A GROWING CONCERN

SUNSHINE HOLDINGS PLC

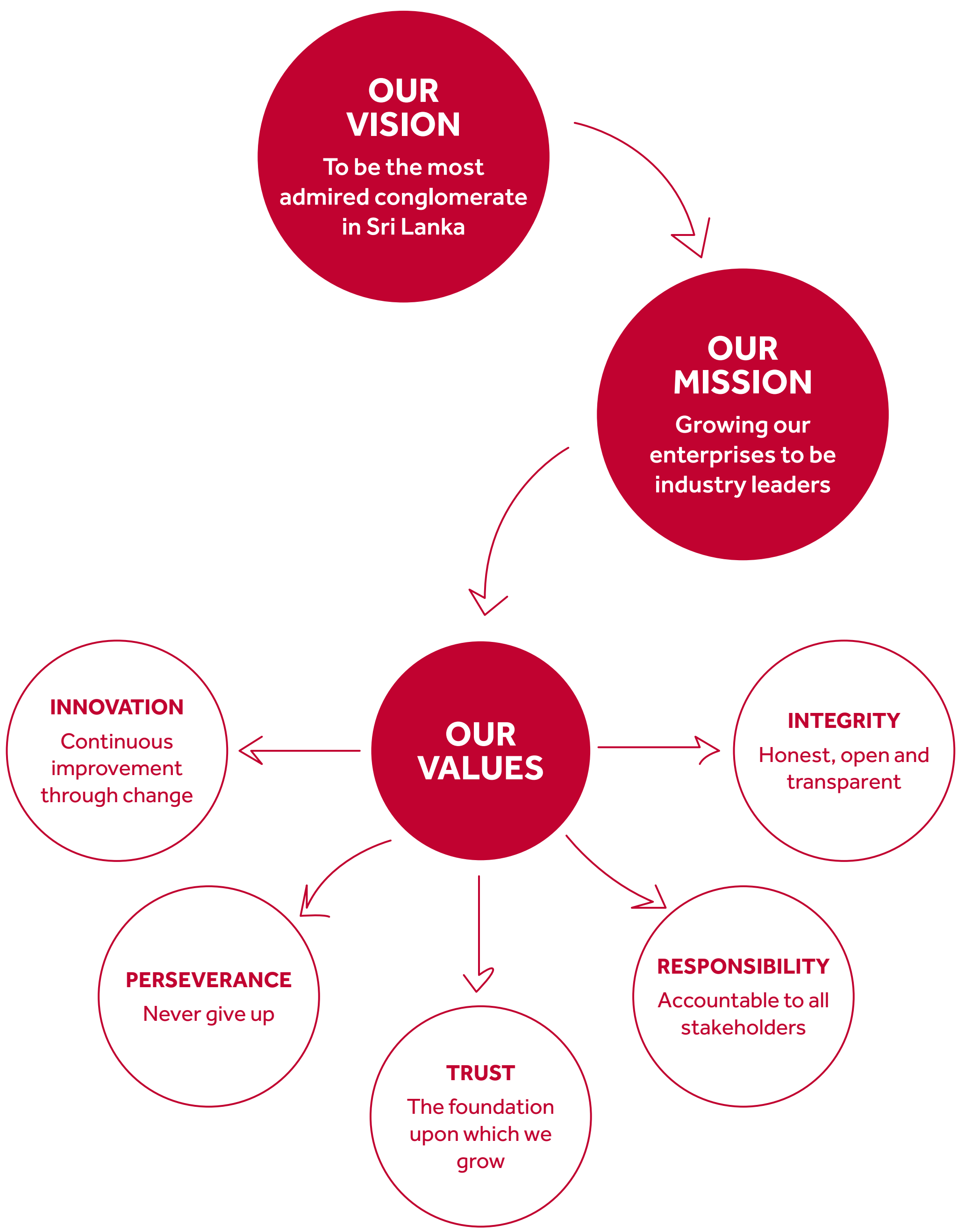
ANNUAL REPORT 2021/22

sunshine

A sense of integrity has driven our success in times of prosperity; it is the source of our resilience in moments of challenge.

Across 55 years of operations, we have developed a track record of prudent corporate governance, conscientious business practices, and responsible engagement with the communities and environment in which we operate. This is the foundation of the durable bonds we have created with our stakeholders.

And as Sri Lanka faces a period as difficult as any in its history, what is needed is honest, accountable, ethical leadership in all spheres of our country's society, especially the corporate sector. Now, more than ever, integrity matters.



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

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

Online HTML
An interactive HTML version is published online

Portable digital format
For offline convenience

RESPONSIBILITY FOR THE REPORT

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors are pleased to present this 49th 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 2022 and the Independent Auditors' Report on page 49 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 pages 06 and 07.

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 06, 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 54 to 179 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 2022, including comparatives for 2020/21, were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 27 May 2022. 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 2022, 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 26. 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 186.

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 2021/22, 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:

	2022	2021
Mr V Govindasamy	**6,079,500**	3,079,500
Mr G Sathasivam	**9,165**	9,165
Mr S G Sathasivam	**3,054**	3,054
Mr A D B Talwatte	**3,054**	3,054
Mrs S Ratwatte	**–**	7,500

Messrs H D Abeywickrama, D A Cabraal, S Shishoo, S Ratwatte, S Jain, W Y R Fernando, and S Renganathan did not hold shares of the Company.

DIVIDEND

The Directors recommend that a final cash dividend of Rs. 245,986,815 equivalent to Rs. 0.50 per ordinary share and Interim dividend of Rs. 224,331,154 equivalent to Rs. 0.50 per ordinary share for the financial year 2021/22 (FY 2020/21 Rs. 373,885,258, equivalent to Rs. 0.83 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 48th AGM, have expressed their opinion on pages 49 to 53. Details of their remuneration are given in Note 12 on page 68 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 2021/22.

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 therefore is confident that COVID-19 and the current economic crisis 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 2022, are given in Note 41 to the Financial Statements on page 165 of the Annual Report and have complied with Rule 9.3.2 of the Listing Rules and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987.

INTERNAL CONTROL

The Board, through the involvement of the Group Executive Committee, takes steps to gain assurances on the effectiveness of control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal controls in the Group, compliance with laws and regulations, and established policies and procedures of the Group. The Board has direct access to the Chairman of the Audit Committee. This Committee reviews reports of the Internal Auditors too.

COMPLIANCE WITH LAWS AND REGULATIONS

The Company has not engaged in any activity which is harmful to the environment.

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 186 of this Annual Report.

DIRECTORS' CORPORATE GOVERNANCE DECLARATION

The Directors declare that:

a. the Company complied with all applicable laws and regulations in conducting its business;
b. they have declared all material interests in contracts involving the Company and the Group and refrained from voting on matters in which they were materially interested;
c. the Company has made all endeavours to ensure the equitable treatment of shareholders;
d. the business is a going concern with supporting assumptions or qualifications as necessary; and that
e. they have conducted a review of internal controls covering financial, operational, and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence therewith.

Signed in accordance with the resolution of the Directors.

Mr D A Cabraal Chairman	Mr V Govindasamy Group Managing Director	Mr A D B Talwatte Director	Mr S G Sathasivam Director	Mrs S Ratwatte Director	Mr H D Abeywickrama Director
Mr S Shishoo Director	Mr G Sathasivam Director	Mr S Jain Director	Mrs W Y R Fernando Director	Mr S Renganathan Director	

27 May 2022

COMPANY PROFILE

Business segment	Contribution towards group revenue

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 fully-owned subsidiaries.

CONSUMER GOODS

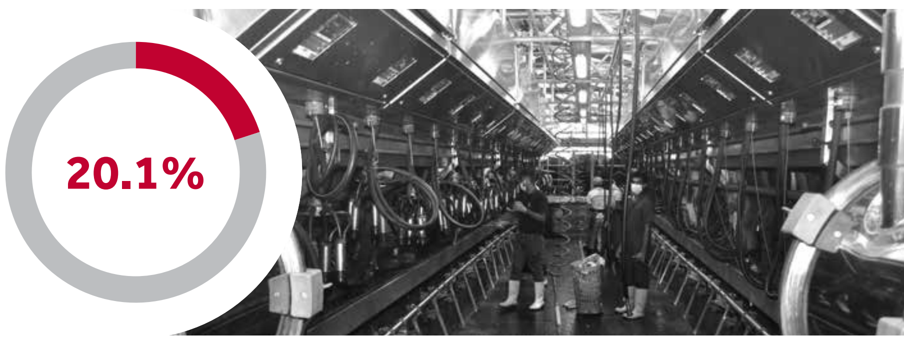
- Sunshine Consumer Lanka Ltd. and its subsidiaries

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

Furthermore our consumer sub segment is the market leader in the hard boiled candies category.

AGRIBUSINESS

- Watawala Plantations PLC and its subsidiaries



INVESTMENT HOLDINGS AND OTHER

- Sunshine Holdings PLC and its subsidiaries

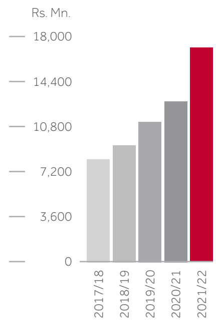
Strategic alliances and partners

3M, SOHO Global Health, Johnson & Johnson, Erba Mannheim Erba Lachema, GNC LIVE WELL, SIEMENS Siemens Healthcare Diagnostics, novo nordisk, GALDERMA Committed to the future of dermatology, GE Healthcare, Lina Manufacturing, Abbott A Promise for Life, Glenmark A new way for a new world, Zydus Cadila, Healthguard pharmacy • wellness • beauty

Performance highlights of the year

Revenue improved by 37.1% year-on-year to Rs. 17.5 Bn.

Akbar Pharmaceuticals merged with the healthcare arm.



Outlook for 2022-23 and beyond

We are looking to increase our market share, currently at 12.87%, through mergers and acquisitions.

We will focus on driving the progress of our local pharmaceutical manufacturing business and our distribution-as-a-service business (Healthguard Infinity).

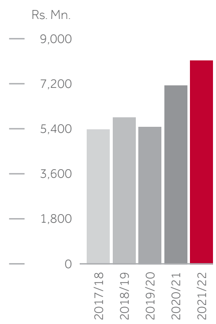
Our Brands

Watawala, Zesta The Art of Tea, Ran Kahata, Daintee

Business Partners

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

Revenue increased by 13.2% year-on-year to Rs. 8.1 Bn.



We will continue our investments in our flagship brands, Zesta, Watawala, and Ran Kahata.

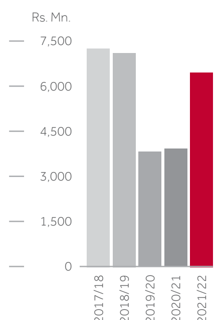
We are seeking to diversify our product portfolio with healthy beverage lines.

We will look to realise synergies and cost benefits from the amalgamation and integration of our tea and confectionery distribution network and sale forces.

Watawala Plantations PLC

Pride of Lonach

Revenue increased by 64.6% year-on-year to Rs. 6.5 Bn.



We will continue to maintain the profitability of our existing palm oil production, scale up our dairy business, and look to diversify into other crops.

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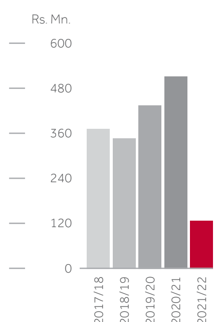
sunshine



We are a growing concern

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

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.

02

LEADERSHIP

CHAIRMAN'S MESSAGE

Though the year under review was fraught with headwinds, your Company remained relentless in pursing its growth journey undaunted, albeit with prudence.

I am pleased to present the Annual Report for the year ended 31 March 2022. The Group Managing Director's review presents a detailed analysis of your Company's operations, and therefore my statement is confined to an overview.

Your Company performed well during the course of the year though the start and end were impacted by external factors. The 3rd wave of the COVID-19 pandemic disrupted retail sales during the first half of the year and the steep devaluation of the Rupee and acute shortage of foreign exchange along with rising inflation arising out of country's serious macro-economic challenges, posed notable impediments to the Healthcare and Consumer sectors. Rising global commodity prices had a dual effect on the Group's results. The Agri sector benefitted from higher Palm Oil prices, while the Confectionery business was challenged by the significant increase in the price of sugar. Despite the many challenges, I am happy to report that your Company progressed and pursued its growth journey with prudence. The Group recorded a revenue of Rs. 32.2 Bn., a growth of 32.2% and a profit after tax of Rs. 4,997 Mn., an increase of 96.9% over last year.

With the COVID-19 pandemic waning and vaccination cover increasing, hospitals witnessed higher patient footfall in the first quarter, a trend that continued through the year. Consequently, the Group's Healthcare sector recorded a 37.1% growth in revenue over 2021/22, delivering a profit after tax of Rs. 1,070 Mn., an increase of 29.9% over the previous year. The merger of Sunshine Healthcare Lanka with the healthcare arm of Akbar Brothers in January 2021 was a significant event that added local pharmaceutical manufacturing to Sunshine Healthcare's portfolio. The launch of Healthguard Infinity, a distribution-as-a-service business, was another major initiative during the year under review. Healthguard Infinity provides pharmaceutical importers and manufacturers a channel to distribute their products to pharmacies and hospitals across Sri Lanka. It also gives access to temperature controlled storage facilities and round-the-clock work teams providing a 24-hour delivery service. These two initiatives have resulted in the formation of Sri Lanka's first integrated healthcare enterprise, encompassing the entire supply chain from R&D to retail, including islandwide last-mile distribution.

Sunshine's consumer division encountered much turbulence during the year under review and had to combat many economic and marketplace challenges. The retail trade faced disruptions to sales and cash-flow challenges due to pandemic related intermittent market closures resulting in destocking by the trade, impacting both Tea and Confectionery businesses. The inability to pass on the entirety of the increases in input costs to cash-strapped consumers led to contraction of profit margins impacting sector profitability. The Consumer sector recorded a 13.2% growth in revenue over 2021/22, delivering a profit after tax of Rs. 479 Mn., an increase of 2.7% over the previous year.

Towards the end of the previous financial year, the Company completed two vital initiatives as part of our expansion strategy to widen our portfolio and footprint across the FMCG market. Having cemented market leadership in branded tea, Sunshine entered the confectionery sector via the acquisition of Daintee, a market leader in toffees and sweets with a presence in biscuits and chocolates. Furthermore, Watawala Tea Ceylon Ltd. was rebranded as Sunshine Consumer Lanka Ltd. and incorporates both the Tea and Confectionery business. With these initiatives in place, the focus this year was to amalgamate and integrate the tea and confectionery distribution networks including the sales forces and to upgrade the operations of Daintee to meet Group standards. As expected, the process faced numerous transitional issues that are being successfully resolved, with management remaining confident of expected synergies and cost benefits being realised in the near future.

Another strong performance by palm oil saw the agriculture sector recording a revenue growth of 64.6% over the previous year, delivering a profit after tax of Rs. 3,458 Mn., an increase of 108.0% over last year. Palm oil prices reached an all-time high largely due to global market supply issues. However, the production of palm oil was hampered due to the shortage of fertilizer despite best efforts to overcome the problem via the use of organic substitutes. As a result, we were not able to capitalise fully on the favourable market conditions.

The Dairy sector performed well in the first half of the year, but thereafter was hampered by the shortage of maize, a key element in cattle feed. Due to the absence of fertiliser, the extent of maize cultivation in the country fell from 120,000 acres to 30,000 acres during the year, causing feed costs to surge. Whilst higher milk selling prices to some extent mitigated the significant cost increases, the dairy sector performance was below expectation, growing revenue by 6.8% and delivering a bottom line of Rs. 28.0 Mn., an increase of 37.6% over last year. Nevertheless, in accordance with the country's aim of reaching self-sufficiency in local milk production, Sunshine will continue to drive the dairy business while combating the multiple challenges in the operating environment.

During the year under review, your Company exited the energy sector, which was plagued by regulatory issues and other hurdles that precluded the delivery of the expected return on investment. Sadly, there was insufficient commitment by the Government for the generation of renewable energy by the private sector.

I am happy to report that your Company has made good progress in the management of its human resources. A formal employee survey carried out by the internationally recognised 'Great Place to Work' organisation rated Sunshine Healthcare among the top 40 companies in the country, with every other company belonging to the Group also certified as a 'Great Place to Work'. These results have been the culmination of a series of HR activities carried out over the past few years. As a Group, Sunshine believes that happy and content employees are more empowered and accountable, and ultimately deliver outstanding results. Whilst continuing to foster the HR initiatives already in place, many new practices are also being pursued to ensure all Group companies remain great places to work.

Much progress has also been made on the IT front. Investing a sum exceeding Rs. 200 Mn., the Group's ERP systems were revamped and upgraded, bringing all companies onto a common digital platform. This investment has already begun to pay dividends through the simplification of operations, improved data gathering and dissemination, increased productivity, better execution and improved cost efficiencies. Leveraging digital technology is a key strategic thrust for Sunshine. This is evident across the various operations of the Group, but is especially so in the Healthguard retail business. Healthguard's on-line store, which was augmented during the time of pandemic-induced restrictions, is one of the most efficient on-line pharmaceutical stores in Sri Lanka. Sunshine is aware of the immense potential that digital technology offers and is committed to investing and accelerating its journey on this front.

The Group is acutely aware that it's business depends on the bonds we create with our wider stakeholder group, and consider it our duty and responsibility to give back to society. Sunshine has a very wide-ranging CSR programme with a planned set of activities. During the year under review, many donations of medical equipment were made to several hospitals, with the Rs. 62 Mn. contribution to build a mobile laboratory for COVID-19 testing at the University of Sri Jayewardenepura a notable initiative. Much of the societal CSR is carried out through the Sunshine Foundation for Good. Clean water provision is a key priority for the Foundation, particularly in the context of the prevalence of chronic kidney disease in parts of the country. Two reverse osmosis plants capable of providing 10,000 litres of water per day were established in Tabuttegama and Galnewa during the year, and there are plans to establish five more plants in the Pooneryn area in the forthcoming year. Sunshine also operates a day-care centre for differently-abled children in Lindula which can accommodate 24 children.

The year ahead will be one of unprecedented challenge. As the country battles to overcome the economic, political and social crisis, consumers and businesses will have to face and steer through a period of significant turmoil. The ongoing shortage in foreign exchange, the scarcity of fuel, interruptions to power supply and rising commodity prices will continue to impede operations in the forthcoming year. The effects of the rapid increase in inflation, steep rise in interest costs, sharp devaluation of the Rupee and the expected increases in tax rates will pose added challenges. Nevertheless, I am confident that with the Board's guidance and the relentless efforts of the competent and dedicated team, the Sunshine Group will continue to create and deliver value to all stakeholders.

On behalf of the Board, I would like to thank the outgoing Chairman, Mr Munir Shaikh. Mr Shaikh joined the Board in 2010 and served as Chairman from 2015 until his retirement during the year under review. The Board places on record its heartfelt appreciation for his invaluable contribution to the Company. The sound advice and guidance provided by Mr Shaikh has been instrumental in guiding the business to its present position of strength which the Group will strive to build on.

Finally, I wish to thank the Board of Directors for their advice and assistance in steering the Group. I also wish to thank our customers, business partners, suppliers, regulators and our shareholders for their support and cooperation. Last but not least, a very special word of appreciation and thanks to all employees who have worked diligently under tough conditions to deliver strong results.

A. Cabraal.

A Cabraal
Chairman
27 May 2022

GROUP MANAGING DIRECTOR'S REVIEW

Our year was defined by strong strategic initiatives through prudent cash management, business expansion and investments in next-generation technology – all of which helped us generate positive results in a year that tested the mettle of our people and our true resilience as a company.

While the first quarter of the year saw the country head back into lockdown with the emergence of the Delta variant of COVID-19, access to healthcare and pharmaceutical products as well as consumer goods continued. Restrictions eased both locally and globally by the end of Q2, with the business focused on moving forward and realising the dividends of our mergers and investments. Our strategic exit from the renewable energy sector at the onset of the financial year helped us fully focus our resources to implement and execute the expansion across both healthcare and consumer segments. However, rapidly dwindling foreign currency reserves and rising inflation caused major disruptions to the sourcing and import verticals of our operations in Q4, shrinking our bottom-line margins.

Despite the challenges of the year under review, Sunshine Holdings Group recorded a sound performance with an Rs. 32.2 Bn. consolidated revenue for the reporting year. This is a strong growth of 32.2% from the previous year, paving the way for a net profit of Rs. 4,997 Mn., an increase of 96.9% over last year. Our total assets grew to Rs. 29.2 Bn. from Rs. 26.9 Bn., backed by the growth in equity from Rs. 15.3 Bn. to Rs. 18.4 Bn. The group has a strong financial position as at 31 March 2022, with Fitch Ratings re-affirming our National Long-Term Rating at AA+ (lka) with a stable outlook, our measured approach to mergers and acquisitions, our growing market share in healthcare and agriculture segments, and our healthy balance sheet, gave rise to a strong financial position as at 31 March 2022.

HEALTHCARE

Our strategic investments in the healthcare division in early 2021 gave us the capabilities and expanded market reach to scale and broaden our existing portfolio, and we ended the financial year with a 37.1% growth in revenue over the previous year.

The Group's Healthcare business merged with Akbar Pharmaceuticals, Lina Manufacturing and Lina Spiro in January 2021. With this merger, we added research and development as well as manufacturing to our healthcare portfolio,

Our growing presence across the healthcare sector enabled us to address pressing supply chain issues that had plagued Sri Lanka's pharmaceutical industry for years – and issues that were acutely felt during the COVID-19 pandemic. The global pharmaceutical supply chain was making a sharp pivot from a Just-in-Time model to a disruptive and agile model that needed to navigate growing industry complexities. With close to 200 importers sourcing supplies to over 3,000 pharmacies and clinics, the Sri Lankan pharma supply chain was similarly faced with demanding challenges due to the inefficiencies of a distribution model made of a patchwork of some 80 distributors.

In early 2021, we established Healthguard Infinity – the first of its kind healthcare Distribution-as-a-Service to assist local pharmaceutical importers and manufacturers in expanding their reach among retail pharmacy outlets across Sri Lanka. By leveraging our existing integrated distribution system with fully-compliant practices and cold chain capabilities, we filled the gap in the local market for a reliable last-mile distribution partner. With a fully-automated system powered by the deployment of digital and analytical tools, we provided clients with access to real-time data to help them realise significant efficiencies and cost savings across their operations.

During the financial year under review, Healthguard Infinity achieved several performance milestones, with Sri Lanka facing a shortage of medicine and medical supplies as well as an energy crisis towards the end of the reporting period, Healthguard Infinity is gearing up to serve our clients and consumers better by offering uninterrupted services while leveraging market data collected to offer Insights-as-a-Service to develop a deeper understanding of consumers and increase efficiencies.

AGRI BUSINESS

Our agriculture sector, too, showed resilient growth for the most part of the financial year, but was negatively impacted as anticipated by the import ban on chemical/inorganic fertiliser imposed by the Government in April 2021.

