price per square feet	Rs. 5,500-Rs. 6,000	Price per square feet for Building increases, decreases
No. 75, Norris Canal Road, Colombo 10	Market comparable method	Land – Price per perch	Rs. 8,000,000-Rs. 8,500,000	Price per perch for land increases, decreases
Budanapitiya Road, Hengawa and Modera, Kurunagala	Market comparable method	Land – Price per perch	Rs. 1,125,000 per perch	Price per perch for land increases, decreases
Rukgaha Thothupola Road, Aluthgama, Bandaragama	Market comparable method	Land – Price per perch	Rs. 150,000 per perch	Price per perch for land increases, decreases

### Method of valuation – Market Comparable method

Comparison method for valuation of land considers the selling price of a similar property within a reasonably recent period of time in determining the fair value of the property being revalued. This involves evaluation of recent active market prices of similar assets making appropriate adjustments for differences in size, nature, location, condition of specific property.

Significant assumptions used by the valuer:

Yield/discount rate – 25% per annum

## 23.3 INCOME FROM INVESTMENT PROPERTY

	GROUP	
	2021 Rs.	2020 Rs.
Rent income from investment property (Note 9)	25,920,684	24,534,526
Direct operating expenses (including maintenance) generating rent income	(4,418,468)	(4,695,527)
Net profit from investment property carried at fair value	21,502,216	19,838,999

### 23.4 ACQUISITION THROUGH BUSINESS COMBINATION

As described in Note 24.4, the Group has acquired the Subsidiaries namely Daintee Limited and Akbar Pharmaceuticals (Pvt) Ltd. during the year. The fair value of the Investment properties acquired through business combination amounted to Rs. 60 Mn.

## → 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.

#### 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.

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.

Company	2021				
	Holding %	Number of shares	Cost Rs.	Impairment Rs.	Carrying value Rs.
<b>Unquoted/Quoted</b>					
Sunshine Healthcare Lanka Ltd.	72	7,943,554	428,790,826	–	428,790,826
Sunshine Consumer Lanka Ltd. (formerly known as "Watawala Tea Ceylon Ltd.")	100	35,500,002	741,595,042	–	741,595,042
Watawala Plantations PLC	–	–	–	–	–
Sunshine Energy (Pvt) Ltd.	70	42,125,000	557,908,231	–	557,908,231
Sunshine Packaging Lanka Ltd. (Note 24.7)	100	91,479,334	696,500,000	(177,581,884)	518,918,116
Elgin Hydropower (Private) Limited	–	1	10	–	10
Upper Waltrim Hydropower (Private) Limited	–	1	10	–	10
Sunshine Wilmar (Pvt) Ltd.	50	197,500,000	1,520,750,002	–	1,520,750,002
			3,945,544,121	(177,581,884)	3,767,962,237

## 24.1 GROUP'S INDIRECT HOLDINGS

	2021 %	2020 %
Watawala Plantations PLC	37.12	44.54
Sunshine Consumer Lanka Ltd. (formerly known as "Watawala Tea Ceylon Limited")*	–	60.00
Watawala Dairy Ltd.	37.12	44.54
Zesta Tea Ceylon (Shenzhen) Co. Limited	100.00	60.00
Healthguard Pharmacy Ltd.	72.00	100.00
Waltrim Energy Ltd.	42.41	42.41
Waltrim Hydropower (Pvt) Ltd.	42.41	42.41
Elgin Hydropower (Pvt) Ltd.	42.41	42.41
Upper Waltrim Hydropower (Pvt) Ltd.	42.41	42.41
Sky Solar (Pvt) Ltd.	70.00	70.00
Norris Canal Properties (Pvt) Ltd.	100.00	100.00
Daintee Limited	100.00	–
Akbar Pharmaceuticals (Pvt) Ltd.	72.00	–
Akbar Pharmaceuticals Holdings (Pvt) Ltd.	62.86	–
Lina Manufacturing (Pvt) Ltd.	62.86	–
Lina Spiro (Pvt) Ltd.	32.06	–

\* Sunshine Consumer Lanka Ltd. (formerly known as "Watawala Tea Ceylon Ltd.") has become a direct subsidiary of the Company with effect from 2 February 2021 upon amalgamation of Estate Management Services (Pvt) Ltd. with the Company.

2020 (Restated)					
Holding %	Number of shares	Cost Rs.	Impairment Rs.	Carrying value Rs.	
100.00	8,274,535	446,657,088	–	446,657,088	
100.00	35,500,005	741,595,042	–	741,595,042	
74.24	150,937,043	966,997,639	–	966,997,639	
70.00	42,125,000	557,908,231	–	557,908,231	
100.00	91,479,334	696,500,000	(177,581,884)	518,918,116	
–	1	10	–	10	
–	1	10	–	10	
–	–	–	–	–	
		3,409,658,020	(177,581,884)	3,232,076,136	

## 24.2 INCORPORATION AND ESTABLISHING CONTROL OVER SUNSHINE WILMAR (PVT) LTD.

On 13 March 2020, Sunshine Holdings PLC (the "Company") and Pyramid Wilmar Plantations (Pvt) Ltd. (PWPL) jointly incorporated a new Company named Sunshine Wilmar (Pvt) Ltd. (SWPL) with equal shareholding (by issuing 2 ordinary shares).

On 12 May 2020; the Share Capital of Rs. 1,521 Mn. each were infused in to SWPL by the Company and PWPL.

Although the Company and PWPL hold equal shareholding and voting power in SWPL, the Group exercises the power over the SWPL by virtue of contractual agreement reached with the PWPL for exercising of operational control in accordance with the Shareholder Agreement dated 19 March 2020. Accordingly, SWPL and its subsidiary Watawala Plantations PLC ("WATA") are consolidated in these financial statements.

## 24.3 CHANGE IN NCI

**24.3.1** On 15 May 2020, SWPL has acquired 74.24% stake of WATA from Estate Management Services (Pvt) Ltd. (EMSPL) for the purchase consideration of Rs. 3,019 Mn. As a result of this transactions Group's effective shareholding of the WATA has dropped to 37.12% from 44.54%.

The gain on disposal of Rs. 2,033 Mn. has been recognised in the statement of profit or loss of the Company (2020: Gain on disposal of subsidiary namely Hatton Plantations PLC amounted to Rs. 1,477 Mn. has been recognised)

**24.3.2** On May 19, 2020, the Company has acquired the remaining stake of 40% in EMSPL from PWPL for the purchase consideration of Rs. 2,903 million. As a result of this transaction effective shareholdings of Watawala Tea Ceylon Limited (consumer brands business) has increased from 60% to 100% through EMSPL.

Refer Note 24.4 for the change in NCI relating to Sunshine Healthcare Lanka Ltd.

## 24.4 ACQUISITION OF SUBSIDIARIES

On 31 August 2020, Sunshine Consumer Lanka Ltd. (formerly known as "Watawala Tea Ceylon Ltd."), a Subsidiary of the Company, acquired 100% of the issued share capital of Daintee Limited, obtaining control of Daintee Limited. Daintee Limited is engaged in the manufacturing of confectionery products and qualifies as a business as defined in SLFRS 3. Daintee limited was acquired to enable Sunshine Group to expand its operations in FMCG sector.

Further on 25 January 2021, Sunshine Healthcare Lanka Ltd. ("SHL"), which is a 100% fully owned subsidiary of the Company, acquired 100% of the ordinary voting shares of Akbar Pharmaceutical (Private) Limited ("ABPL") from Akbar Brothers (Private) Limited ("ABL"). The consideration for this purchase was satisfied by the issuance of new ordinary voting shares in SHL to ABL, which constitute 25% of its issued stated capital for a consideration of Rs. 2,320 Mn. Further, the Company sold 3% of the existing ordinary voting shares held in SHL to ABL for a cash consideration of Rs. 278.4 Mn. which resulted in a gain on disposal of subsidiary shares of Rs. 261 Mn. As a result of these transactions, the effective shareholding in SHL held by the Company reduced from 100% to 72%.

The aggregate effects of acquisition and disposal of subsidiaries are as follows:

	Daintee Limited Rs.	Akbar Pharmaceutical (Pvt) Ltd. Group Rs.	Total Rs.
Total Assets (Note 24.4.A)	1,909,394,041	2,293,707,871	4,203,101,912
Total liabilities (Note 24.4.A)	(408,777,199)	(1,223,327,172)	(1,632,104,371)
<b>Amount of the subsidiary's net assets (100%)</b>	1,500,616,842	1,070,380,699	2,570,997,541
Fair value of the Purchase consideration (Note 24.4.B)	1,696,057,300	2,320,249,300	4,016,306,600
Non-controlling interest as at the date of acquisition	–	131,339,319	131,339,319
<b>Goodwill arises on acquisition (Note 24.4.C)</b>	195,440,458	1,381,207,920	1,576,648,378

#### 24.4.A IDENTIFIABLE NET ASSETS

The amounts recognised in respect of the identifiable net assets acquired and liabilities assumed are as set out below:

	Daintee Limited Rs.	Akbar Pharmaceutical (Pvt) Ltd. Group Rs.	Total Rs.
<b>Assets</b>			
Property, plant and equipment	936,182,634	868,286,061	1,804,468,695
Intangible assets	900,000	67,483,368	68,383,368
Deferred tax asset	–	23,072,561	23,072,561
Investment property	60,000,000	–	60,000,000
Inventory	228,550,531	586,234,264	814,784,795
Provision for impairment of inventory	–	(48,992,058)	(48,992,058)
Trade and other receivables	123,173,735	774,467,743	897,641,478
Provision for impairment of trade receivables	(4,334,000)	(9,209,851)	(13,543,851)
Amount due from related parties	–	88,950	88,950
Short term investments	487,239,754	–	487,239,754
Current tax receivable	–	8,654,833	8,654,833
Cash and cash equivalents	77,681,387	23,622,000	101,303,387
<b>Total assets</b>	1,909,394,041	2,293,707,871	4,203,101,912
<b>Liabilities</b>			
Retirement benefit obligations	(28,942,268)	(28,650,528)	(57,592,796)
Deferred tax liability	(221,972,102)	(77,875,721)	(299,847,823)
Loan and borrowings	(3,732,593)	(210,550,329)	(214,282,922)
Trade and other payables	(129,134,015)	(163,274,903)	(292,408,918)
Amount due to related parties	–	(7,049,509)	(7,049,509)
Tax liability	(24,996,221)	(18,896,660)	(43,892,881)
Bank overdraft	–	(717,029,522)	(717,029,522)
<b>Total liabilities</b>	(408,777,199)	(1,223,327,172)	(1,632,104,371)
<b>Total identifiable net assets acquired</b>	1,500,616,842	1,070,380,699	2,570,997,541

**24.4.B FAIR VALUE OF THE PURCHASE CONSIDERATION SATISFIED BY:**

	Daintee Limited Rs.	Akbar Pharmaceutical (Pvt) Ltd. Group Rs.	Total Rs.
Purchase consideration paid in cash	1,622,633,402	–	1,622,633,402
Contingent consideration	73,423,898	–	73,423,898
Shares issued to satisfy the Purchase consideration	–	2,320,249,300	2,320,249,300
<b>Fair value of total consideration</b>	<b>1,696,057,300</b>	<b>2,320,249,300</b>	<b>4,016,306,600</b>

**24.4.B.1 CONTINGENT CONSIDERATION**

Contingent consideration of Rs. 78,026,414/- to be paid within one month from a final non appealable order being made by the Court of Appeal or a settlement being reached with the Inland Revenue Department in favour of Daintee Limited of the disputed tax liabilities together with interest at the rate 5% per annum. However, if such liabilities on income tax are not subject to any final order or settlement by the Company with the Inland Revenue Department as aforesaid within a period of two years from the date of execution of acquisition of Daintee Limited, the said contingent consideration shall no longer be payable to the former shareholders and as such shall be retained in full by the Watawala Tea Ceylon Limited and in such event the purchase consideration will reduce by the contingent consideration.

**24.4.C GOODWILL**

Goodwill on acquisition is recognised as a result of the acquisitions as follows.

	Daintee Limited Rs.	Akbar Pharmaceutical (Pvt) Ltd. Group Rs.	Total Rs.
Fair value of the total consideration (Note 24.4.B)	1,696,057,300	2,320,249,300	4,016,306,600
Less: Identifiable Net Assets (Note 24.4.A)	(1,500,616,842)	(1,070,380,699)	(2,570,997,541)
Add: Non Controlling as at the date of acquisition	–	131,339,319	131,339,319
<b>Goodwill arises on acquisition</b>	<b>195,440,458</b>	<b>1,381,207,920</b>	<b>1,576,648,378</b>

**24.4.D NET CASH USED IN ACQUISITION**

	Daintee Limited Rs.	Akbar Pharmaceutical (Pvt) Ltd. Group Rs.	Total Rs.
Fair value of the consideration paid	1,622,633,402	–	1,622,633,402
Cash and cash equivalents acquired	(77,681,387)	693,407,522	615,726,135
	<b>1,544,952,015</b>	<b>693,407,522</b>	<b>2,238,359,537</b>

**24.4.E ACQUISITION – RELATED COSTS**

The Group incurred acquisition-related costs of Rs. 41 Mn. on legal fees and due diligence costs. These costs have been included in "administrative expenses".

## 24.5 DISPOSAL OF A SUBSIDIARY

On 30 September 2020, Watawala Plantations PLC, a subsidiary of the Company, has disposed its subsidiary Watawala Tea Australia Pty. Ltd.

The gain on disposal of the Subsidiary is recorded as part of profit for the period in the income statement.

The effects of disposal of subsidiary is as follows:

	Rs.
Trade and other receivables	2,203,000
Trade and other payables	(872,000)
<b>Net assets disposed</b>	<b>1,331,000</b>
Loss on disposal	(63,000)
<b>Total consideration</b>	<b>1,268,000</b>
<b>Satisfied by:</b>	
Cash and cash equivalents	1,268,000
<b>Net cash inflow arising on disposal:</b>	
Consideration received in cash and cash equivalents	1,268,000

\* There were no cash and cash equivalents in subsidiaries disposed.

## 24.6 AMALGAMATION OF A SUBSIDIARY

The Company has completed the process of obtaining the legal clearance from the registrar of Companies for the amalgamation of Estate Management Services (Pvt) Ltd. (the "EMSPL"), a fully owned subsidiary with the Company. The Amalgamation Certificate has been obtained on 2 February 2021 and accordingly, the Books of the EMSPL amalgamated with the Company Books. Refer Note 46 for details.

## 24.7 ASSESSMENT OF IMPAIRMENT OF SUBSIDIARIES

The Board of Directors has assessed the potential impairment loss of investment in subsidiaries as at 31 March 2021. Based on the assessment, except for Sunshine Packaging Lanka Ltd., no impairment provision was required to be made in the financial statements as at the reporting date.

The Board of Directors of Sunshine Packaging Lanka Ltd., 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 provision for probable impairment of investment of Rs.177.6 Mn. during the prior years.

The Board of Directors of the Company carried out an internal assessment of the potential implications of COVID 19 outbreak on its subsidiaries and are of the view that there is no additional provision for impairment needed against its investments in subsidiaries as at reporting date.

## → 25. EQUITY ACCOUNTED 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	2021 Rs.	2020 Rs.
Strategic Business Innovator (Pvt) Ltd.				
<b>Cost</b>				
Balance as at March	20	900,000	9,000,000	9,000,000
<b>Provision for impairment</b>				
Balance as at 1 April			(7,648,541)	–
Provision made during the year			(59,452)	(7,648,541)
<b>Balance as at 31 March</b>			<b>(7,707,993)</b>	<b>(7,648,541)</b>
<b>Carrying amount as at 31 March</b>			<b>1,292,007</b>	<b>1,351,459</b>

**25.2 ASSOCIATE – GROUP**

	2021 Rs.	2020 Rs.
Interests in associate	1,292,006	1,384,362
<b>Balance as at 31 March</b>	<b>1,292,006</b>	<b>1,384,362</b>

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**

	<b>2021</b> Rs.	2020 Rs.
Balance as at 1 April	1,384,362	2,798,296
Acquisitions during the year		
Current year's share of total comprehensive income		
Included in profit or loss	(92,356)	(1,413,934)
	(92,356)	(1,413,934)
<b>Balance as at 31 March</b>	<b>1,292,006</b>	<b>1,384,362</b>

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.

	<b>2021</b> Rs.	2020 Rs.
Percentage ownership interest (%)	20%	20%
<b>Financial position of equity accounted associate</b>		
Non-current assets	738,680	6,731,789
Current assets	5,770,092	232,937
Non-current liabilities	-	-
Current liabilities	(48,736)	(42,910)
<b>Net assets (100%)</b>	<b>6,460,036</b>	<b>6,921,816</b>
Group's share of net assets (20%)	1,292,006	1,384,362
Elimination of unrealised profit on downstream sales	-	-
<b>Carrying amount of interest in associate</b>	<b>1,292,006</b>	<b>1,384,362</b>
Revenue	2,608,650	773,243
Profit for the year, net of tax (100%)	(1,357,048)	(7,069,668)
Changes in estimates relating to prior years	895,270	-
<b>Profit for the year, net of tax (100%)</b>	<b>(461,778)</b>	<b>(7,069,668)</b>
<b>Group's share of net profit (20%)</b>	<b>(92,356)</b>	<b>(1,413,934)</b>
Other comprehensive income (100%)	-	-
Total comprehensive income (100%)	(461,778)	(7,069,668)
<b>Total comprehensive income (20%)</b>	<b>(92,356)</b>	<b>(1,413,934)</b>
Elimination of unrealised profit on downstream sales	-	-
<b>Group's share of total comprehensive income (20%)</b>	<b>(92,356)</b>	<b>(1,413,934)</b>

There are no restrictions on the ability of the associate to transfer funds to the investor in the form of cash dividends, or repayment of loans or advances.

The Company has neither contingent liabilities nor capital and other commitments towards its associate company.

## → 26. OTHER INVESTMENTS, INCLUDING DERIVATIVES

See accounting policies in Note 18.

### DERIVATIVE FINANCIAL INSTRUMENTS

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group's financial instruments are summarised as follows:

For the year ended 31 March	Note	GROUP		COMPANY	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Fair value through profit or loss – FVTPL	26.1	392,507,916	426,962,480	35,354,916	83,237,480
Fair value through other comprehensive income – FVOCI	26.2	505,433,941	537,522,639	505,433,941	537,522,639
Derivative instruments	26.3	222,469,740	234,792,226	222,469,740	234,792,226
Amortised cost	26.4	219,283,488	106,419,178	106,389,041	106,419,178
		<b>1,339,695,085</b>	1,305,696,523	<b>869,647,638</b>	961,971,523
Non-current investments		1,004,330,898	1,070,904,297	647,177,898	727,179,297
Current investments		335,364,187	234,792,226	222,469,740	234,792,226
		<b>1,339,695,085</b>	1,305,696,523	<b>869,647,638</b>	961,971,523

Information about the Group's exposure to credit and market risk, and fair value measurement, is included in Note 39 and 40.