The USD 2 Mn. investment made in Watawala Dairy by SBI Japan at the beginning of the financial year further strengthened our balance sheet while bringing in vital foreign direct investment to Sri Lanka at a time when investor confidence and sentiment was greatly affected (and continues to be so). We utilised the investment to expand the herd, further improve infrastructure to function at optimal levels, and to strengthen the upstream value chain. However, sourcing local feed proved to be challenging during the final quarter of the accounting year due to cultivations being severely affected by the fertiliser ban.

In both instances, rising prices and growing market demand during Q4 completed a strong top-line and bottom-line performance from palm oil and dairy for the accounting year.

CONSUMER GOODS

With the rebranding of Watawala Tea Ceylon Limited to Sunshine Consumer Lanka Ltd and the acquisition of Daintee Limited in mid 2021, we made significant moves into the Fast-Moving Consumer Goods market. However, our ambitious expansion targets for the sector were put on hold due multiple challenges in terms of intermittent market closures as well as reduced demand for non-essential consumer goods in an increasingly precarious economic context. Despite these challenges, our efforts this year were focused on overhauling practices and driving standards at Daintee to align them with Group standards. Initiatives included upgrading IT infrastructure, accounting systems, governance structures, and human resources practices, along with rationalising and integrating the distribution and sales networks of our tea and confectionery arms. These initiatives have set a strong foundation on which we can expand our FMCG presence in the near future.

INVESTING IN OUR PEOPLE

One of our major success stories during the period under review is the integration of our acquired entities into our existing businesses in both healthcare and consumer goods sectors. In Sunshine's strategic direction towards expansion and diversification, we have identified acquisitions to be the crucial element of growth and the eventual restructuring and consolidation of our business. We believe in proactively developing a post-acquisition integration process in order to generate synergy and create greater value from economies of scale, combining assets and most importantly from the sharing of resources – especially human capital and knowledge. We ensured the cultural alignment of our expanding teams and gradually reconciled operational functions including marketing, branding, management and sales. Communication was always transparent with timely and concise information about the acquisition and its effects shared across all stakeholders involved.

INVESTING IN TECHNOLOGY

Sunshine Holdings also kept pace with the digital revolution and enterprise technologies so that we remain future-aligned to achieve our business ambitions. During the year under review we ensured that the systems that run our mission critical processes such as financials, planning and HR were upgraded by expanding and implementing the IFS Enterprise Resource Planning (ERP) system across the entire Group to ensure faster, intelligent decision-making, better execution, and value creation. This boundary-less transformation strategy will empower our organisation to evolve and rapidly adapt to new technology changes in future, while continuously increasing our operational and cost efficiencies.

INVESTING IN OUR COMMUNITIES

We continued to assist national efforts against COVID-19 during the year under review as a responsible corporate citizen, ensuring our cold chain services were made available for urgent distribution of vaccines, pharmaceutical supplies among other donations in kind. Beyond the nation building initiatives imbued across our businesses, we continued our community development projects under the main pillars of the "Sunshine Foundation for Good" – Healthcare and Education, across multiple large-scale initiatives and community development projects. In recognition of the multiple forms of value we create for stakeholders, we were once again selected as an Honourable Mention at Sri Lanka's Most Admired Companies Awards 2021.

FUTURE OUTLOOK

While anticipating an extremely challenging operating environment in the coming financial year with a majority of our business reliant on imports, we will continue to find opportunities to develop our people, our businesses and our communities. We will implement our long-term vision and an investor-friendly governance framework to build confidence and attract leading global equity firms to redirect investments towards Sri Lanka and support the Government in rebuilding depleting foreign reserves.

To do this, we will have to pivot and remain resourceful. A strong development during the year has been the full acquisition of an export business. Sunshine Tea. Over the past few months, the Group has leveraged Sunshine Tea to support our import-dependent healthcare business given the USD liquidity crunch stemming from the drop in Sri Lanka's foreign reserves. Taking advantage of our strength as a Group with initiatives like this will help us remain resilient in a dire economic context.

In closing, I would like to express my gratitude to all 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, whose commitment and devotion to the Company helped us to see through difficult times. I am confident of the commitment and loyalty during what will be a crucial juncture of our growth trajectory during the coming financial year, and of our commitment to live up to our shared values, together overcoming any challenge that lies ahead of us.

V Govindasamy
Group Managing Director

27 May 2022

BOARD OF DIRECTORS

Amal Cabraal 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 and appointed as the Chairman of the Company with effect from 26 June 2021. 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 4 decades of business experience in general management, marketing and sales in Sri Lanka and overseas. He is also a Non-Executive Director of John Keells Holdings, Hatton National Bank and an advisor to a number of leading companies. He is a Board 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.
V Govindasamy Group Managing Director	Mr V Govindasamy holds a Bachelor of Science Degree 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. He is the 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 38 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 2002/2003) and the Chartered Institute of Management Accountants (in 1995/96), he now functions as the Chairman of Management Systems (Pvt) Limited (MSL). He serves on Boards and chairs the audit committee of several Public Listed Companies.
G Sathasivam Director	Mr G Sathasivam began his career in the pharmaceutical sector. Over the past 55 years of success and innovation, he established Sunshine Healthcare Lanka Limited (SHL) into a leader in Sri Lanka's pharmaceutical industry. Not content to rest on his laurels, he drove the Group's diversification into uncharted territories – molding Sunshine Holdings into the pride of the nation. His business acumen has been recognised both in Sri Lanka and abroad. He is the Founder of Sunshine Holdings PLC.

Sudarshan Jain
Director

Mr Sudarshan has a strong passion for healthcare and the education sector. He is currently the Secretary General of Indian Pharmaceutical Alliance (IPA), Senior Advisor with APAX Partners and is also a Board member of multiple organisations. He is the Chairman of Indian Institute of Health Management and Research (IIHMR, Jaipur). He has served in several leadership positions over the years and was earlier the Managing Director at Abbott Healthcare Solutions.

He has a rich healthcare business experience of over 40 years which includes stints in Abbott, Johnson & Johnson and leading Indian companies. His experience covers Pharmaceutical, OTC, Hospital, Diagnostic & Nutrition business.

He has received number of recognitions for his contributions within the Company, with academic institutions and with industry associations. He is the first Indian recipient of the Global Chairman's Award at Abbott. Sudarshan has also served as Vice President of Organisation of Pharmaceuticals Producers of India (OPPI) representing research based pharmaceutical companies. He is currently the member of the Board of Abbott India, Healthium Limited (APAX portfolio company), member of the Advisory Board of Narsee Monjee University, Mumbai (NMIMS), Board Member of Indian Education Society (IES) and Charter Member of The Indus Entrepreneurs, Mumbai (TiE).

Ruvini Fernando
Director

Mrs Ruvini Fernando is a consulting and capital markets professional with over 30 years of industry experience. She is presently employed at PricewaterhouseCoopers Colombo as Director, Capital Projects & Infrastructure and Deals Strategy, handling advisory engagements related to capital raising, cross border investments, policy recommendations and large scale projects. She was formerly an Executive Director of Ceylon Guardian Investment Trust PLC and several of its group companies and the Chief Executive Officer of Guardian Fund Management Limited, heading the investment business of Carson Cumberbatch PLC. Prior to that she was employed within the Carsons Group as head of Corporate Planning as well as within the Hayleys Group as a management accountant.

She was a former visiting lecturer at the Postgraduate Institute of Management, University of Sri Jayewardenepura where she taught strategy & finance and is a member of the National Agenda Committee on Finance and Capital at the Ceylon Chamber of Commerce. She has been a speaker, presenter and moderator at forums on capital markets and other topics of business interest. She currently serves on the Board of Cargills Bank Limited as a Non-Executive Independent Director.

She has a Masters in Business Administration from the Postgraduate Institute of Management, University of Sri Jayewardenepura and is a Fellow of both the Chartered Institute of Management Accountants (CIMA), UK and the Association of Chartered Certified Accountants (ACCA), UK.

H D Abeywickrama
Director

Air Chief Marshal (Retd) Harsha Duminda Abeywickrama is a graduate of the Air Command & Staff College at Air University, Maxwell Air Force Base, Alabama, USA and the Royal College of Defence Studies, London UK. He holds a Master of Arts degree in International Studies from King's College, the University of London and a Master of Science degree in Management from the General Sir John Kotelawala Defence University, Sri Lanka. He also holds a commercial pilot license with an Instrument rating.

S G Sathasivam
Director

Mr S G Sathasivam is the Managing Director of the Sunshine Healthcare Lanka Limited and Sunshine Consumer Lanka Limited. He graduated from The London School of Economics & Political Science, UK and holds a Masters in Business Administration from Kellogg School of Management, Northwestern University, USA. He is an elected committee member of the Ceylon Chamber of Commerce (CCC) and Former President of the Sri Lanka Chamber of Pharmaceutical Industry (SLCPI).

Shalini Ratwatte
Director

Ms Shalini Ratwatte is a qualified legal professional, with over 26 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, Cyber Security 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.

Sanjeev Shishoo
Director

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 employs over 47,000 people in 80 countries and markets its products in more than 168 countries.

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

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

Mr Sanjeev Shishoo was appointed as Vice Chairman for Sunshine Healthcare Lanka Limited on 10 November 2021.

Sivakrishnarajah Renganathan

Mr Sivakrishnarajah Renganathan completed his entirety of his more than 41 years banking career at the Commercial Bank of Ceylon PLC and had held several key positions in the Bank during such tenure. He retired as the Bank's Managing Director/Chief Executive Officer after serving the Bank's Board as an Executive Director for nearly 8 years.

He led the team to acquire the Banking operations of Credit Agricole Indosuez in Bangladesh and had established the Bank's operations in a successful manner with high rating during his first five years of his tenure. In July 2003, he was appointed as the first Country Manager of the Bank's Bangladesh operations which was the first-ever overseas operation of the Bank.

In addition, Renganathan served as the Managing Director and a Board Member of the Commercial Development Company PLC (Listed in Colombo Stock Exchange), and Commercial Bank of Maldives Private Limited as the Deputy Chairman. He was also a Director of the Lanka Financial Services Bureau Limited and the Sri Lanka Banks' Association (Guarantee) Limited. In addition, he also served as a Council Member of the Employers Federation of Ceylon.

He is also a Vice Chairman of the International Chamber of Commerce Sri Lanka, Executive Member of the Ceylon Chamber of Commerce, Executive Member of the Council for Business with Britain, Member of the Sri Lanka Institute of Directors, and the Vice President of the Sri Lanka India Society and an Executive member of the Council for Business with Britain.

Renganathan, a Fellow of the Chartered Institute of Management Accountants, UK (FCMA), Chartered Global Management Accountant (CGMA), Fellow of the London Institute of Banking & Finance, UK (FLIBF) and a Fellow of the Institute of Bankers Sri Lanka (FIB), had received extensive Leadership, Management and Banking training locally and in overseas countries.

03

CORPORATE SOCIAL RESPONSIBILITY

Sunshine Holdings has an extensive CSR programme. As a socially responsible organisation, we believe that just as we derive our income from the community, we have a responsibility to contribute to the community as well.

Our CSR programmes are focused on giving a helping hand to the under privileged members of society. The projects are executed through the Sunshine Foundation. The activities carried out during the year under review are described below.

DONATION OF REVERSE OSMOSIS PLANTS

Two reverse osmosis plants were donated to Tabuttegama and Galnewa. Given the high content of minerals, metals and other contaminants in the ground water of these areas, many people suffer from CKDu (chronic kidney disease of unknown origin). The only means of assisting those affected, and preventing such cases from occurring is to provide reverse osmosis (RO) water. This method allows only the molecules of water to pass through a semi-permeable membrane at high pressure, and filters out harmful substances. The two plants that were donated are able to produce 10,000 litres of safe water a day, and bring the Foundation's total to 11 RO Plants across the country which benefit more than 12,500 people in their immediate vicinity.

The Pooneryn area is significantly impacted by unsafe ground water, which is prevalent in almost every open well. Given the travel restrictions, still in place since the end of the war, the villagers are unable to travel freely to access other sources of water. Hence, the five RO plants that will be installed at five villages in the Paramankiran and Gnanimandan Grama Niladhari Divisions, will benefit nearly 1,000 people.

PROVIDING DAYCARE SERVICES, MAINTENANCE, MEALS, AND RESOURCES FOR SUNSHINE CARE CENTRE, LINDULA

The Sunshine Care Centre in Lindula (before Nuwara Eliya) is a dedicated daycare Centre for differently abled children. The Centre currently is operating at full capacity with 24 children of varying degrees of disability, such as deafness, cerebral palsy, Down's syndrome and other physically limiting ailments. The children have three trained female supervisors to attend to their learning and developmental needs; a nutritious lunch (based on the recommendations of a nutritionist) is also provided everyday. The children are also attended to by the resident occupational therapist of the Nuwara Eliya hospital who conducts therapy sessions once a fortnight.

DONATION OF 10 MULTI-PARAMETER RESPIRATORY MONITORS TO THE NATIONAL HOSPITAL AND ARMY HOSPITAL COVID-19 WARDS

A multi-parameter monitor is a medical device for monitoring a patient's vital signs. It is mainly used in intensive care hospitalisation or ER. In general, basic models are used to monitor cardiac activity (ECG), blood pressure (NIBP), respiration (RESP), oxygen saturation (SpO_2) and temperature (TEMP). They display the value of each parameter, while presenting the evolution curves over time. For some models, modules can be added to measure other parameters ($EtCO_2$, CO_2, pCO_2, IBP, EEG, EMG, etc.). They have audible and visual alarms to alert medical personnel to any risks related to the patient's condition. Some monitors are designed for veterinary use. This was a need of the hour and Sunshine acted accordingly.

DONATION OF WALL OXYGEN SUPPLY UNIT TO PANADURA BASE HOSPITAL COVID-19 WARD

Wall oxygen provides for multiple patients to have access, and removes the need for having cylinders hauled up to the wards on upper floors or having one cylinder per patient.

DONATION OF AIR CONDITIONING AND VENTILATION SYSTEM TO COVID-19 ICU WARD AT IDH

During the height of the pandemic the National Infectious Diseases Hospital began the construction of a second ICU ward.

The ward was in need of a special air conditioning and ventilation system that assists patients with respiratory difficulties.

Further to the request by the hospital to the Ceylon Chamber of Commerce, the Sunshine foundation sponsored half the cost of the construction of the said system.

DONATION OF OXYGEN CONCENTRATORS, MULTI-PARA MONITORS ETC. TO COVID-19 WARD OF BANDARAWELA HOSPITAL

A similar donation of oxygen concentrators and multi-para monitors were made to the Bandarawela Hospital to better equip the specialised COVID-19 treatment ward to assist patients.

DONATION OF 10 PIPED OXYGEN GAS SYSTEMS FOR COLOMBO SOUTH TEACHING HOSPITAL

The Colombo South Teaching Hospital, also known as the Kalubowila Hospital, had a dire requirement for multiple piped oxygen systems to be set up, given the increasing number of COVID-19 patients that were being admitted.

DONATION OF A MOBILE LABORATORY TO UNIVERSITY OF JAYEWARDENEPURA

Addressing a dire need, Sunshine donated a mobile laboratory for COVID-19 testing valued at Rs. 62 Mn. The laboratory was instrumental in conducting tests, given the increasing number of COVID-19 patients in the country.

04

STEWARDSHIP

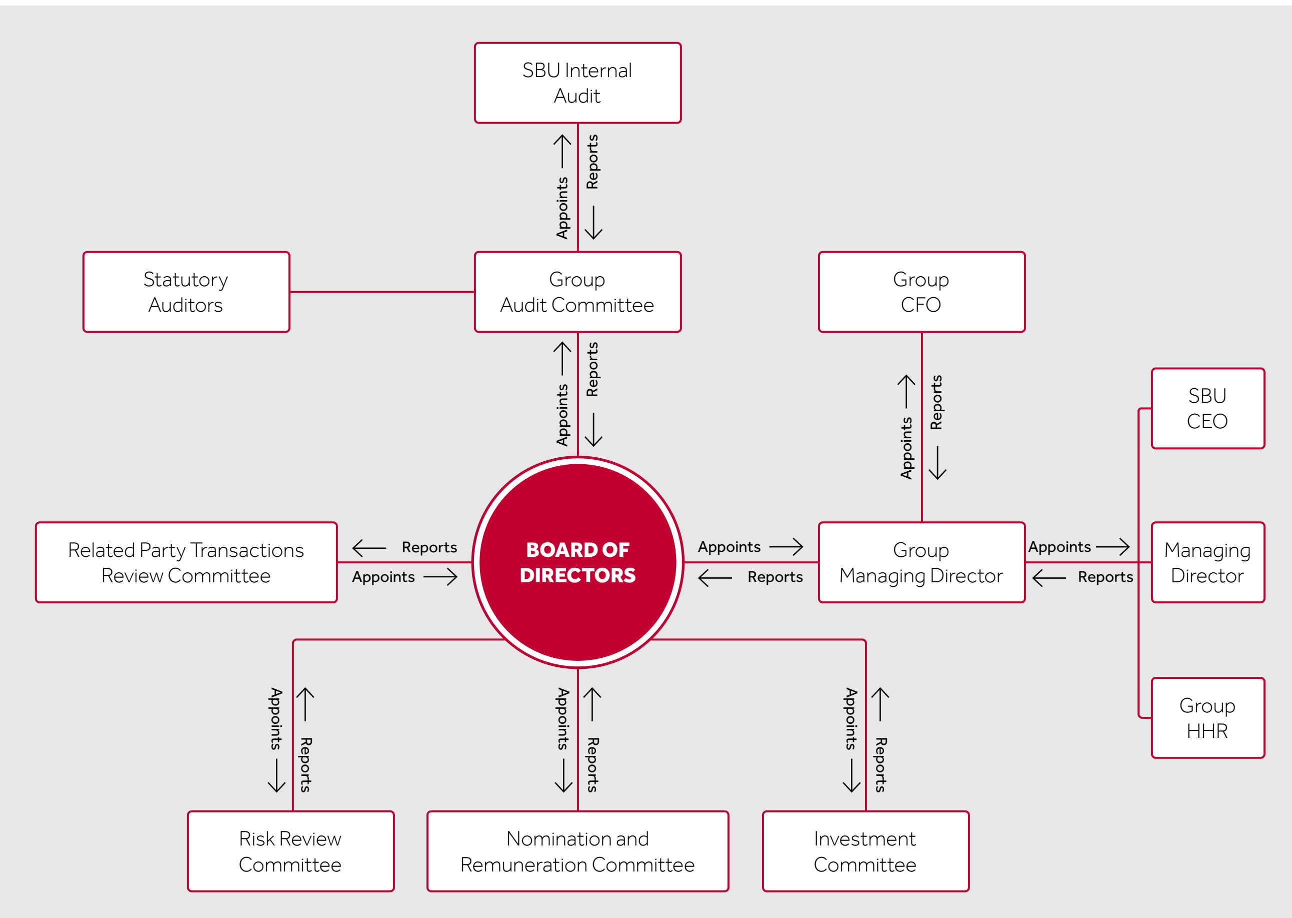
CORPORATE GOVERNANCE

Sunshine Holdings PLC (SUN)is the holding company of four subsidiaries namely Sunshine Healthcare Lanka Limited, Sunshine Consumer Lanka Limited, Sunshine Wilmar (Pvt) Limited and Sunshine Packaging Lanka Limited, representing the business sectors, Healthcare, Consumer, Agriculture and Investment Holdings.

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

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

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



THE BOARD OF DIRECTORS

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

BOARD RESPONSIBILITIES AND RIGHTS

The Board has the following powers to execute its responsibilities.

STRATEGIC DIRECTION

The Board provides vision, strategic direction and stewardship to the business entities whilst transparency and accountability are 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 42 of this Report. Further, the Audit Committee report is also given on page 39.

CODE OF CONDUCT AND ETHICS

The Company communicates its code of conduct and ethics to all levels of the employees including its Board of Directors.

FINANCIAL PERFORMANCE OF THE COMPANY

The Board meets at a minimum, once in three months to review the financial performance of the Company. The Quarterly Financial Statements are reviewed by the Audit Committee before recommending to the Board of Directors for adoption and release to the public. 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. Eight (8) Non-Executive Directors are independent as defined under the Listing Rules of the Colombo Stock Exchange.

The Non-Executive Independent Directors are;

- Mr A Cabraal
- Mr S Shishoo
- Mr H Abeywickrama
- Mr A Talwatte
- Mrs S Ratwatte
- Mr S Jain (Appointed w.e.f. 3 February 2022)
- Ms R Fernando (Appointed w.e.f. 21 February 2022)
- Mr S Renganathan (Appointed w.e.f. 27 May 2022)
- Ms A Goonethilleke (Resigned w.e.f. 11 November 2021)

There is a distinct and clear division of responsibility between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority. The roles of the Chairman and the Group Managing Director are separated and clearly defined. The Chairman is responsible for ensuing Board effectiveness and conduct whilst the Group Managing Director has overall responsibilities over the operating units, 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 eight (8) meetings including the Annual General Meeting was held in the financial year ended 31 March 2022. The attendances of Directors at these Meetings were as follows:

Attendance

Name of Director	Attendance at meetings	Percentage (%)
Mr A Cabraal	8	100
Mr V Govindasamy	8	100
Mr S G Sathasivam	8	100
Mr A D B Talwatte	8	100
Mr G Sathasivam	4	50
Mr H Abeywickrama	8	100
Mr S Shishoo	7	88
Ms S Ratwatte	8	100
Mr S Jain (Appointed w.e.f. 3 February 2022)	2	25
Ms R Fernando (Appointed w.e.f. 21 February 2022)	2	25
Mr S Renganathan (Appointed w.e.f. 27 May 2022)	0	0
Mr Y Kitao/Mr S Dias (Resigned w.e.f. 10 December 2021)	3	38
Ms A Goonetilleke (Resigned w.e.f. 11 November 2021)	5	63

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 19. 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 (GMD) 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 re-appointment by the shareholders at that meeting. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/re-appointment. Retiring Directors are generally eligible for re-election. In addition, a newly appointed Director is required to submit himself for retirement and re-election at the Annual General Meeting immediately following his appointment. The Managing Director does not retire by rotation. 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 it to attract and retain Directors of the caliber needed to direct the Group successfully. In the case of the executive Director, the component parts of the remuneration are structured so as to link rewards to corporate and individual performance. Performance is measured against profits and other targets set from the Company's annual budget and plans, and from returns provided to shareholders. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Director concerned.

The 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 Sub Committees.

AUDIT COMMITTEE

The Audit Committee provides an oversight on the Financial Statements and other related information prepared for presentation for external financial reporting, review the work of the internal audit function and ensures that the external auditor carry out their statutory duties in an independent and objective manner. It also assists the Board in ensuring a sound system of internal control. The Committee has full access to the auditors both internal and external who, in turn, have access at all times to the Chairman of the Committee. The Committee meets with the external auditors without any executives present except for the Group Secretaries, at least once a year. The report on the Audit Committee is presented on page 39 and the duties of the Audit Committee are included therein.

RISK COMMITTEE

The Risk Committee safeguard shareholders' investment and the Company's assets and to oversee and, approved the company wide risk management practices to assist the Board.