### 26.1 FAIR VALUE THROUGH PROFIT OR LOSS – FVTPL

For the year ended 31 March	Note	GROUP		COMPANY	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Investment in quoted shares	26.1.1	35,354,916	75,890,853	35,354,916	75,890,853
Investment in unit trust	26.1.2	–	7,346,627	–	7,346,627
Investment fund	26.1.3	357,153,000	343,725,000	–	–
		<b>392,507,916</b>	426,962,480	<b>35,354,916</b>	83,237,480

## 26.1.1 INVESTMENT IN QUOTED SHARES

Group and Company	2021			2020		
	Number of shares	Cost Rs.	Market Value Rs.	Number of shares	Cost Rs.	Market value Rs.
Dialog Axiata PLC				413,581	4,512,610	4,880,256
John Keells Holdings PLC	10,848	1,605,708	1,610,928	25,848	3,853,708	3,773,808
Commercial Bank of Ceylon PLC	86,622	8,577,207	7,406,181	52,966	6,256,471	4,528,593
Hatton National Bank PLC – Non-voting	41,785	5,798,156	4,061,502	31,738	4,908,521	3,998,988
Hatton National Bank PLC	22,247	3,056,664	2,803,122	21,690	2,980,773	3,190,599
Ceylon Cold Stores PLC	234,662	5,779,655	2,487,417	3,450	1,966,500	2,656,500
Hayleys Fabric PLC	–	–	–	79,850	758,575	974,170
Distilleries Company of Sri Lanka PLC	–	–	–	320,000	4,602,500	5,408,000
Hemas Holdings PLC	–	–	–	83,971	7,479,089	5,835,985
Tokyo Cement PLC	–	–	–	134,000	2,412,000	3,845,800
Ceylon Hotels Corporation PLC	–	–	–	234,662	5,779,655	2,229,289
Aitken Spence Hotels Holdings PLC	18,000	1,456,128	543,600	18,000	1,456,128	370,800
Ceylinco Insurance PLC	–	–	–	6,976	4,726,182	5,720,320
People's Leasing and Finance PLC	314,173	5,167,294	3,707,241	300,000	4,987,297	4,410,000
Chevron Lubricants Lanka PLC	59,000	8,684,000	5,310,000	59,000	8,684,000	4,183,100
Sampath Bank PLC	38,575	8,770,604	6,226,005	38,575	8,770,604	6,152,713
Access Engineering PLC	–	–	–	115,750	2,050,350	2,118,225
Central Finance Company PLC	–	–	–	59,511	5,867,862	5,665,447
Cargills Ceylon PLC	–	–	–	18,286	3,217,600	3,474,340
LVL Energy Fund Ltd.	123,600	1,236,000	1,198,920	343,600	3,436,000	2,473,920
<b>Total</b>		<b>50,131,417</b>	<b>35,354,916</b>		<b>88,706,425</b>	<b>75,890,853</b>
Fair value adjustment		(14,776,501)			(12,815,572)	
<b>Market value</b>		<b>35,354,916</b>			<b>75,890,853</b>	

## 26.1.2 INVESTMENT IN UNIT TRUSTS

Group and Company	2021			2020		
	Number of shares	Cost Rs.	Market value Rs.	Number of shares	Cost Rs.	Market value Rs.
Investment in unit trusts	–	–	–	523,467	7,082,049	7,346,627
<b>Total cost</b>	–	–	–	–	7,082,049	–
Fair value adjustment	–	–	–	–	264,578	–
<b>Market value</b>	–	–	–	–	<b>7,346,627</b>	–

## 26.1.3 INVESTMENT FUND

GROUP		
For the year ended 31 March	<b>2021</b> Rs.	2020 Rs.
Balance as at 1 April	343,725,000	312,051,000
Investments/disposals made during the year	(7,736,000)	–
Gain on increase in net asset value during the year	21,164,000	31,674,000
<b>Carrying value as at 31 March</b>	<b>357,153,000</b>	<b>343,725,000</b>

The fund comprises investments made in Capital Alliance Investments Limited and Hatton National Bank Custody Trustee Services. The average yield for the year was 12.80% for HNB portfolio and 7.4% for CAL investment. (2020 – 12.31%).

The carrying value of the investment fund represents the following:

GROUP		
For the year ended 31 March	<b>2021</b> Rs.	2020 Rs.
Quoted shares	–	20,269,000
Corporate bonds	100,461,000	–
Debentures	–	183,966,000
Fixed deposits	15,356,000	119,956,000
Unit trusts	–	13,861,000
Cash at bank	33,605,000	3,266,000
Interest receivables	–	927,000
Dividend receivables	–	219,000
Debenture WHT payables	264,000	–
Income tax recoverable on FD	–	1,261,000
Investment in capital alliance grade fund	207,467,000	–
	<b>357,153,000</b>	<b>343,725,000</b>

## 26.2 FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – FVOCI

			GROUP		COMPANY	
For the year ended 31 March	Note	<b>2021</b> Rs.	2020 Rs.	<b>2021</b> Rs.	2020 Rs.	
Investment in unquoted shares	26.2.1	505,433,941	537,522,639	505,433,941	537,522,639	
		505,433,941	537,522,639	505,433,941	537,522,639	

## 26.2.1 INVESTMENT IN UNQUOTED SHARES

For the year ended 31 March	GROUP/COMPANY	
	2021 Rs.	2020 Rs.
TATA Communication Lanka Limited	354,719,873	328,732,056
Lanka Commodity Brokers Limited	150,714,068	208,790,583
	505,433,941	537,522,639

Group and Company	Unit Energy Lanka (Pvt) Ltd. Rs.	Lanka Commodity Brokers Limited Rs.	TATA Communication Lanka Limited Rs.	Total Rs.
Balance as at 1st April 2019	10,763,000	117,692,727	75,000,000	203,455,727
Adjustment related to disposal of Subsidiary	(10,763,000)	–	–	(10,763,000)
<b>Balance as at 31 March 2020</b>	–	117,692,727	75,000,000	192,692,727
Cost as of 1 April 2020	–	117,692,727	75,000,000	192,692,727
<b>Balance as at 31 March 2021</b>	–	<b>117,692,727</b>	<b>75,000,000</b>	<b>192,692,727</b>
<b>Fair value</b>				
Balance as at 1 April 2019	5,690,000	10,183,005	374,990,321	390,863,326
Increase in fair valuation during the year	–	80,914,851	(121,258,265)	(40,343,414)
Adjustment related to disposal of Subsidiary	(5,690,000)	–	–	(5,690,000)
<b>Balance as at 31 March 2020</b>	–	91,097,856	253,732,056	344,829,912
Balance as at 1 April 2020	–	91,097,856	253,732,056	344,829,912
Increase in fair valuation during the year	–	(58,076,515)	25,987,817	(32,088,698)
Balance as at 31 March 2021	–	33,021,341	279,719,873	312,741,214
<b>Carrying value of investment as at 31 March 2020</b>	–	208,790,583	328,732,056	537,522,639
<b>Carrying value of investment as at 31 March 2021</b>	–	<b>150,714,068</b>	<b>354,719,873</b>	<b>505,433,941</b>

In the year 2016, Watawala Plantations PLC, a subsidiary of the Company has received Rs. 10,763,000 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 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.

	Holding %	Fair value at 31 March 2021 Rs.	Dividend income recognised during 2021 Rs.
Lanka Commodity Brokers Limited	15.55	150,714,068	30,358,720
TATA Communication Lanka Limited	10	354,719,873	3,362,670
		505,433,941	33,721,390

No Strategic investments were disposed during 2021, 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	COMPANY/GROUP	
	2021 Rs.	2020 Rs.
Interest rate and exchange rate swaps	222,469,740	234,792,226
	222,469,740	234,792,226

	COMPANY/GROUP	
	2021 Rs.	2019 Rs.
Balance as at 1 April	234,792,226	203,742,135
Fair value increase adjusted through loan	(32,322,486)	51,050,091
Amount recognised in Profit and loss account	20,000,000	(20,000,000)
<b>Balance as at 31 March</b>	<b>222,469,740</b>	<b>234,792,226</b>

During 2019, Group had entered into a derivative agreement for fixed interest rate and fixed exchange rate with Standard Chartered Bank Sri Lanka for the loan obtained from Standard Chartered Bank Mauritius of Rs. 1.4 Bn. (USD 9.15 Mn.) in April 2018.

### 26.4 AMORTISED COST

For the year ended 31 March	Note	GROUP		COMPANY	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Debentures	26.4.A	106,389,041	106,419,178	106,389,041	106,419,178
Other short-term investments	26.4.B	112,894,447	–	–	–
		219,283,488	106,419,178	106,389,041	106,419,178

#### 26.4.A DEBENTURES

During 2020, Company/Group has invested Rs. 100 Mn. in unlisted rated senior unsecured redeemable Type A – 3 years debentures issued by National Savings Bank with fixed Interest rate of 11% per annum payable annually.

	GROUP/COMPANY	
	2021 Rs.	2020 Rs.
Investment made	106,419,178	100,000,000
Interest accrued	11,000,000	6,419,178
Interest received	(11,030,137)	–
<b>Balance as at 31 March</b>	<b>106,389,041</b>	<b>106,419,178</b>

For the year ended 31 March	Credit rating	Maturity date	Number of debentures	Carrying value	Interest
National Savings Bank	AA+	10 September 22	1,000,000	106,389,041	11%

#### 26.4.B OTHER SHORT-TERM INVESTMENTS

Other Short-term investments represents the investment made in money market instruments with the intention of withdrawing after 3 months period.

#### 26.5 ACQUISITION THROUGH BUSINESS COMBINATION

As described in Note 24.4 , the Group has acquired the Subsidiaries namely Daintee Limited and Akbar Pharmaceuticals (Pvt) Ltd. during the year. The fair value of the Short term investment acquired through business combination amounted to Rs. 487 Mn.

#### 26.6 COVID-19 IMPACT ON INVESTMENT VALUATION

The Board of Directors has assessed the potential impact of COVID-19 in the investment valuations.

### → 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 AND GROSS DEFERRED TAX ASSET/(LIABILITY)**

	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
For the year ended 31 March				
<b>Composition of net deferred tax asset/(liability)</b>				
Net deferred tax asset	42,611,982	65,787,835	42,536,150	32,017,938
Net deferred tax liability	(632,277,792)	(533,907,752)	–	–
	<b>(589,665,810)</b>	<b>(468,119,917)</b>	<b>42,536,150</b>	<b>32,017,938</b>

	Note	GROUP		COMPANY	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
For the year ended 31 March					
<b>Composition of gross deferred tax asset/(liability)</b>					
Gross deferred tax asset (27.2)	27.2	170,206,877	286,009,995	28,859,363	34,590,779
Gross deferred tax liability (27.3)	27.3	(759,872,687)	(754,129,912)	13,676,787	(2,572,841)
		<b>(589,665,810)</b>	<b>(468,119,917)</b>	<b>42,536,150</b>	<b>32,017,938</b>

**27.2 DEFERRED TAX ASSET (GROSS)**

	Note	GROUP		COMPANY	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
For the year ended 31 March					
Balance as at 1 April		286,009,995	464,590,290	34,590,779	24,379,234
Charge/(reversal) for the year recognised in profit or loss		(486,289)	(19,485,216)	(4,279,438)	10,846,237
Charge/(reversal) for the year recognised in other comprehensive income		6,411,641	434,921	(1,451,978)	(634,692)
Adjustment related to disposal of a subsidiary		–	(159,530,000)	–	–
Acquisition through business combination	27.6	23,072,561	–	–	–
Transferred to Asset held for sale		(144,801,031)	–	–	–
<b>Balance as at 31 March*</b>		<b>170,206,877</b>	<b>286,009,995</b>	<b>28,859,363</b>	<b>34,590,779</b>

**27.3 DEFERRED TAX LIABILITY (GROSS)**

For the year ended 31 March	Note	GROUP		COMPANY	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 1 April		754,129,912	919,329,135	2,572,841	6,382,139
Charge/(reversal) for the year recognised in profit or loss		(3,516,442)	57,715,932	(3,884,766)	7,486,858
Charge/(reversal) for the year recognised in other comprehensive income		(12,364,862)	(11,296,155)	(12,364,862)	(11,296,156)
Transferred during the year		–	–	–	–
Adjustment related to disposal of a subsidiary		–	(211,619,000)	–	–
Acquisition through business combination	27.6	299,847,823	–	–	–
Transferred to Liability held for sale		(278,223,744)	–	–	–
<b>Balance as at 31 March**</b>		<b>759,872,687</b>	<b>754,129,912</b>	<b>(13,676,787)</b>	<b>2,572,841</b>
<b>Net deferred tax asset/(liability)</b>	27.1	<b>(589,665,810)</b>	<b>(468,119,917)</b>	<b>42,536,150</b>	<b>32,017,938</b>

**27.4 RECONCILIATION OF DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS**

	GROUP			
	2021		2020	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Property, plant and equipment	(1,545,701,272)	(268,030,553)	(1,698,799,571)	(356,166,816)
Lease creditor – ROU	52,854,145	10,368,939	44,909,627	11,382,216
Biological assets – Bearer	(2,670,909,286)	(377,056,000)	(2,614,188,000)	(365,986,000)
Biological assets – Consumable	(32,858,000)	(6,571,000)	–	–
Retirement benefit obligation	711,236,025	138,254,903	524,878,926	112,527,572
Debtors provision	39,136,749	9,392,820	24,103,403	6,748,953
Revaluation surplus of property, plant and equipment	(818,477,133)	(147,325,884)	–	–
Fair value gain on investment property	(104,527,767)	(40,687,349)	(79,041,767)	(22,131,695)
Capital gain on land	(159,801,070)	(15,980,107)	(159,801,070)	(15,980,107)
Capital grants	43,799,000	6,132,000	46,157,000	6,462,000
Fair value gain on investments at FVOCI	72,432,112	17,383,707	17,924,447	5,018,845
Tax losses carried forward	407,306,801	84,452,712	769,767,190	150,005,115
	<b>(4,005,509,695)</b>	<b>(589,665,810)</b>	<b>(3,124,089,815)</b>	<b>(468,119,917)</b>

	COMPANY			
	2021		2020	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Property, plant and equipment	(15,445,499)	(3,706,920)	(27,113,163)	(7,591,686)
Lease creditor – ROU	16,369,056	3,928,573	26,826,174	7,511,329
Retirement benefit obligation	103,878,290	24,930,789	96,712,325	27,079,450
Fair value gain on investments at FVOCI	72,432,112	17,383,707	17,924,447	5,018,845
	177,233,959	42,536,150	114,349,783	32,017,938

## 27.5 RECONCILIATION OF DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS INCLUDED UNDER ASSET HELD FOR SALE AND LIABILITY HELD FOR SALE

	2021	
	Temporary difference Rs.	Tax effect Rs.
Lease creditor – ROU	368,172	72,689
Retirement benefit obligation	3,502,479	766,056
Tax losses carried forward	647,818,213	143,962,286
<b>Total deferred tax assets included under asset held for sale</b>	<b>651,688,865</b>	<b>144,801,031</b>
Property, plant and equipment	(1,216,347,998)	(278,223,744)
<b>Total deferred tax liability included under liability held for Sale</b>	<b>(1,216,347,998)</b>	<b>(278,223,744)</b>
<b>Net Deferred Tax Liability</b>	<b>(564,659,134)</b>	<b>(133,422,713)</b>

## 27.6 UNRECOGNISED DEFERRED TAX ASSETS ON TAX LOSSES

	2021		2020	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
	Sunshine Holdings PLC	171,923,941	41,261,746	340,275,545
Sunshine Packaging (Pvt) Ltd.	393,196,524	94,367,166	387,540,463	108,511,330
Waltrim Energy Ltd.	–	–	30,619,403	–
Waltrim Hydropower (Pvt) Ltd.	–	–	71,290,796	14,258,159
Upper Waltrim Hydropower (Pvt) Ltd.	–	–	332,474,314	–
Elgin Hydropower (Private) Limited	–	–	8,464,114	1,184,976
Sky Solar (Pvt) Ltd.	36,307,230	8,713,735	19,852,134	5,161,555
Watawala Dairy Ltd.	1,504,385,684	210,613,996	1,770,741,035	–
	2,105,813,379	354,956,643	2,961,257,804	224,393,172

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 Company will have taxable income from the year ended 31 March 2020. As such, the Company 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 2021, the Group recognised a deferred tax asset amounting to Rs. 84 Mn. (2020 – Rs. 150 Mn.) arising from brought forward tax losses as at 31 March 2021 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. 355 Mn. (2020 – Rs. 224 Mn.).

#### **Deferred tax liability arising from revaluation gain**

Deferred tax recognised for Sunshine Packaging Lanka Ltd. amounted to Rs. 41 Mn. (2020 – Rs. 44 Mn.) includes deferred tax recognised on revaluation surplus of Rs. 79 Mn. (2020 – Rs. 79 Mn.) relating the revaluation of the Buildings at the rate of 24% (2020 – 28%) and on the capital gain on land amounting to Rs. 28 Mn. (2020 – Rs. 28 Mn.) at the tax rate of 10% (2020 – 10%) 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 Ltd. and Norris Canal Properties (Pvt) Ltd. is of the view that the freehold land used in the business falls under the category "Investment Assets" and accordingly Sunshine Packaging Lanka Ltd. and Norris Canal Properties (Pvt) Ltd. 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. In the event it is deemed that freehold land be considered as "Capital Assets used in the business", Sunshine Packaging Lanka Ltd. would have to make an additional deferred tax charge in the statement of profit or loss for the year ended 31 March 2021 amounting to Rs. 22 Mn. (2020 – Rs. 29 Mn.) with a consequential increase in the deferred tax liability on the statement of financial position.

#### **27.7 RECOVERABILITY OF DEFERRED TAX ASSETS**

During the year ended 31 March 2021, the Group has recognised a deferred tax asset amounting to Rs. 84 Mn. arising from tax losses as at 31 March 2021 after assessing the availability of future taxable profits for utilisation based on the 5 years profit projection approved by the Board. The Board of Directors of Company/Group had revised the business plan and approved by incorporating the potential implications of COVID-19 outbreak on business operations. Based on the profit projections, the Board is confident on the availability future taxable profits against which Deferred Tax asset of Rs. 84 Mn. could be utilised. The deferred tax asset recognised will be tested for impairment on an annual basis and deferred tax asset recognised may be written off, if required.

#### **27.8 ACQUISITION THROUGH BUSINESS COMBINATION**

As described in Note 24.4, the Group has acquired the Subsidiaries namely Daintee Limited and Akbar Pharmaceuticals (Pvt) Ltd. during the year. The deferred tax asset and deferred tax liability balances of Rs. 23 Mn. and Rs. 300 Mn. respectively has been acquired through business combination during the year.

#### **27.9 IMPACT DUE TO CORPORATE INCOME TAX RATE CHANGE**

As provided for in LKAS 12 – Income taxes, deferred tax assets and liabilities should be measured at the tax rate that are expected to be applied in the period in which the asset will be realised or the liability will be settled, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the reporting date.

As referred to Note 14.1.A, Current taxes, the net tax rates have been considered for the computation of deferred tax as at 31 March 2021.

The impact of tax rate changes on deferred tax is as follow:

*\* During the year, the Group and the Company reversed deferred tax asset of Rs. 4 Mn. and RS. 5 Mn. respectively in statement of comprehensive income on account of effect of tax rate changes.*

*\*\* Further, the Group and the Company reversed deferred tax liability of Rs. 116 Mn. and Rs.0.4 Mn. respectively in statement of comprehensive income on account of effect of tax rate changes.*

## → 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 goods are valued at lower of cost or net realisable value
- Work in progress are valued at actual cost

As at 31 March	Note	GROUP	
		2021 Rs.	2020 Rs.
Medical items		3,166,686,301	2,114,900,811
Harvested crop		16,181,000	39,160,000
Input materials and consumables		1,171,647,354	690,416,909
Finished goods		340,411,388	84,136,764
Work in progress		71,541,288	51,900,877
Goods in transit		511,580,769	225,435,937
Machinery spares		–	10,695,494
		5,278,048,100	3,216,646,792
Less: Provision for impairment of inventories	28.2	(132,885,104)	(39,435,606)
		5,145,162,996	3,177,211,186

## 28.1 ACQUISITION THROUGH BUSINESS COMBINATION

As described in Note 24.4, the Group has acquired the Subsidiaries namely Daintee Limited and Akbar Pharmaceuticals (Pvt) Ltd. during the year. The inventory acquired through business combination amounted to Rs.815 Mn. and Provision for impairment of inventory was Rs. 49. Mn.

## 28.2 IMPAIRMENT OF INVENTORIES

As at 31 March	GROUP	
	2021 Rs.	2020 Rs.
Balance as at 1 April	39,435,606	32,203,640
Acquisition through Business Combination	48,992,058	–
Charge during the year	72,364,883	10,226,806
Written-off during the year	(27,907,443)	(2,994,840)
<b>Balance as at 31 March</b>	<b>132,885,104</b>	<b>39,435,606</b>

The Board of Directors has assessed the potential impairment loss of inventory as at 31 March 2021 by considering the potential impact of COVID-19 on net realisable value based on the implications on subsequent selling prices and cost to complete in addition to the normal assessment process.

## → 29. CURRENT TAX ASSETS/LIABILITIES

As at 31 March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Current tax assets	29,585,672	9,893,358	14,318,672	9,809,784
Current tax liabilities	(354,693,979)	(223,047,621)	(60,099,084)	(19,956,847)
	<b>(325,108,307)</b>	<b>(213,154,263)</b>	<b>(45,780,412)</b>	<b>(10,147,063)</b>
Balance as at 1 April	213,154,263	222,236,556	10,147,063	(5,443,846)
Adjustment related disposal of a subsidiary	–	(7,435,000)	–	–
Current income tax expense	798,651,344	541,540,003	101,379,536	19,956,847
Changes in estimate relating to prior years	(40,350,079)	20,447,174	1,986,280	(4,365,938)
Acquisition through business combination (Note 29.1)	35,238,048	–	–	–
WHT on dividends from subsidiaries	2,281,132	90,537,142	–	–
WHT on scrip dividend	–	2,174,225	–	–
Transfer to asset held for sale	83,575	–	–	–
Set off against WHT/ESC	(41,583,025)	(149,923,583)	(4,508,888)	–
Payment during the year	(642,366,952)	(506,422,254)	(63,223,579)	–
<b>Balance as at 31 March</b>	<b>325,108,306</b>	<b>213,154,263</b>	<b>45,780,412</b>	<b>10,147,063</b>

## 29.1 ACQUISITION THROUGH BUSINESS COMBINATION

As described in Note 24.4, the Group has acquired the Subsidiaries namely Daintee Limited and Akbar Pharmaceuticals (Pvt) Ltd. during the year. The current tax receivable and current tax liability acquired through business combination amounted to of Rs. 9 Mn. and Rs. 44 Mn. respectively.

### → 30. TRADE AND OTHER RECEIVABLES

The accounting policy for trade and other receivables has been given in Note 18.

As at 31 March	Note	GROUP		COMPANY	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Trade receivables		3,714,104,204	3,137,435,477	–	–
Less: Provision for impairment	30.1	(66,194,016)	(56,815,760)	–	–
		3,647,910,188	3,080,619,717	–	–
Staff loan recoverable		27,787,023	23,266,138	–	–
Receivable from principals		458,686,954	495,762,799	–	–
Other receivables		162,041,722	142,558,381	16,236,144	33,214,124
Withholding tax recoverable		43,933,091	59,340,868	43,927,060	52,378,973
ESC recoverable		24,589,950	75,382,505	3,847,332	18,333,454
VAT recoverable		231,044,067	143,345,978	–	–
Advances and deposits		267,972,517	290,198,309	6,386,107	4,047,739
		1,216,055,324	1,229,854,977	70,396,643	107,974,290
Less: Provision for impairment	30.2	(15,274,154)	(14,903,589)	–	–
		1,200,781,170	1,214,951,388	70,396,643	107,974,290
		4,848,691,358	4,295,571,105	70,396,643	107,974,290

#### 30.1 PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

As at 31 March	GROUP	
	2021 Rs.	2020 Rs.
Balance as at 1 April	56,815,760	33,821,437
Acquisition through business combination	13,543,851	–
(Reversal)/Charge during the year	57,788,999	22,994,323
Written-off during the year	(61,954,594)	(14,006,185)
<b>Balance as at 31 March</b>	<b>66,194,016</b>	<b>42,809,575</b>

#### COVID-19 impact on impairment provision

The Board of Directors has assessed the potential impairment loss of trade debtors as at 31 March 2021 by considering the potential impact of COVID-19 on recoverability when assessing the specific debtors.

### 30.2 PROVISION FOR IMPAIRMENT OF OTHER RECEIVABLES

As at 31 March	GROUP	
	2021 Rs.	2020 Rs.
Balance as at 1 April	14,903,589	23,011,535
(Write off)/Charge during the year	370,565	(8,107,946)
Balance as at 31 March	15,274,154	14,903,589

### 30.3 ACQUISITION THROUGH BUSINESS COMBINATION

As described in Note 24.4, the Group has acquired the subsidiaries namely Daintee Limited and Akbar Pharmaceuticals (Pvt) Ltd. during the year. The trade and other receivables of Rs. 884 Mn. acquired through business combination during the year.

### 30.4 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 40.

## → 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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Sunshine Packaging Lanka Ltd.	-	-	223,215,489	221,822,187
Waltrim Energy Ltd.	-	-	-	9,002,202
Elgin Hydropower (Pvt) Ltd.	-	-	-	5,760,796
Upper Waltrim Hydropower (Pvt) Ltd.	-	-	-	1,369,387
Sunshine Tea (Pvt) Ltd.	-	5,236,645	-	5,565
Waltrim Hydropower (Pvt) Ltd.	-	-	-	1,179,934
Sunshine Energy (Pvt) Ltd.	-	-	-	946,655
Pyramid Lanka (Pvt) Ltd.	475,000	73,468,000	-	690,644
	475,000	78,704,645	223,215,489	240,777,370

All outstanding balances are short term in nature and there were no special terms and conditions pertaining to the outstanding balances.

### 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 40.

## → 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	Note	GROUP		COMPANY	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Cash at bank		1,998,874,126	3,606,837,907	1,281,830,387	3,184,261,156
Fixed deposits		494,191,002	954,421,031	–	694,772,340
TR/Import margins		21,869,548	212,220	–	–
Cash in hand		5,617,563	10,760,907	34,869	37,792
		2,520,552,239	4,572,232,065	1,281,865,256	3,879,071,288
Bank overdraft	32.1	(872,203,730)	(1,163,836,455)	(1,198,941)	(52,737,440)
Cash and bank balance under asset held for sale	42	52,507,138	–	–	–
Bank overdraft under liability held for sale	42	(2,418,623)	–	–	–
<b>Cash and cash equivalents in the Statement of Cash Flows</b>		<b>1,698,437,024</b>	<b>3,408,395,610</b>	<b>1,280,666,315</b>	<b>3,826,333,848</b>

### 32.1. ACQUISITION THROUGH BUSINESS COMBINATION

As described in Note 24.4, the Group has acquired the Subsidiaries namely Daintee Limited and Akbar Pharmaceuticals (Pvt) Ltd. during the year. The fair value of the of cash and cash bank balances and bank overdraft balances acquired through business combination amounted to Rs. 101 Mn. and Rs. 717 Mn. respectively.

## 32.1 BANK OVERDRAFTS

As at	31 March 2021 Rs.	31 March 2020 Rs.	Security
<b>Sunshine Holdings PLC</b>			
Hatton National Bank PLC	1,198,941	24,890,545	Unsecured
Nations Trust Bank PLC	–	27,609,474	Unsecured
Commercial Bank of Ceylon PLC	–	237,420	Unsecured
	<b>1,198,941</b>	<b>52,737,440</b>	
<b>Watawala Plantations PLC</b>			
Hatton National Bank PLC	9,342,000	36,476,000	Corporate Guarantee (Rs. 25 Mn.) from Watawala Plantations PLC
Seylan Bank PLC	–	4,315,000	Corporate Guarantee (Rs. 25 Mn.) from Watawala Plantations PLC
MCB Bank Limited	–	56,868,000	
Commercial Bank of Ceylon PLC	–	140,000	
	<b>9,342,000</b>	<b>97,799,000</b>	
<b>Watawala Dairy Ltd.</b>			
Hatton National Bank PLC	25,671,000	46,527,000	Corporate Guarantee (Rs. 25 Mn.) from Watawala Plantations PLC
Seylan Bank PLC	–	24,163,000	Corporate Guarantee (Rs. 25 Mn.) from Watawala Plantations PLC
Nations Trust Bank PLC	–	43,483,000	Corporate Guarantee (Rs. 50 Mn.) from Watawala Plantations PLC
	<b>25,671,000</b>	<b>114,173,000</b>	
<b>Sunshine Healthcare Lanka Ltd.</b>			
MCB Bank Limited	2,744,694	188,601,046	Unsecured
Sampath Bank PLC	–	7,367,717	Unsecured
Nations Trust Bank PLC	42,871,450	89,704,384	Primary concurrent mortgage over stocks and book debts for Rs. 100 Mn.
Bank Of Ceylon	65,610	–	Unsecured
Commercial Bank of Ceylon PLC	–	89,978,656	Unsecured
Hatton National Bank PLC	20,841,634	193,662,768	Unsecured
Seylan Bank PLC	–	36,244,190	Unsecured
Standard Chartered Bank	7,255,779	73,519,923	Unsecured
National Development Bank PLC	1,163,102	97,005,601	Primary concurrent Mortgage Bond over stocks and book debts for Rs. 200 Mn.
	<b>74,942,269</b>	<b>776,084,285</b>	
<b>Sunshine Consumer Lanka Ltd.</b>			
Hatton National Bank PLC	–	3,511,218	Unsecured
Commercial Bank of Ceylon PLC	–	4,544,047	Unsecured
MCB Bank Limited	–	9,687,729	Unsecured
Standard Chartered Bank	–	19,806,879	Unsecured
DFCC Bank PLC	500	–	Unsecured
	<b>500</b>	<b>37,549,873</b>	

As at	31 March 2021 Rs.	31 March 2020 Rs.	Security
<b>Healthguard Pharmacy Ltd.</b>			
Nations Trust Bank PLC	–	14,982,811	A. Primary Mortgage Bond over stocks for Rs. 50,000,000.00
Standard Chartered Bank	10,341,361	12,233,023	Unsecured
	10,341,361	27,215,834	
<b>Sunshine Packaging Lanka Ltd.</b>			
Hatton National Bank PLC	–	17,949,576	Unsecured
	–	17,949,576	
<b>Waltrim Energy Ltd.</b>			
Nations Trust Bank PLC	–	9,819,814	Corporate Guarantee by Sunshine Energy (Pvt) Ltd.
	–	9,819,814	
<b>Waltrim Hydropower (Pvt) Ltd.</b>			
Hatton National Bank PLC	–	327,104	Unsecured
	–	327,104	
<b>Upper Waltrim Hydropower (Pvt) Ltd.</b>			
DFCC Bank PLC	–	2,178,764	Unsecured
	–	2,178,764	
<b>Elgin Hydropower (Private) Limited</b>			
DFCC Bank PLC	–	9,048,733	Unsecured
	–	9,048,733	
<b>Sky Solar (Pvt) Ltd.</b>			
NDB Bank PLC	–	18,953,033	Unsecured
	–	18,953,033	
<b>Akbar Pharmaceuticals (Pvt) Ltd.</b>			
Hatton National Bank PLC	48,716,898	–	Unsecured
Commercial Bank of Ceylon PLC	280,927,707	–	Unsecured
	329,644,605	–	
<b>Lina Manufacturing (Pvt) Ltd.</b>			
Hatton National Bank PLC	103,367,884	–	Akbar Pharmaceutical (Pvt) Ltd. given Corporate Guarantee of Rs. 350 Mn.
Commercial Bank of Ceylon PLC	113,992,362	–	Unsecured
	217,360,246	–	
<b>Lina Spiro (Pvt) Ltd.</b>			
Commercial Bank of Ceylon PLC	183,507,264	–	Corporate Guarantee of Rs. 350,000,000.000 to be signed by Akbar Pharmaceuticals (Pvt) Ltd.
	183,507,264	–	
<b>Daintee Limited</b>			
DFCC Bank PLC	120,660	–	
Peoples Bank	20,074,883	–	
	20,195,543	–	
	872,203,730	1,163,836,455	

## → 33. 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.

### 33.1 STATED CAPITAL

As at 31 March	Note	Number of shares		Value	
		2021	2020	2021 Rs.	2020 Rs.
Balance at the beginning		149,554,103	149,554,103	1,641,715,247	1,641,715,247
Share split	33.1.A	299,108,206	–	–	–
<b>Balance at the end of the year</b>		<b>448,662,309</b>	149,554,103	<b>1,641,715,247</b>	1,641,715,247

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.

#### 33.1.A SHARE SPLIT

As resolved in the Extraordinary General Meeting, meeting held, with effect from 25 March 2021, One Hundred and Forty-Nine Million Five Hundred and Fifty Four Thousand One Hundred and Three (149,554,103) existing ordinary shares of the Company has increased by a subdivision of the existing shares on the basis of one (1) existing shares into three (03) ordinary shares thereby increasing the number of ordinary shares in the Company to Four Hundred and Forty-Eight Million Six Hundred and Sixty Two Thousand Three Hundred and Nine (448,662,309) ordinary shares.

### 33.2 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 comprises:

- the cumulative net change in the fair value of equity securities designated at FVOCI; and
- the cumulative net change in fair value of debt securities at FVOCI 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.

### 33.3 NON-CONTROLLING INTERESTS

See accounting policies in Note 6.1.

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

<b>31 March 2021</b>	Sunshine Healthcare Lanka Ltd. Rs.	Healthguard Pharmacy (Pvt) Ltd. Rs.	Akbar Pharmaceuticals (Pvt) Ltd. Rs.	Akbar Pharmaceuticals Holdings Ltd. Rs.	Lina Manufacturing (Pvt) Ltd. Rs.	Lina Spiro (Pvt) Ltd. Rs.	Watawala Plantation PLC Rs.
<b>NCI percentage (%)</b>	28%	28%	28%	37%	37%	68%	63%
Non-current assets	2,924,552,325	274,321,200	281,785,912	275,611,990	478,826,529	412,059,203	5,792,455,000
Current assets	6,070,831,421	1,813,878,966	898,093,429	48,005,417	511,376,332	68,911,982	1,095,814,000
Non-current liabilities	(206,744,898)	(166,612,166)	(25,878,793)	-	(134,360,786)	(109,803,992)	(959,348,000)
Current liabilities	(3,016,616,935)	(1,590,727,611)	(480,294,647)	(48,659,247)	(315,749,817)	(291,798,521)	(446,572,000)
<b>Net assets</b>	<b>5,772,021,913</b>	<b>330,860,389</b>	<b>673,705,901</b>	<b>274,958,160</b>	<b>540,092,258</b>	<b>79,368,672</b>	<b>5,482,349,000</b>
<b>Net assets attributable to NCI</b>	<b>1,616,166,136</b>	<b>92,640,909</b>	<b>188,637,652</b>	<b>102,128,503</b>	<b>200,608,027</b>	<b>53,925,518</b>	<b>3,447,301,051</b>
Revenue	11,639,981,311	2,274,885,882	1,368,055,837	-	566,336,439	-	3,284,840,000
Profit	984,092,432	39,872,835	(1,604,026)	(165,452)	74,002,406	(55,163,019)	1,657,473,000
Other comprehensive income	(17,566,853)	(3,041,586)	1,038,974	-	-	-	16,510,000
<b>Total comprehensive income</b>	<b>966,525,579</b>	<b>36,831,249</b>	<b>(565,052)</b>	<b>(165,452)</b>	<b>74,002,406</b>	<b>(55,163,019)</b>	<b>1,673,983,000</b>
<b>Profit allocated to NCI</b>	<b>275,545,881</b>	<b>11,164,394</b>	<b>(449,127)</b>	<b>(61,454)</b>	<b>27,486,927</b>	<b>(37,479,453)</b>	<b>1,042,219,022</b>
<b>Other comprehensive income allocated to NCI</b>	<b>(4,918,719)</b>	<b>(851,644)</b>	<b>290,913</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10,381,488</b>
Cash flows from operating activities	895,101,181	136,530,824	(299,430,995)	(178,335)	34,662,224	(31,531,130)	2,011,924,000
Cash flows from investment activities	(18,885,433)	(18,554,464)	26,601,753	-	(7,465,283)	(72,843,537)	(314,130,000)
Cash flows from financing activities	(86,196,679)	(56,457,393)	249,328,366	-	(42,447,966)	75,019,292	(1,395,749,000)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>790,019,069</b>	<b>61,518,967</b>	<b>(23,500,876)</b>	<b>(178,335)</b>	<b>(15,251,025)</b>	<b>(29,355,375)</b>	<b>302,045,000</b>

31 March 2020	Estate Management Services (Pvt) Ltd. Rs.	Watawala Plantation PLC Rs.	Sunshine Consumer Lanka Ltd. (formerly known as "Watawala Tea Ceylon Ltd.") Limited Rs.	Waltrim Energy Ltd. Rs.
<b>NCI percentage (%)</b>	40%	55%	40%	58%
Non-current assets	7,370,241,153	5,776,728,000	227,202,217	834,645,067
Current assets	1,659,445,110	5,776,728,000	1,473,186,680	119,170,649
Non-current liabilities	-	(1,120,599,000)	(60,295,800)	-
Current liabilities	(21,247,329)	(520,669,000)	(375,087,030)	(86,540,800)
<b>Net assets</b>	<b>9,008,438,934</b>	<b>9,912,188,000</b>	<b>1,265,006,066</b>	<b>867,274,916</b>
<b>Net assets attributable to NCI</b>	<b>3,603,375,574</b>	<b>5,496,902,977</b>	<b>506,002,427</b>	<b>499,437,606</b>
Revenue	-	2,743,634,000	5,448,416,504	-
Profit	177,641,541	985,081,000	297,035,929	78,798
Other comprehensive income	254,437,964	(20,265,000)	7,378,774	-
<b>Total comprehensive income</b>	<b>432,079,505</b>	<b>964,816,000</b>	<b>304,414,703</b>	<b>78,798</b>
<b>Profit allocated to NCI</b>	<b>71,056,617</b>	<b>546,286,519</b>	<b>118,814,372</b>	<b>45,377</b>
<b>Other comprehensive income allocated to NCI</b>	<b>101,775,186</b>	<b>(11,238,158)</b>	<b>2,951,510</b>	<b>-</b>
Cash flows from operating activities	(41,980,897)	1,058,975,000	309,300,049	(42,409,163)
Cash flows from investment activities	1,672,852,089	(769,667,000)	(453,225)	171,995
Cash flows from financing activities	(2,984,016)	(401,023,000)	(135,459,974)	20,000,000
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>1,627,887,176</b>	<b>(111,715,000)</b>	<b>173,386,851</b>	<b>(22,237,168)</b>