NOMINATION AND REMUNERATION COMMITTEE

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

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

INVESTMENT COMMITTEE

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

RELATED PARTY TRANSACTIONS 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
Executive						
Mr V Govindasamy	8 February 2000					
Mr S G Sathasivam	13 June 2006					
Non-Executive						
Mr G Sathasivam	8 February 2000	✓				
Independent Non-Executive						
Mr S Shishoo	18 December 2017		✓		✓	
Mr A D B Talwatte	30 May 2016	✓	✓	✓	✓	
Mr A Cabraal	30 May 2017	✓	✓	✓	✓	✓
Mr H Abeywickrama	30 June 2014		✓		✓	
Mrs S Ratwatte	30 May 2019					✓
Mrs W Y R Fernando	21 February 2022			✓		✓
Subsidiary Board Director						
Mr N Weerasekera				✓		
Consultant						
Mr R Mihular*		✓		✓		

** Appointed on 1 April 2022*

FINANCIAL ACUMEN

The Board comprises of a Senior Chartered Accountant and he serves as members 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 ensuring year, capital expenditure requirements, future prospects and risks, cash flows and borrowings facilities, have a reasonable expectation of the Company's existence in the foreseeable future. Therefore, the going concern basis is adopted in the preparation of the Financial Statements.

INTERNAL CONTROL

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

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 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 Financial Statements 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 Financial Statements, 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	Profile of the Board	16
	A 1.1	Regular Board meetings	Complied	Composition and attendance	26
	A 1.2	Responsibilities	Complied	Board Responsibility	26
	A 1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	Complied	Annual Report of the Board of Directors	27
	A 1.4	Access to Company Secretary	Complied	Communication with stakeholders	30
	A 1.5	Bring Independent judgment on various business issues and standards of business conduct	Complied	The Directors are permitted to get professional advice when necessary and the Directors of SUN group has obtained professional advice for certain matters during the year and coordinated through company secretaries	27

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
	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	27
	A 1.7	Calls for resolutions by at least 1/3rd of Directors	Complied	Appointment, re-election and resignation	28
	A 1.8	Board induction and Training	Complied	Induction and on-going training for Directors	27
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.	26
Chairman's Role	A 3	Facilitate the effective discharge of Board functions	Complied	The Chairman is responsible for conducting meetings effectively and he preserves order and implements board decisions taken	26
	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.	26
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Financial acumen	26
Board Balance	A 5	Board Balance	Complied	Board balance	30
	A 5.1	Non-Executive Directors	Complied	Nine (9) out of Eleven (11) are Non-Executive Directors	26
	A 5.2	Independent Non-Executive Directors	Complied	Eight (8) out of Eleven (11) Non-Executive Directors are independent	26
	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 their independence.	26
	A 5.4	Annual declaration	Complied	Submitted the declarations as prescribed	27
	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	27

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
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	27
	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	27
Appointments to the Board	A 7	Formal and transparent procedure for Board appointments	Complied	Appointment, re-election and resignation	28
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied	Appointment, re-election and resignation	28
	A 7.2	Assessment of the capability of the Board to meet strategic demands of the Company	Complied	Appointment, re-election and resignation	28
	A 7.3	Disclosure of New Board member profile and interests	Complied	Appointment, re-election and resignation	28
Re-election	A 8-8.2	Board members should be subject to election, and re-election by shareholders	Complied	Appointment, re-election and resignation	28
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	38
Disclosure of information in respect of Directors	A 10-10.1	Profiles of Directors Directors' interests Board meeting attendance Board committee memberships	Complied	Profile of the Board	16
Appraisal of GMD	A 11-11.2	Appraisal of the GMD against the set strategic targets	Complied	Evaluation is done by the Chairman and Remuneration committee based on the financial and non-financial targets set with the discussion of the committee	27
Directors' Remuneration	B 1	Establishment of the Nomination and Remuneration Committee	Complied	Nomination and Remuneration committee report	38
	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 sub committees	38
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Discussed under sub committees	38

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
Relations with Shareholders	C 1	Constructive use of the AGM and other General Meetings	Complied	Constructive use of Annual General Meeting (AGM)	31
	C 1.1	Counting of proxy votes	Complied	A Form of Proxy accompanies the Annual Report, when they are dispatched to the shareholders. The Chairman makes and announcement of the proxies received at the commencement of the General Meeting	31
	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.	186
	C 1.3	Heads of Board subcommittees to be available to answer queries	Complied	Sub-committee Chairmen are present at the AGM	31
	C 1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute	Complied	A copy of Annual Report including financials, Notice of Meeting and the form of Proxy are sent to shareholders 15 working days prior to the date of the AGM.	186
	C 1.5	Summary of procedures governing voting at General Meetings to be informed	Complied	Circulated through Notice of the Annual General Meeting	186
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	30
Accountability and Audit	D 1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to regulators	Complied	Annual Report of the Board of Directors	30
	D 1.2	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	Complied	Communication with shareholders	30
	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

Subject	Rule/Code number	Compliance requirement	Compliance status	Section	Page number
	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	41
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.	42
	D 2.2	Confirm assessment and risks identified and mitigated	Complied	Risk Management	43
	D 2.3	Internal Audit Function	Complied	Report of the Audit Committee	39
	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	Composition of Audit Committee	39
	D 3.2	Terms of reference, duties and responsibilities	Complied	Clearly documented to Audit Committee Charter	39
Communication with Shareholders	E 1-1.1	Regular dialogue to be maintained with shareholders	Complied	Shareholders are provided Quarterly Financial Statements and the Annual Report. These reports are also available in the Group website & provided to the Colombo Stock Exchange.	30
Corporate Governance Disclosures	D 6	Company adheres to established principles and practices of good Corporate governance	Complied	Corporate Governance	24
Institutional and other investors	E/F	Institutional and other investors	Complied	Relations with Shareholders	30
Cyber Security	G	Internet of things and Cyber security	Complied	Cyber Security	44
Sustainable Reporting	H	Environment, Society and Governance	Complied	Sustainable Reporting	13

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

Subject	Rule number	Applicable requirement	Compliance status	Details	Page number
Non-Executive Directors	7.10.1	At least one-third of the total number of Directors should be Non-Executive Directors	Complied	Nine (9) out of Eleven (11) Directors are Non-Executive Directors	26
Independent Directors	7.10.2 (a)	Two or one-third of Non-Executive Directors, whichever is higher should be independent	Complied	Eight (8) out of Nine (9) Non-Executive Directors are independent	26
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	27
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Please refer page 26	26
Disclosure relating to Directors	7.10.3 (b)	The basis for the Board to determine a Director is independent, if criteria specified for independence is not met	Complied	Given on page 26 under the heading of Board balance	26
Disclosure relating to Directors	7.10.3 (c)	A brief resume of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied	Profile of Directors	16
Disclosure relating to Directors	7.10.3 (d)	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (d) to the CSE	Complied	Brief resumes have been provided to the Colombo Stock Exchange	16
Remuneration Committee	7.10.5	A listed company shall have a Remuneration Committee	Complied	Nomination & Remuneration Committee comprises of Mr A Cabraal Mr G Sathasivam Mr A D B Talwatte	38
Composition of Remuneration Committee	7.10.5 (a)	Shall comprise of Non-Executive directors, a majority of whom will be independent	Complied	All members are Non-Executive and Two (2) out of Three (3) are independent	38
Remuneration Committee functions	7.10.5 (b)	Shall recommend the remuneration of the GMD and the Executive Directors and Senior Management	Complied	As above	38

Subject	Rule number	Applicable requirement	Compliance status	Details	Page number
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	38
		Statement of Remuneration Policy	Complied	As above	38
		Aggregated remuneration paid to Executive and Non-Executive Directors	Complied	Note 41 of Financial Statements	165
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Please refer Report of the Audit Committee on page 39	39
Composition of Audit Committee	7.10.6 (a)	Shall comprise of Non-Executive Directors, majority of whom will be independent	Complied	Four (4) out of Four (4) Directors are Independent Non-Executive Directors	39
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an Independent Non-Executive Director	39
		GMD and Group Chief Financial Officer should attend Audit Committee Meetings	Complied	GMD and Group Chief Financial Officer attend meetings by invitation	39
		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	39
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	39
Disclosure in the Annual Report relating to Audit Committee	7.10.6 (c)	(a) Names of the Directors comprising the Audit Committee	Complied	Please refer page 39	39
		(b) The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied	Please refer Audit Committee Report on pages 39	39
		(c) The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions	Complied	Please refer Audit Committee Report on pages 39	39

REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

The purpose and objectives of the Nominations and Remuneration Committee (NRC) are to:

- Assist the Board of Directors in the appointment of members to the Board and its Subcommittees, ensuring the required expertise and succession.
- Review and confirm that policies and terms & conditions of compensation & benefits applicable to members of the Board & Executive Directors, Board Subcommittees and Senior Management are market based and current.
- Advise the Board of Directors on the performance metrics of the Board and Subcommittees.
- Carry out the annual performance evaluation of Executive Directors and recommend to the Board the remuneration plans including merit and variable pay rewards.
- Review the annual performance evaluations of Senior Management and approve the recommended merit and variable pay rewards.
- Periodically review the Group's compensation & benefits applicable to Executive Directors and Senior Management, to ensure alignment to performance and market, and recommend revisons if any to the Board of Directors.
- As required, evaluate the Group's Human Resources policies and recommend revisions if any to the Board of Directors.
- Ensure a robust and dynamic succession plan for Executive Directors & Senior Management, including appropriate management development plans.

The NRC is appointed by the Board of Directors and comprises three Directors namely Messrs D A Cabraal, A D B Talwatte and G Sathasivam. Mr Reyaz Mihular was appointed as Consultant to the NRC with effect from 1 April 2022. Executive Directors attend meetings by invitation.

During the year, two (2) new Directors were appointed to the Board while three (3) Directors retired or resigned. The NRC met three (3) times during the year and all objectives of the NRC with regard to compensation & benefits and human resources policies were met. The minutes of the NRC meetings including recommendations and approvals were presented to the Board of Directors for affirmation.

A. Cabraal.

Amal Cabraal
Chairman

27 May 2022

REPORT OF THE AUDIT COMMITTEE

The Committee consists of four (4) 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 six (6) 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

6 of 6 meetings

A Cabraal (Member) – Independent Non-Executive

6 of 6 meetings

H Abeywickrama (Member) – Independent Non-Executive

6 of 6 meetings

S Shishoo (Member) – Independent Non-Executive

5 of 6 meetings

Ms A Goonetilleke (Member) – Independent Non-Executive, (resigned w.e.f. 11 November 2021) 4 of 6 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 laws and regulations, adequacy and effectiveness of internal control systems, fraud (if any), and going concern. The Committee reviews the published Financial Statements, assesses compliance with laws and regulatory requirements, considers the impact of risks, fraud and errors on 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 Consolidated Financial Statements for the financial year ended 31 March 2022.
- 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 internal assessment carried out by the management on the ability of the company/Group to continue as a going concern taking into consideration the potential implications of the prevailing economic conditions and the related presentation of the financial statements with disclosures.
- 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.
- Reviewed the compliance on Colombo Stock Exchange (CSE) Listing rules and regulations.

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

27 May 2022

REPORT OF THE RELATED PARTY TRANSACTIONS REVIEW COMMITTEE

The Board Related Party Transactions Review Committee (the Committee) has been established in terms of the Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules"). The Committee comprises Four (4) Non-Executive Independent directors, One (1) committee member is a Senior Chartered Accountant. The Committee's composition as at 31 March 2022 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

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

MEETINGS

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

- A D B Talwatte – 5 of 5 meetings
- A Cabraal – 4 of 5 meetings
- H Abeywickrama – 5 of 5 meetings
- S Shishoo – 4 of 5 meetings
- A Goonetilleke – 3 of 5 meetings (Resigned w.e.f. 11 November 2021)

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 procedures 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 and ensure all transactions carried out with related parties are on an arm's length basis.
5. The Company obtained the services of an approved Accountant to ensure the compliance with transfer pricing regulations.

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 the 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

27 May 2022

REPORT OF THE BOARD RISK REVIEW COMMITTEE

The Board Risk Review Committee consists of three (3) independent/non-executive Board Directors during the year. The Committee was chaired by Ms Aruni Goonetilleke until her resignation from the Board and the Committee on 11 November 2021 and Ms Shalini Ratwatte chaired the Board Risk Review Committee thereafter. Mr D A Cabral was temporary appointed to the Committee following the resignation of Ms A Goonetilleke, and Ms W Y Ruvini Fernando was appointed to the Committee with effect from 23 March 2022. Mr Reyaz Mihular was appointed as Consultant to the Board Risk Review Committee with effect from 1 April 2022. Corporate Services (Private) Limited, the Secretaries of the Company function as the Secretaries to the Board Risk Review Committee. The Group Managing Director, Group Chief Financial Officer and Sector Business Heads have a standing invitation to the Committee meetings, 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 four (4) times during the FY 2021/22. The attendance of the Committee members at each of these meetings is as follows ;

ATTENDANCE

Ms S Ratwatte – Independent Non-Executive 4 of 4 meetings

Ms A Goonetilleke – Independent Non-Executive (resigned w.e.f. 11 November 2021) 3 of 4 meetings

Ms W Y Ruvini Fernanda – Independent Non-Executive (appointed w.e.f. 23 March 2022)

Mr A Cabraal (Member) – Independent Non-Executive 1 of 4 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, it's 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. In light of the prevailing political, economic and social challenges in the country and projected escalations of hardships in the ensuing 12 months, the Board Risk Review Committee decided that over and above the quarterly meetings being conducted, an open channel of communications to be set up to provide timely visibility and proactive mitigation of potential risks.

On behalf of the Board Risk Review Committee

S Ratwatte
Board Risk Review Committee

27 May 2022

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	a) Continuous negotiations with the principals to transfer the risk on price control to them through CIF reduction. b) Volume driven revenue growth c) Continuous lobbying and discussion with Regulator to increase the MRP of the products to mitigate the currency devaluation risks of the business d) Lobbing through Industry Associations/ memberships for a pricing formula for pharmaceuticals and healthcare products
2.	External	Exchange rate movements and limited foreign currency reserves Interest rate risk	Potential loss as a result of the adverse exchange movements Unavailability of US Doller in the banking system to make foreign payments which interrupt the supply chain Increase in interest rates and costs of borrowings	a) Negotiation with principals to fix the exchange rate through the contracts b) Hedging techniques – Eg: Forward booking if permitted c) Premature settling of bills at favorable exchange rates or advance payments to the suppliers, d) Managed foreign currency inflows to the group diligently and getting the priority for the availability of foreign currency/US Dollars for life saving pharmaceuticals and healthcare products e) Focusing on the financial institutes/banks which offers competitive rates for short-term and medium-term financing based on their liquidity levels f) Pooling on group cash within the preview and framework of arm's length principle
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	a) Diversification into other crops, b) Engagement with government agencies and Planter Association for constructive discussions on best practices of cultivations and protection of environment., c) RSPO certification d) Public awareness program
4.	Business	Cost escalation risk	The rise in the inflation will result in a significant increase in business operational costs such as people, utilities, maintenance, fuel, electricity, selling and distribution expenses	a) Costs rationalisation across business units, and freezing some of costs items, evaluation alternative options to manage operational costs b) Re-skilling existing cadre as necessary to minimise new recruitments c) Products pricing

Serial number	Headline risk	Related risk	Risk	Risk control measure/mitigation action
5.	Business	Increase in raw material prices	Potential impact to the cost structure and availability issues	a) Weekly tea buying meetings with Tea Consultants to focus on buying plan. b) Managing inventory levels optimally and evaluating the possibility of local sourcing for some of raw materials c) Exploring alternative options for packings and materials d) Competitive bidding process
6.	External	Damages or destruction to the company's assets/properties	Financial losses due to damages to the assets/ properties of the group and business interruptions	a) Periodic risk assessment in manufacturing, distribution sites and warehouses and take preventive controls b) Comprehensive Insurance covers for Fire and Property covering all risks., Electronic equipment covering all risks and Marine Goods in Transit c) Insurance Policies covering Business Interruptions d) Regular review of adequacy of Sum Insured and coverage e) Regular awareness programs, fire & safety drills, emergency evacuations
7.	Technological Reputational	Cyber Security. Information Security	Business continuity challenges due to data/ Information breach of the business entities, Potential cyber-attacks in internal IT system and technical infrastructure, reputational risks	a) IT audit an IT control and compliance reviews b) IT Governance framework on security controls, policies and procedures, user awareness and trainings, business continuity and disaster recovery protocols c) IT security; performing regular vulnerability risk assessments, penetration testing and networking scanning assessments for group application systems & websites, Review and support group firewalls, anti-virus software, patch management systems d) Cloud services management

05

FINANCIAL REPORTS

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

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

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 2022 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 judgements and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis.

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

27 May 2022

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 re-classified wherever necessary to comply with the current presentation.

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

The Consolidated Financial Statements of the Company were audited by Messrs KPMG, Chartered Accountants and their report is given on page 49 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

27 May 2022

INDEPENDENT AUDITORS' REPORT

KPMG
(Chartered Accountants)
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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 2022, 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 54 to 179 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 2022, and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

BASIS FOR OPINION

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by CA Sri Lanka (Code of Ethics), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company'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.

Assessing potential Impairment of Goodwill

Refer to Note 24.7 to the Consolidated Financial Statements and the accounting policies on page 111.

As at 31 March 2022 the carrying value of the goodwill reported by the Group, which arose from the acquisition of two subsidiaries amounted to Rs.1,527 Mn.

Risks description	Our responses – Our audit procedures included:
The annual impairment testing of goodwill is considered to be a key audit matter due to the significance to the 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 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 audit procedures to assess the potential impairment of goodwill included the following: • 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;

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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 economic environment with uncertainty and volatility. Significant estimation uncertainty has resulted in increased judgement in forecasting cash flows and the underlying assumptions used in the discounted cash flow models. 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).	• Involving our internal 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; • 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 impairment of goodwill including review of fair value of CGUs and comparison of fair value and carrying value, comparison of profit forecasts used to arrive at the goodwill at the time of acquisition with the actual performance of the respective entities and review the reasonableness of assumptions used. • Evaluating the Group's assessment of the potential impactions of the current economic conditions on cash flows and underlying assumptions as well as likelihood of the recovery period; • Assessing 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.

The Group reported bearer biological assets of Rs. 2,699 Mn., and livestock biological assets of Rs. 943 Mn. carried at fair value as at 31 March 2022.

Risks description	Our responses
Bearer biological assets mainly include mature and immature palm oil, tea, rubber and other trees in identified plantation fields. Premature 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 audit procedures to assess the measurement of Biological assets included the following: 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.

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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 judgment 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. • Assessing the adequacy of the disclosures in the financial statements regarding the degree of judgment 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 26.2 (financial statement disclosures) to these Financial Statements.

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

The Group's portfolio of Investments comprised of financial assets classified at FVOCI as at 31 March 2022 which comprise investment in unquoted shares of Rs. 440 Mn. which have been valued using discounted cash flows.

Risks description	Our responses
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 audit procedures to assess the valuation of unquoted investment included the following: • 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 factor applied by the management to develop the cash flow projections and assessing whether the estimate reflected the current economic conditions; • 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 applicable accounting standards.

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OTHER INFORMATION

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. 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 judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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- 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.

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CHARTERED ACCOUNTANTS
Colombo, Sri Lanka

27 May 2022

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March	Note	GROUP 2022 Rs.	GROUP 2021 Rs.	COMPANY 2022 Rs.	COMPANY 2021 Restated* Rs.	COMPANY 2021 Previously reported** Rs.
Continuing operations						
Revenue	10	**32,166,208,979**	24,339,446,156	**1,075,338,436**	850,202,179	850,202,179
Cost of sales		**(21,927,172,553)**	(16,601,729,049)	**–**	–	–
Gross profit		**10,239,036,426**	7,737,717,107	**1,075,338,436**	850,202,179	850,202,179
Other income	11	**563,541,787**	291,436,825	**400,666,055**	354,688,067	341,800,630
Selling and distribution expenses		**(2,327,421,928)**	(2,182,677,904)	**–**	–	–
Administrative expenses		**(2,766,082,470)**	(2,177,851,096)	**(588,900,644)**	(472,540,034)	(449,704,631)
Impairment of asset held for sale	42	**–**	(143,246,439)			
Impairment of investment in equity-accounted investee/ subsidiary	24/25	**–**	–	**(436,572)**	(59,452)	(59,452)
(Loss)/Gain on disposal of subsidiaries/Associates	24.3.i	**(2,705,775)**	–	**59,173,066**	2,032,745,933	2,032,745,933
Gain on disposal of subsidiary shares	24.4	**–**	–	**–**	260,563,654	260,563,654
Operating profit	12	**5,706,368,040**	3,525,378,493	**945,840,341**	3,025,600,347	3,035,548,313
Finance income	13	**366,448,549**	252,646,432	**96,334,771**	169,448,305	156,225,875
Finance costs	13	**(375,706,666)**	(468,793,779)	**(3,890,181)**	(171,019,885)	(170,998,805)
Net finance costs		**(9,258,117)**	(216,147,347)	**92,444,590**	(1,571,580)	(14,772,930)
Share of profit/(loss) of equity-accounted investees, net of tax	25	**(436,572)**	(92,356)	**–**	–	–
Impairment of goodwill		**(50,000,000)**	–	**–**	–	–
Profit before tax		**5,646,673,351**	3,309,138,790	**1,038,284,931**	3,024,028,767	3,020,775,383
Income tax expenses	14	**(650,001,269)**	(771,610,789)	**(15,452,669)**	(117,953,217)	(117,053,693)
Profit for the year		**4,996,672,082**	2,537,528,001	**1,022,832,262**	2,906,075,550	2,903,721,690
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurement of retirement benefit liability		**132,572,210**	(25,750,348)	**13,070,842**	5,713,081	6,049,909
Equity investments at FVOCI – net change in fair value		**(65,125,525)**	(32,088,698)	**(65,125,525)**	(32,088,698)	(32,088,698)
Related tax		**(6,574,130)**	18,776,503	**12,412,284**	10,993,723	10,912,884
		60,872,555	(39,062,543)	**(39,642,399)**	(15,381,894)	(15,125,905)
Items that are or may be reclassified subsequently to profit or loss						
Foreign operations – foreign currency translation differences		**9,505,900**	1,092,211	**–**	–	–
		9,505,900	1,092,211	**–**	–	–
Other comprehensive income for the year, net of tax		**70,378,455**	(37,970,332)	**(39,642,399)**	(15,381,894)	(15,125,905)
Total comprehensive income for the year		**5,067,050,537**	2,499,557,669	**983,189,863**	2,890,693,656	2,888,595,785

For the year ended 31 March	Note	GROUP 2022 Rs.	GROUP 2021 Rs.	COMPANY 2022 Rs.	COMPANY 2021 Restated* Rs.	COMPANY 2021 Previously reported** Rs.
Profit attributable to:						
Owners of the Company		**2,720,742,972**	1,522,207,103	**1,022,832,262**	2,906,075,550	2,903,721,690
Non-controlling interests		**2,275,929,110**	1,015,320,898	**–**	–	–
		4,996,672,082	2,537,528,001	**1,022,832,262**	2,906,075,550	2,903,721,690
Total comprehensive income attributable to:						
Owners of the Company		**2,752,163,859**	1,478,363,138	**983,189,863**	2,890,693,656	2,888,595,785
Non-controlling interests		**2,314,886,678**	1,021,194,531	**–**	–	–
Total comprehensive income for the year		**5,067,050,537**	2,499,557,669	**983,189,863**	2,890,693,656	2,888,595,785
Earnings per share						
Basic earnings per share (Rs.)	16	**6.06**	3.39	**2.28**	6.48	6.47
Diluted earnings per share (Rs.)	16	**6.06**	3.39	**2.28**	6.48	6.47

** The balances presented represent the restated balances for the year ended 31 March 2021 to reflect the adjustments made as if the amalgamation between the Company and Sunshine Energy (Pvt) Limited, took place on 1 April 2020. Refer Note 46.*

*** The balances presented represent the balances as reported in the Audited Financial Statements for the year ended 31 March 2021. These balances are presented for the purposes of comparability.*

Figures in brackets indicate deductions.