	Waltrim Energy Limited Rs.	Elgin Hydropower (Pvt) Ltd. Rs.	Waltrim Hydropower (Pvt) Ltd. Rs.	Upper Waltrim Hydropower (Pvt) Ltd. Rs.	Watawala Dairy Limited Rs.	Sunshine Energy (Pvt) Ltd. Rs.	Sky Solar (Pvt) Ltd. Rs.	Sunshine Wilmar (Pvt) Ltd. Rs.	Inter group elimination Rs.	Total Rs.
	58%	58%	58%	58%	63%	30%	30%	50%		
	833,559,358	677,194,396	349,762,956	533,991,823	2,338,654,970	189,455,130	268,557,120	3,019,748,762		
	113,085,186	74,412,956	109,459,300	78,019,993	92,889,414	729,733,060	16,435,822	73,759,962		
	-	(269,345,324)	(62,068,229)	(193,711,163)	(456,456,760)	(2,200,147)	(15,713,687)			
	(59,221,699)	(200,449,225)	(45,753,484)	(86,034,451)	(481,222,365)	(6,250,757)	(69,333,069)	(47,615,410)		
	887,422,845	281,812,803	351,400,543	332,266,202	1,493,865,258	910,737,286	199,946,186	3,045,893,314		
	511,040,194	162,287,539	202,361,031	191,342,138	939,342,474	273,221,186	59,983,856	1,522,946,657	(4,755,076,628)	4,808,856,243
	-	144,998,463	93,653,912	170,901,689	650,102,205	-	30,689,144	905,622,258		
	-	31,001,330	10,196,205	57,500,410	59,825,635	1,906,664	7,805,638	762,793,310		
	20,147,929	711,002	7,339	331,385	4,772,802	(336,828)	-	-		
	20,147,929	31,712,332	10,203,544	57,831,795	64,598,437	1,569,836	7,805,638	762,793,310		
	-	17,852,736	5,871,689	33,112,761	37,618,359	571,999	2,341,691	381,396,655	(781,871,183)	1,015,320,898
	11,602,588	409,445	4,226	190,835	3,001,138	(101,048)	-	-		
	(28,356,868)	96,835,281	21,335,303	96,460,974	141,566,477	(25,899,769)	47,533,203	(97,593,243)		
	29,066,149	(5,431,496)	4,010,630	(2,872,467)	(77,069,583)	(56,539,556)	(85,338,248)	(3,016,262,057)		
	9,861,644	(81,346,040)	(20,546,980)	(86,720,245)	41,159,486	-	62,357,620	3,187,615,262		
	10,570,925	10,057,745	4,798,953	6,868,262	105,656,380	(82,439,325)	24,552,575	73,759,962		

	Watawala Dairy Ltd. Rs.	Waltrim Hydropower (Pvt) Ltd. Rs.	Upper Waltrim Hydropower (Pvt) Ltd. Rs.	Elgin Hydropower (Pvt) Ltd. Rs.	Sunshine Energy (Pvt) Ltd. Rs.	Sky Solar (Pvt) Ltd. Rs.	Inter group elimination Rs.	Total Rs.
	55%	58%	58%	58%	30%	30%		
	2,368,957,749	381,925,524	565,332,599	712,797,825	614,305,751	190,647,813		
	90,602,376	79,635,270	74,889,011	39,711,213	300,819,090	10,006,009		
	(90,602,376)	(13,151,313)	(253,652,677)	(321,377,186)	-	(8,962,220)		
	(479,984,133)	(87,128,055)	(112,134,525)	(180,871,746)	(5,640,942)	(61,908,673)		
	1,888,973,616	361,281,426	274,434,408	250,260,106	909,483,899	129,782,929		
	1,047,549,208	208,051,135	158,038,543	144,117,287	272,845,170	38,934,879	(7,939,688,692)	4,035,566,113
	584,087,228	82,120,494	125,038,062	82,137,700	-	23,466,439		
	(165,655,234)	6,784,742	(3,957,672)	(23,795,137)	11,953,830	971,488		
	(193,811)	(322,598)	(358,756)	(493,459)	-	-		
	(165,849,045)	6,462,144	(4,316,428)	(24,288,596)	11,953,830	971,488		
	(91,865,767)	3,907,129	(2,279,105)	(13,702,906)	3,586,149	291,446	49,451,790	685,591,623
	(107,480)	(185,775)	(206,597)	(284,168)	-	-		
	(134,633,954)	(8,636,182)	90,757,851	84,679,024	(96,571,490)	26,616,781		
	(39,511,409)	(220,561)	(9,426,450)	(32,969,688)	(141,771,406)	(79,133,105)		
	167,193,583	21,403,497	(91,588,803)	(67,906,124)	339,301,465	36,397,500		
	(6,951,780)	12,546,754	(10,257,402)	(16,196,788)	100,958,569	(16,118,824)		

**33.3.A CHANGES OF NON-CONTROLLING INTEREST**

Refer Note 24.3 for the changes of NCI during the year.

	Issue of Shares in SWPL to Non-controlling interest Rs.	Change in effective holding of WATA Rs.	Acquisition of 40% of EMSPL Rs.	Increase in effective holding of WTCL Rs.	Forego of 25% NCI of SHL Rs.	Forego of 3% NCI of SHL Rs.	Total Rs.
Carrying amount of NCI acquired/foregone		352,071,099	(2,595,484,445)	(522,016,592)	1,391,844,424	167,021,331	(1,373,585,514)
Consideration paid/ received to/from NCI	1,520,750,002	–	2,903,064,032	–	–	278,429,916	4,702,243,950
<b>Decrease/Increase in equity attributable to owners of the Company</b>	1,520,750,002	352,071,099	307,579,587	(522,016,592)	1,391,844,424	445,451,247	3,328,658,436

**→ 34. 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 undertakes 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 assets such as immature plantations of tea, rubber, and palm oil. 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.

## Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SLFRS 16.

This policy is applied to contracts entered into, on or after 1 April 2019.

### a. As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment" and lease liabilities in "loans and borrowings" in the Statement of Financial Position.

#### **Short-term leases and leases of low-value assets**

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

#### **b. As a lessor**

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SLFRS 15 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in SLFRS 9 to the net investment in the lease. The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other revenue".

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SLFRS 16 except for the classification of the sublease entered into during current reporting period that resulted in a finance lease classification.

As at 31 March	Note	GROUP		COMPANY	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Amount repayable after one year</b>					
Loans	34.1	1,430,769,827	1,957,813,972	–	924,929,118
SLSPC/JEDB lease creditors	34.2	248,186,000	242,897,000	–	–
Lease liabilities	34.3	289,878,919	111,135,672	–	14,071,702
		<b>1,968,834,746</b>	2,311,846,644	–	939,000,820
<b>Amount repayable within one year</b>					
Loans	34.1	2,105,981,419	2,856,478,741	990,439,477	1,973,519,306
SLSPC/JEDB lease creditors	34.2	2,108,000	1,078,000	–	–
Lease liabilities	34.3	76,604,630	114,342,954	16,369,056	12,754,472
		<b>2,184,694,049</b>	2,971,899,695	<b>1,006,808,533</b>	1,986,273,778
		<b>4,153,528,795</b>	5,283,746,339	<b>1,006,808,533</b>	2,925,274,598

### 34.1 LOANS

	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 1 April	4,814,292,713	4,085,195,767	2,898,448,424	1,664,908,029
Loans obtained during the year	11,031,270,271	3,575,138,157	3,104,000,000	1,580,000,000
Acquisition through business combination (Note 34.1.1)	111,128,550	–	–	–
Fair value adjustment	(32,322,486)	51,050,091	(32,322,486)	51,050,091
Accrued interest	19,971,171	32,578,054	19,435,237	32,439,698
Less: Repayment during the year	(11,852,381,665)	(2,810,824,356)	(4,999,121,698)	(429,949,394)
Less: Transferred to liability held for sale	(555,227,308)	–	–	–
Less: Adjustment related disposal of a subsidiary	–	(118,845,000)	–	–
<b>Balance as at 31 March</b>	<b>3,536,751,246</b>	4,814,292,713	<b>990,439,477</b>	2,898,448,424
Amount repayable within one year	2,105,981,419	2,856,478,741	990,439,477	1,973,519,306
Amount repayable after one year	1,430,769,827	1,957,813,972	–	924,929,118
	<b>3,536,751,246</b>	4,814,292,713	<b>990,439,477</b>	2,898,448,424

**34.1.1. ACQUISITION THROUGH BUSINESS COMBINATION**

As described in Note 24.4, the Group has acquired the subsidiaries namely Daintee Limited and Akbar Pharmaceuticals (Pvt) Ltd. during the year. The fair value of the loans acquired through business combination amounted to Rs. 111 Mn. during the year.

**34.2 SLSPC/JEDB LEASE CREDITORS**

	GROUP	
	<b>2021</b> Rs.	2020 Rs.
Balance as at 1 April	243,975,000	516,423,000
Recognition of lease creditor on initial application of SLFRS 16 (Note 7.4)	-	116,012,000
Remeasurement of lease liabilities	5,367,000	-
Additions during the year	2,167,000	-
Adjustment of interest in suspense	-	(70,755,000)
Interest charges	35,888,000	35,511,000
Repayment during the year	(37,103,000)	(37,791,000)
Less: Adjustment related disposal of a subsidiary	-	(315,425,000)
<b>Balance as at 31 March</b>	<b>250,294,000</b>	243,975,000
<b>Net lease obligation</b>	<b>250,294,000</b>	243,975,000
Amount repayable within one year	2,108,000	1,078,000
Amount repayable after one year	248,186,000	242,897,000
	<b>250,294,000</b>	243,975,000

The annual lease series of payments payable by 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. 29.04 Mn. In September 2010, as per the Cabinet decision the regional plantation companies were requested to revert back to the original method of calculating lease rentals by applying the GDP deflator of the preceding year. The gross liability to the lessor represents the total basic lease series payable by the Company for the remaining term of the lease. The net liability to the lessor is the present value of annual basic lease series of payments over the remaining tenure of the lease. The discount rate used is 4% p.a.

### 34.3 LEASE LIABILITIES

	Note	GROUP		COMPANY	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance as at 1 April		225,605,366	6,448,680	26,826,174	–
Recognition of lease creditor on initial application of SLFRS 16	7.4	–	350,681,311	–	41,034,137
Recognised/Derecognition during the year		168,883,830	(9,137,103)	4,620,241	–
Interest charges		37,365,493	31,469,147	2,191,841	3,798,853
Transferred to accruals		(1,439,100)	–	(1,439,100)	–
Transferred to other income		(22,153,634)	–	(1,079,325)	–
Repayment during the year		(138,103,298)	(153,856,669)	(14,750,775)	(18,006,816)
Transferred to liability held for sale		(6,775,287)	–	–	–
Acquisition through business combination	34.3.1	103,154,372	–	–	–
<b>Balance as at 31 March</b>		<b>366,537,742</b>	<b>225,605,366</b>	<b>16,369,056</b>	<b>26,826,174</b>
Interest in suspense		(54,193)	(126,740)	–	–
<b>Net lease obligation</b>		<b>366,483,549</b>	<b>225,478,626</b>	<b>16,369,056</b>	<b>26,826,174</b>
Amount repayable within one year		76,604,630	114,342,954	16,369,056	12,754,472
Amount repayable after one year		289,878,919	111,135,672	–	14,071,702
		<b>366,483,549</b>	<b>225,478,626</b>	<b>16,369,056</b>	<b>26,826,174</b>

#### 34.3.1 ACQUISITION THROUGH BUSINESS COMBINATION

As described in Note 24.4, the Group has acquired the subsidiaries namely Daintee Limited and Akbar Pharmaceuticals (Pvt) Limited during the year. The fair value of the lease liabilities acquired through business combination amounted to Rs. 103 Mn. during the year.

#### Lease liability – SLFRS 16

The Company entered into a lease agreement for lease of office building for a period of two years ended 31 March 2020 and further extended for another two years ending 31 March 2022. Previously this lease was classified as operating leases under LKAS 17.

Information about leases for which the Company/the Group is a lessee is presented below:

#### Leases as lessee

The Group leases warehouses, office building and outlets. The leases typically run for a period of five years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sublease arrangements.

The warehouses, office building and outlets were entered into many years ago as combined leases of land and buildings.

The Group leases production equipment under a number of leases, which were classified as finance leases under LKAS 17. See Note 34.3.

The Group leases IT equipment with contract terms of one to three years. These leases are short term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

#### 34.3.2 RIGHT-OF-USE ASSETS

Right-of-use assets related to leased properties are presented as property, plant and equipment.

	Note	GROUP		COMPANY	
		Building and leasehold land		Building	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Balance at 1 April		478,968,325	183,963,000	25,470,532	–
Additions to right-of-use assets during the year	19.1	206,049,375	364,860,578	4,620,241	41,034,138
Remeasurement of Leasehold right to land	21	5,367,000	–	–	–
Additions to leasehold land right to land	21	2,167,000	174,011,000	–	–
Acquisition through business combination		93,511,810	–	–	–
Transfer to asset held for sale		(6,395,495)	–	–	–
Disposal/written off		(27,651,971)	–	–	–
Depreciation and amortisation for the year	19.1 and 21	(150,123,959)	(137,614,253)	(15,045,385)	(15,563,606)
Adjustment related to disposal of subsidiary		–	(106,252,000)	–	–
<b>Balance at 31 March</b>		<b>601,892,085</b>	<b>478,968,325</b>	<b>15,045,388</b>	<b>25,470,532</b>

**34.3.3 AMOUNTS RECOGNISED IN PROFIT OR LOSS**

For the year ended 31 March	GROUP		COMPANY	
	<b>2021</b> Rs.	2020 Rs.	<b>2021</b> Rs.	2020 Rs.
Interest on lease liabilities	<b>37,365,493</b>	31,469,147	<b>2,191,841</b>	3,798,853
Interest charges on SLSPC/JEDB lease creditors	<b>35,888,000</b>	35,511,000	–	–
Depreciation of right-of-use assets	<b>140,003,959</b>	127,331,253	<b>15,045,385</b>	15,563,606
Amortisation of leasehold right to land of JEDB/SLSPC estates	<b>10,120,000</b>	10,283,000	–	–
	<b>223,377,452</b>	204,594,400	<b>17,237,226</b>	19,362,459

**34.3.4 AMOUNTS RECOGNISED IN STATEMENT OF CASH FLOWS**

The Company/Group has classified:

- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Company/Group
- short-term lease payments and payments for leases of low-value assets as operating activities.

The Company/Group has not restated the comparative information.

For the year ended 31 March	GROUP		COMPANY	
	<b>2021</b> Rs.	2020 Rs.	<b>2021</b> Rs.	2020 Rs.
Total cash outflow for leases	<b>(175,206,300)</b>	(191,647,668)	<b>(14,750,775)</b>	(15,022,800)
	<b>(175,206,300)</b>	(191,647,668)	<b>(14,750,775)</b>	(15,022,800)

**34.3.5 LEASES AS LESSOR**

The Group leases out its investment property consisting of its owned commercial properties. All leases are classified as operating leases from a lessor perspective with the exception of a sublease, which the Group has classified as a finance sublease.

**Finance lease**

The Group has not subleased any right-of-use asset – property, plant and equipment.

During 2021 (2020 - Nil), the Group has no gain on derecognition of the right-of-use asset.

## 34.4 TERM LOANS

Company/Lender	Year	2021		
		Repayable within one year Rs.	Repayable after one year Rs.	Balance as at 31 March 2021 Rs.
<b>1. Sunshine Holdings PLC</b>				
Standard Chartered Bank Ltd.	2018	990,439,477	–	990,439,477
	2020	–	–	–
		990,439,477	–	990,439,477
		990,439,477	–	990,439,477
<b>2. Watawala Plantations PLC</b>				
Hatton National Bank PLC	2014	–	–	–
		–	–	–
Tea Board	2019	–	–	–
People's Bank	2019	–	–	–
		–	–	–
Nation Trust Bank PLC	2020	115,000,000	45,500,000	160,500,000
		115,000,000	45,500,000	160,500,000
		115,000,000	45,500,000	160,500,000
<b>3. Watawala Dairy Ltd.</b>				
Hatton National Bank PLC	2017	3,452,000	5,117,000	8,569,000
	2020	16,666,000	6,942,000	23,608,000
		20,118,000	12,059,000	32,177,000
State Bank of India	2018	90,000,000	315,000,000	405,000,000
		90,000,000	315,000,000	405,000,000
		110,118,000	327,059,000	437,177,000
<b>4. Sunshine Healthcare Lanka Ltd.</b>				
National Development Bank PLC		–	–	–
		–	–	–
		–	–	–

2020			Balance as at 31 March 2020 Rs.	Purpose	Repayment terms	Security
Repayable within one year Rs.	Repayable after one year Rs.					
439,152,728	924,929,118	1,364,081,846	Acquisition of TATA	One year grace period followed by initial payment of USD 1,140,000 and 15 equal quarterly repayment of USD 534,000 each	Corporate Guarantee for USD 9,150,000 from Sunshine Healthcare Lanka Limited together with supporting Board Resolution	
1,534,366,578	–	1,534,366,578	To acquire 50% stake in new entity	60 days	Cash lien of Rs. 2 Bn.	
1,973,519,306	924,929,118	2,898,448,424				
1,973,519,306	924,929,118	2,898,448,424				
31,249,000	31,248,002	62,497,002	To finance re-planting of plantation	96 equal monthly instalments commencing from April 2014	N/a	
31,249,000	31,248,002	62,497,002				
5,073,000	–	5,073,000	For working capital financing	10 equal monthly instalments commencing from December 2019	N/a	
62,400,000	177,200,000	239,600,000	To finance the import of cattle for Watawala Dairy Ltd.	To be paid in 48 equal annual instalments of Rs. 5.2 Mn. after 12 months grace period	Corporate guarantee from Watawala Plantations PLC	
67,473,000	177,200,000	244,673,000				
			Re-financing	8 equal quarterly instalments	Unsecured	
129,873,000	354,400,000	484,273,000				
98,722,000	208,448,002	307,170,002				
<b>2,264,000</b>	<b>4,298,000</b>	<b>6,562,000</b>	Working capital/factory development	60 equal monthly instalments commencing from December 2015	Ownership of lorry	
–	–	–	Working capital financing	36 equal monthly instalments commencing from August 2017	Unsecured	
2,264,000	4,298,000	6,562,000				
90,000,000	360,000,000	450,000,000	Construction of dairy farm	12 bi annual instalment after 2 Year grace period	Project assets and corporate guarantee from Watawala Plantations PLC	
90,000,000	360,000,000	450,000,000				
92,264,000	364,298,000	456,562,000				
120,000,000	–	120,000,000	Working capital financing	Within 120 days	Primary concurrent mortgage bond over stocks and book debts for Rs. 200 Mn.	
12,668,086	–	12,668,086				
132,668,086	–	132,668,086				