The Notes to the Financial Statements on pages 65 and 179 are integral part of these Consolidated Financial Statements.

STATEMENT OF FINANCIAL POSITION

As at 31 March	Note	GROUP 2022 Rs.	GROUP 2021 Rs.	COMPANY 2022 Rs.	COMPANY 2021 Restated* Rs.	COMPANY 2021 Previously reported** Rs.
Assets						
Property, plant and equipment	19	**4,787,019,935**	4,794,110,834	**13,663,640**	33,067,152	33,067,152
Intangible assets	20	**385,928,439**	249,057,345	**25,028,235**	7,555,660	7,555,660
Leasehold land	21	**235,995,000**	238,853,000	**–**	–	–
Biological assets	22	**3,675,946,000**	3,492,193,000	**–**	–	–
Investment property	23	**1,030,093,525**	769,499,144	**–**	–	–
Investments in subsidiaries	24	**–**	–	**3,210,053,985**	3,399,509,135	3,767,962,237
Equity-accounted investee	25	**–**	1,292,006	**–**	1,292,007	1,292,007
Other investments	26	**741,513,041**	1,004,330,898	**669,200,042**	647,177,898	647,177,898
Deferred tax assets	27	**59,582,503**	42,611,982	**59,506,672**	43,064,185	42,536,150
Goodwill on acquisition	24.7	**1,526,648,376**	1,576,648,378	**–**	–	–
Non-current assets		**12,442,726,819**	12,168,596,587	**3,977,452,574**	4,131,666,037	4,499,591,104
Biological assets	22	**71,671,000**	52,688,000	**–**	–	–
Inventories	28	**6,483,619,355**	5,145,162,996	**–**	–	–
Other investments	26	**717,726,603**	335,364,187	**202,812,603**	222,469,740	222,469,740
Current tax assets	29	**56,763,982**	29,585,672	**14,318,672**	14,318,672	14,318,672
Trade and other receivables	30	**6,105,636,443**	4,848,691,358	**136,729,581**	72,577,780	70,396,643
Amounts due from related parties	31	**10,655,319**	475,000	**242,331,065**	335,115,034	223,215,489
Cash and cash equivalents	32	**3,264,723,523**	2,520,552,239	**1,208,295,019**	1,410,309,394	1,281,865,256
Assets held for sale	42	**–**	1,781,889,421	**–**	487,208,241	–
Current assets		**16,710,796,225**	14,714,408,873	**1,804,486,940**	2,541,998,861	1,812,265,800
Total assets		**29,153,523,044**	26,883,005,460	**5,781,939,514**	6,673,664,898	6,311,856,904
Equity						
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	**274,560,725**	339,686,250	**266,257,122**	331,382,645	331,382,645
Retained earnings		**11,061,418,417**	8,551,561,683	**3,694,810,277**	3,495,157,198	3,141,800,110
Equity attributable to owners of the Company		**12,977,694,389**	10,532,963,180	**5,602,782,646**	5,468,255,090	5,114,898,002
Non-controlling interests	33	**5,450,236,264**	4,808,856,243	**–**	–	–
Total equity		**18,427,930,653**	15,341,819,423	**5,602,782,646**	5,468,255,090	5,114,898,002
Liabilities						
Loans and borrowings	34	**1,663,343,846**	1,968,834,746	**–**	–	–
Employee benefits	35	**615,771,635**	713,774,478	**113,135,769**	106,078,437	103,878,290
Contingent consideration	24.4.b.i	**–**	78,026,414	**–**	–	–
Deferred income and capital grants	36	**41,442,000**	91,996,000	**–**	–	–
Deferred tax liabilities	27	**501,523,157**	632,277,792	**–**	–	–
Non-current liabilities		**2,826,317,338**	3,484,909,430	**113,135,769**	106,078,437	103,878,290

As at 31 March	Note	GROUP 2022 Rs.	GROUP 2021 Rs.	COMPANY 2022 Rs.	COMPANY 2021 Restated* Rs.	COMPANY 2021 Previously reported** Rs.
Trade and other payables	37	**5,633,690,534**	3,775,377,119	**38,787,181**	30,031,456	24,974,054
Amounts due to related parties	38	**57,537,862**	12,802,099	**8,398**	–	–
Current tax liabilities	29	**295,699,941**	354,693,979	**27,225,520**	61,292,441	60,099,084
Loans and borrowings	34	**994,833,215**	2,184,694,049	**–**	1,006,808,533	1,006,808,533
Bank overdraft	32	**917,513,501**	872,203,730	**–**	1,198,941	1,198,941
Liabilities directly associated with assets held for sale	42	**–**	856,505,631	**–**	–	–
Current liabilities		**7,899,275,053**	8,056,276,607	**66,021,099**	1,099,331,371	1,093,080,612
Total liabilities		**10,725,592,391**	11,541,186,037	**179,156,869**	1,205,409,808	1,196,958,902
Total equity and liabilities		**29,153,523,044**	26,883,005,460	**5,781,939,514**	6,673,664,898	6,311,856,904
Net assets per share***		**28.93**	23.48	**12.49**	12.19	11.40

** The balances presented represent the restated balances for the year ended 31 March 2021 to reflect the adjustments made as if the amalgamation between the Company and Sunshine Energy (Pvt) Limited, took place on 1 April 2020. Refer Note 46.*

*** The balances presented represent the balances as reported in the Audited Financial Statements for the year ended 31 March 2021. 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 65 to 179 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,

A Cabraal
Chairman

V Govindasamy
Group Managing Director

27 May 2022
Colombo

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March	Note	Stated capital Rs.	General reserve Rs.
GROUP			
Balance as at 1 April 2020		1,641,715,247	1,257,725
Total comprehensive income			
Profit for the year		–	–
Total other comprehensive income for the year		–	–
Total comprehensive income for the year		–	–
Transactions with owners of the Company			
Issue of shares to NCI of Sunshine Wilmar (Pvt) Ltd.		–	–
Impact on loss of effective shareholding in Watawala Planations PLC Group		–	–
Acquisition of NCI in Estate Management Services (Pvt) Ltd.		–	–
Impact on gaining effective shareholding in Sunshine Consumer Lanka Ltd. Group (formerly known as "Watawala Tea Ceylon Limited Group")		–	–
Acquisition through business Combination		–	–
Impact of loss effective shareholding of 25% in Sunshine Healthcare Lanka Ltd.		–	–
Impact of disposal of 3% Shares held in Sunshine Healthcare Lanka Ltd.		–	–
Dividend paid to owners for 2019/20		–	–
		–	–
Balance as at 31 March 2021		1,641,715,247	1,257,725
Balance as at 1 April 2021		1,641,715,247	1,257,725
Total comprehensive income			
Profit for the year		–	–
Total other comprehensive income for the year		–	–
Total comprehensive income for the year		–	–
Transactions with owners of the company			
Disposal of NCI – Waltrim Energy Ltd.			
Impact on loss of effective shareholding of 4.12% in Watawala Dairy Ltd.		–	–
Acquisition of NCI in Sunshine Energy (Private) Limited		–	–
Advance received to issue shares		–	–
Dividend paid to owners for 2020/21		–	–
		–	–
Balance as at 31 March 2022		**1,641,715,247**	**1,257,725**

Attributable to owners of the Company			Total	Non-controlling interests	Total equity
Reserve on exchange gain/(loss) Rs.	Fair value reserve Rs.	Retained earnings Rs.	Rs.	Rs.	Rs.
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
–	–	(352,071,099)	(352,071,099)	352,071,099	–
–	–	(307,579,587)	(307,579,587)	(2,595,484,445)	(2,903,064,032)
–	–	522,016,592	522,016,592	(522,016,592)	–
–	–		–	131,339,319	131,339,319
–	–	928,404,876	928,404,876	1,391,844,424	2,320,249,300
–	–	111,408,585	111,408,585	167,021,331	278,429,916
–	–	(261,719,680)	(261,719,680)	(693,429,539)	(955,149,219)
–	–	640,459,687	640,459,687	(247,904,401)	392,555,286
4,224,153	334,204,372	8,551,561,683	10,532,963,180	4,808,856,243	15,341,819,423
4,224,153	334,204,372	8,551,561,683	10,532,963,180	4,808,856,243	15,341,819,423
–	–	2,720,742,972	2,720,742,972	2,275,929,110	4,996,672,082
–	(65,125,525)	96,546,412	31,420,887	38,957,568	70,378,455
–	(65,125,525)	2,817,289,384	2,752,163,859	2,314,886,678	5,067,050,537
		–	–	(345,322,392)	(345,322,392)
–	–	267,098,594	267,098,594	88,841,406	355,940,000
–	–	(125,868,935)	(125,868,935)	(274,131,065)	(400,000,000)
–	–	–	–	10,000,000	10,000,000
–	–	(448,662,310)	(448,662,310)	(1,152,894,605)	(1,601,556,914)
–	–	(307,432,650)	(307,432,650)	(1,673,506,656)	(1,980,939,306)
4,224,153	**269,078,847**	**11,061,418,417**	**12,977,694,389**	**5,450,236,264**	**18,427,930,653**

For the year ended 31 March 2021	Note	Stated capital Rs.	General reserve Rs.
COMPANY			
Balance as at 1 April 2020		1,641,715,247	1,257,725
Transfer through Amalgamation SEL – Retained earnings			–
Set-off stated capital of SEL against investment in SEL in Sunshine Holdings PLC		–	–
Balance as at 1 April 2020 (Restated)		1,641,715,247	1,257,725
Total comprehensive income for the year – Restated			
Profit for the year		–	–
Total other comprehensive income for the year		–	–
Total comprehensive income for the year		–	–
Set-off of acquisition of 40% of non-controlling interest in EMSPL against the investment made during the year		–	–
Dividend Paid to owners – 2019/20 and 2020/21		–	–
Balance as at 31 March 2021		1,641,715,247	1,257,725
Balance as at 1 April 2021		1,641,715,247	1,257,725
Total comprehensive income for the year			
Profit for the year		–	–
Total other comprehensive income for the year		–	–
Total comprehensive income for the year		–	–
Set-off of acquisition of 30% of non-controlling interest in SEL against the investment made during the year			
Dividend paid to owners – 2019/20 and 2020/21		–	–
Balance as at 31 March 2022		**1,641,715,247**	**1,257,725**

** The balances presented represent the restated balances for the year ended 31 March 2021 to reflect the adjustments made as if the amalgamation between the Company and Sunshine Energy (Pvt) Limited, took place on 1 April 2020. Refer Note 46.*

Figures in brackets indicate deductions.

The Accounting Policies and Notes from page 65 to 179 are an integral part of these Financial Statements.

Fair value reserve Rs.	Retained profit restated* Rs.	Total restated* Rs.
349,848,758	3,398,264,199	5,391,085,929
–	11,957,724	11,957,724
–	339,301,495	339,301,495
349,848,758	3,749,523,418	5,742,345,148
–	2,906,075,550	2,906,075,550
(19,723,836)	4,341,942	(15,381,894)
(19,723,836)	2,910,417,492	2,890,693,656
–	(2,903,064,032)	(2,903,064,032)
–	(261,719,680)	(261,719,680)
330,124,922	3,495,157,198	5,468,255,092
330,124,922	3,495,157,198	5,468,255,092
–	1,022,832,262	1,022,832,262
(65,125,525)	25,483,126	(39,642,399)
(65,125,525)	1,048,315,388	983,189,863
	(400,000,000)	(400,000,000)
–	(448,662,310)	(448,662,310)
264,999,397	**3,694,810,277**	**5,602,782,646**

STATEMENT OF CASH FLOWS

For the year ended 31 March	Note	GROUP 2022 Rs.	GROUP 2021 Rs.	COMPANY 2022 Rs.	COMPANY 2021 restated* Rs.	COMPANY 2021 Previously reported** Rs.
Cash flows from operating activities						
Profit before tax for the year		**5,646,673,351**	3,309,138,790	**1,038,284,931**	3,024,028,767	3,020,775,383
Adjustments for:						
Interest income		**(366,448,548)**	(202,383,169)	**(96,682,596)**	(169,448,305)	(156,225,875)
Profit on disposal of property, plant and equipment		**(51,766,277)**	(31,708,661)	**(8,625,000)**	–	–
Biological assets – (gain)/loss from produce crop valuation		**(19,718,000)**	(10,891,000)	**–**	–	–
(Reversal)/ Provision for other receivable		**–**	370,565	**–**	–	–
Impairment of GW		**50,000,000**	–	**–**	–	–
Impairment losses and write downs on biological (Nurseries)		**735,000**	20,126,000	**–**	59,452	59,452
Gain on fair valuation of livestock		**6,013,000**	30,000	**–**	–	–
Interest expense		**375,706,666**	468,793,779	**3,890,181**	171,019,885	170,998,805
Depreciation of property, plant and equipment		**644,735,023**	647,977,610	**22,585,396**	21,463,966	21,463,966
Amortisation of intangible assets		**52,863,375**	38,151,772	**1,317,276**	4,685	4,685
Depreciation of mature plantations		**180,851,000**	157,230,000	**–**		
Provision/(reversal) and write-off for bad and doubtful debts		**90,581,040**	57,788,999	**–**	–	–
Provision/(reversals) and Write-off for inventories		**21,616,406**	72,364,883	**–**	–	–
Profit/(loss) of equity investee		**–**	92,356	**–**	–	–
Amortisation of capital grants		**(50,554,000)**	(50,554,000)	**–**	–	–
Amortisation of leasehold right to land		**11,298,000**	10,120,000	**–**	–	–
Fair value gain/loss		**13,989,045**	1,086,323	**13,989,044**	2,225,511	2,225,511
Provision for retirement benefit obligations		**108,571,309**	119,130,631	**20,309,048**	15,419,185	13,526,859
Rent concession		**(14,221,066)**	(22,153,634)	**–**	(1,079,325)	(1,079,325)
Timber fair valuation gain		**(1,328,000)**	(1,200,000)	**–**	–	–
Loss/(gain) on disposal of associates		**(44,565)**	–	**(44,565)**	–	–
Impairment of investment in associates		**436,572**	–	**436,572**	–	–
Loss/(gain) on disposal of a subsidiary		**2,750,340**	63,000	**(59,173,066)**	(2,032,745,933)	(2,032,745,933)
Gain on partial disposal of investment in subsidiary		**–**	–	**–**	(260,563,654)	(260,563,654)
Fair value gain on investment property		**(241,076,323)**	–	**–**	–	–
Fair value changes in defferred consideration		**(7,688,504)**	–	**–**	–	–
Loss/(profit) on sale of investments		**–**	–		(9,007,485)	(9,007,485)
Provision for impairment for asset held for sale		**–**	143,246,439	**–**	–	–
Operating profit before working capital change		**6,453,974,842**	4,726,820,683	**936,287,222**	761,376,748	769,432,389
Changes in:						
(Increase)/decrease in inventories		**(1,360,072,765)**	(1,282,057,453)	**–**	–	–
Decrease/(increase) in trade and other receivables		**(1,278,898,724)**	47,163,592	**(64,151,801)**	26,811,700	27,247,827
Decrease/(increase) in amounts due from related parties		**(10,180,318)**	78,318,595	**92,783,968**	937,795	17,561,881
Increase/(decrease) in trade and other payables		**1,872,280,098**	1,043,501,778	**8,755,725**	(1,182,698)	(5,755,018)
(Decrease)/increase in amounts due to related parties		**94,380,919**	(21,760,652)	**8,398**	(4,133,448)	(3,186,792)
Cash generated from operating activities		**5,771,484,053**	4,591,986,543	**973,683,512**	783,810,098	805,300,287
Interest paid		**(283,774,220)**	(372,313,140)	**(3,890,181)**	(169,392,806)	(169,371,726)
Income tax paid		**(870,194,920)**	(643,172,689)	**(53,549,791)**	(67,583,073)	(63,223,579)
Employee benefits paid		**(74,001,816)**	(44,655,744)	**(202,586)**	(29,007)	–
Net cash from operating activities		**4,543,513,098**	3,531,844,970	**916,040,954**	546,805,212	572,704,982

For the year ended 31 March	Note	GROUP 2022 Rs.	GROUP 2021 Rs.	COMPANY 2022 Rs.	COMPANY 2021 restated* Rs.	COMPANY 2021 Previously reported** Rs.
Cash flows from investing activities						
Interest received		**356,021,548**	175,994,128	**96,334,771**	169,478,442	156,256,012
(Investments)/disposal in other investments		**(101,136,712)**	52,076,228	**–**	54,664,537	54,664,537
(Investments)/disposal in short-term investments		**(397,365,156)**	375,484,496	**(202,812,603)**	–	–
(Investment)/disposal of subsidiary		**–**	–	**–**	(4,486,171,654)	(4,423,814,034)
Investments in debentures		**–**	–	**(100,000,000)**	–	–
Investment in gratuity fund		**87,800,000**	(13,428,000)	**–**	–	–
Additions to bearer plants		**(169,818,000)**	(165,202,000)	**–**	–	–
Net investment in livestock		**(225,695,000)**	(53,832,000)	**–**	–	–
Additions to property, plant and equipment		**(918,782,371)**	(345,733,540)	**(11,393,121)**	(4,504,705)	(4,504,705)
Acquisition of intangible assets		**(189,734,470)**	(52,883,028)	**(18,789,851)**	(7,555,660)	(7,555,660)
Proceeds from sales of livestock		**25,821,000**	–	**–**	–	–
Disposal of investment in associates		**900,000**	–	**900,000**	–	–
Proceeds from sale of property, plant and equipment		**66,368,185**	77,070,511	**16,800,000**	–	–
Acquisition of non-controlling interest in subsidiaries		**(400,000,000)**	(2,903,064,032)	**(400,000,000)**	–	–
Acquisition of subsidiaries (net of cash)		**–**	(2,238,359,537)	**–**	–	–
Disposal of subsidiary (net of cash)		**645,479,827**	1,268,000	**735,836,457**	2,999,743,572	2,999,743,572
Proceeds on disposal of shares held in subsidiary		**–**	278,429,916	**–**	278,429,916	278,429,916
Defferred consideration paid		**(70,337,910)**	–	**–**	–	–
Net proceeds from disposal of biological assets		**402,000**	–	**–**	–	–
Acquisition of investment property		**(19,518,058)**	–	**–**	–	–
Net cash (used in)/generated from investing activities		**(1,309,595,117)**	(4,812,178,858)	**116,875,654**	(995,915,552)	(946,780,362)
Cash flows from financing activities						
Receipts of interest-bearing borrowings		**4,731,267,603**	11,031,270,271	**–**	3,104,000,000	3,104,000,000
Proceeds from share issued by subsidiary to NCI		**355,940,000**	1,520,750,002	**–**	–	–
Advance received from NCI (APHL)		**10,000,000**	–	**–**	–	–
Repayments of interest-bearing borrowings		**(6,025,277,528)**	(11,852,381,665)	**(768,701,275)**	(4,999,121,698)	(4,999,121,698)
Payment of lease liabilities		**(65,024,043)**	(175,206,298)	**(16,369,056)**	(14,750,775)	(14,750,775)
Dividend paid		**(1,601,556,914)**	(955,149,219)	**(448,662,310)**	(261,719,680)	(261,719,680)
Net cash from financing activities		**(2,594,650,883)**	(430,716,909)	**(1,233,732,641)**	(2,171,592,153)	(2,171,592,153)
Net (decrease)/increase in cash and cash equivalents		**639,267,098**	(1,711,050,797)	**(200,816,033)**	(2,620,702,493)	(2,545,667,533)
Cash and cash equivalents as at 1 April		**1,698,437,024**	3,408,395,610	**1,409,110,452**	4,029,812,945	3,826,333,848
Effect of movement in exchange rates		**9,505,900**	1,092,211	**–**	–	–
Cash and cash equivalents as at 31 March		**2,347,210,022**	1,698,437,024	**1,208,294,419**	1,409,110,452	1,280,666,315

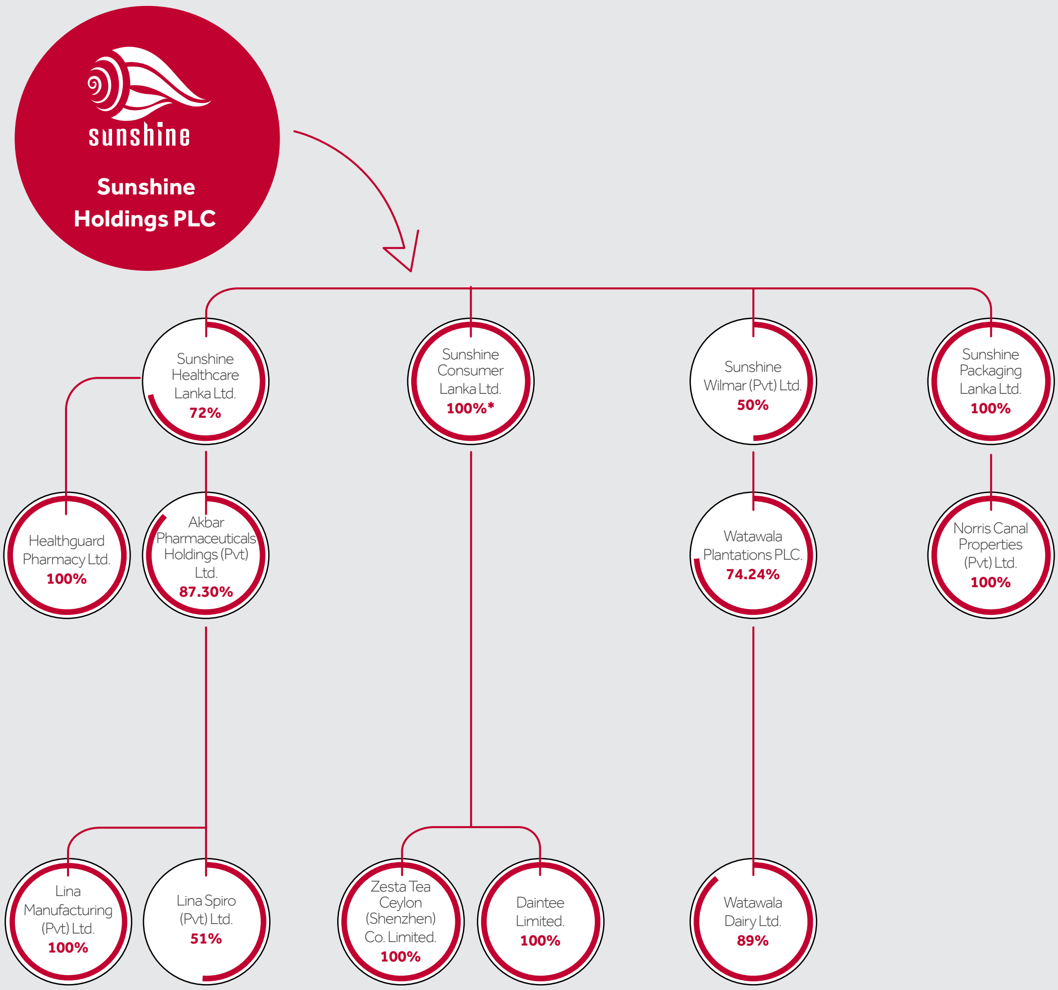
** The balances presented represent the restated balances for the year ended 31 March 2021 to reflect the adjustments made as if the amalgamation between the Company and Sunshine Energy (Pvt) Limited, took place on 1 April 2020. Refer Note 46.*

*** The balances presented represent the balances as reported in the Audited Financial Statements for the year ended 31 March 2022. These balances are presented for the purposes of comparability.*

Figures in brackets indicate deductions.

The Accounting Policies and Notes from page 65 to 179 are an integral part of these Financial Statements.

GROUP STRUCTURE



** 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.*

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 principle 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 2022 was as follow:

Group 2,998 (31 March 2021 – 3,130)

Company 24 (31 March 2021 – 21)

The Registrar General of Companies on 28 January 2022 issued the certificate of Amalgamation in terms of Section 244 (1) (a) of the Companies Act No. 07 of 2007 to amalgamate 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 2022 comprise the financial information of Company and its subsidiaries (together referred to as "the Group" and encompass the Company and its subsidiaries (together referred to as the "Group"). The subsidiaries are listed in Note 1.4.

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 Sunshine Energy (Pvt) Ltd) for the year ended 31 March 2022, 31 March 2021 (restated) as if the amalgamation occurred as at 1 April 2021 and 31 March 2021 as previously reported for better presentation and purposes of comparability. The Consolidated Financial performance and 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 Sunshine Energy (Pvt) Ltd.) for the year ended 31 March 2022, 31 March 2021 (restated) as if the amalgamation occurred as at 1 April 2021 and 31 March 2021 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 64.

Entity	Principal business activity
Sunshine Holdings PLC As explained in Note 1.1 Sunshine Energy (Pvt) Limited has been amalgamated with Sunshine Holdings PLC from 28 January 2022.	Managing portfolio of investments
Subsidiaries	
Sunshine Healthcare Lanka Ltd.	Importing and distributing of pharmaceutical products island wide
Healthguard Pharmacy Ltd. As explained in Note 46.2 Akbar Pharmaceuticals (Pvt) Ltd. was amalgamated with Sunshine Healthcare Lanka Ltd. on 30 December 2021 and Sunshine Healthcare Lanka Ltd. continues as the surviving entity	Engage in buying and selling of pharmaceutical items and healthcare through its chains of pharmacies
Watawala plantations PLC	Engage in cultivation, manufacture and sale of crude palm oil
Watawala Dairy Ltd.	Engage in dairy farming
Sunshine Consumer Lanka Ltd. (formerly known as "Watawala Tea Ceylon Ltd.")	Buying and adding value to tea for local and export markets
Zesta Tea Ceylon (Shenzhen) Co. Limited	Wholesale, retail and import and export of tea leaves, tea set and accessories and raw materials

Entity	Principal business activity
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.
Daintee Limited	Manufacturing and selling of Confectioneries
Akbar Pharmaceuticals Holdings (Pvt) Ltd.	Managing portfolio of investments
Lina Manufacturing (Pvt) Ltd.	Manufacturing of drugs
Lina Spiro (Pvt) Ltd.	Manufacturing of drugs

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 Consolidated 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 (SLFRS's and LKAS's) laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007.

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

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

The Financial Statements were authorised for issue by the Directors on 27 May 2022.

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 Note 10 to 46 on pages 75 to 172.

These Financial Statements include the following components:

- a Statement of Income and 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 54 and 55).
- a Statement of Financial Position providing information on the financial position of the Group and Company as at the year end; (Refer page 56).
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and Company; (Refer pages 58 and 59).
- a Statement of Cash Flows providing information to the users, on the ability of the Group and Company to generate cash and cash equivalents and the needs of the entity to utilise those cash flows; (Refer pages 62 to 63).
- Notes to the Financial Statements comprising accounting policies and other explanatory information. (Refer pages 65 to 179).

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 operation, current economic crisis, deficit in foreign currency reserves, country down grade and performance of the Group. Furthermore, based on the information available, and the assessment of profit projections, 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 SOFP, 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 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 and economic conditions

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. In addition to the pandemic the current economic conditions and projected economic factors, have significantly increased the estimation uncertainty in the preparation of these Financial Statements including, the extent and duration of the disruption to businesses, 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 2022 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 24 – assessment of recoverability of goodwill assigned to CGUs;
- Note 48 – potential impact of prevailing economic conditions and COVID-19 on financial reporting.

5. BASIS OF MEASUREMENT

These 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. Refer Note 8.

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 31 March.

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/Company recognises loss allowances for ECLs on financial assets measured at amortised cost.

Loss allowances for trade receivables is always measured at an amount equal to lifetime Expected Credit Loss (ECL). When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group 's historical experience and informed credit assessment and including forward-looking information.

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

The Group/Company 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 financial 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/Company 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/Company 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 CG Us. Goodwill arising from a business combination is allocated to CG Us or groups of CG Us 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 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 FINANCIAL STATEMENTS/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 interpretations and amendments to standards are effective for annual period beginning on or after 1 January 2022 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these Consolidated Financial Statements.

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

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to LKAS 12)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to LKAS 37).
- COVID-19 – Related Rent Concessions beyond 30 June 2021 (Amendment to SLFRS 16).
- Annual Improvements to IFRS Standards 2018 – 2020.
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to LKAS 16).
- Reference to Conceptual Framework (Amendments to SLFRS 3).
- Classification of Liabilities as Current or Non-current (Amendments to LKAS 1).
- Disclosure of Accounting Policies (Amendments to LKAS 1 and SLFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to LKAS 8).

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	Cultivate oil palm, tea and rubber
Consumer goods	Sale of tea and packaged water
Investment	Managing portfolio of investments
Management services	Providing expert management services
Rental business	Renting out of premises

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.

As the post-tax profit of the power generation segment is insignificant to the Group, the disposal has not been identified and classified as a discontinued operation separately in the consolidated income statement.

2022	Healthcare Rs.	Agribusiness Rs.	Consumer goods Rs.
External revenues	**17,501,042,847**	**6,474,661,000**	**8,068,809,062**
Inter-segment revenue	**–**	**–**	**–**
Segment revenue	**17,501,042,847**	**6,474,661,000**	**8,068,809,062**
Segment profit/(loss) before tax	**1,571,702,179**	**3,331,802,000**	**510,712,959**
Interest income	**156,134,096**	**54,795,000**	**61,929,679**
Interest expense	**(165,320,141)**	**(69,768,000)**	**(129,970,068)**
Depreciation and amortisation	**(298,292,835)**	**(391,590,000)**	**(162,578,502)**
Other material non-cash items			
– Impairment losses on trade and other receivables	**(21,336,765)**		**(4,821,966)**
Segment assets	**13,148,542,533**	**8,891,696,000**	**3,892,810,024**
Capital expenditure	**(317,910,518)**	**(836,383,000)**	**(289,095,495)**
Segment liabilities	**6,541,337,802**	**1,792,024,000**	**2,265,658,619**

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	–	–	–
Segment revenue	12,769,793,315	3,933,523,000	7,124,963,802
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)
Other material non-cash items			
– Impairment losses on trade and other receivables	(63,672,974)	–	5,883,975
Segment assets	10,720,898,200	7,106,719,000	3,774,410,106
Capital expenditure	(71,617,176)	(367,758,000)	(70,451,498)
Segment liabilities	4,862,966,416	2,044,309,000	2,493,442,307

Reportable segments			Total
Energy Rs.	**Investment Rs.**	**Rental business Rs.**	**Rs.**
20,891,694	**2,433,771,823**	**31,015,940**	**34,530,192,366**
–	**–**	**10,275,843**	**10,275,843**
20,891,694	**2,433,771,823**	**41,291,783**	**34,540,468,209**
(39,122,244)	**2,393,370,767**	**242,191,077**	**8,010,656,738**
25,727,474	**79,634,388**	**101**	**378,220,738**
–	**(3,965,773)**	**(19,460,694)**	**(388,484,677)**
(374,637)	**(23,024,485)**	**–**	**(875,860,459)**
–	**–**	**–**	**(26,158,731)**
–	**8,896,555,893**	**1,158,127,794**	**36,908,344,443**
–	**(30,182,972)**	**–**	**(1,473,571,985)**
–	**238,395,607**	**305,489,804**	**11,146,545,314**

Reportable segments			Total
Energy Rs.	Investment 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

9.2 OPERATING SEGMENTS

Reconciliations of information on reportable segments to SLFRS measures

For the year ended 31 March	**2022 Rs.**	2021 Rs.
Revenue		
Total revenue for reportable segments	**34,540,468,209**	26,059,885,084
Elimination of inter-segment revenue	**(2,374,259,230)**	(1,720,438,928)
Consolidated revenue	**32,166,208,979**	24,339,446,156
Profit before tax		
Total profit before tax for reportable segments	**8,010,656,738**	7,362,123,276
Elimination of inter-segment profit	**(2,363,983,386)**	(4,052,984,486)
Consolidated profit before tax from operations	**5,646,673,351**	3,309,138,790
Assets		
Total assets for reportable segments	**36,908,344,443**	34,280,378,921
Elimination of inter-segment assets	**(7,754,821,399)**	(7,397,373,461)
Consolidated total assets	**29,153,523,044**	26,883,005,460
Liabilities		
Total liabilities for reportable segments	**11,146,545,314**	11,797,643,234
Elimination of inter-segment liabilities	**(420,952,924)**	(256,457,197)
Consolidated total liabilities	**10,725,592,391**	11,541,186,037

2022	**Reportable segment totals Rs.**	**Adjustments Rs.**	**Consolidated totals Rs.**
Other material items			
Finance income	**378,220,738**	**(11,772,189)**	**366,448,549**
Finance cost	**(388,484,677)**	**12,778,011**	**(375,706,666)**
Capital expenditure	**(1,473,571,985)**	**9,887,654**	**(1,463,684,331)**
Depreciation and amortisation	**(875,860,459)**	**(13,008,756)**	**(888,869,215)**
Impairment losses on trade and other receivables	**(26,158,731)**	**–**	**(26,158,731)**

2021	Reportable segment totals Rs.	Adjustments Rs.	Consolidated totals Rs.
Other material items			
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)

9.3 GEOGRAPHIC INFORMATION

Consumer Goods segment is 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.

	2022 Rs.	2021 Rs.
Revenue		
Sri Lanka	**34,507,819,625**	25,966,906,717
China	**3,582,000**	15,985,927
Singapore	**3,271,557**	10,550,876
Japan	**4,851,306**	17,681,874
Other countries	**20,943,721**	48,759,690
	34,540,468,209	26,059,885,084
Segment assets		
Sri Lanka	**36,908,344,443**	34,280,378,921
	36,908,344,443	34,280,378,921

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.

	GROUP		COMPANY		
For the year ended 31 March	2022 Rs.	2021 Rs.	2022 Rs.	2021 Restated Rs.	2021 Rs.
Revenue from contracts with customers	**32,124,917,196**	23,398,286,575	**1,075,338,436**	850,202,179	850,202,179
Other revenue					
Rentals from Investment property	**41,291,783**	941,159,581	**–**	–	–
	32,166,208,979	24,339,446,156	**1,075,338,436**	850,202,179	850,202,179

B. Disaggregation of revenue from contracts with customers

In the following table, revenue from contacts with customers is disaggregated by primary geographical market, major products and service lines and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see Note 9).

For the year ended 31 March	GROUP		COMPANY		
	2022	2021	**2022**	2021 Restated	2021
	Rs.	Rs.	**Rs.**	Rs.	Rs.
Primary geographic markets					
Local	**32,133,560,395**	24,230,588,284	**1,075,338,436**	850,202,179	850,202,179
Exports	**32,648,584**	108,857,872	**–**	–	–
	32,166,208,979	24,339,446,156	**1,075,338,436**	850,202,179	850,202,179
Major product/service lines					
Investments	**59,512,593**	45,002,148	**1,075,338,436**	850,202,179	850,202,179
Healthcare	**17,501,042,847**	12,769,793,315	**–**	–	–
Plantation	**6,474,661,000**	3,933,523,000	**–**	–	–
FMCG	**8,068,809,062**	7,124,963,802	**–**	–	–
Energy	**20,891,694**	440,243,207	**–**	–	–
Rent income	**41,291,783**	25,920,684	**–**	–	–
	32,166,208,979	24,339,446,156	**1,075,338,436**	850,202,179	850,202,179
Timing of revenue recognition					
Products transferred at a point in time	**32,166,208,979**	24,313,525,472	**1,075,338,436**	850,202,179	850,202,179
Products and services transferred over time	**–**	25,920,684	**–**	–	–
Revenue from contracts with customers	**32,166,208,979**	24,339,446,156	**1,075,338,436**	850,202,179	850,202,179
Other revenue	**–**	–	**–**	–	–
External revenue as reported in Note 9	**32,166,208,979**	24,339,446,156	**1,075,338,436**	850,202,179	850,202,179

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 at a point in a time or over the time as appropriate.

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

Type of product/ service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
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.
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.
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 which are considered under essential items, the potential impact of COVID-19 has been and expected to be minimal based on the internal assessment carried out by the Management. The Management is monitoring the implications of the current economic conditions on the business operations of the Group.

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.

		GROUP		COMPANY		
For the year ended 31 March	Note	**2022** **Rs.**	2021 Rs.	**2022** **Rs.**	2021 Restated Rs.	2021 Rs.
Dividend income		**–**	1,714,841	**–**	–	–
Gain on sale of property, plant and equipment		**51,766,277**	31,708,661	**8,625,000**	–	–
Amortisation of capital grants		**50,554,000**	50,554,000	**–**	–	–
Rebate from telecommunication provider		**15,518,167**	–	**15,518,167**	–	–
Profit on sale of trees/Green leaf	11.1	**(10,269,000)**	–	**–**	–	–
Loss on disposal of investment		**(1,121,600)**	(5,700,960)	**(1,121,600)**	–	–
Fair value gain on investment properties	23	**227,094,381**	–	**–**	–	–
Income from investment fund		**41,060,000**	20,666,000	**–**	–	–
Guaranteed generation reimbursement		**1,140,442**	–	**–**	–	–
Royalty		**–**	294,250	**–**	–	–
Sundry income	11.3	**162,280,777**	159,256,845	**1,295,755**	1,682,880	1,682,880
Rent income		**11,871,789**	21,968,511	**–**	–	–
Service income		**–**	–	**377,735,179**	355,230,698	342,343,261
Change in fair value of quoted shares		**(1,386,446)**	(1,086,323)	**(1,386,446)**	(2,225,511)	(2,225,511)
Change in fair value of livestock	22.3	**19,718,000**	(30,000)	**–**	–	–
Change in fair value of unharvested crop	22.1	**(6,013,000)**	10,891,000	**–**	–	–
Change in fair value of Biological assets	22.2	**1,328,000**	1,200,000	**–**	–	–
		563,541,787	291,436,825	**400,666,055**	354,688,067	341,800,630

11.1 Income from Telco Rebate of the Company, represents the rebate received from telecommunication institutes for the data usage.

11.2 The gain/(loss) on fair value of trees and live stock in Watawala Plantation PLC., a subsidiary of the Company, represents the unrealised gain from valuation of live stock and 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 Limited amounting to Rs. 114 Mn. (2021 – Rs. 109 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.

	GROUP		COMPANY		
For the year ended 31 March	**2022** Rs.	2021 Rs.	**2022** Rs.	2021 Restated Rs.	2021 Previously reported Rs.
Staff costs (Note 12.1)	**3,093,735,157**	3,056,384,699	**359,649,786**	307,398,459	307,166,046
Statutory audit fees – KPMG	**13,059,739**	9,819,750	**1,819,193**	1,627,500	1,627,500
– Other auditors	**–**	582,712	**–**		
Audit related – KPMG	**3,955,669**	2,583,723	**–**	–	500,000
Non-audit – KPMG	**5,202,524**	3,450,000	**–**	–	750,000
– Other auditors	**2,155,618**	7,498,521	**–**	–	7,072,621
Provision/(Reversal) for trade debtors	**24,387,024**	26,158,731	**–**	–	–
Depreciation			**–**		
– Property, plant and equipment	**644,686,023**	647,977,610	**7,432,210**	6,364,793	21,463,966
– Biological assets – bearer	**180,851,000**	157,230,000	**–**		
Amortisation of intangible assets	**51,985,192**	38,151,772	**–**	–	4,685
Amortisation – Leasehold right to bare land	**–**	10,120,000	**–**	–	–

Directors' emoluments are included in compensation of Key Management Personnel Note 41.1.A.

12.1 STAFF COSTS

For the year ended 31 March	GROUP		COMPANY		
	2021	2020	**2021**	2020 Restated	2020 Previously reported
	Rs.	Rs.	**Rs.**	Rs.	Rs.
Defined benefit plan (Gratuity)	**109,348,456**	119,130,631	**22,509,195**	13,526,859	13,526,859
Defined contribution EPF and ETF	**298,788,716**	201,476,157	**28,716,635**	26,441,748	26,209,335
Salaries, wages and other staff cost	**2,685,597,985**	2,735,777,911	**308,423,956**	267,429,852	267,429,852
	3,093,735,157	3,056,384,699	**359,649,786**	307,398,459	307,166,046

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 recognised using the effective interest method.

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

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

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

For the year ended 31 March	GROUP		COMPANY		
	2022	2021	**2022**	2021 Restated	2021
	Rs.	Rs.	**Rs.**	Rs.	Rs.
Interest income from related companies	**–**	–	**19,460,694**	16,405,000	16,405,000
Exchange gain	**179,350,529**	50,263,263	**–**	–	–
Interest income on other deposits/loans	**187,098,020**	202,383,169	**76,874,077**	153,043,305	139,820,875
Finance income	**366,448,549**	252,646,432	**96,334,771**	169,448,305	156,225,875
Interest on overdrafts and loans	**256,104,347**	390,181,698	**2,990,036**	168,828,044	168,806,964
Interest on finance lease	**1,018,000**	1,223,549	**–**	–	–
Exchange loss	**30,311,461**	4,327,542	**–**	–	–
Finance expense on lease liabilities	**88,272,858**	73,060,990	**900,145**	2,191,841	2,191,841
Finance cost	**375,706,666**	468,793,779	**3,890,181**	171,019,885	170,998,805
Net finance cost	**(9,258,117)**	(216,147,347)	**92,444,590**	(1,571,580)	(14,772,930)

13.1 The exchange gains and losses have significantly increased due to the continuous devaluation of rupee during the financial year.

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 RECOGNISED IN PROFIT OR LOSS

	GROUP		COMPANY		
For the year ended 31 March	**2022**	2021	**2022**	2021 Restated	2021 Previously reported
	Rs.	Rs.	**Rs.**	Rs.	Rs.
Current tax expense					
Current income tax expense (Note 14.1.A)	**844,628,161**	798,651,344	**19,401,604**	102,887,887	101,379,536
Changes in estimates relating to prior years	**(74,438,529)**	(40,350,079)	**81,266**	1,824,649	1,986,280
Unclaimable economic service charges (ESC)	**243,337**	11,095,159	**–**	10,329,819	10,329,819
Write-off of tax receivable	**–**	2,963,386	**–**	2,963,386	2,963,386
WHT on dividends from subsidiaries	**–**	2,281,132	**–**	–	–
	770,432,969	774,640,942	**19,482,870**	118,005,741	116,659,021
Deferred tax expenses					
Origination and reversal of deferred tax assets (Note 27.2)	**–**	486,289	**(5,085,178)**	3,832,242	4,279,438
Origination and reversal of deferred tax liabilities (Note 27.3)	**(120,431,700)**	(3,516,442)	**1,054,977**	(3,884,766)	(3,884,766)
	(120,431,700)	(3,030,153)	**(4,030,201)**	(52,524)	394,672
Tax expense	**650,001,269**	771,610,789	**15,452,669**	117,953,217	117,053,693

Tax expense on continuing operations excludes the Group's share of the tax expenses of equity-accounted investee of Rs. Nil (2021 – 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% (2021 – 24%) on its taxable income. Refer Note 27.

For the year ended 31 March	Tax rate **2022** %	Tax rate 2021 %
Sunshine Holdings PLC	**24**	24
Sunshine Healthcare Lanka Ltd.	**24**	24
Watawala Plantations PLC – Profits from cultivation	**Exempted**	Exempted
– Profits from agro processing	**14**	14
– Profits from other activities	**24**	24
Healthguard Pharmacy Ltd.	**24**	24
Sunshine Consumer Lanka Ltd. (Formerly known as "Watawala Tea Ceylon Limited")	**18**	18
Sunshine Packaging Limited	**24**	24
Norris Canal Properties (Pvt) Ltd.	**24**	24
Daintee Limited	**18**	18
Akbar Pharmaceuticals (Pvt) Ltd.	**24**	24
Akbar Pharmaceuticals Holdings (Pvt) Ltd.	**24**	24
Lina Manufacturing (Pvt) Ltd.	**18**	18
Lina Spiro (Pvt) Ltd.	**18**	18
Sunshine Wilmar (Pvt) Ltd.	**24**	24

Dividend income of the Company is liable for tax at 14%.

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

Watawala Dairy Limited

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

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

14.2 AMOUNT RECOGNISED IN OCI

For the year ended 31 March	GROUP **2022** Rs.	GROUP 2021 Rs.	COMPANY **2022** Rs.	COMPANY 2021 Restated Rs.	COMPANY 2021 Previously reported Rs.
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit liability/ (asset) (Note 27.2)	**167,871**	6,411,641	**12,493,124**	(1,451,978)	(1,451,978)
Equity investments at FVOCI – net change in fair value (Note 27.3)	**6,742,000**	12,364,862	**–**	12,364,862	12,364,862
	6,909,871	18,776,503	**12,493,124**	10,912,884	10,912,884

14.3 AMOUNTS RECOGNISED DIRECTLY IN EQUITY

There were no items recognised directly in equity during the year ended 31 March 2022.