Company/Lender	Year	2021		
		Repayable within one year Rs.	Repayable after one year Rs.	Balance as at 31 March 2021 Rs.
Hatton National Bank PLC		-	-	-
		-	-	-
MCB Bank Limited		-	-	-
		-	-	-
Standard Chartered Bank_Ltd.	2020	-	-	-
		-	-	-
Seylan Bank PLC	2020	-	-	-
	2021	150,000,000	-	150,000,000
	2021	150,000,000	-	150,000,000
	2021	113,145,274	-	113,145,274
		413,145,274	-	413,145,274
Sampath Bank PLC	2021	30,000,000	-	30,000,000
		30,000,000	-	30,000,000
		443,145,274	-	443,145,274
<b>5. Akbar Pharmaceuticals (Pvt) Ltd.</b>				
Hatton National Bank PLC	2020	16,841,097	-	16,841,097
		16,841,097	-	16,841,097
<b>6. Lina Manufacturing (Pvt) Ltd.</b>				
Hatton National Bank PLC	2020	9,442,754	-	9,442,754
		9,442,754	-	9,442,754
Commercial Bank of Ceylon PLC	2016	38,884,595	-	38,884,595
	2021	9,888,000	4,942,000	14,830,000
		48,772,595	4,942,000	53,714,595
	58,215,349	4,942,000	63,157,349	

2020			Purpose	Repayment terms	Security
Repayable within one year Rs.	Repayable after one year Rs.	Balance as at 31 March 2020 Rs.			
190,476,964	–	190,476,964	Working capital financing	Loans to be settled with sales proceeds	A. Documents of title/Duly accepted usance drafts B. Indemnity of the Company
190,476,964	–	190,476,964			
76,895,350	–	76,895,350	Working capital financing	Within 150 days	Concurrent mortgage over stocks and trade and book debts for Rs. 150 Mn.
76,895,350	–	76,895,350			
35,335,671	–	35,335,671	Working capital financing	90 days from the date of grant	Unsecured
35,335,671	–	35,335,671			
57,459,000	–	57,459,000	Working capital financing	145 days (inclusive of usance period)	Unsecured
			Working capital financing	within 90 days	Unsecured
			Working capital financing	within 90 days	Unsecured
			Working capital financing	within 90 days	Unsecured
57,459,000	–	57,459,000			
35,335,671	–	35,335,671	Working capital financing	90 days from the date of grant	Unsecured
35,335,671	–	35,335,671			
492,835,071	–	492,835,071			
–	–	–	Import loan	within 90 days	Unsecured
–	–	–			
–	–	–	Import loan	within 90 days	Unsecured
–	–	–			
–	–	–	For the retirement of the import bills pertaining to the tablet making machine including advance payments and duty payments	Five year – Monthly instalments	Corporate Guarantee by Akbar Pharmaceutical (Pvt) Ltd.
–	–	–	For the working capital requirements	Six months grace period and 12 months equal installments	Corporate guarantee by Akbar Pharmaceutical (Pvt) Ltd.
–	–	–			
–	–	–			

Company/Lender	Year	2021		
		Repayable within one year Rs.	Repayable after one year Rs.	Balance as at 31 March 2021 Rs.
<b>7. Lina Spiro (Pvt) Ltd.</b>				
Commercial Bank of Ceylon PLC	2021	-	79,899,812	79,899,812
		-	79,899,812	79,899,812
<b>8. Waltrim Hydropower (Pvt) Ltd.</b>				
MCB Bank Ltd.		-	-	-
		-	-	-
<b>9. Upper Waltrim Hydropower (Private) Limited</b>				
DFCC Bank PLC	2017	-	-	-
		-	-	-
<b>10. Sky Solar (Pvt) Ltd.</b>				
DFCC Bank PLC	2017	-	-	-
		-	-	-
<b>11. Waltrim Energy Ltd.</b>				
Hatton National Bank PLC	2019	-	-	-
		-	-	-
Nations Trust Bank PLC	2019	20,138,356	-	20,138,356
		20,138,356	-	20,138,356
<b>12. Sunshine Consumer Lanka Ltd. (Formerly known as "Watawala Tea Ceylon Limited")</b>				
DFCC Bank PLC	2021	122,222,222	973,369,015	1,095,591,237
	2021	250,000,000	-	250,000,000
		372,222,222	973,369,015	1,345,591,237
		2,105,981,419	1,430,769,827	3,536,751,246

There are no violations on loan covenants during the year.

2020			Balance as at 31 March 2020 Rs.	Purpose	Repayment terms	Security
Repayable within one year Rs.	Repayable after one year Rs.					
–	–	–	–	To fund capital expenditure on the construction of the factory building and to fund related expenses on equipment and machinery to be imported	5 year – Monthly instalments	Corporate Guarantee provided by Akbar Pharmaceutical (Pvt) Ltd.
–	–	–	–			
70,000,000	–	70,000,000	70,000,000	Working capital financing	Upon the grant of Rs. 100 Mn. Term loan by mortgaging the hydropower assets	Machineries – Rs. 130 Mn.
70,000,000	–	70,000,000	70,000,000			
70,000,008	139,999,967	209,999,975	209,999,975	For the Construction of the Upper Waltrim Hydropower	72 equal instalments after a grace period of months from the date of first disbursement	Rs. 120 Mn. Primary mortgage over movable machineries, Rs. 300 Mn. Share mortgage and Corporate Gurantee from Sunshine Holdings PLC
70,000,008	139,999,967	209,999,975	209,999,975			
39,000,000	320,138,885	359,138,885	359,138,885	For the Construction of the Elgin Hydropower plant	72 equal instalments after a grace period of 12 months from the date of first disbursement.	Machineries – 260 Mn. Share Mortgage – Rs.130 Mn. Corporate Guarantee of Sunshine Holdings PLC
39,000,000	320,138,885	359,138,885	359,138,885			
–	–	–	–			N/a
–	–	–	–			
20,138,356	–	20,138,356	20,138,356	Working capital financing	Within 3 months short-term revolving loan	Corporate guarantee form Sunshine Energy (Pvt) Ltd.
20,138,356	–	20,138,356	20,138,356			
–	–	–	–	Acquisition of Daintee Limited	72 equal capital instalments starting from August 2021	Unsecured
–	–	–	–	Working capital financing	Within 3 months	Unsecured
–	–	–	–			
<b>2,856,478,741</b>	<b>1,957,813,972</b>	<b>4,814,292,713</b>	<b>4,814,292,713</b>			

## → 35. 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 contributions 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/internally generated models 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 Standard 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.

	Note	GROUP		COMPANY	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Employees' Provident Fund</b>					
Employers' contribution		157,995,732	140,577,504	21,389,820	21,714,292
Employees' contribution		137,533,487	100,838,575	15,589,171	14,476,195
<b>Employees' Trust Fund</b>		43,480,425	42,791,970	4,819,515	4,852,529

As at 31 March	Note	GROUP		COMPANY	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Present value of defined benefit obligations	35.1	713,774,478	559,458,926	103,878,290	96,712,325

### 35.1 MOVEMENT IN THE PRESENT VALUE OF DEFINED BENEFIT OBLIGATIONS (PVDBO)

	Note	GROUP		COMPANY	
		2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Liability for defined benefit obligation at 1 April		559,458,926	1,499,417,004	96,712,325	87,068,695
Staff transfers		–	–	(310,985)	233,410
Acquisition through business combination	24.4.A	57,592,796	–	–	–
Transferred to liability held for sale		(3,502,479)	–	–	–
Adjustment related to disposal of a subsidiary		–	(1,000,284,000)	–	–
		613,549,243	499,133,004	96,401,340	87,302,105
<b>Included in profit or loss</b>					
Current service cost		63,452,830	56,341,464	6,011,128	6,072,338
Interest cost		55,677,801	54,132,146	7,515,731	8,802,544
		119,130,631	110,473,610	13,526,859	14,874,882
<b>Included in OCI</b>					
Actuarial (gains)/losses on PVDBO		25,750,348	7,926,899	(6,049,909)	(2,266,758)
		25,750,348	7,926,899	(6,049,909)	(2,266,758)
Benefits paid		(44,655,744)	(58,074,587)	–	(3,197,904)
<b>Liability for defined benefit obligation at 31 March</b>		<b>713,774,478</b>	<b>559,458,926</b>	<b>103,878,290</b>	<b>96,712,325</b>

The details of the actuaries involved in carrying out the valuation as at 31 March 2021 are as follow:

Company	Date of valuation	Valuation method	Details of the actuary
Watawala Plantations PLC	31 March 2021	Projected Unit Credit Method	Mr M Pooplanathan, Messrs Actuarial and Management Consultants (Private) Limited
Sunshine Healthcare Lanka Ltd.	31 March 2021	Projected Unit Credit Method	Mr Pushpakumar Gunasekera, AIAA, of Messrs Smiles Global (Pvt) Limited

### 35.2. ACQUISITION THROUGH BUSINESS COMBINATION

As described in Note 24.4, the Group has acquired the subsidiaries namely Daintee Limited and Akbar Pharmaceuticals (Pvt) Ltd. during the year. The fair value of the of defined benefit obligation acquired through business combination amounted to Rs. 58 Mn. during the year.

### 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	
	2021 %	2020 %	2021 %	2020 %	2021 %	2020 %
Sunshine Holding PLC – Company	8.0	10.5	7.7	8.6	15.0	15.0
Watawala Plantations PLC	8.0	10.5			–	10
– estate workers (every three years)	–	–	5.7	25.0	–	–
– estate staff (every three years)	–	–	15.0	25.0	–	–
– estate management and head office staff (every year)	–	–	7.5	7.5	–	–
Sunshine Consumer Lanka Ltd. (Formerly known as “Watawala Tea Ceylon Limited”)	8.0	10.5	11.5-20	8.8	14-18	18.0
Sunshine Energy (Pvt) Ltd.	8.0	–	9.5		7.1	–
Waltrim Hydropower (Pvt) Ltd.	8.0	10.5	9.5	10.7	7.1	68.0
Upper Waltrim Hydropower (Pvt) Ltd.	8.0	10.5	9.5	10.0	7.1	28.0
Elgin Hydro Power (Pvt) Ltd.	8.0	10.5	9.5	10.4	7.1	0.0
Sunshine Healthcare Lanka Ltd.	7.3	10.5	9.5	9.5	23.0	23.0
Healthguard Pharmacy Ltd.	8.0	10.5	8.0	7.9	21.0	21.0
Akbar Pharmaceutical (Pvt) Ltd.	11.0	–	10.0	–	15.0	–
Lina Manufacturing (Pvt) Ltd.	11.0	–	10.0	–	3.0	–
Lina Spiro (Pvt) Ltd.	11.0	–	10.0	–	3.0	–

The retiring age for the Group (except for Watawala Plantations PLC) is 55 years. The retiring age for Watawala Plantations PLC is 60 years.

The Board of Directors are of the view that the COVID-19 outbreak will not have significant impact on the salary cost and increments in the future. Accordingly the same increment rates as last year have been considered for gratuity computation.

### 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:

As at 31 March	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
1% increase in discount rate	674,838,813	1,477,185,890	101,990,277	95,034,372
1% decrease in discount rate	757,455,986	1,526,151,647	105,884,901	98,495,388
1% increase in salary increment rate	755,376,295	1,517,315,035	105,871,582	98,510,486
1% decrease in salary increment rate	675,967,557	1,484,479,374	101,967,971	94,990,535

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.

### 35.3. MINIMUM WAGE FOR THE ESTATE WORKERS

In the past wages of the Plantation workers were negotiated between Trade Unions and Regional Plantation Companies (RPCs), once in every two years and a Collective Agreement was signed between the parties. However, the last wage negotiations

between the parties were not successful and therefore, the matter was referred to the Wages Board by the Minister of Labour. Consequently, The Wages Board without considering objections of the RPC's decided the minimum daily wage of Rs. 1,000/- comprising of a minimum daily wage of Rs. 900/- and a budgetary relief allowance of Rs. 100/- for workers in tea and rubber growing and manufacture trade and gazetted its decision on 5 March 2021.

However, RPCs instituted a "Writ Application" in the Court of Appeal seeking an interim order, staying and/or suspending the operation of the decision of the Wages Board. The matter was taken for argument at the Court of Appeal on 5 May 2021 and was postponed for respondent's submissions to 31 May 2021.

As this matter is under the purview of the Court of Appeal at the time of approval of these financial statements, the Board of Directors of the Company, having discussed with independent legal experts, decided to continue using the same daily wage rate used in the previous year for the estimation of the benefits to be paid as gratuity at retirement in the calculation of Retirement Benefit Obligations as at 31 March 2021.

In the event Court of Appeal issues a judgement against RPCs, the retirement Benefit obligation of the Group and the Company as at 31 March 2021 may be increased by Rs. 79,123,596/- and Rs. 66,950,278/- resulting an additional charge of Rs. 4,817,440/- and Rs. 4,147,956/- to the profit or loss of the Group and the Company and an additional charge of Rs. 74,306,156/- and Rs. 62,802,322/- to the other comprehensive income of the group and the company for the year ended 31 March 2021 respectively. No provisions have been made in the financial statements for the year ended 31 March 2021 in this regard.

## → 36. 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	
	2021 Rs.	2020 Rs.
Balance as at 1 April	142,550,000	320,693,000
Adjustment related to disposal during the year (Note 36.1)	-	(127,588,000)
Amortised during the year	(50,554,000)	(50,555,000)
<b>Balance as at 31 March</b>	<b>91,996,000</b>	<b>142,550,000</b>

Funds have been received by Watawala Dairy Ltd., a subsidiary of the Company from the Ministry of Rural Development Affairs for development of dairy industry amounting to Rs. 241 Mn.

Funds have been received by Watawala Plantations PLC, a subsidiary of the Company, from the Plantation Human Development Trust (PHDT) and Ministry of Estate Housing and Community Infrastructure for workers' welfare facilities including re-roofing of line rooms, latrines, water supply, sanitation, etc. The grants received from the Ministry of Estate Housing and Community 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.

## → 37. 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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Trade payables	2,573,094,074	1,760,858,181	–	–
Sales representatives security deposits	14,823,501	14,476,077	–	–
Retention payable to contractors	6,026,400	3,960,690	–	–
Tax and other statutory payables	13,714,410	1,745,401	1,685,392	1,988,459
Accrued expenses and other payables (Note 37.1)	1,167,718,734	669,656,261	23,288,662	19,829,239
	<b>3,775,377,119</b>	2,450,696,610	<b>24,974,054</b>	21,817,698

**37.1** Accrued expenses and other payables include Bonus and Incentive payables of Rs. 191 Mn. (2020 - Rs. 149 Mn.), advertising and promotions payables of Rs. 89 Mn. (2020 - Rs. 90 Mn.) and the other accrued expenses and payables of Rs. 887 Mn. (2020 - Rs. 431 Mn.).

### 37.2. ACQUISITION THROUGH BUSINESS COMBINATION

As described in Note 24.4, the Group has acquired the Subsidiaries namely Daintee Limited and Akbar Pharmaceuticals (Pvt) Ltd. during the year. The fair value of the trade and other payables acquired through business combination amounted to Rs. 292 Mn.

## → 38. AMOUNTS DUE TO RELATED PARTIES

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

	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Sunshine Tea (Pvt) Ltd.	12,802,099	21,921,252	–	–
Lamurep Properties Ltd.	–	3,591,990	–	2,853,690
Sunshine Foundation	–	2,000,000	–	–
Sunshine Consumer Lanka Ltd. (formerly known as "Watawala Tea Ceylon Ltd.")	–	–	–	22,118
	<b>12,802,099</b>	27,513,242	–	2,875,808

All outstanding balances are short term in nature and there were no special terms and conditions pertaining to the outstanding balances.

## → 39. 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 disclosures 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 2021		GROUP					Total Rs.
		Classification	Carrying amount Rs.	Fair value			
			Level 1 Rs.	Level 2 Rs.	Level 3 Rs.		
<b>Financial assets measured at fair value</b>							
Investment in unquoted shares	Fair value through OCI	505,433,941	–	–	505,433,941	505,433,941	
Investment in quoted shares	Fair value through P&L	35,354,916	35,354,916	–	–	35,354,916	
Derivative instruments	Fair value through P&L	222,469,740	–	222,469,740	–	222,469,740	
Investment fund	Fair value through P&L	357,153,000	–	357,153,000	–	357,153,000	
		1,120,411,597	35,354,916	579,622,740	505,433,941	1,120,411,597	
<b>Financial assets not measured at fair value</b>							
Trade and other receivables**	Amortised cost	4,281,151,733	–	4,281,151,733	–	4,281,151,733	
Investment in debentures	Amortised cost	106,389,041	–	106,389,041	–	106,389,041	
Short-term investments	Amortised cost	112,894,447	–	112,894,447	–	112,894,447	
Amounts due from related parties**	Amortised cost	475,000	–	475,000	–	475,000	
Cash and cash equivalents**	Amortised cost	2,520,552,239	–	2,520,552,239	–	2,520,552,239	
		7,021,462,460	–	7,021,462,460	–	7,021,462,460	
<b>Financial liabilities not measured at fair value</b>							
Loans and borrowings***	Other financial liabilities	4,153,528,795	–	4,153,528,795	–	4,153,528,795	
Bank overdraft**	Other financial liabilities	872,203,730	–	872,203,730	–	872,203,730	
Trade and other payables**	Other financial liabilities	2,593,943,975	–	2,593,943,975	–	2,593,943,975	
Amounts due to related parties**	Other financial liabilities	12,802,099	–	12,802,099	–	12,802,099	
		7,632,478,599	–	7,632,478,599	–	7,632,478,599	

\*\* 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.