14.4 RECONCILIATION BETWEEN ACCOUNTING PROFIT AND TAXABLE PROFIT

	GROUP			
	%	**2022 Rs.**	%	2021 Rs.
Profit before tax		**5,646,673,351**		3,309,138,790
Tax using the Company's domestic tax rate	**24**	**1,355,201,604**	24	794,193,310
Effect of the tax rates in subsidiaries	**-7**	**(368,919,524)**	-7	(223,473,413)
Tax effect of:				
Non-deductible/Allowable expenses	**14**	**797,153,308**	11	375,218,829
Tax-exempt income	**-15**	**(848,564,493)**	0	(2,161,796)
Changes in estimates relating to prior years	**-2**	**(87,298,945)**	-1	(40,350,079)
Recognition of previously unrecognised tax losses	**-1**	**(71,709,389)**	-4	(145,125,586)
Unclaimable Economic Service Charges (ESC)	**0**	**(5,429,593)**	0	11,095,159
Write-off of tax receivables	**0**	**–**	0	2,963,386
WHT on dividends from subsidiaries	**0**	**–**	0	2,281,132
	14	**770,432,969**	23	774,640,942

	COMPANY					
	%	**2022 Rs.**	%	2021 Restated Rs.	%	2021 Previously reported Rs.
Profit before tax from continuing operations		**1,038,284,931**		3,024,028,767		3,020,775,383
Tax using the Company's domestic tax rate	**24**	**249,188,384**	24	725,766,904	24	724,986,092
Effect of use of different in tax rates	**17**	**171,395,224**	0.3	9,513,730		–
Tax effect of:						
Non-deductible expenses and allowable expenses	**-15**	**(158,749,632)**	-11	(341,695,983)	-11	(344,727,395)
Tax-exempt income and non-taxable income	**-17**	**(173,004,813)**	-7	(208,632,232)	-6	(195,409,802)
Recognition of previously unrecognised tax losses	**(0.06)**	**(59,982,219)**	-3	(82,226,163)	-3	(83,469,359)
Changes in estimates relating to prior years	**-1**	**(9,364,074)**	0	1,986,280	0	1,986,280
Unclaimable Economic Service Charges (ESC)	**–**	**–**	0	10,329,819	0	10,329,819
Write-off of tax receivables	**–**	**–**	0	2,963,386	0	2,963,386
		19,482,870		118,005,741		116,659,021

14.5 TAX LOSSES CARRIED FORWARD

For the year ended 31 March	GROUP		COMPANY	
	2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Tax loss brought forward	**3,493,583,468**	3,731,024,993	**171,923,941**	340,275,545
Reassessment of previous year tax losses	**(1,345,399,352)**	7,265,400	**2,990,462**	22,447,642
Recognised through acquisition of business combination	**–**	102,043,455	**–**	–
Tax loss for the year of assessment	**459,063,880**	353,501,000	**75,011,509**	156,989,748
Set-off against the current taxable income	**(298,789,119)**	(700,251,381)	**(249,925,912)**	(347,788,994)
Tax loss carried forward	**2,308,458,876**	3,493,583,468	**–**	171,923,941
The tax losses for which no deferred tax asset was recognised expire as follow:				
Expire	**2,308,458,876**	3,493,583,468	**–**	171,923,941
Never expire	**–**	–	**–**	–
	2,308,458,876	3,493,583,468	**–**	171,923,941

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 disclosers by other entities.

Reconciliation of adjusted EBITDA to profit from continuing operations – Group

For the year ended 31 March	**2022 Rs.**	2021 Rs.
Profit from continuing operations	**4,996,672,082**	2,537,528,001
Income tax expense	**650,001,269**	771,610,789
Profit before tax	**5,646,673,351**	3,309,138,790
Adjustment for:		
Net finance costs	**9,258,117**	216,147,347
Depreciation	**807,272,132**	805,207,610
Amortisation	**41,431,211**	47,371,772
Share of loss of equity-accounted investee, net of tax	**436,572**	92,356
Adjusted EBITDA	**6,505,071,383**	4,377,957,875

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.

	GROUP		COMPANY		
For the year ended 31 March	**2022**	2021 Restated	**2022**	2021 Restated	2021 Previously reported
	Rs.	Rs.	**Rs.**	Rs.	Rs.
Profit for the year, attributable to the owners of the Company (Rs.)	**2,720,742,972**	1,522,207,103	**1,022,832,262**	2,906,075,550	2,903,721,690
Weighted average number of ordinary shares (basic)	**448,662,309**	448,662,309	**448,662,309**	448,662,309	448,662,309
Basic earnings per share (Rs.)	**6.06**	3.39	**2.28**	6.48	6.47

16.1.1 WEIGHTED AVERAGE NUMBER OF SHARES

	2022	2021 Restated
Issued ordinary shares as at 1 April	**448,662,309**	149,554,103
Effect of the share split	**–**	299,108,206
Weighted average number of shares*	**448,662,309**	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.*

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 (2021 – final dividend of Rs. 0.50 per share) for the financial year ended 31 March 2022.

	2022	2021
Dividend declared – final and interim (Rs.)	**470,317,969***	373,885,258
Number of ordinary shares	**448,662,309**	448,662,309
Dividend per share (Rs.)	**0.96**	0.83

** Final dividend, subject to shareholders' approval, includes the amounts to be paid for 43,311,320 ordinary shares allotted on 30 May 2022.*

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 27 May 2022 has been audited by Messrs KPMG.

17.1 DIVIDEND PAID DURING THE YEAR

	2022 Rs.	2021 Rs.
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 2020/21 profit	**–**	149,554,103
Final dividend of Rs. 0.50 per share out of 2020/21 profit	**224,331,155**	–
Interim dividend of Rs. 0.50 per share out of 2021/22 profit	**224,331,155**	–
	448,662,309	261,719,680

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 expire.

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

The Group has the following non-derivative financial liabilities: trade and other payables and bank overdrafts.

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

Derecognition

(a) Financial assets

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

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

(b) Financial liabilities

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

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

Offsetting

Financial assets and financial liabilities were offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to 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.

	GROUP			
31 March 2022	**Mandatorily at FVTPL Rs.**	**FVOCI – Equity instruments Rs.**	**Amortised cost Rs.**	**Total carrying value Rs.**
Financial assets				
Investment in unquoted shares	**–**	**440,308,416**	**–**	**440,308,416**
Investment in quoted shares	**21,365,872**	**–**	**–**	**21,365,872**
Investment fund	**72,313,000**	**–**	**–**	**72,313,000**
Investment in debentures	**–**	**–**	**207,525,753**	**207,525,753**
Trade and other receivables	**–**	**–**	**6,105,636,443**	**6,105,636,443**
Amounts due from related parties	**–**	**–**	**10,655,319**	**10,655,319**
Cash and cash equivalents	**–**	**–**	**3,264,723,523**	**3,264,723,523**
Total financial assets	**93,678,872**	**440,308,416**	**9,588,541,039**	**10,122,528,326**
Financial liability				
Loans and borrowings		**–**	**2,658,177,062**	**2,658,177,062**
Bank overdraft	**–**	**–**	**917,513,501**	**917,513,501**
Trade and other payables	**–**	**–**	**5,633,690,534**	**5,633,690,534**
Amounts due to related parties	**–**	**–**	**57,537,862**	**57,537,862**
Total financial liabilities	**–**	**–**	**9,266,918,958**	**9,266,918,958**

	GROUP			
31 March 2021	Mandatorily at FVTPL Rs.	FVOCI – Equity instruments Rs.	Amortised cost Rs.	Total carrying value Rs.
Financial assets				
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	–	–	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
Total financial assets	614,977,656	505,433,941	7,021,462,460	8,141,874,057
Financial liability				
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
Total financial liabilities	–	–	7,632,478,599	7,632,478,599

COMPANY			
Mandatorily at FVTPL Rs.	**FVOCI – equity instruments Rs.**	**Amortised cost Rs.**	**Total carrying value Rs.**
–	**440,308,416**	**–**	**440,308,416**
21,365,872	**–**	**–**	**21,365,872**
–	**–**	**–**	**–**
–	**–**	**207,525,753**	**207,525,753**
–	**–**	**136,729,581**	**136,729,581**
–	**–**	**242,331,065**	**242,331,065**
–	**–**	**1,208,295,019**	**1,208,295,019**
21,365,872	**440,308,416**	**1,794,881,419**	**2,256,555,707**
–	**–**	**–**	**–**
–	**–**	**–**	**–**
–	**–**	**38,787,181**	**38,787,181**
–	**–**	**8,398**	**8,398**
–	**–**	**38,795,579**	**38,795,579**

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

19. PROPERTY, PLANT AND EQUIPMENT

19.1 RECONCILIATION OF CARRYING AMOUNT

A. GROUP

COST

	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.
Freehold assets							
Land	45,372,996	–	–	–	–	806,165,000	–
Buildings	1,545,264,974	74,486,218	–	(177,538)	7,110,639	388,381,939	(6,261,668)
Plant and machinery	1,087,733,373	14,366,922	(68,748,642)	(326,759)	–	653,772,746	–
Power plant	1,991,822,527	1,808,167	–	–	35,347,735	–	(2,028,978,429)
Tools	124,597,500	–	–	–	62,357,620	–	–
Furniture and fittings	223,260,284	15,824,173	(6,211,322)	(611,837)	–	26,142,087	(3,891,370)
Equipment	184,654,802	26,113,590	–	–	–	13,029,476	(9,523,792)
Computer equipment	117,250,757	13,047,344	(6,802,668)	(1,639,700)	5,000,000	16,033,887	(2,933,041)
Motor vehicles	715,564,785	39,002,000	(78,075,450)	(1,200,000)	12,540,000	26,647,346	(535,550)
Electrical equipment	28,579,102	11,542,681	(12,149,516)	(1,492,023)	–	66,027,207	(53,709)
Medical equipment	311,243,901	34,805,797	(14,433,220)	–	–	65,405,315	–
Other	245,657,057	49,000	–	–	–	–	–
ROUA (Note 34)	364,860,578	206,049,375	(27,651,971)	–	–	105,269,688	(7,828,508)
Capital work-in-progress	136,191,844	115,258,905	–	–	(109,815,994)	47,571,939	–
	7,122,054,480	552,354,172	(214,072,789)	(5,447,857)	12,540,000	2,214,446,630	(2,060,006,067)
Leasehold assets							
Roads and bridges	5,000	–	–	–	–	–	–
Improvements to land	1,135,000	–	–	–	–	–	–
Vested other assets	1,201,000	–	–	–	–	–	–
Buildings	35,894,000	–	–	–	–	–	–
Water supply system	89,000	–	–	–	–	–	–
Machinery	23,208,000	–	–	–	–	–	–
Mini-hydro power plant	1,042,000	–	–	–	–	–	–
Motor vehicles	22,401,280	–	–	–	(12,540,000)	–	(7,800,000)
	84,975,280	–	–	–	(12,540,000)	–	(7,800,000)
Total cost	7,207,029,760	552,354,172	(214,072,789)	(5,447,857)	–	2,214,446,630	(2,067,806,067)

Balance as at 31 March 2021	Balance as at 1 April 2021	Additions	Disposals	Write-off	Transfers	Assets disposal	**Balance as at 31 March 2022**
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	**Rs.**
851,537,996	851,537,996	–	–	–	–	–	**851,537,996**
2,008,804,564	2,008,804,564	89,072,300	–	–	–	–	**2,097,876,864**
1,686,797,640	1,686,797,640	254,946,724	(25,987,988)	–	80,442,699	–	**1,996,199,075**
–	–	–	–	–	–	–	**–**
186,955,120	186,955,120	–	–	–	90,870,000	(277,825,120)	**–**
254,512,015	254,512,015	11,158,581	(27,340,244)	–	–	(730,369)	**237,599,983**
213,702,819	213,702,819	70,074,549	(52,773,326)	–	(40,444)	–	**230,963,598**
139,956,579	139,956,579	9,767,474	–	–	–	(640,161)	**149,083,892**
713,943,131	713,943,131	34,576,000	(54,368,556)	–	–	–	**694,150,575**
92,453,742	92,453,742	22,443,501	(64,140)	–	972,655	–	**115,805,758**
397,021,793	397,021,793	27,010,876	–	–	356,444	–	**424,389,113**
245,706,057	245,706,057	11,000,000	–	–	–	–	**256,706,057**
640,699,162	640,699,162	159,519,986	(23,062,211)	–	–	–	**777,156,937**
189,206,694	189,206,694	229,783,637	–	–	(176,324,597)	(3,968,000)	**238,697,734**
7,621,868,569	7,621,868,569	918,782,371	(183,596,465)	–	(3,723,243)	(283,163,650)	**8,070,167,582**
5,000	5,000	–	–	–	–	–	**5,000**
1,135,000	1,135,000	–	–	–	–	–	**1,135,000**
1,201,000	1,201,000	–	–	–	–	–	**1,201,000**
35,894,000	35,894,000	–	–	–	–	–	**35,894,000**
89,000	89,000	–	–	–	–	–	**89,000**
23,208,000	23,208,000	–	–	–	–	–	**23,208,000**
1,042,000	1,042,000	–	–	–	–	–	**1,042,000**
2,061,280	2,061,280	–	(2,061,280)	–	–	–	**–**
64,635,280	64,635,280	–	(2,061,280)	–	–	–	**62,574,000**
7,686,503,849	7,686,503,849	918,782,371	(468,821,395)	–	(3,723,243)	–	**8,132,741,582**

ACCUMULATED DEPRECIATION

	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.
Freehold assets							
Buildings	157,918,786	95,124,827	–	–	–	67,191,743	(3,795,732)
Plant and machinery	599,382,095	91,838,574	(62,730,434)	(326,759)	–	214,875,671	–
Power plant	383,383,444	100,473,956	–	–	–	–	(483,857,400)
Tools	6,638,487	7,494,128	–	–	–	–	–
Furniture and fittings	122,718,470	26,531,489	(3,823,931)	(503,712)	–	18,809,288	(1,799,053)
Equipment	109,720,633	18,907,983	–	–	–	8,991,628	(5,247,445)
Computer equipment	97,711,764	11,351,502	(4,769,233)	(1,597,680)	–	9,424,847	(2,198,857)
Motor vehicles	475,429,738	74,462,190	(51,333,240)	(1,200,000)	12,540,000	25,335,940	(512,048)
Electrical equipment	40,589,858	7,965,747	(11,519,869)	(1,480,416)	–	33,689,451	(53,709)
Medical equipment	250,537,450	47,538,876	(7,221,549)	–	–	19,901,491	–
Other	34,425,251	23,467,000	–	–	–	–	–
ROUA (Note 34)	127,331,253	140,003,959	–	–	–	11,757,878	(1,433,013)
	2,405,787,229	645,160,231	(141,398,256)	(5,108,567)	12,540,000	409,977,937	(498,897,257)
Leasehold assets							
Roads and bridges	5,000	–	–	–	–	–	–
Improvements to land	1,049,000	38,000	–	–	–	–	–
Vested other assets	371,000	11,000	–	–	–	–	–
Buildings	35,894,000	–	–	–	–	–	–
Water supply system	89,000	–	–	–	–	–	–
Machinery	23,208,000	–	–	–	–	–	–
Mini-hydro power plant	1,042,000	–	–	–	–	–	–
Motor vehicles	19,625,062	2,768,379	–	–	–	(12,540,000)	(7,800,000)
	81,283,062	2,817,379	–	–	–	(12,540,000)	(7,800,000)
Total accumulated depreciation	2,487,070,291	647,977,610	(141,398,256)	(5,108,567)	12,540,000	397,437,937	(506,697,257)
Carrying value	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 and Hatton Plantation PLC the subsidiaries of the Company, by gazetted notification on the date of formation of the subsidiary (18 June 1992) and all the investments made in the fixed assets by subsidiary since its formation.
- Investment by the Group on mature and immature plantations are shown separately under biological assets – mature/immature plantations.

Balance as at 31 March 2021 Rs.	Balance as at 1 April 2021 Rs.	Charge for the year Rs.	Disposals Rs.	Write-off Rs.	Transfers Rs.	Assets disposal Rs.	**Balance as at 31 March 2022 Rs.**
316,439,624	316,439,624	119,228,008	–	–	–	–	**435,667,632**
843,039,147	843,039,147	143,137,323	(25,987,988)	–	–	–	**960,188,482**
–	–	–	–	–	–	–	**–**
14,132,615	14,132,615	6,004,808	–	–	–	(20,137,424)	**–**
161,932,551	161,932,551	26,952,562	(27,340,243)	–	–	(91,793)	**161,453,077**
132,372,799	132,372,799	25,800,461	(52,203,063)	–	(4,207)	–	**105,965,990**
109,922,343	109,922,343	11,927,512	–	–	–	(121,331)	**121,728,524**
534,722,580	534,722,580	78,466,412	(46,193,556)	–	–	–	**566,995,436**
69,191,062	69,191,062	22,505,626	(64,140)	–	–	–	**91,632,548**
310,756,268	310,756,268	50,700,015	–	–	–	–	**361,456,283**
57,892,251	57,892,251	8,249,000	–	–	–	–	**66,141,251**
277,660,077	277,660,077	151,714,296	(16,630,109)	–	–	–	**412,744,264**
2,828,061,317	2,828,061,317	644,686,023	(168,419,099)	–	(4,207)	(20,350,548)	**3,283,973,486**
							364,412,673
5,000	5,000	–	–	–	–	5,000	**–**
1,087,000	1,087,000	38,000	–	–	–	1,125,000	**–**
382,000	382,000	11,000	–	–	–	393,000	**–**
35,894,000	35,894,000	–	–	–	–	35,894,000	**–**
89,000	89,000	–	–	–	–	89,000	**–**
23,208,000	23,208,000	–	–	–	–	23,208,000	**–**
1,042,000	1,042,000	–	–	–	–	1,042,000	**–**
2,053,441	2,053,441	–	(2,061,280)		–	(7,839)	**–**
63,760,441	63,760,441	–	(2,061,280)	–	–	61,748,161	**–**
2,891,821,758	2,891,821,758	644,686,023	(190,830,927)	–	(4,207)	3,345,721,647	**–**
4,794,110,834						4,787,019,935	

- 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. 1,796 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 2020 Rs.	Additions Rs.	Balance as at 31 March 2021 Rs.	Balance as at 1 April 2021 Rs.	Additions Rs.	Disposals Rs.	**Balance as at 31 March 2022 Rs.**
Freehold assets							
Furniture and fittings	7,463,366	232,400	7,695,766	7,695,766	638,576	–	**8,334,342**
Equipment	5,221,387	616,015	5,837,402	5,837,402	621,700	(40,444)	**6,418,658**
Computer equipment	6,707,489	3,656,290	10,363,779	10,363,779	1,957,845	–	**12,321,624**
Motor vehicles	17,370,000	–	17,370,000	17,370,000	8,175,000	(8,175,000)	**17,370,000**
Right-of-use assets	41,034,138	4,620,241	45,654,379	45,654,379	–	–	**45,654,379**
	77,796,380	9,124,946	86,921,326	86,921,326	11,393,121	(8,215,444)	**90,099,003**

ACCUMULATED DEPRECIATION

	Balance as at 1 April 2020 Rs.	Charge for the year Rs.	Balance as at 31 March 2021 Rs.	Balance as at 1 April 2021 Rs.	Charge for the year Rs.	Disposals Rs.	**Balance as at 31 March 2022 Rs.**
Freehold assets							
Furniture and fittings	2,926,111	1,103,059	4,029,170	4,029,170	1,077,690	–	**5,106,860**
Equipment	2,156,491	977,051	3,133,542	3,133,542	1,076,758	(4,207)	**4,206,093**
Computer equipment	4,815,035	864,471	5,679,506	5,679,506	1,899,663	–	**7,579,169**
Motor vehicles	6,928,965	3,474,000	10,402,965	10,402,965	3,485,897	–	**13,888,862**
Right-of-use assets	15,563,606	15,045,385	30,608,991	30,608,991	15,045,388	–	**45,654,379**
	32,390,208	21,463,966	53,854,174	53,854,174	22,585,396	(4,207)	**76,435,363**
Carrying value	45,406,172		33,067,152	33,067,152			**13,663,640**

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. 919 Mn. (2021 – Rs. 552 Mn.).

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 (2021 - 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. (2021: Nil).

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 Rs.	Land Rs.	Building Rs.	Total Rs.
No130/6, Sri Wickrema Mawatha, Colombo 15	117	31,105	1	117,000,000	90,104,525	207,104,525	33,393,196	38,435,509	71,828,705
60/46,Sri Wickrama Road, Colombo 15	26	–	–	30,700,000	–	30,700,000	11,979,800	–	11,979,800
No. 8C, 1st Lane, Maligawa Road, Thelawela, Moratuwa	106	17,110	2	–	–	–	56,179,630	95,399,370	151,579,000
No. 72C, Kandawala Road, Ratmalana	50	11,878	2	221,700,000	148,550,000	370,250,000	456,202	3,833,166	4,289,368
Anura Mawatha, Borupana, Moratuwa	201	58,339	4	–	–	–	2,996,800	35,472,998	38,469,798
Koalin Refinary Road, Werahara, Boralasgamuwa	52	2,768	1	–	–	–	301,065	1,705,122	2,006,187
Janappriya Mawatha, Borupana, Moratuwa	21	N/A	–	–	–	–	5,240,000	–	5,240,000
				369,400,000	238,654,525	608,054,525	110,546,693	174,846,164	285,392,857

The land and buildings were revalued as at 31 March 2022, by Mr S Sivaskantha, BSc.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.

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 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.

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 2022.

Location and address of the property	Method of valuation	Significant unobservable inputs	Range of estimates for unobservable inputs	Estimated fair value would increases or decreases
No. 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 Refinary 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.

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 2022. 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 recognised as an intangible asset when the Group can demonstrate:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.

(b) its intention to complete the intangible asset and use or sell it.

(c) its ability to use or sell the intangible asset.

(d) how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.

(e) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(f) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is recorded in cost of sales. During the period of development, the asset is tested for impairment annually.

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.

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

	GROUP				
	Software Rs.	Brand Rs.	Development cost Rs.	Capital work-in-progress Rs.	Total Rs.
Cost					
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
Acquisitions	5,042,272	–	–	47,840,756	52,883,028
Balance as at 31 March 2021	249,185,300	141,420,651	–	47,840,756	438,446,707
Balance as at 1 April 2021	249,185,300	141,420,651	–	47,840,756	438,446,707
Acquisition through business combination (Note 24.4)	26,345,511	–	45,680,271	–	72,025,782
Acquisition	126,727,777	14,000,000		96,640,207	237,367,984
Reclassification	–	(81,370,651)	81,370,651	–	–
Disposal/write-off	(17,852,647)	–	–	(119,659,296)	(137,511,943)
Balance as at 31 March 2022	**384,405,941**	**74,050,000**	**127,050,922**	**24,821,667**	**610,328,531**

	GROUP				
	Software Rs.	Brand Rs.	Development cost Rs.	Capital work-in-progress Rs.	Total Rs.
Accumulated amortisation					
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
Balance at 31 March 2021	149,743,868	39,645,494	–	–	189,389,362
Balance as at 1 April 2021	149,743,868	39,645,494	–	–	189,389,362
Acquisition through business combination (Note 24.4)	878,184	–	–	–	878,184
Amortisation	29,206,477	22,286,154	492,562	–	51,985,192
Reclassification		(17,381,075)	17,381,075	–	–
Transfers/Disposals	(17,852,647)	–	–	–	(17,852,647)
Balance as at 31 March 2022	161,975,882	44,550,573	17,873,637	–	224,400,091
Carrying value as at 31 March 2021	99,441,432	101,775,157	–	47,840,756	249,057,345
Carrying value as at 31 March 2022	**222,430,059**	**29,499,427**	**109,177,286**	**24,821,667**	**385,928,439**

20.1.1 BRAND ACQUISITION

The Group has recognised the brand "HEALTHGUARD" upon the acquisition of Healthguard Pharmacy Limited, on 19 December 2010 and the brand has been valued by an independent valuer, Quasar Capital Advisors (Pvt) Ltd. The value of the brand is tested for impairment on every reporting date. The Board of Directors has decided to amortise the brand for 20 years beginning from the year 2014/15.

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

20.1.2 RECONCILIATION OF CARRYING AMOUNT – COMPANY

	COMPANY			
	Software Rs.	Capital work-in-progress Rs.	**2022** **Rs.**	2021 Rs.
Cost				
Balance as at 1 April	3,012,500	7,555,660	**10,568,160**	3,012,500
Acquisitions	9,755,777	9,034,074	**18,789,851**	7,555,660
Transfers	16,589,734	(16,589,734)	**–**	–
Balance as at 31 March	29,358,011	–	**29,358,011**	10,568,160
Accumulated amortisation and impairment losses				
Balance as at 1 April	3,012,500	–	**3,012,500**	3,007,815
Amortisation	1,317,276	–	**1,317,276**	4,685
Balance as at 31 March	4,329,776	–	**4,329,776**	3,012,500
Carrying value as at 31 March	25,028,235	–	**25,028,235**	7,555,660

Assessment of impairment of intangible assets

The Board of Directors has assessed the potential impairment loss of intangible assets as at 31 March 2022. 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. 309 Mn. (2021 – Rs. 140 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. 2.2 Mn. (2021 – Rs. 33 Mn.).

21. LEASEHOLD LAND

LEASEHOLD RIGHT TO LAND OF JEDB/SLSPC ESTATES

	GROUP	
	2022 Rs.	2021 Rs.
Cost/Revaluation		
Balance as at 1 April	**441,429,000**	433,895,000
Adjustment to right-of-use asset on application of SLFRS 16	**8,440,000**	–
Remeasurement of lease liabilities	–	5,367,000
Additions during the year	–	2,167,000
Balance at 31 March	**449,869,000**	441,429,000
Accumulated amortisation		
Balance as at 1 April	**202,576,000**	192,456,000
Amortisation	**11,298,000**	10,120,000
Balance as at 31 March	**213,874,000**	202,576,000
Carrying amount	**235,995,000**	238,853,000

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

The leasehold rights to land is recorded in accordance with the Statement of Recommended Practice for the Right-to-Use of land on lease which was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 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 represent the estimated amount for which cattle could be sold on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing where in the parties had each acted knowledgably, 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 & 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	Leasehold
Tea	33 Years	30 Years
Rubber	20 Years	20 Years
Palm Oil	20 Years	20 Years
Cinnamon	30 Years	
Caliandra	10 Years	
Grass	5 Years	
Coconut	33 Years	
	33 Years	

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	
	2022 Rs.	2021 Rs.
Biological assets – Bearer (22.1)	**2,770,633,000**	2,762,684,000
Biological assets – Consumables (22.2)	**33,783,000**	32,857,000
Biological assets – Livestock (22.3)	**943,201,000**	749,340,000
	3,747,617,000	3,544,881,000
Non-current – Biological assets consumable	**3,675,946,000**	3,492,193,000
Current – Biological assets produce on bearer plant	**71,671,000**	52,688,000
	3,747,617,000	3,544,881,000

22.1 BIOLOGICAL ASSETS – BEARER

	Nurseries Rs.	Immature plantations Rs.	Mature plantations Rs.	**Total 2022 Rs.**	Total 2021 Rs.
Cost					
Balance as at 1 April	3,094,000	419,930,000	3,612,438,000	**4,035,462,000**	3,879,495,000
Fair value of growing crops			19,718,000	**18,983,000**	10,891,000
Additions	8,324,000	160,984,000	–	**169,308,000**	165,202,000
Impairment losses and write-downs			(735,000)	**(735,000)**	(20,126,000)
Transfers		(267,323,000)	267,323,000	–	–
Balance as at 31 March	11,418,000	313,591,000	3,898,744,000	**4,223,753,000**	4,035,462,000
Accumulated depreciation					
Balance as at 1 April	–	–	1,272,778,000	**1,272,778,000**	1,115,548,000
Charged for the year	–	–	180,342,000	**180,342,000**	157,230,000
Balance as at 31 March	–	–	1,453,120,000	**1,453,120,000**	1,272,778,000
Carrying value					
As at 31 March 2022	11,418,000	313,591,000	2,445,624,000	**2,770,633,000**	
As at 31 March 2021	3,094,000	419,930,000	2,339,660,000		2,762,684,000

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

	Nurseries Rs.	Immature plantations Rs.	Mature plantations Rs.	**Total 2022 Rs.**	Total 2021 Rs.
Cost					
Balance as at 1 April	–	–	32,857,000	**32,857,000**	31,657,000
(Loss)/gain arising from changes in fair value less costs to sell	–	–	1,328,000	**1,328,000**	1,200,000
Decrease due to harvest	–	–	(402,000)	**(402,000)**	–
Balance as at 31 March	–	–	33,783,000	**33,783,000**	32,857,000

– Expected rate of return p.a. 20.83 (2021 – 14%)

– Maturity for harvesting - 25 years (2021 – 25 years)

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

22.2.1 CHANGE IN EFFECTIVE SHAREHOLDING OF WATAWALA DAIRY LTD.

On 12 May 2021, an investment agreement was 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 Rs. 296 Mn. by converting inter-company loan due from Watawala Dairy Ltd. As a result of these transactions, effective shareholding of the Company in Watawala Dairy Ltd. was reduced from 37% to 33%.

22.2.2 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 20212has 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	
	2022 Rs.	2021 Rs.
Gain included in "other income"		
Change in fair value (unrealised)	**1,328,000**	1,200,000

(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 2022.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber Standing timber older than 4 years	**Discounted cash flows** 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. Expected cash flows are discounted using a risk-adjusted discount rate of 20.83% (2021: 14.0%). Expected cash flows are discounted using a risk-adjusted discount rate of 20.83% (2021: 14.0%). Following factors have been considered in determining the risk premium; – The illiquid nature of The plantations prior to maturity – A lack of market evidence as to the value of biological assets through their life cycle – Risk relations to diseases and fire affecting the biological assets – Adoption of conservative valuation approach	**Determination of timber content** Timber trees in inter-crop areas and pure crop areas have been identified field-wise and spices were identified and harvestable trees were separated, according to their average girth and estimated age. 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. **Determination of price of timber** 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. In this exercise, following factors have been taken into consideration a. Cost of obtaining approval of felling. b. Cost of felling and cutting into logs. c. Cost of transportation. d. Sawing cost. e. Cost of sale. f. Exclusion of trees located in restricted area specialised in the circular No. 2019/01 dated on 6 November 2019 issued by the Ministry of Plantation Industries. Price range per cu.ft. is Rs. 150-/ to Rs. 750/- (2021– Rs. 150/- to Rs. 600/-) **Risk-adjusted discount rate.** 2022 – 20.83% (2021 - 14.0%).	The estimated fair value at the time of harvesting each specific species is sensitive to the following variables: – the estimated timber content (The higher the volume, the higher the fair value) – the estimated selling related costs (Lower the selling related costs, the higher the fair value) – the estimated maturity age (Lower the rotation period, the higher the fair value) – the estimated maturity age – the risk-adjusted discount rate. (The higher the discount rate, the lesser the fair value)

22.2.3 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 1.0% 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:

	2022 Rs.	2021 Rs.
Value stand as now	**33,783,000**	32,857,000
Value stand as at 10% (2021: 10%) positive variance	**37,161,300**	36,143,000
Value stand as at 10% (2021: 10%) negative variance	**30,404,700**	29,571,000

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:

	2022 Rs.	2021 Rs.
Value stand as now	**33,783,000**	32,857,000
Value stand as at 1% positive variance	**34,120,830**	32,879,000
Value stand as at 1% negative variance	**33,445,170**	30,504,000

22.3 BIOLOGICAL ASSETS

	GROUP	
	2022 Rs.	2021 Rs.
Balance as at 1 April	**749,340,000**	695,538,000
Additions	**225,695,000**	59,114,000
Disposals during the year	**(25,821,000)**	(5,282,000)
Gain/(loss) arising from changes in fair value less costs to sell	**(6,013,000)**	(30,000)
Balance as at 31 March	**943,201,000**	749,340,000

As at 31 March 2022 livestock comprised 1,811 cattle (2021 – 1,632 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
Livestock Livestock comprises cattle	**Discounted cash flows** 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 26.34% (2021: 19.36%).	**Determination of selling price** Selling price has been determined based on the market prices **Determination of cost per cow** Cost per cow has been determined based on the adjusted cost during the year. **Determination of discount factor** Risk adjusted discount rate of 19.36% has been use for the valuation **Determination of yield** Yield has been determined based on the actual milk production in each lactation. **Risk-adjusted discount rate.** 2022 - 26.34% (2021 - 19.36%)).	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:

	2022 Rs.	2021 Rs.
Value stand as now	**943,201,000**	749,340,000
Value stand as at 10% (2021: 10%) positive variance	**1,037,521,100**	1,009,136,000
Value stand as at 10% (2021: 10%) negative variance	**848,880,900**	489,542,000

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:

	2022 Rs.	2021 Rs.
Value stand as now	**943,201,000**	749,340,000
Value stand as at 10% positive variance	**1,037,521,100**	937,262,000
Value stand as at 10% negative variance	**848,880,900**	561,416,000

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:

	2022 Rs.	2021 Rs.
Value stand as now	**943,201,000**	749,340,000
Value stand as at 1% positive variance	**952,633,010**	763,548,000
Value stand as at 1% negative variance	**933,768,990**	735,710,000

Sensitivity Variation on yield (using 1.0% variation)

	2022 Rs.	2021 Rs.
Value stand as now	**943,201,000**	749,340,000
Value stand as at 1% positive variance	**952,633,010**	790,192,000
Value stand as at 1% negative variance	**933,768,990**	708,791,000

LKAS 41 – Ammended-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	
	2022 Rs.	2021 Rs.
Balance as at 1 April	**52,688,000**	41,797,000
Change during the year	**19,718,000**	10,891,000
Balance as at 31 March	**72,406,000**	52,688,000

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 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
Balance as at 31 March 2021	**641,142,550**	**128,356,594**	**769,499,144**
Balance as at 1 April 2021	641,142,550	128,356,594	769,499,144
Additions		19,518,058	19,518,058
Fair value	200,279,892	40,796,431	241,076,323
Balance as at 31 March 2022	**841,422,442**	**188,671,083**	**1,030,093,525**

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		Number of Buildings	Revalued amount		Carrying value after revaluation Rs.	Carrying value if carried at cost Rs.
	Land (Perches)	Building (Square feet)		Land Rs.	Building Rs.		
No. 75A, Kandawala Road, Ratmalana	195.50	42,367.5	2	221,700,000	148,550,000	370,250,000	200,112,693
No. 107/11, Pasbatel Road, Mattakkuliya	108.43	–	–	221,661,000	–	221,661,000	171,674,080
No. 60/52, Sri Wickrama Mawatha, Mattakkuliya	137.86	–	–		–		
No. 75, Norris Canal Road, Colombo 10	28.50	–	–	226,000,000	–	268,375,000	94,353,000
Budanapitiya Road, Hengawa and Modera, Kurunagala	1,672.00	3,082.00	–	39,187,500	26,347,000	65,534,500	37,072,058
Rukgaha Thothupola Road, Aluthgama, Bandaragama	160.00	–	–	28,000,000	–	28,000,000	16,960,000

Lands and buildings were revalued as at 31 March 2022, by Mr S Sivaskantha, B.Sc.Est, Mgt & Val (SL), Diploma in Valuation, a professional valuer in Sri Lanka. The fair value is determined based on an open market value using existing use basis.

23.2 MEASUREMENT OF FAIR VALUES

Fair value hierarchy

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

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

Valuation techniques and significant unobservable inputs

The table below sets out the significant unobservable inputs used in measuring land and building categorised as Level 3 in the fair value hierarchy as at 31 March 2022.

Location and address of the property	Method of valuation	Significant unobservable inputs	Range of estimates for unobservable inputs	Estimated fair value would increases or decreases
No. 75A, Kandawala Road, Ratmalana.	Direct Comparison Approach	Land – Price per perch	Rs. 1,050,000-Rs. 1,100,000	Price per perch for land increases
		Building – Price per square feet	Rs. 3,000-Rs. 4,000	Price per perch for land increases
No. 107/11, Pasbatel Road, Mattakkuliya	Direct Comparison Approach	Land – Price per perch	Rs. 850,000-Rs. 900,000	Price per perch for land increases
No. 60/52, Sri Wickrama Mawatha, Mattakkuliya	Direct Comparison Approach	Land – Price per perch	Rs. 850,000-Rs. 900,000	Price per perch for land increases
		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	Direct Comparison Approach	Land – Price per perch	Rs. 7,500,000-Rs. 9,500,000	Price per perch for land increases
Budanapitiya Road, Hengawa and Modera, Kurunagala	Direct Comparison Approach	Land – Price per perch	Rs. 23,438/- per perch	Price per perch for land increases
Rukgaha Thothupola Road, Aluthgama, Bandaragama	Direct Comparison Approach	Land – Price per perch	Rs. 175,000/- per perch	Price per perch for land increases

23.3 INCOME FROM INVESTMENT PROPERTY

	GROUP	
	2022 Rs.	2021 Rs.
Rent income from Investment Property (Note 9)	**31,015,940**	25,920,684
Direct Operating Expenses (including maintenance) generating rent income	**(3,045,435)**	(4,418,468)
Net Profit from Investment Property carried at Fair Value	**27,970,505**	21,502,216

23.4 ACQUISITION THROUGH BUSINESS COMBINATION

The Group has acquired the Subsidiaries namely Daintee Limited and Akbar Pharmaceuticals (Pvt) Limited during the year 2020/21. 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	2022				
	Holding %	Number of shares	Cost Rs.	Impairment Rs.	Carrying value Rs.
Unquoted					
Sunshine Healthcare Lanka Limited	**72.00**	**7,943,554**	**428,790,826**	**–**	**428,790,826**
Sunshine Consumer Lanka Ltd. (formerly known as "Watawala Tea Ceylon Ltd.")	**100.00**	**35,500,002**	**741,595,042**	**–**	**741,595,042**
Sky Solar (Pvt) Ltd.					**–**
Sunshine Packaging Lanka Limited (Note 24.7)	**100.00**	**91,479,334**	**696,500,000**	**(177,581,884)**	**518,918,116**
Elgin Hydropower (Private) Limited	**–**				**–**
Upper Waltrim Hydropower (Private) Limited	**–**				**–**
Sunshine Wilmar (Pvt) Ltd.	**50**	**395,000,000**	**1,520,750,002**		**1,520,750,001**
			3,387,635,870	**(177,581,884)**	**3,210,053,985**

24.1 GROUP'S INDIRECT HOLDINGS

	2022 %	2021 %
Watawala Plantations PLC	**37.12**	37.12
Sunshine Consumer Lanka (Pvt) Ltd. (formerly known as "Watawala Tea Ceylon Limited")	**100.00**	100.00
Watawala Dairy Limited	**33.00**	37.12
Zesta Tea Ceylon (Shenzhen) Co. Limited	**100.00**	100.00
Sunshine Healthcare Lanka (Pvt) Ltd.	**72.00**	72.00
Healthguard Pharmacy Limited	**72.00**	72.00
Sunshine Energy (Pvt) Ltd.	**0.00**	70.00
Waltrim Energy Ltd.	**0.00**	42.41
Waltrim Hydropower (Pvt) Ltd.	**0.00**	42.41
Elgin Hydropower (Pvt) Ltd.	**0.00**	42.41
Upper Waltrim Hydropower (Pvt) Ltd.	**0.00**	42.41
Sky Solar (Pvt) Ltd.	**0.00**	70.00
Norris Canal Properties (Pvt) Ltd.	**100.00**	100.00
Sunshine Wilmar (Pvt) Ltd.	**50.00**	50
Daintee Limited	**100.00**	100
Akbar Pharmaceuticals (Pvt) Ltd.	**0.00**	72
Akbar Pharmaceuticals Holdings (Pvt) Ltd.	**62.86**	63
Lina Manufacturing (Pvt) Ltd.	**62.86**	63
Lina Spiro (Pvt) Ltd.	**32.06**	32

24.2 CHANGE IN NCI

24.2.1 On 20 May 2021, Watawala Planations PLC has disposed 11.11% stake of Watawala Dairy Limited for the consideration of USD 2 Mn. As a result of this transactions Group's effective shareholding of the WATA has dropped to 33% from 37.12%. The carrying amount of Watawala Dairy Limited's net assets in the Group Consolidated Financial Statements on the date of the disposal was Rs. 2,154,236,586.

Consideration received from non controlling interest (Net of transaction cost)	355,940,000
Carrying amount of NCI disposed (Rs. 2,154,237x11.11%x74.24%x 50%)	(88,841,406)
Increase in equity attributable to ownership of the Group	267,098,594

2021 (Restated)				
Holding %	Number of shares	Cost Rs.	Impairment Rs.	Carrying value Rs.
72.00	7,943,554	428,790,826	–	428,790,826
100.00	35,500,002	741,595,042	–	741,595,042
100.00	18,945,513	189,455,130	–	189,455,130
100.00	91,479,334	696,500,000	(177,581,884)	518,918,116
–	1	10	–	10
–	1	10	–	10
1	395,000,000	1,520,750,002	–	1,520,750,001
		3,945,544,121	(177,581,884)	3,399,509,135

24.2.2 ACQUISITION OF NCI

Acquisition of 30% holding in Sunshine Energy (Pvt) Ltd.

On 27 September 2021, the Company has acquired the remaining stake of 30% in Sunshine Energy (Private) Limited from SBI Ven Holdings Pte Limited for the purchase consideration of Rs. 400 million. As a result of this transaction effective shareholdings of Sunshine Energy (Private) Limited has increased from 70% to 100%.

The carrying amount of consolidated net assets of the Sunshine Energy Group on the date of the acqusition was Rs. 913,770,218.

Carrying amount of NCI acquired (913 Mn.* 30%)	274,131,065
Consideration paid to NCI	(400,000,000)
A decrease in equity attributable to owners of the company	(125,868,935)

24.3 DISPOSAL OF A SUBSIDIARY

On 7 April 2021, Sunshine Energy (Private) Limited, a subsidiary of the Company, has disposed its subsidiary Waltrim Energy Ltd. Refer Note 24.3.1. and 42. On 9 September 2021, Sunshine Energy (Private) Limited, a subsidiary of the Company, has disposed its subsidiary Sky Solar (Private) Limited.

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:

	Sky Solar (Private) Limited Rs.
Total assets	294,551,105
Total liabilities	(26,800,765)
Net assets disposed	**267,750,340**
Gain/(Loss) on disposal	(2,750,340)
Total consideration	**265,000,000**
Satisfied by:	
Cash and cash equivalents	**265,000,000**
Cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	265,000,000

24.3.1

For the year ended 31 March	WALTRIM ENERGY (PVT) LTD. (SUB-GROUP) 2022 Rs.	2021 Rs.	SKY SOLAR (PVT) LTD 2022 Rs.	2021 Rs.
Revenue	–	409,554,064	**20,891,694**	30689144
Cost of Sales			**(9,387,406)**	(9,783,081)
Elimination of inter-segment revenue	–	(165,989,822)	**0**	
External revenue	–	243,564,242	**11,504,288**	20,906,063
Other Income			**1,140,442**	2,776,412
Expenses	–	(70,960,360)	**(624,062)**	(9,105,747)
Elimination of inter-segment expenses	–	–	**–**	–
External expenses	–	(70,960,360)	**(624,062)**	(9,105,747)
Results from operating activities	–	172,603,882	**12,020,668**	14,576,728
Net Finance Income/Expenses	–	(54,923,858)	**205,405**	(19,623)
Income tax	–	(18,918,576)	**(4,564,298)**	(6,751,467)
Results from operating activities, net of tax	–	98,761,448	**7,661,774**	7,805,638
Gain on sale of discontinued operation		–	**(2,750,340)**	–
Income tax on sale of discontinued operation	–	–	**(1,540,249)**	–
Profit/ (Loss) from operating activities, net of tax	–	98,761,448	**3,371,185**	7,805,638
Basic and diluted earnings per share	–	0.22	**0.01**	0.02

The profit from the above discontinued operation attributable to the equity holders of the company and NCI as follows:

Profit/(Loss) from operating activities, net of tax	–	98,761,448	**7,805,638**	7,805,638
Attributable to,				
Owners of the Company	–	41,887,693	**5,463,947**	5,463,947
Non-Controling Interest	–	56,873,755	**2,341,691**	2,341,691

Cash flows from/used in discontinued operation:

Net Cash from/(used in) Operating activities	–	202,593,692	**(43,882,860)**	47,533,203
Net Cash from/(used in) investing activities	–	(7,347,265)	**(203,795)**	(85,338,248)
Net Cash from/(used in) financing activities	–	(163,110,166)	**60,142,380**	62,357,620
Net Cash Flows for the year	–	32,136,261	**16,055,725**	24,552,575

Effect on disposal on the financial position of the Group:

	Waltrim Energy Ltd. (Sub-Group) 7 April 2021 Rs.	Sky Solar (Private) Limited 21 September 2021 Rs.
Property, Plant and Equipment	–	262,813,102
Trade Debtors & Other Receivables	–	6,223,108
Cash and Cash Equivalents	–	25,514,895
Assets Held for Sale	1,781,889,421	–
Trade & Other Payables	–	6,005,276
Amounts due to Related Parties	–	517,504
Bank overdraft	–	–
Deferred tax	–	20,277,985
Liabilities Held for Sale	856,505,631	–
Net Assets and Liabilities	925,383,790	267,750,340
Consideration received in cash	530,934,252	200,000,000
Cash & Cash equivalents disposed of	50,088,514	25,514,895
Net Cash Infolws	480,845,738	174,485,105

24.4 DISPOSAL OF INVESTMENT IN ASSOCIATES

On 11 January 2022, Sunshine Holdings PLC, has disposed its 20% investment in associate company, Strategic Business Innovator (Private) Limited. subsidiary Sky Solar (Private) Limited.

24.5 AMALGAMATION OF A SUBSIDIARY

The Company has completed the process of obtaining the legal clearance from the registrar of Companies for the amalgamation of Sunshine Energy (Private) Limited, a fully owned subsidiary with the Company. The Amalgamation Certificate has been obtained on 28 January 2022 and accordingly, the operations of the Sunshine Energy (Private) Limited amalgamated with the Company.

Sunshine Healthcare Lanka Limited has completed the process of obtaining the legal clearance from the registrar of Companies for the amalgamation of Akbar Pharmaceuticals (Pvt) Ltd., a fully owned subsidiary with the Company. The Amalgamation Certificate has been obtained on 30 December 2021 and accordingly, the operations of the Akbar Pharmaceuticals (Pvt) Ltd. amalgamated with the Company.