COMPANY					
Carrying amount Rs.	Fair value				Total Rs.
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.		
505,433,941	-	-	505,433,941		505,433,941
35,354,916	35,354,916	-	-		35,354,916
222,469,740	-	222,469,740	-		222,469,740
-	-	-	-		-
763,258,597	35,354,916	222,469,740	505,433,941		763,258,597
16,236,144	-	16,236,144	-		16,236,144
106,389,041	-	106,389,041	-		106,389,041
-	-	-	-		-
223,215,489	-	223,215,489	-		223,215,489
1,281,865,256	-	1,281,865,256	-		1,281,865,256
1,627,705,930	-	1,627,705,930	-		1,627,705,930
1,006,808,533	-	1,006,808,533	-		1,006,808,533
1,198,941	-	1,198,941	-		1,198,941
-	-	-	-		-
-	-	-	-		-
1,008,007,474	-	1,008,007,474	-		1,008,007,474

31 March 2020	GROUP						Total Rs.
	Classification	Carrying amount Rs.	Fair value				
			Level 1 Rs.	Level 2 Rs.	Level 3 Rs.		
<b>Financial assets measured at fair value</b>							
Investment in unquoted shares	Fair value through OCI	537,522,639	–	–	537,522,639	537,522,639	
Investment in quoted shares	Fair value through P&L	75,890,853	75,890,853	–	–	75,890,853	
Investment in unit trust	Fair value through P&L	7,346,627	7,346,627	–	–	7,346,627	
Derivative instruments	Fair value through P&L	234,792,226	–	234,792,226	–	234,792,226	
Investment fund	Fair value through P&L	343,725,000	–	343,725,000	–	343,725,000	
		1,199,277,345	83,237,480	578,517,226	537,522,639	1,199,277,345	
<b>Financial assets not measured at fair value</b>							
Trade and other receivables**	Amortised cost	3,727,303,446	–	3,727,303,446	–	3,727,303,446	
Investment in debentures	Amortised cost	106,419,178	–	106,419,178	–	106,419,178	
Amounts due from related parties**	Amortised cost	78,704,645	–	78,704,645	–	78,704,645	
Cash and cash equivalents**	Amortised cost	4,572,232,065	–	4,572,232,065	–	4,572,232,065	
		8,484,659,334	–	8,484,659,334	–	8,484,659,334	
<b>Financial liabilities not measured at fair value</b>							
Loans and borrowings***	Other financial liabilities	5,283,746,339	–	5,283,746,339	–	5,283,746,339	
Bank overdraft**	Other financial liabilities	1,163,836,455	–	1,163,836,455	–	1,163,836,455	
Trade and other payables**	Other financial liabilities	1,779,294,948	–	1,779,294,948	–	1,779,294,948	
Amounts due to related parties**	Other financial liabilities	27,513,242	–	27,513,242	–	27,513,242	
		8,254,390,984	–	8,254,390,984	–	8,254,390,984	

\*\* 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.

COMPANY					
Carrying amount Rs.	Fair value			Total Rs.	
	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.		
537,522,639	–	–	537,522,639	537,522,639	
75,890,853	75,890,853	–	–	75,890,853	
7,346,627	7,346,627	–	–	7,346,627	
234,792,226	–	234,792,226	–	234,792,226	
–	–	–	–	–	
855,552,345	83,237,480	234,792,226	537,522,639	855,552,345	
33,214,124	–	33,214,124	–	33,214,124	
106,419,178	–	106,419,178	–	106,419,178	
240,777,370	–	240,777,370	–	240,777,370	
3,879,071,288	–	3,879,071,288	–	3,879,071,288	
4,259,481,960	–	4,259,481,960	–	4,259,481,960	
2,925,274,598	–	2,925,274,598	–	2,925,274,598	
52,737,440	–	52,737,440	–	52,737,440	
–	–	–	–	–	
2,875,808	–	2,875,808	–	2,875,808	
2,980,887,846	–	2,980,887,846	–	2,980,887,846	

### 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) Rs.	
				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 4% – TATA 5%	– the EBITDA growth were higher/ (lower) – 1%	29,708,716	(28,620,696)
		Risk adjusted discount rate: – LCBL 10.22% – TATA 10.34%	– the risk adjusted discount rate were lower/(higher) – 1%	(51,357,889)	67,739,443
Interest rate swaps/Cross currency swaps	Swap models The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.	Not Applicable	Not Applicable		

### Transfers between Level 1 and Level 2

There were no transfers between Level 1 and Level 2 during the year ended 31 March 2021.

**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 2019	594,319,053	577,866,053
Adjustment related disposal of a subsidiary	(16,453,000)	–
<b>Gain included in OCI</b>		
– Net change in fair value (unrealised)	(40,343,414)	(40,343,414)
<b>Balance as at 31 March 2020</b>	<b>537,522,639</b>	<b>537,522,639</b>
Balance as at 1 April 2020	537,522,639	537,522,639
<b>Gain included in OCI</b>		
– Net change in fair value (unrealised)	(32,088,698)	(32,088,698)
<b>Balance as at 31 March 2021</b>	<b>505,433,941</b>	<b>505,433,941</b>

**→ 40. FINANCIAL RISK MANAGEMENT**

The Group has exposure to the following risks arising from financial instruments:

- (a) Credit risk (Note 40.2)
- (b) Liquidity risk (Note 40.3)
- (c) Market risk (Note 40.4)
- (d) Operational risk (Note 40.5)

**40.1 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.

## 40.2 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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Impairment loss on trade receivables and contract assets arising from contracts with customers	66,194,016	56,815,760	–	–
	66,194,016	56,815,760	–	–

### Expected credit loss assessment for individual customers

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers.

As at 31 March 2021	GROUP			
	Weighted average loss rate %	Gross carrying amount Rs.	Loss allowance Rs.	Credit impaired
Less than 30 days	0	1,782,083,910	–	No
More than 30 days but less than 60 days	1	1,200,385,604	6,667,294	No
More than 60 days but less than 90 days	4	229,718,656	8,877,165	No
More than 90 days	10	501,916,034	50,649,557	No
		3,714,104,204	66,194,616	

As at 31 March 2020	GROUP			
	Weighted average loss rate %	Gross carrying amount Rs.	Loss allowance Rs.	Credit impaired
Less than 30 days	1	1,453,019,608	10,076,110	No
More than 30 days but less than 60 days	1	729,401,433	7,424,397	No
More than 60 days but less than 90 days	2	290,909,259	4,973,919	No
More than 90 days	5	664,105,177	34,341,333	No
		3,137,435,477	56,815,760	No

## 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 takes out Bank Guarantees to limit of risk of credit losses on trade receivables and contract assets. Further, the Group does not recognise impairment provision on account of Government debtors.

The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to the credit risk as at 31 March 2020 is as follow:

	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
Other investments	1,339,695,085	1,305,696,523	763,258,597	855,552,345
Trade and other receivables	4,281,151,733	3,727,303,446	16,236,144	33,214,124
Amount due from related parties	475,000	78,704,645	223,215,489	240,777,370
Cash and cash equivalents	2,520,552,239	4,572,232,065	1,281,865,256	3,879,071,288
	<b>8,141,874,057</b>	9,683,936,679	<b>2,284,575,486</b>	5,008,615,127

### Amount due from related parties

The Group's amounts due from related parties mainly consists of the balances from affiliates. The Company's amount due from related parties consists of the loan due from a fully owned subsidiary namely Sunshine Packaging Lanka Ltd., amounted to Rs. 223 Mn. (2020 - Rs. 222 Mn.).

### Cash and cash equivalents

The Group held cash and cash equivalents of Rs. 2,520 Mn. at 31 March 2021 (2020: Rs. 4,572 Mn.). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+ (2020: AA- to AA+), based on the ratings given by the rating agencies.

## 40.3 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.

GROUP					
As at 31 March 2021	Contractual cash flows				
	Carrying amount Rs.	Total Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.
Bank overdrafts	872,203,730	872,203,730	872,203,730	–	–
Loans and borrowings	4,153,528,795	4,153,528,795	1,054,044,710	1,130,649,340	1,968,834,746
Trade and other payables	3,761,662,709	3,761,662,709	3,761,662,709	–	–
Amount due to related parties	12,802,099	12,802,099	12,802,099	–	–
	8,800,197,333	8,800,197,333	5,700,713,248	1,130,649,340	1,968,834,746

COMPANY					
As at 31 March 2021	Contractual cash flows				
	Carrying amount Rs.	Total Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.
Bank overdrafts	1,198,941	1,198,941	1,198,941	–	–
Loans and borrowings	1,006,808,533	1,006,808,533	998,624,005	8,184,528	–
Trade and other payables	23,288,662	23,288,662	23,288,662	–	–
Amount due to related parties	–	–	–	–	–
	1,031,296,136	1,031,296,136	1,023,111,608	8,184,528	–

GROUP					
As at 31 March 2020	Contractual cash flows				
	Carrying amount Rs.	Total Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.
Bank overdrafts	1,163,836,455	1,163,836,455	1,163,836,455	–	–
Loans and borrowings	5,283,746,339	5,283,746,339	1,813,828,551	1,158,071,144	2,311,846,644
Trade and other payables	2,448,951,209	2,448,951,209	2,448,951,209	5,207,803	–
Amount due to related parties	27,513,242	27,513,242	27,513,242	–	–
	8,924,047,245	8,924,047,245	5,454,129,457	1,163,278,947	2,311,846,644

As at 31 March 2020	COMPANY				
	Contractual cash flows				
	Carrying amount Rs.	Total Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.
Bank overdrafts	52,737,440	52,737,440	52,737,440	–	–
Loans and borrowings	2,925,274,598	2,925,274,598	986,759,653	999,514,125	939,000,820
Trade and other payables	19,829,239	19,829,239	19,829,239	–	–
Amount due to related parties	2,875,808	2,875,808	2,875,808	–	–
	3,000,717,085	3,000,717,085	1,062,202,140	999,514,125	939,000,820

#### 40.4 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.

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates. As a result of these uncertainties, significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of foreign exchange and interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 March 2020. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR.

Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31 March 2021.

#### 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 2021	GROUP			
	USD Rs.	Australian Dollar Rs.	LKR Rs.	Total Rs.
<b>Financial assets</b>				
Other investments (excluding derivatives)	35,969,400	–	299,394,787	335,364,187
Trade and other receivables	302,493,696	–	4,546,197,662	4,848,691,358
Amount due from related parties	–	–	475,000	475,000
Cash and cash equivalents	45,186,748	942,924	2,474,422,567	2,520,552,239
	383,649,844	942,924	7,320,490,016	7,705,082,784
<b>Financial liabilities</b>				
Loans and borrowings	(971,004,240)	–	(3,182,524,555)	(4,153,528,795)
Trade and other payables	–	–	(3,761,662,709)	(3,761,662,709)
Amount due to related parties	–	–	(12,802,099)	(12,802,099)
Bank overdrafts	–	–	(872,203,730)	(872,203,730)
	(971,004,240)	–	(7,829,193,093)	(8,800,197,333)
<b>Net exposure</b>	<b>(587,354,396)</b>	<b>942,924</b>	<b>(508,703,077)</b>	<b>(1,095,114,549)</b>

As at 31 March 2020	GROUP			
	USD Rs.	Australian Dollar Rs.	LKR Rs.	Total Rs.
<b>Financial assets</b>				
Other investments (excluding derivatives)	–	–	234,792,226	234,792,226
Trade and other receivables	499,784,979	–	3,795,786,126	4,295,571,105
Amount due from related parties	–	–	78,704,645	78,704,645
Cash and cash equivalents	63,825,400	578,188	4,507,828,477	4,572,232,065
	563,610,379	578,188	8,617,111,474	9,181,300,041
<b>Financial liabilities</b>				
Loans and borrowings	(1,254,814,560)	–	(4,028,931,779)	(5,283,746,339)
Trade and other payables	–	–	(2,448,951,209)	(2,448,951,209)
Amount due to related parties	–	–	(27,513,242)	(27,513,242)
Bank overdrafts	–	–	(1,163,836,455)	(1,163,836,455)
	(1,254,814,560)	–	(7,669,232,685)	(8,924,047,245)
<b>Net exposure</b>	<b>(691,204,181)</b>	<b>578,188</b>	<b>947,878,789</b>	<b>257,252,796</b>

COMPANY			
	USD Rs.	LKR Rs.	Total Rs.
	–	222,469,740	222,469,740
	–	70,396,643	70,396,643
	–	223,215,489	223,215,489
	–	1,281,865,256	1,281,865,256
	–	1,797,947,128	1,797,947,128
	(971,004,240)	(35,804,293)	(1,006,808,533)
	–	(23,288,662)	(23,288,662)
	–	–	–
	–	(1,198,941)	(1,198,941)
	(971,004,240)	(60,291,896)	(1,031,296,136)
	(971,004,240)	1,737,655,232	766,650,992

COMPANY			
	USD Rs.	LKR Rs.	Total Rs.
	–	234,792,226	234,792,226
	–	107,974,290	107,974,290
	–	240,777,370	240,777,370
	–	3,879,071,288	3,879,071,288
	–	4,462,615,174	4,462,615,174
	(1,254,814,560)	(1,670,460,038)	(2,925,274,598)
	–	(19,829,239)	(19,829,239)
	–	(2,875,808)	(2,875,808)
	–	(52,737,440)	(52,737,440)
	(1,254,814,560)	(1,745,902,525)	(3,000,717,085)
	(1,254,814,560)	2,716,712,649	1,461,898,089

### Sensitivity analysis

A reasonably possible strengthening (weakening) of the Euro and 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.
<b>As at 31 March 2021</b>				
USD (1% movement)	<b>(5,873,544)</b>	<b>5,873,544</b>	<b>(5,873,544)</b>	<b>5,873,544</b>
As at 31 March 2020				
USD (1% movement)	(6,912,042)	6,912,042	(6,912,042)	6,912,042

	COMPANY			
	Profit or loss		Equity, net of tax	
	Strengthening Rs.	Weakening Rs.	Strengthening Rs.	Weakening Rs.
<b>As at 31 March 2021</b>				
USD (1% movement)	<b>(9,710,042)</b>	<b>9,710,042</b>	<b>(9,710,042)</b>	<b>9,710,042</b>
As at 31 March 2020				
USD (1% movement)	(12,548,146)	12,548,146	(12,548,146)	12,548,146

### 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	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
<b>Fixed-rate instruments</b>				
<b>Financial liabilities</b>				
Loans and borrowings	4,153,528,795	5,283,746,339	1,006,808,533	2,925,274,598
	4,153,528,795	5,283,746,339	1,006,808,533	2,925,274,598
<b>Variable-rate instruments</b>				
<b>Financial liabilities</b>				
Bank overdrafts	872,203,730	1,163,836,455	1,198,941	52,737,440
	872,203,730	1,163,836,455	1,198,941	52,737,440

### 40.5 OPERATIONAL RISK

'Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group'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 Group'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, Group 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 Group 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.

## → 41. RELATED PARTY TRANSACTIONS

The Group carries out transactions in the ordinary course of its business with parties who are defined as related parties in LKAS 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.

### 41.1 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 63, 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 the 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.

#### 41.1.A COMPENSATION OF KEY MANAGEMENT PERSONNEL

	GROUP		COMPANY	
	2021 Rs.	2020 Rs.	2021 Rs.	2020 Rs.
For the year ended 31 March				
Short-term employee benefits	279,373,780	245,964,426	252,204,180	230,973,512
Post-employment benefits	5,164,159	5,139,159	5,164,159	5,139,159
	<b>284,537,939</b>	251,103,585	<b>257,368,339</b>	236,112,670

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 2021.

### 41.2 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 2021 audited financial statements, which required additional disclosures in the 2020/21 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 2021 audited financial Statements, which required additional disclosures in the 2020/21 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	Nature of transaction	Transaction amount <b>2021</b> Rs.	Transaction amount 2020 Rs.	Amount payable/ receivable <b>2021</b> Rs.	Amount payable/ receivable 2020 Rs.
Sunshine Healthcare Lanka Ltd.	Service income	<b>128,681,520</b>	113,292,013	-	-
	Dividend income	-	441,339,394	-	-
	Advance given	-	(1,000,000)	-	-
	Advance settled	-	1,000,000	-	-
	Gratuity transfer	-	117,715	-	-
Watawala Plantations PLC	Service income	<b>75,600,000</b>	90,162,599	-	-
	Gratuity transfer	<b>774,386</b>	115,694	-	-
Sunshine Consumer Lanka Ltd. (formerly known as "Watawala Tea Ceylon Ltd.")	Service income	<b>94,057,262</b>	98,682,885	-	(22,118)
	Gratuity transfer	<b>(79,041)</b>	-	-	-
	Purchases	<b>(46,788)</b>	(44,785)	-	-
Sunshine Packaging Lanka Ltd.	Interest income	<b>16,405,000</b>	16,449,945	<b>223,215,489</b>	221,822,187
	Share issue for capital infusion	-	(75,000,000)	-	-
Sunshine Energy (Pvt) Ltd.	Service income	-	909,407	-	946,655
	Gratuity transfer	<b>(1,006,330)</b>	-	-	-
Waltrim Energy Ltd.	Service income	-	7,183,859	-	9,002,202
	Loan obtained	-	(22,000,000)	-	-
	Loan settled	-	22,000,000	-	-
	Interest income	-	205,124	-	-
Upper Waltrim Hydropower (Pvt) Ltd.	Service income	<b>10,440,235</b>	3,679,185	-	1,369,387
Waltrim Hydropower (Pvt) Ltd.	Service income	<b>5,449,270</b>	2,818,883	-	1,179,934
Sky Solar (Pvt) Ltd.	Service income	<b>5,395,701</b>	1,833,266	-	-
	Interest income	-	920,479	-	-
	Advances given	-	(6,968,750)	-	-
	Advances settled	-	6,968,750	-	-
	Loan settled	-	19,435,625	-	-
Elgin Hydropower (Pvt) Ltd.	Service income	<b>5,517,224</b>	2,826,162	-	5,760,796
Daintee Limited	Service income	<b>17,201,849</b>	-	-	690,644
Sunshine Wilmar (Pvt) Ltd.	Dividend income	<b>379,200,000</b>	-	-	-
		<b>737,590,288</b>	724,927,451	<b>223,215,489</b>	240,749,687

**Transactions with associates**

There were no transactions carried out between the Group with the associate during the year ended 31 March 2021.

**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 <b>2021</b> Rs.	Transaction amount 2020 Rs.	Amount payable/ receivable <b>2021</b> Rs.	Amount payable/ receivable 2020 Rs.
Sunshine Tea (Pvt) Ltd.	Affiliate	Sales	162,000	9,793,457	(12,802,099)	(16,684,607)
		Service cost	(245,784,000)	(206,969,240)	–	–
		Shared cost	599,000	(9,255,917)	–	–
		Rent paid	(753,346)	–	–	–
		Transfer of land	–	63,233,820	–	–
Pyramid Lanka (Pvt) Ltd.	Affiliate	Sales	2,816,916,000	2,005,247,000	475,000	73,468,000
Lamurep Properties Limited	Affiliate	Rent	(24,395,575)	(25,896,996)	–	(3,591,990)
Lamurep Investments Ltd.	Affiliate	Service income	–	16,518	–	–
Sunshine Foundation	Affiliate	Members contribution	(23,250,000)	(27,400,000)	–	(2,000,000)
			<b>2,523,494,079</b>	1,808,768,642	<b>(12,327,009)</b>	51,191,403

**→ 42. DISPOSAL GROUP HELD FOR SALE****Significant accounting policies →**

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, and any equity-accounted investee is no longer equity accounted.

In March 2021, management committed to a plan to sell the hydropower energy sector which includes Waltrim Energy Ltd., Waltrim Hydropower (Private) Limited, Elgin Hydropower (Private) Limited and Upper Waltrim Hydropower (Pvt) Ltd. within the energy sector. Efforts to sell the disposal group have started as at 31 March 2021. As explained in Note 45, the Group entered in to a sales agreement to dispose the Waltrim Energy Ltd. and the subsidiaries on 7 April 2021 and the sale completed.

#### 42.1 IMPAIRMENT LOSSES RELATED TO THE DISPOSAL GROUP

Impairment losses of Rs.143 Mn. were recognised related to the disposal group to bring down the carrying value of the disposal group to its fair value less cost to sell as at the reporting date in the Consolidated Financial Statements.

#### 42.2 ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALE

As at 31 March 2021, the disposal group was stated at cost and comprised the following assets and liabilities.

	Note	GROUP 2021 Rs.
Property, plant and equipment	19.1	1,561,108,810
Deferred tax assets	27.5	144,801,031
Inventories	28.1	7,533,497
Trade and other receivables	30.3	159,101,809
Income tax receivable	29.1	83,575
Cash and cash equivalent	32.1	52,507,138
		1,925,135,860
Less: Provision for assets held for sale		(143,246,439)
<b>Total assets held for sale</b>		<b>1,781,889,421</b>
Loans and borrowings	34.1.1	555,227,308
Lease liability	34.3.1	6,775,287
Employee benefits	35.2	3,502,479
Deferred tax	27.5	278,223,744
Bank overdraft	32.1	2,418,623
Trade and other payables	37.2	10,358,190
<b>Total liabilities held for sale</b>		<b>856,505,631</b>

#### 42.3 CUMULATIVE INCOME OR EXPENSES INCLUDED IN OCI

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

#### 42.4 FAIR VALUE OF DISPOSAL GROUP

Measurement of the disposal group is based on the carrying value, which is equivalent to the cost. The carrying value of the disposal group is higher than the fair value less cost to sell as at the reporting date.

#### 42.5. UNRECOGNISED DEFERRED TAX ASSETS ON TAX LOSSES

The unrecognised deferred tax assets on tax losses relating to disposal group amounted to Rs.74 Mn. (2020 - 15 Mn.).

Group and Company	Temporary difference Rs.	Tax effect Rs.
Waltrim Energy Ltd.	9,385,765	–
Waltrim Hydropower (Pvt) Ltd.	84,862,575	16,972,515
Upper Waltrim Hydropower (Pvt) Ltd.	236,735,744	56,816,579
Elgin Hydropower (Private) Limited	1,660,990	232,539
	332,645,074	74,021,633

### → 43. COMMITMENTS

The Company/Group has entered into agreement with IFS Research and Development (Pvt) Ltd. on 31 December 2020 for the implementation of new ERP system and the details of capital commitments are as follows.

	GROUP	COMPANY
	<b>2021</b> Rs.	<b>2021</b> Rs.
Total capital cost committed	87,794,060	18,290,429
Less: Capital cost incurred/advances paid during the year	(38,564,089)	(7,555,660)
<b>Balance commitment as at 31 March</b>	<b>49,229,971</b>	<b>10,734,769</b>

Sunshine Consumer Lanka Ltd. (formerly known as "Watawala Tea Ceylon Ltd.") has a capital commitment for the Construction of Farm House and Purchase of Property, Plant and Equipment amounting to Rs. 7,577,439 and Rs. 13,809,526 respectively as at 31 March 2021.

There were no material contingencies as at the reporting date except for disclosures made.

### → 44. CONTINGENT LIABILITIES

#### 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 judgment 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

##### Bank Guarantees:

The Company has given Bank Guarantees to Tax Appeals Commission and Department of Inland Revenue amounted to Rs. 3,104,899 and Rs. 830,196 respectively (2020: Nil).

##### Pending litigation and claims:

There are no litigations and claims as at the reporting date.

**Group****Bank Guarantees:**

Watawala Plantation PLC, a subsidiary of the Company, has given a bank guarantee amounting to Rs.6.4 Mn. to the Tax appeals commission.

Watawala Dairy Ltd., a subsidiary of the Company, has given a bank guarantee amounting Rs.10 Mn. to Ceylon Grain Elevators PLC.

Elgin Hydropower (Pvt) Limited, a subsidiary of the Company, has given a bank guarantees amounting to Rs. 0.5 Mn.

Sunshine Energy (Pvt) Ltd., a subsidiary of the Company, has given a corporate guarantees amounting to Rs. 40 Mn. to Nations Trust Bank PLC for obtaining Bank facilities.

Sunshine Consumer Lanka Ltd., (formerly known as "Watawala Tea Ceylon Ltd.") has given a Bank guarantees amounting to Rs. 0.95 Mn. to Director of Customs.

Daintee Limited, a Subsidiary of the Company has given a Bank guarantees of Rs. 4 Mn. to Director of Customs.

Akbar Phramaceuticals (Pvt) Ltd., has given corporate gurantees to its subsidiaries namely Lina Manufacturing (Pvt) Ltd., and Lina Spiro (Pvt) Ltd. amounted to Rs. 635,000,000 and Rs. 350,000,000 respectively for obtaining Bank facilities from Commercial Bank PLC and Hatton National Bank PLC.

Watawala Plantations PLC has given corporate guaranree on behalf its subsidiary Watawala Dairy Ltd. amounted to Rs. 367,200,000 for obtaining a loan from State Bank of India.

Also refer Note 35.3 contingent liability arising from minimum wage for the estate workers.

**→ 45. 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/Group**

There have been no events subsequent to the reporting date, which would have any material effect on the company, other than the following;

**45.1 DIVIDEND DECLARATION**

The Board of Directors of the Company has declared a final dividend of Rs. 0.50 per share for the financial year ended 31 March 2021.

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 3 February 2021 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 2021.

#### 45.2 DISPOSAL OF WALTRIM ENERGY LTD. GROUP

On 7 April 2021, the Group entered into a sale agreement to dispose of Waltrim Energy Ltd., which engaged in the business of Hydro Power Generation. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was completed on 7 April 2021, on which date control of Waltrim Energy Ltd., passed to the acquirer. Details of the assets and liabilities disposed of, has been classified as non-current asset held for sale and the Liabilities held for sale, are disclosed in Note 42.

#### 45.3 TERMINATION OF SWAP AGREEMENT

The Company has terminated the SWAP agreement entered with Standard Chartered Bank for the repayment of USD Loan at the fixed exchange rate on 12 April 2021. Accordingly, the loan outstanding as at 31 March 2021 amounted to USD 4,806,000 (Rs. 771 Mn.) has been fully settled on 12 April 2021 and the corresponding Derivative Asset amounted to Rs. 222,469,740 has been de-recognised on the same date.

#### 45.4 CHANGE IN EFFECTIVE SHAREHOLDING OF WATAWALA DAIRY LTD.

On 12 May 2021, an investment agreement signed between Watawala Plantations PLC, Watawala Dairy Ltd. and SBI Ven Holdings Pte. Ltd. for the capital infusion of USD 2,000,000 to Watawala Dairy Ltd. by issuing of 34,629,311 new shares of Watawala Dairy Ltd. Further, Watawala Plantations PLC will infuse LKR. 296 Mn. by converting inter-company loan due from Watawala Dairy Ltd. As a result of these transactions, Effective Share holding of the Company in Watawala Dairy Ltd. will reduce from 37% to 33%.

### → 46. AMALGAMATION OF ESTATEMENT MANAGEMENT SERVICES (PVT) LTD. WITH SUNSHINE HOLDINGS PLC

#### Accounting policy →

Refer Note 7.2 for the accounting policy.

Estate Management Services (Pvt) Ltd. (EMSPL), which was a subsidiary of the Group, was amalgamated with Sunshine Holdings PLC (the Company). The Board of Directors resolved to amalgamate EMSPL and the Company w.e.f 14 September 2020 in accordance with Section 244 (i) (a) of the Companies Act No. 7 of 2007. The Group received the Certificate of Amalgamation on the 2 February 2021. Accordingly, on 2 February 2021 the book values of EMSPL, was amalgamated with that of the the Company and the investment in subsidiary of Rs. 4,768 Mn. recorded in the Company, was set off against the equity of EMSPL.

Comparative figures were restated as if the companies had been combined at the previous reporting date as per the guidelines issued under Statement of Recommended Practice (SORP) on Merger Accounting Common Control Business Combination issued by the Institute of Chartered Accountants of Sri Lanka.

#### 46.1 EFFECT OF AMALGAMATION – CONSOLIDATED FINANCIAL STATEMENTS

The Amalgamation of EMSPL with Sun was recognised as Common Control Combination in accordance with Statement of Recommended Practice (SORP) for Merger Accounting for Common Control Business Combinations issued by CA Sri Lanka. Accordingly, There is no impact in the Consolidated Financial Statements since EMSPL was consolidated to Sunshine Holdings PLC as at 31 March 2020 with 40% Non controlling interest.

## 46.2 EFFECT OF AMALGAMATION – SEPARATE FINANCIAL STATEMENTS

Effect of amalgamation for the year ended 31 March 2020 and 31 March 2021 on the statement of profit or loss and other comprehensive income and the statement of financial position on the separate financial statements of Sunshine Holdings PLC are as follow:

### 46.2.A STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March	2021			2020		
	Amalgamating with EMSPL from 1 Feb 2021 Rs.	Amalgamating with EMSPL from 1 April 2020 Rs.	Effect on amalgamation Rs.	As previously presented Rs.	As restated amalgamating with EMSPL Rs.	Effect on amalgamation Rs.
Revenue	815,412,177	850,202,179	34,790,002	497,330,868	655,897,433	158,566,565
Cost of sales	–	–	–	–	–	–
<b>Gross profit</b>	<b>815,412,177</b>	<b>850,202,179</b>	<b>34,790,002</b>	<b>497,330,868</b>	<b>655,897,433</b>	<b>158,566,565</b>
Other income	341,800,630	341,800,630	–	314,317,165	314,317,165	–
Selling and distribution expenses	–	–	–	–	–	–
Administrative expenses	(444,454,717)	(449,704,631)	(5,249,914)	(427,259,581)	(463,493,381)	(36,233,800)
Impairment of investment in subsidiary/equity accounted investee	(59,452)	(59,452)	–	(7,648,541)	(7,648,541)	–
Gain on disposal of subsidiaries	–	2,032,745,933	2,032,745,933	–	1,477,356,546	1,477,356,546
Gain on disposal of subsidiary shares	260,563,654	260,563,654	–	–	–	–
<b>Profit from operating activities</b>	<b>973,262,292</b>	<b>3,035,548,313</b>	<b>2,062,286,021</b>	<b>376,739,911</b>	<b>1,976,429,222</b>	<b>1,599,689,311</b>
Finance income	86,378,869	156,225,875	69,847,006	120,047,566	195,468,866	75,421,300
Finance costs	(341,569,627)	(170,998,805)	170,570,822	(183,975,056)	(184,130,732)	(155,676)
<b>Net finance costs</b>	<b>(255,190,758)</b>	<b>(14,772,930)</b>	<b>240,417,828</b>	<b>(63,927,490)</b>	<b>11,338,134</b>	<b>75,265,624</b>
Profit before tax	718,071,534	3,020,775,383	2,302,703,849	312,812,421	1,987,767,356	1,674,954,935
Income tax expense	(27,316,014)	(117,053,693)	(89,737,679)	7,725,317	(12,231,530)	(19,956,847)
<b>Profit for the year</b>	<b>690,755,520</b>	<b>2,903,721,690</b>	<b>2,212,966,170</b>	<b>320,537,738</b>	<b>1,975,535,826</b>	<b>1,654,998,088</b>
<b>Other comprehensive income</b>						
<b>Items that will not be reclassified to profit or loss</b>						
Remeasurement of retirement benefit liability	6,049,909	6,049,909	–	2,266,758	2,266,758	–
Equity investments at FVOCI – net change in fair value	(32,088,698)	(32,088,698)	–	(40,343,415)	(40,343,415)	–
Related tax	10,912,884	10,912,884	–	10,661,464	10,661,464	–
<b>Total other comprehensive income/(expense) for the year</b>	<b>(15,125,905)</b>	<b>(15,125,905)</b>	<b>–</b>	<b>(27,415,193)</b>	<b>(27,415,193)</b>	<b>–</b>
<b>Total comprehensive income for the year</b>	<b>675,629,615</b>	<b>2,888,595,785</b>	<b>2,212,966,170</b>	<b>293,122,545</b>	<b>1,948,120,633</b>	<b>1,654,998,088</b>

## 46.2.B STATEMENT OF FINANCIAL POSITION

Year ended 31 March	2021			2020		
	Amalgamating with EMSPL Rs.	Without Amalgamating EMSPL Rs.	Effect on amalgamation Rs.	As previously presented Rs.	As restated amalgamating EMSPL Rs.	Effect on amalgamation Rs.
<b>Assets</b>						
<b>Non-current assets</b>						
Property, plant and equipment	33,067,152	33,067,152	–	45,352,383	45,406,172	53,789
Intangible assets	7,555,660	7,555,660	–	4,685	4,685	–
Investments in subsidiaries	3,767,962,237	3,026,367,195	741,595,042	3,388,401,971	3,232,076,136	(156,325,835)
Equity-accounted investee	1,292,007	1,292,007	–	1,351,459	1,351,459	–
Other investments, including derivatives	647,177,898	647,177,898	–	727,179,297	727,179,297	–
Deferred tax assets	42,536,150	42,536,150	–	32,017,938	32,017,938	–
<b>Total non-current assets</b>	<b>4,499,591,104</b>	<b>3,757,996,062</b>	<b>741,595,042</b>	<b>4,194,307,733</b>	<b>4,038,035,687</b>	<b>(156,272,046)</b>
<b>Current assets</b>						
Other investments, including derivatives	222,469,740	222,469,740	–	234,792,226	234,792,226	–
Current tax assets	14,318,672	4,591,844	9,726,828	3,158,748	9,809,784	6,651,036
Trade and other receivables	70,396,643	68,991,447	1,405,196	95,768,884	107,974,290	12,205,406
Amounts due from related parties	223,215,489	223,215,489	–	240,777,370	240,777,370	–
Cash and cash equivalents	1,281,865,256	1,281,865,256	–	2,238,482,618	3,879,071,288	1,640,588,670
<b>Total current assets</b>	<b>1,812,265,800</b>	<b>1,801,133,776</b>	<b>11,132,024</b>	<b>2,812,979,846</b>	<b>4,472,424,958</b>	<b>1,659,445,112</b>
<b>Total assets</b>	<b>6,311,856,904</b>	<b>5,559,129,839</b>	<b>752,727,065</b>	<b>7,007,287,579</b>	<b>8,510,460,645</b>	<b>1,503,173,066</b>
<b>Equity and liabilities</b>						
<b>Capital and reserves</b>						
Stated capital	1,641,715,247	1,641,715,247	–	1,641,715,247	1,641,715,247	–
Reserves	340,706,068	340,706,068	–	351,106,481	360,429,904	9,323,423
Retained earnings	3,132,476,687	2,439,926,612	692,550,075	1,916,338,466	3,388,940,778	1,472,602,312
<b>Total equity</b>	<b>5,114,898,002</b>	<b>4,422,347,927</b>	<b>692,550,075</b>	<b>3,909,160,194</b>	<b>5,391,085,929</b>	<b>1,481,925,735</b>
<b>Non-current liabilities</b>						
Loans and borrowings	–	–	–	939,000,820	939,000,820	–
Employee benefits	103,878,290	103,878,290	–	96,712,325	96,712,325	–
<b>Total non-current liabilities</b>	<b>103,878,290</b>	<b>103,878,290</b>	<b>–</b>	<b>1,035,713,145</b>	<b>1,035,713,145</b>	<b>–</b>
<b>Current liabilities</b>						
Trade and other payables	24,974,054	24,897,872	76,182	20,989,334	21,817,698	828,364
Amounts due to related parties	–	–	–	2,651,108	2,875,808	224,700
Current tax liabilities	60,099,084	–	60,099,084	–	19,956,847	19,956,847
Loans and borrowings	1,006,808,533	1,006,808,533	–	1,986,273,778	1,986,273,778	–
Bank overdraft	1,198,941	1,197,217	1,724	52,500,020	52,737,440	237,420
<b>Total current liabilities</b>	<b>1,093,080,612</b>	<b>1,032,903,622</b>	<b>60,176,990</b>	<b>2,062,414,240</b>	<b>2,083,661,571</b>	<b>21,247,331</b>
<b>Total equity and liabilities</b>	<b>6,311,856,904</b>	<b>5,559,129,839</b>	<b>752,727,065</b>	<b>7,007,287,579</b>	<b>8,510,460,645</b>	<b>1,503,173,066</b>

## 46.2.C STATEMENT OF CHANGES IN EQUITY – DAY 1 ADJUSTMENT

	Stated Capital Rs.	Fair value reserve on AFS Rs.	General Reserve Rs.	Retained earnings restated Rs.	Total equity Rs.
<b>Balance as at 1 April 2019</b>	1,641,715,247	378,896,015	1,257,725	1,781,111,291	3,802,980,278
Transfer from Amalgamation of Estate Management Services (Pvt) Ltd.	–	–	–	7,781,156,395	7,781,156,395
Set-off of Stated capital of Estate Management Services (Pvt) Ltd. against the Investment in Subsidiary				(1,069,715,483)	(1,069,715,483)
Adjustment related to re-statement of Investment in Sunshine Consumer Lanka Ltd. (formerly known as "Watawala Tea Ceylon Ltd") at cost		–		(6,884,513,265)	(6,884,513,265)
<b>Adjustments due to amalgamation</b>	–	–	–	(173,072,352)	(173,072,352)
<b>Adjusted Balance as 1 April 2019 – Restated</b>	1,641,715,247	378,896,015	1,257,725	(173,072,353)	(173,072,353)

## 46.3 COMPOSITION OF ASSETS AND LIABILITIES IN THE INVESTMENT ESTATE MANAGEMENT SERVICES (PVT) LTD. ON THE DATE OF AMALGAMATION (AS AT 2 FEBRUARY 2021)

	<b>2021</b> Rs.
<b>Assets</b>	
Investment in subsidiaries	2,544,569,890
Trade and other receivables	1,405,196
Amounts due from related parties	3,670,570,822
Income tax receivables	9,726,828
Cash and cash equivalents	1,202,167,758
<b>Total assets (A)</b>	<b>7,428,440,494</b>
<b>Liabilities</b>	
Income tax payable	79,809,741
Trade and other payables	225,000
<b>Total liabilities (B)</b>	<b>80,034,741</b>
<b>Total equity(A-B)</b>	<b>7,348,405,753</b>
Investment of Sunshine Holdings PLC in EMSPL (NCI – NIL)	(4,767,982,548)
<b>Total equity balance transferred on merger</b>	<b>2,580,423,204</b>

#### 46.4 NATURE AND AMOUNT OF SIGNIFICANT ACCOUNT ADJUSTMENT

EMPSL accounting policy is to carry investment in subsidiaries in accordance with SLFRS 9. The investment in subsidiary was converted to cost to be in line with the Company's accounting policies when preparing the merger financial statements. The impact is as follow:

Investment in subsidiaries as carried in EMSPL financial statements	2,544,569,890
Merger adjustment on conversion of fair value to cost	1,802,974,848
Investment in subsidiaries as carried in the combined financial statement relating to EMSPL	741,595,042

There were no other significant accounting adjustments made to the net assets and net profit or loss of any entities to achieve consistency of accounting policies as a consequence of the common control combination.

#### 46.5 COMPLIANCE WITH SECTION 241 OF COMPANIES ACT NO. 07 OF 2007

The board of Sunshine Holdings PLC resolved that the amalgamation is in the best interests of the company and satisfied the solvency test immediately after the amalgamation becomes effective.

#### → 47. COMPARATIVE INFORMATION

Where necessary information has been restated to conform to current year's presentation and classification.

#### → 48. DIRECTORS ASSESSMENT ON GOING CONCERN

On 11 March 2020 the World Health Organisation declared the Coronavirus, COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe with over 150 countries. Following this outbreak, Sri Lanka has been in a lockdown position with curfew being imposed since 20 March 2020, and therefore, the business operations and activities of the Company/Group were temporary impacted.

The Company has taken various precautionary measures to protect employees and workmen, their families, and the eco system in which they interact based on instructions issued by the Government, while at the same time ensuring business continuity.

The operating segments of the of the Group being Healthcare, Agri business, Consumer goods and Energy, the potential impact of COVID-19 has been and will continue to be minimal based on the internal assessment carried out by the management. Even during the lockdown period, the Healthcare, Agri and Energy sectors continued to operate as those businesses are classified under the essential services.

The Board carried out an assessment of the potential implications of COVID-19 on profitability and liquidity of each Group's entity and at consolidated Group level, and incorporated the required adjustments in the revised budget for the year ending 31 March 2022. Based on this assessment, the Board is of the view that the Group has adequate liquidity position considering the cash flows in hand and the secured facilities available through bank credit facilities. Accordingly, the Group will not have any limitations in meeting the future obligations and ensuring business continuity.

The Board therefore is confident that COVID-19 will not impact the going concern ability of the Group and the Company, and will continue to monitor any material changes in future economic conditions and amend the business projections accordingly, if required. The Group is regularly monitoring the situation.

#### → 49. 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 and in compliance with the requirements of the Companies Act No. 07 of 2007.

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## → STOCK EXCHANGE LISTING

The issued ordinary shares of Sunshine Holdings PLC are listed with the Colombo Stock Exchange (CSE) Sri Lanka.

## SHAREHOLDER INFORMATION

	<b>31 March 2021</b>	31 March 2020
Total numbers of shareholders	<b>3,246</b>	1,939
Total numbers of shares	<b>448,662,309</b>	149,554,103

<b>31 March 2021</b>			Total holdings %
Number of holders	Holdings		
1,583	1 – 1,000 shares		0.07
1,156	1,001 – 10,000 shares		0.91
396	10,001 – 100,000 shares		2.71
90	100,001 – 1,000,000 shares		6.67
21	Over 1,000,000		89.64
<b>3,246</b>			<b>100.00</b>

Analysis of shareholders	<b>31 March 2021</b>			31 March 2020		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
Individuals	3,063	34,655,779	7.72	1,877	12,829,112	8.58
Institutions	183	414,006,530	92.28	62	136,724,991	91.43
<b>Total</b>	<b>3,246</b>	<b>448,662,309</b>	<b>100.00</b>	1,939	149,554,103	100.00

Public shareholdings	Requirement by CSE	As at <b>31 March 2021</b>	Comply with CSE Rule 7.13.1 (a)	Requirement by CSE	As at 31 March 2020	Comply with CSE Rule 7.13.1 (a)
Option	4	4	Yes	5	5	Yes
Float adjusted market capitalisation	Rs. 2.5 Bn.	4,359,898,420	Yes	Less than Rs. 2,500,000,000/-	1,830,229,653	Yes
The percentage of shares held by the public	10%	36.67%	Yes	20%	32.29%	Yes
Number of shareholders representing public holding	500	3,238	Yes	500	1,932	Yes

### → SHAREHOLDER TRADING INFORMATION FROM 1 APRIL 2020 TO 31 MARCH 2021

The Company had increased its shares by a way of subdivision on 25 March 2021, to the proportion of three (03) new ordinary shares for every one (01) existing ordinary share, without increasing the value of the existing stated capital.

	<b>2021</b>	2020
Highest price (Rs.)	105.00	52.00
Lowest price (Rs.)	26.00*	36.00
As at 31 March (Rs.)	26.50*	37.90
Number of transactions	14,488	1,421
Number of shares traded	42,536,027	7,677,355
Value of shares traded (Rs.)	3,089,785,004	342,298,406

\* Post share split price

### → MARKET CAPITALISATION VS SHAREHOLDERS' FUNDS

	Rs.
Market capitalisation as at 31 March 2021	11,889,551,188.50
Shareholders funds as at 31 March 2021	1,641,715,247.00

### → DIVIDEND

	<b>2021</b>	2020	2019	2018	2017	2016	2015
Proposed and final dividend (Rs.)	224,331,155	112,165,577	186,942,629	204,738,420	236,496,726	141,898,035	128,383,937
Interim dividend (Rs.)	149,554,103						
Dividend per share (Rs.)	0.83*	0.75	1.25	1.50	1.75	1.05	0.95

\* Post share split

## → TWENTY (20) LARGEST SHAREHOLDERS AS AT

Name	31 March 2021		31 March 2020	
	Number of shares held	%	Number of shares held	%
Lamurep Investments Limited	229,216,803	51.09	70,705,601	47.28
Deepcar Limited	78,215,478	17.43	26,071,826	17.43
Sbi Ven Holdings Pte Ltd.	42,636,357	9.50	27,046,773	18.08
Sampath Bank/Dr T Senthilverl	Nil	–	5,908,828	3.95
Ceylon Property Development Limited	9,165,876	2.04	3,055,292	2.04
Phoenix Ventures Private Limited	8,973,246	2.00	Nil	–
GF Capital Global Limited	4,202,154	0.94	2,000,718	1.34
Rubber Investment Trust Ltd. A/C No. 1	3,696,996	0.82	1,300,000	0.87
J.b. Cocoshell (Pvt) Ltd.	3,268,833	0.73	1,781,767	1.19
Mr V Govindasamy	3,079,500	0.69	451,500	0.30
Hallsville Trading Group Inc.	2,400,000	0.53	Nil	–
Deutsche Bank ag as trustee to Capital Alliance Quantitative Equity Fund	2,252,859	0.50	Nil	–
Bank of Ceylon No. 1 Account	2,171,358	0.48	Nil	–
Hatton National Bank PLC – Senfin Growth Fund	2,019,084	0.45	Nil	–
Dr T Senthilverl	1,910,034	0.43	Nil	–
Ceylon Investment PLC A/C # 02	1,650,000	0.37	Nil	–
Ceylon Guardian Investment Trust PLC A/C # 02	1,540,233	0.34	Nil	–
CBL Investments Limited	1,441,389	0.32	Nil	–
Mr M A H Esufally	1,132,041	0.25	328,682	0.22
Commercial Bank of Ceylon PLC/Janashakthi PLC	1,095,147	0.24	Nil	–
Hatton National Bank PLC A/C No.4 (HNB Retirement Pension Fund)	1,078,275	0.24	Nil	–

**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 Estates 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 Plantations 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. In respect 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

<b>NAME OF COMPANY</b>	Sunshine Holdings PLC
<b>LEGAL FORM</b>	Public limited liability company (Incorporated in 1973 and listed in the Colombo Stock Exchange)
<b>DATE OF INCORPORATION</b>	16 June 1973
<b>REGISTRATION NUMBER</b>	PQ13
<b>ACCOUNTING YEAR END</b>	31 March
<b>PRINCIPAL ACTIVITIES</b>	Holding Company, carrying out investment in subsidiaries
<b>REGISTERED OFFICE</b>	No. 60, Dharmapala Mawatha, Colombo 3
<b>DIRECTORS</b>	Mr M Shaikh (Chairman) Mr D A Cabraal (Vice-Chairman) Mr G Sathasivam Mr V Govindasamy (Group Managing Director) Mr S G Sathasivam Mr H D Abeywickrama Mr A D B Talwatte Mr S Shishoo Mr Y Kitao Mr Shiran Dias – Alternate Director Mrs Shalini Ratwatte Mrs A Goonetilleke (Appointed w.e.f. 21 August 2020)
<b>SECRETARIES</b>	Corporate Services (Private) Limited, No. 216, De Saram Place, Colombo 10 Tel: +94 11 460 5100
<b>AUDITORS</b>	KPMG Chartered Accountants 32A, Sir Mohamed Macan Markar Mawatha, Colombo 3
<b>LAWYERS</b>	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 3
<b>BANKERS</b>	Hatton National Bank PLC National Development Bank PLC Nations Trust Bank PLC MCB Bank Limited Standard Chartered Bank Ltd. Seylan Bank PLC Commercial Bank of Ceylon PLC
<b>CREDIT RATINGS</b>	The Company has been assigned a national long-term rating of "AA+ stable outlook" with stable outlook by Fitch Ratings Lanka Limited.
<b>WEBSITE</b>	www.sunshineholdings.lk

Notice is hereby given that the Forty-Eighth (48th) Annual General Meeting ("AGM") of Sunshine Holdings PLC (the "Company") will be held online via a virtual platform on Friday, the 25 June 2021 at 9.15am 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 financial year ended 31 March 2021, and the report of the Auditors thereon.
2. To declare a final cash dividend of Rs. 0.50 per share as recommended by the Board of Directors.
3. To propose the following resolution as an ordinary resolution for the reappointment of Mr G Sathasivam as a Director who has attained the age of seventy-four (74) years:

#### Ordinary Resolution

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 G Sathasivam, Director of the Company, who attained the age of seventy-four (74) years and that he be reappointed as a Director of the Company.

4. To propose the following resolution as an ordinary resolution for the reappointment of Mr Y Kitao, Director of the Company, who has attained the age of seventy (70) years:

#### Ordinary Resolution

IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act shall not apply to Mr Y Kitao, Director of the Company, who has attained the age of seventy (70) years and that he be reappointed as a Director of the Company.

5. To reappoint Mrs A Goonetilleke, Director of the Company, who retires in terms of Article 110 of the Articles of Association of the Company.
6. To reappoint Mr S Shishoo, Director of the Company, who retires by rotation in terms of Article 104 of the Articles of Association of the Company.
7. To reappoint Mrs S Ratwatte, Director of the Company, who retires by rotation in terms of Article 104 of the Articles of Association of the Company.
8. To reappoint Messrs KPMG Chartered Accountants, who are deemed to be reappointed 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 2022 and to authorise the Directors to determine their remuneration therefor.
9. To pass the following Special Resolution to amend the articles of association of the Company:

#### Special Resolution

IT IS HEREBY RESOLVED THAT the Articles of Association of the Company be amended as follows:

- (a) Article 4 be deleted in its entirety and the following be inserted in substitution therefor:

#### "Stated Capital

Article 4 – The stated capital of the Company shall be the total amount received by the Company or due and payable to the Company in respect of the issue of shares".

- (b) Article 12 (i) be deleted in its entirety and the following be inserted in substitution therefor:

#### "Consolidation of Shares

Article 12 (i) (a) – The Company may consolidate shares in the Company or the shares in a particular class of shares in the Company into a lesser number of shares, in proportion to those shares, leaving unaffected the relative voting and distribution rights of the holders of those shares, by following a procedure to effect such consolidation as the Board may consider appropriate".

#### "Subdivision of Shares

Article 12 (i) (b) – The Company may subdivide all of the shares in the Company or all of the shares in a particular class of shares in the Company into a greater number of shares, in proportion to those shares, leaving unaffected the relative voting and distribution rights of the holders of those shares, by following a procedure to effect such subdivision as the Board may consider appropriate".

- (c) Article 121 be amended by adding the following new subparagraph 121 (a) immediately after the existing paragraph to read as follows:

"121 (a) – For the purpose of this Article, a Director is deemed to have signed such resolution if he has done so by a data message, electronic document, electronic record or other communication in electronic form".

- (d) Article 168 be amended by adding the following new subparagraph 168 (iv) immediately after the existing paragraph to read as follows:

#### "Method of Contracting

168 (iv) – The Company may enter into contracts or other enforceable obligations in accordance with the provisions set out in Section 19 of the Companies Act.

10. To authorise the Directors to determine the contributions to charities.

By order of the Board



Corporate Services (Private) Limited  
Secretaries

1 June 2021  
Colombo.

**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 3 or emailed to corporateservices@corporateservices.lk **not less than 48 hours** before the time appointed for the holding of the Meeting.

**Meeting Guidelines**

- (A) The Meeting is to be held in line with the guidelines given by the Colombo Stock Exchange and the health authorities and as per the applicable laws.
- (B) In the interest of protecting public health and facilitating social distancing in line with the guidelines issued by the Ministry of Health, Nutrition and Indigenous Medicine, the Annual General Meeting will be held in the manner set out below:
- (i) The shareholders who wish to participate at the Meeting will be able to join the Meeting through audio or audio and visual means via Zoom. In order for us to forward the access information necessary for participation at the meeting, which shall include the meeting identification number, access password, and access telephone number, please forward the duly completed registration form including your email address and contact telephone number to the registered address of the Company not less than 48 hours before the time appointed for the holding of the Meeting, so that the login information could be forwarded to the email addresses so provided. These measures have been adopted to observe social distancing regulations/requirements to mitigate the dangers of spread of the virus.
- (ii) If the Company is unable to post this Notice due to any situation beyond its control, then this Notice will be published in one issue of a daily newspaper in the Sinhala, Tamil, and English languages and if the circumstances permit, in one issue of the Gazette. The Annual Report, Notice of Meeting, Form of Proxy and Registration Form will also be published on the website of the Colombo Stock Exchange (<https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=SUN.N0000>) and the website of the Company (<https://www.sunshineholdings.lk/>).
- (iii) Proxy forms are forwarded to the shareholders together with the Notice of Meeting and Registration Form. Proxy Forms have been uploaded to the Company's website (<https://www.sunshineholdings.lk/>) and should be duly completed as per the instructions given therein and sent to the registered address of the Company or emailed to nilakshi.fernando@sunshineholdings.lk or corporateservices@corporateservices.lk not less than 48 hours before the time appointed for the holding of the Meeting and the proxy so appointed shall participate at the Meeting through audio or audio visual means only.
- (iv) The shareholders who are unable to participate at the Annual General Meeting via Zoom could send their queries, if any, to email address nilakshi.fernando@sunshineholdings.lk or corporateservices@corporateservices.lk at any time before the Meeting time and the responses to the same will be included in the minutes of the Meeting.
- (v) Voting in respect of the items specified in the agenda to be passed will be registered by using the audio or audio and visual means (Zoom) or a designated ancillary online application. All of such procedures will be explained to the shareholders prior to the commencement of the Meeting.
- (vi) For any questions please contact Ms Nilakshi Fernando of Sunshine Holdings PLC on +94 11 470 2400 during office hours.

\*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. Mrs S Ratwatte or failing her,
- 11. Mrs A Goonetilleke 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 25 June 2021 at 9.15am 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 2021 and the report of the Auditors thereon.	<input type="checkbox"/>	<input type="checkbox"/>
2. To declare a final cash dividend of Rs. 0.50 per share as recommended by the Board of Directors.	<input type="checkbox"/>	<input type="checkbox"/>
3. To reappoint Mr G Sathasivam as a Director who attained the age of seventy-four (74) years.	<input type="checkbox"/>	<input type="checkbox"/>
4. To reappoint Mr Y Kitao as a Director who attained the age of seventy (70) years.	<input type="checkbox"/>	<input type="checkbox"/>
5. To reappoint Mrs A Goonetilleke as a Director who retires in terms of Article 110 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
6. To reappoint Mr S Shishoo as a Director who retires by rotation in terms of Article 104 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
7. To reappoint Mrs S Ratwatte as a Director who retires by rotation in terms of Article 104 of the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
8. To reappoint KPMG (Chartered Accountants), who are deemed to be reappointed 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 2022 and to authorise the Directors to determine their remuneration therefor.	<input type="checkbox"/>	<input type="checkbox"/>
9. To pass the special resolutions to amend the Articles of Association of the Company.	<input type="checkbox"/>	<input type="checkbox"/>
10. To authorise the Directors to determine the contributions to charities.	<input type="checkbox"/>	<input type="checkbox"/>

Signed this ..... day of ..... Two Thousand and Twenty-One .....

\*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 to 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 3, **not less than 48 hours before** the time appointed for the holding of the Meeting.



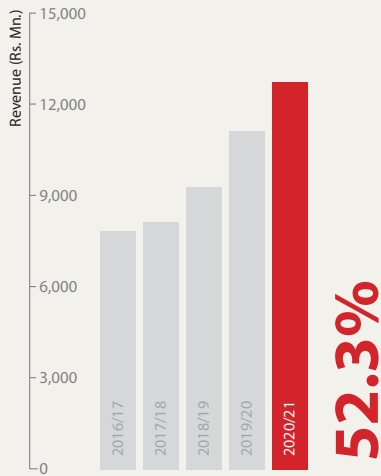


## **This Annual Report is Carbon Neutral**

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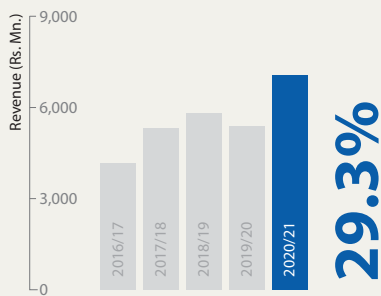
It is our stakeholders' trust in us that has coloured our 54-year history. We will strive to continue winning their trust in everything we do, every single day of the next 50 years of our legacy... and beyond.

**Healthcare**



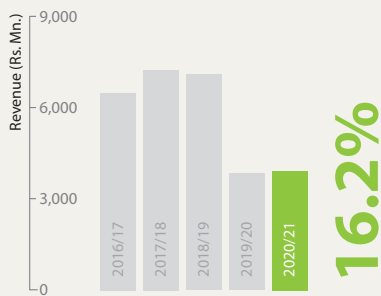
We provide comprehensive solutions for pharmaceuticals and medical devices including the retail sector.

**Consumer Goods**



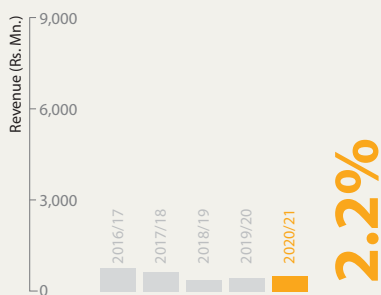
Consisting of the largest branded tea company in the country, our tea brands are trusted names in the domestic and international markets.

**Agribusiness**



Our agribusiness consists of cultivation, agri processing and dairy farming.

**Energy and Other**



We contribute to the national grid through three mini-hydropower plants in Lindula and Talawakelle, with rooftop solar giving a combined capacity of 8.3 MW.



Sunshine Holdings PLC  
 No. 60, Dharmapala Mawatha  
 Colombo 3, Sri Lanka  
 Phone: +94 11 470 2416  
 Email: info@sunshineholdings.lk

[www.sunshineholdings.lk](http://www.sunshineholdings.lk)