24.6 ASSESSMENT OF IMPAIRMENT OF SUBSIDIARIES

The Board of Directors has assessed the potential impairment loss of investment in subsidiaries as at 31 March 2022. Based on the assessment, except for Sunshine Packaging Lanka Limited, 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 Limited, fully owned subsidiary of Sunshine Holdings PLC, decided to discontinue the manufacture and sell metal cans and allied products for the food canning industry with effect from 31 August 2017. Subsequent to the discontinue the operation, the Company is engaged in renting out premises and earn rental income. However, considering the net asset position and future cash flows of the subsidiary the Board has decided to make a 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 prevailing economic conditions and 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.

24.7 GOODWILL

On August 31, 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 for cash consideration of 1,623 million and contingent consideration of 73 million. 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 January 25, 2021, Sunshine Healthcare Lanka Limited ("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 million. Further, the Company sold 3% of the existing ordinary voting shares held in SHL to ABL for a cash consideration of Rs 278.4 million. 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 of subsidiaries are as follows:

	Daintee Limited Rs.	Akbar Pharmaceutical (Pvt) Ltd Group Rs.	Total Rs.
Total Assets	1,909,394,041	2,293,707,871	4,203,101,912
Total liabilities	(408,777,199)	(1,223,327,172)	(1,632,104,371)
Amount of the subsidiary's net assets (100%)	**1,500,616,842**	**1,070,380,699**	**2,570,997,541**
Fair value of the Purchase consideration	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
Goodwill arises on acquisition/Goodwill as at 1 April 2021	195,440,458	1,381,207,920	1,576,648,378
(-) Impairment of goodwill during the year (Note 24.7.1)		(50,000,000)	(50,000,000)
	195,440,458	**1,331,207,920**	**1,526,648,378**

24.7.1 The Board of Directors has assessed the potential impairment loss of the goodwill identified on consolidation and has made a provision amounting to Rs 50 million. The Board of Directors are certain that no further provision is required for the identified goodwill.

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	**2022 Rs.**	2021 Rs.
Strategic Business Innovator (Pvt) Ltd.				
Cost				
Balance as at March	20	900,000	**9,000,000**	9,000,000
Provision for impairment				
Balance as at 1 April			**(7,707,993)**	(7,648,541)
Provision made during the year			**(436,572)**	(59,452)
Net value of disposed investment			**(855,435)**	
Balance as at 31 March			**–**	(7,707,993)
Carrying amount as at 31 March			**–**	1,292,007

25.1.1 DISPOSAL GAIN

Disposal Proceeds			900,000	
Net value of disposed investment			(855,435)	
Gain on Disposal of Associate			44,565	

25.2 ASSOCIATE – GROUP

	2022 Rs.	2021 Rs.
Interests in associate	–	1,292,007
Balance as at 31 March	–	1,292,007

The Group had 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. Group disposed the investment on 10th January 2022.

Value of the Equity accounted associate

	2022 Rs.	2021 Rs.
Balance as at 1 April	**1,292,006**	1,348,362
Acquisitions during the year	–	–
Net value of disposed investment	**(855,435)**	–
Current year's share of total comprehensive income		–
Included in profit or loss	**(436,572)**	(92,356)
	–	(92,356)
Balance as at 31 March	–	1,292,006

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 2022 Rs.	GROUP 2021 Rs.	COMPANY 2022 Rs.	COMPANY 2021 Rs.
Fair Value Through Profit or Loss - FVTPL	26.1	**93,678,872**	392,507,916	**21,365,872**	35,354,916
Fair Value Through Other Comprehensive Income - FVOCI	26.2	**440,308,416**	505,433,941	**440,308,416**	505,433,941
Derivative instruments	26.3		222,469,740		222,469,740
Investments measured at amortised cost	26.4	**925,252,356**	219,283,488	**410,338,356**	106,389,041
		1,459,239,644	1,339,695,085	**872,012,644**	869,647,638
Non-current investments		**741,513,041**	1,004,330,898	**669,200,041**	647,177,898
Current investments		**717,726,603**	335,364,187	**202,812,603**	222,469,740
		1,459,239,644	1,339,695,085	**872,012,644**	869,647,638

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 2022 Rs.	GROUP 2021 Rs.	COMPANY 2022 Rs.	COMPANY 2021 Rs.
Investment in quoted shares	26.1.1	**21,365,872**	35,354,916	**21,365,872**	35,354,916
Investment fund	26.1.3	**72,313,000**	357,153,000	**–**	–
		93,678,872	392,507,916	**21,365,872**	35,354,916

26.1.1 INVESTMENT IN QUOTED SHARES

Group and Company	**2022** Number of shares	**2022** Cost Rs.	**2022** Market Value Rs.	2021 Number of shares	2021 Cost Rs.	2021 Market value Rs.
John Keells Holdings PLC	**10,848**	**1,605,708**	**1,572,960**	10,848	1,605,708	1,610,928
Commercial Bank of Ceylon PLC	**60,000**	**5,481,973**	**3,762,000**	86,622	8,577,207	7,406,181
Hatton National Bank PLC – Non-voting				41,785	5,798,156	4,061,502
Hatton National Bank PLC				22,247	3,056,664	2,803,122
Ceylon Hotels Corporation PLC	**234,662**	**5,779,655**	**2,135,424**	234,662	5,779,655	2,487,417
Aitken Spence Hotels Holdings PLC	**18,000**	**1,456,128**	**639,000**	18,000	1,456,128	543,600
People's Leasing and Finance PLC	**347,825**	**5,402,924**	**2,817,383**	314,173	5,167,294	3,707,241
Chevron Lubricants Lanka PLC	**59,000**	**8,684,000**	**5,138,900**	59,000	8,684,000	5,310,000
Sampath Bank PLC	**115,725**	**8,770,604**	**5,300,205**	38,575	8,770,604	6,226,005
LVL Energy Fund Ltd.		**–**	**–**	123,600	1,236,000	1,198,920
Total		**37,180,992**	**21,365,872**		50,131,417	35,354,916
Fair value adjustment		**(15,815,120)**			(14,776,501)	
Market value		**21,365,872**			35,354,916	

26.1.2 INVESTMENT FUND

For the year ended 31 March	GROUP 2022 Rs.	GROUP 2021 Rs.
Balance as at 1 April	**149,686,000**	343,725,000
Investments/disposals made during the year	**(87,800,000)**	(7,736,000)
Reclassified as short term investments	–	(207,467,000)
Gain on increase in net asset value during the year	**10,427,000**	21,164,000
Carrying value as at 31 March	**72,313,000**	149,686,000

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% of CAL investment. (HNB 2021 – 12.80%, CAL – 7.4%).

The carrying value of the investment fund represents the following:

For the year ended 31 March	GROUP 2022 Rs.	GROUP 2021 Rs.
Corporate Bonds	**50,235,000**	100,461,000
Fixed deposits	**16,838,000**	15,356,000
Cash at bank	**5,240,000**	33,605,000
Debenture WHT payables	–	264,000
Investment in Capital Alliance Grade Fund	–	207,467,000
	72,313,000	357,153,000

26.2 FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – FVOCI

For the year ended 31 March	Note	GROUP/COMPANY 2022 Rs.	2021 Rs.	2022 Rs.	2021 Rs.
Investment in Unquoted Shares	26.2.1	**440,308,416**	505,433,941	**440,308,416**	505,433,941
		440,308,416	505,433,941	**440,308,416**	505,433,941

26.2.1 INVESTMENT IN UNQUOTED SHARES

For the year ended 31 March	GROUP 2022 Rs.	GROUP 2021 Rs.	COMPANY 2022 Rs.	COMPANY 2020 Rs.
TATA Communication Lanka Limited	**258,917,686**	354,719,873	**258,917,686**	354,719,873
Lanka Commodity Brokers Limited	**181,390,730**	150,714,068	**181,390,730**	150,714,068
	440,308,416	505,433,941	**440,308,416**	505,433,941

Group and Company

Cost	Unit Energy Lanka (Pvt) Ltd. Rs.	Lanka Commodity Brokers Limited Rs.	TATA Communication Lanka Limited Rs.	Total Rs.
Cost as of 1 April 2020		117,692,727	75,000,000	192,692,727
Balance as at 31 March 2021		117,692,727	75,000,000	192,692,727
Balance as at 31 March 2022		117,692,727	75,000,000	192,692,727
Fair value				
Balance as at 1 April 2020		91,097,856	253,732,056	344,829,912
(Decrease)/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
(Decrease)/increase in fair valuation during the year		30,676,662	(95,802,187)	(65,125,525)
Balance as at 31 March 2022		63,698,003	183,917,686	247,615,689
Carrying value of investment as at 31 March 2021		150,714,068	354,719,873	505,433,941
Carrying value of investment as at 31 March 2022		181,390,730	258,917,686	440,308,416

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 2022 Rs.**	**Dividend income recognised during 2021 Rs.**
Lanka Commodity Brokers Limited	**15.55**	**181,390,730**	**30,358,720**
TATA Communication Lanka Limited	**10**	**258,917,686**	**3,362,670**
		440,308,416	**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

	COMPANY/GROUP	
For the year ended 31 March	**2022 Rs.**	2021 Rs.
Interest rate and exchange rate swaps	**–**	222,469,740
Other short-term investments	**202,812,603**	–
	202,812,603	222,469,740

	COMPANY/GROUP 2022 Rs.	COMPANY/GROUP 2021 Rs.
Balance as at 1 April	**222,469,740**	234,792,226
Fair value increase adjusted through loan	**–**	(32,322,486)
Amount recognised in profit and loss account	**–**	20,000,000
Expiry of derivative at the time of settlement of underline liability	**(222,469,740)**	–
Balance as at 31 March	**–**	222,469,740

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. The loan has been fully settled on 12 April 2021.

26.4 INVESTMENT MEASURED AT AMORTISED COST

For the year ended 31 March	Note	GROUP 2022 Rs.	GROUP 2021 Rs.	COMPANY 2022 Rs.	COMPANY 2021 Rs.
Debentures	26.4.A	**207,525,753**	106,389,041	**207,525,753**	106,389,041
Investments in deposits	26.4.B	**717,726,603**	112,894,447	**202,812,603**	–
		925,252,356	219,283,488	**410,338,356**	106,389,041

26.4.A DEBENTURES

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.

Company/Group has invested Rs. 100 Mn. in listed rated unsecured redeemable Type A – 5 years debentures issued by National Development Bank with fixed Interest Rate of 11.9% per annum payable semi-annually.

	GROUP/COMPANY 2022 Rs.	GROUP/COMPANY 2021 Rs.
Investment made	**200,000,000**	106,419,178
Interest accrued	**7,525,753**	11,000,000
Interest received	**–**	(11,030,137)
Balance as at 31 March	**207,525,753**	117,419,178

For the year ended 31 March	Credit rating	Maturity date	Number of debentures	Carrying value	Interest
Investment in debentures					
National Savings Bank	AA+	10 September 24	1,000,000	100,000,000	11.0%
National Development Bank	A+	27 November 26	1,000,000	100,000,000	11.9%

26.4.B OTHER SHORT-TERM INVESTMENTS

Financial instruments at amortised cost include Short-term investments made in money market instruments with the intention of withdrawing after 3 months period.

26.5 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

27.1 COMPOSITION OF NET AND GROSS DEFERRED TAX ASSET/(LIABILITY)

For the year ended 31 March	GROUP		COMPANY	
	2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Composition of net deferred tax asset/(liability)				
Net deferred tax asset	**59,582,503**	42,611,982	**59,506,672**	43,064,185
Net deferred tax liability	**(501,523,157)**	(632,277,792)	**–**	–
	(441,940,654)	(589,665,810)	**59,506,672**	43,064,185

For the year ended 31 March	GROUP		COMPANY	
	2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Composition of gross deferred tax asset/(liability)				
Gross deferred tax asset	**290,845,326**	170,206,877	**59,506,672**	43,064,186
Gross deferred tax liability	**(732,785,980)**	(759,872,687)	**–**	–
	(441,940,654)	(589,665,810)	**59,506,672**	43,064,185

27.2 DEFERRED TAX ASSET (GROSS)

For the year ended 31 March	Note	GROUP		COMPANY	
		2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Balance as at 1 April		**170,206,877**	286,009,995	**43,064,186**	34,590,780
Charge/(reversal) for the year recognised in profit or loss		**120,431,700**	(486,289)	**4,030,202**	(2,520,317)
Charge/(reversal) for the year recognised in other comprehensive income		**167,871**	6,411,641	**12,412,284**	10,993,723
Adjustment related to disposal of a subsidiary		**38,878**	–	**–**	–
Acquisition through business combination	27.6	**–**	23,072,561	**–**	–
Transferred to Asset held for sale		**–**	(144,801,031)	**–**	–
Balance as at 31 March		**290,845,326**	170,206,877	**59,506,672**	43,064,186

27.3 DEFERRED TAX LIABILITY (GROSS)

For the year ended 31 March	Note	GROUP 2022 Rs.	GROUP 2021 Rs.	COMPANY 2022 Rs.	COMPANY 2021 Rs.
Balance as at 1 April		**759,872,687**	754,129,912	**–**	2,572,841
Charge/(reversal) for the year recognised in profit or loss			(3,516,442)		(2,572,841)
Charge/(reversal) for the year recognised in other comprehensive income		**(6,742,000)**	(12,364,862)	**–**	–
Adjustment related to disposal of a subsidiary		**(20,344,707)**	–	**–**	–
Acquisition through business combination	27.6	**–**	299,847,823	**–**	–
Transferred to Liability held for sale		**–**	(278,223,744)	**–**	–
Balance as at 31 March		**732,785,980**	759,872,687	**–**	–
Net deferred tax asset/(liability)	27.1	**(441,940,654)**	(589,665,810)	**59,506,672**	43,064,185

27.4 RECONCILIATION OF DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS

	GROUP 2022 Temporary difference Rs.	GROUP 2022 Tax effect Rs.	GROUP 2021 Temporary difference Rs.	GROUP 2021 Tax effect Rs.
Property, plant and equipment	**(2,291,271,347)**	**(392,199,625)**	(1,545,701,272)	(268,030,553)
Lease creditor – ROU	**(355,063,645)**	**(79,062,182)**	52,854,145	10,368,939
Biological assets – Bearer	**(2,392,378,000)**	**(262,150,000)**	(2,670,909,286)	(377,056,000)
Biological assets – Consumable	**(15,675,000)**	**(3,135,000)**	(32,858,000)	(6,571,000)
Retirement benefit obligation	**615,747,923**	**116,312,319**	711,236,025	138,254,903
Debtors provision	**87,153,651**	**19,078,488**	39,136,749	9,392,820
Inventory provision	**32,599,527**	**5,867,915**	–	–
Revaluation surplus of property, plant and equipment	**(172,077,020)**	**(17,207,702)**	(818,477,133)	(147,325,884)
Fair value gain on investment property	**(21,748,502)**	**306,208**	(104,527,767)	(40,687,349)
Capital gain on land	**93,737,276**	**(36,670,534)**	(159,801,070)	(15,980,107)
Capital grants	**41,442,000**	**4,351,000**	43,799,000	6,132,000
Lease liabilities	**399,599,776**	**86,104,440**		
Fair value gain on investments at FVOCI	**7,946,920**	**1,430,109**	72,432,112	17,383,707
Tax losses carried forward	**572,150,019**	**115,033,910**	407,306,801	84,452,712
	(3,397,836,422)	**(441,940,654)**	(4,005,509,695)	(589,665,810)

	COMPANY			
	2022		2021	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Property, plant and equipment	**(10,880,126)**	**(654,535)**	(15,445,499)	(3,178,884)
Lease creditor – ROU	**–**	**–**	16,369,056	3,928,573
Retirement benefit obligation	**113,114,058**	**27,147,374**	103,878,290	24,930,789
Fair value gain on investments at FVOCI	**137,557,637**	**33,013,833**	72,432,112	17,383,707
	239,791,569	**59,506,672**	177,233,959	43,064,185

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

	2022		2021	
	Temporary difference Rs.	Tax effect Rs.	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
Total deferred tax assets included under asset held for sale	**–**	**–**	651,688,865	144,801,031
Property, plant and equipment	**–**	**–**	(1,216,347,998)	(278,223,744)
Total deferred tax liability included under liability held for Sale	**–**	**–**	(1,216,347,998)	(278,223,744)
Net deferred tax liability	**–**	**–**	(564,659,134)	(133,422,713)
Unrecognised deferred tax assets on tax losses:				
Sunshine Holdings PLC	**171,923,941**	**41,261,746**	171,923,941	41,261,746
Sunshine Packaging (Pvt) Ltd.	**365,859,633**	**87,806,312**	393,196,524	94,367,166
Sky Solar (Pvt) Ltd.	**–**	**–**	36,307,230	8,713,735
Lina Spiro (Pvt) Ltd.	**118,560,782**	**21,340,941**	–	–
Watawala Dairy Ltd.	**1,024,273,454**	**204,854,691**	1,504,385,684	210,613,996
	1,680,617,809	**355,263,689**	**2,105,813,379**	**354,956,643**

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 2022, the Group recognised a deferred tax asset amounting to Rs. 115 Mn. (2021 – Rs. 84 Mn.) arising from brought forward tax losses as at 31 March 2022 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. (2021 – Rs. 354 Mn.).

Deferred tax liability arising from revaluation gain

Deferred tax recognised in profit and loss for Sunshine Packaging Lanka Limited amounted to Rs. 26 Mn. (2021- Rs. 41 Mn.) includes deferred tax recognised on revaluation surplus of Rs. 9.8 Mn. (2021 – Rs. 79 Mn.) relating the revaluation of the Buildings at the rate of 24% (2021 – 24%) and on the capital gain on land amounting to Rs. 14.3 Mn. (2021 – Rs. 28 Mn.) at the tax rate of 10% (2020 – 10%) as at reporting date.

Deferred tax recognised in profit and loss for Norris Canal Properties (Pvt) Ltd. amounted to Rs. 4.2 Mn. includes deferred tax on revaluation surplus of Rs. 174 Mn. relating the revaluation of the Land as at reporting date at the tax rate of 10%.

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

'Having discussed internally and based on market practices, Sunshine Packaging Lanka Limited 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 Limited 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 Limited would have to make an additional deferred tax charge in the statement of profit or loss for the year ended 31 March 2022 with a consequential increase in the deferred tax liability on the statement of financial position.

27.5 RECOVERABILITY OF DEFERRED TAX ASSETS

During the year ended 31 March 2022, the Group has recognised a deferred tax asset amounting to Rs. 115 Mn. (2021 – Rs. 84 Mn.), arising from tax losses as at 31 March 2022 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.115 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.

27.6 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 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.

27.7 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 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 pending legislative procedures. Accordingly, the new rates were not considered to be substantially enacted as at 31 March 2020. The said 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.

28. INVENTORIES

Accounting policy

Recognition and measurement

Inventories other than produce stock and nurseries are stated at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items. The Group uses weighted average cost/ FIFO formula in assigning the cost of inventories. The cost includes expenses in acquiring stocks, production and conversion cost and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less, the estimated cost of completion and the estimated costs necessary to make the sale.

The value of each category of inventory is determined on the following basis;

- Raw materials and consumables are valued at cost on a weighted average/purchase price basis
- Nurseries are valued at cost.
- Agricultural produce harvested from biological assets are measured at fair value less cost to sell at the point of harvest.
- Medical Items are valued at actual cost, on first in first out basis.
- Other Sundry Stocks are valued at actual cost, on first in first out basis
- Finished good are valued at lower of cost or net realisable value
- Work in progress are valued at actual cost

		GROUP		COMPANY	
As at 31 March	Note	**2022 Rs.**	2021 Rs.	**2022 Rs.**	2021 Rs.
Medical items		**3,499,298,038**	3,166,686,301	**–**	–
Harvested crop	28.1	**46,468,000**	16,181,000	**–**	–
Input materials and consumables		**1,313,713,151**	1,171,647,354	**–**	–
Finished goods		**350,157,006**	340,411,388	**–**	–
Work in progress		**58,683,074**	71,541,288	**–**	–
Goods in transit		**1,311,699,269**	511,580,769	**–**	–
Machinery spares		**14,869,515**	–	**–**	–
		6,594,888,053	5,278,048,100	**–**	–
Less: Provision for impairment of inventories	28.2	**(111,268,698)**	(132,885,104)	**–**	–
		6,483,619,355	5,145,162,996	**–**	–

28.2 PROVISION FOR IMPAIRMENT OF INVENTORIES

As at 31 March	GROUP		COMPANY	
	2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Balance as at 1 April	**132,885,104**	**39,435,606**	–	–
Acquisition through Business Combination	–	**48,992,058**	–	–
Charge during the year	**955,211**	**72,364,883**	–	–
Written-off during the year	**(22,571,617)**	**(27,907,443)**	–	–
Balance as at 31 March	**111,268,698**	**132,885,104**	–	–

The Board of Directors has assessed the potential impairment loss of inventory as at 31 March 2022 by considering the potential impact of COVID-19 and prevailing economic conditions on net realisable value based on the implications on subsequent selling prices and cost to complete in additional to the normal assessment process.

29. CURRENT TAX ASSETS/LIABILITIES

As at 31 March	GROUP		COMPANY	
	2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Current tax assets	**56,763,982**	29,585,672	**14,318,672**	14,318,672
Current tax liabilities	**(295,699,941)**	(354,693,979)	**(27,225,520)**	(61,292,441)
	(238,935,959)	(325,108,307)	**(12,906,848)**	(46,973,761)
Balance as at 1 April	**325,108,306**	213,154,263	**46,973,761**	14,626,968
Current income tax expense	**844,628,161**	798,651,344	**19,401,604**	102,887,887
Changes in estimate relating to prior years	**(74,438,529)**	(40,350,079)	**81,268**	1,824,649
Acquisition through business combination	**–**	35,238,048	**–**	–
WHT on dividends from subsidiaries	**–**	2,281,132	**–**	–
Transfer to asset held for sale	**–**	83,575	**–**	45,744
Set off against WHT/ESC	**13,589,604**	(40,777,288)	**–**	(4,828,413)
Payment during the year	**(870,194,920)**	(643,172,689)	**(53,549,785)**	(67,583,074)
Balance as at 31 March	**238,935,959**	325,108,306	**12,906,848**	46,973,761

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 2022 Rs.	GROUP 2021 Rs.	COMPANY 2022 Rs.	COMPANY 2021 Rs.
Trade receivables		**4,180,479,640**	3,714,104,204	**–**	–
Less: Provision for impairment	30.1	**(90,581,040)**	(66,194,016)	**–**	–
		4,089,898,600	3,647,910,188	**–**	–
Staff loan recoverable		**25,189,837**	27,787,023	**1,000**	–
Receivable from principals		**657,296,086**	458,686,954	**–**	–
Other receivables		**289,085,431**	162,041,722	**74,431,424**	16,383,573
Withholding tax recoverable		**43,927,060**	43,933,091	**43,927,060**	43,927,060
ESC recoverable		**11,271,641**	24,589,950	**3,847,332**	3,847,332
VAT recoverable		**254,655,237**	231,044,067	**–**	–
Advances and deposits		**734,312,551**	267,972,517	**14,522,765**	8,419,815
		2,015,737,843	1,216,055,324	**136,729,581**	72,577,780
Less: Provision for impairment	30.2	**–**	(15,274,154)	**–**	–
		2,015,737,843	1,200,781,170	**136,729,581**	72,577,780
		6,105,636,443	4,848,691,358	**136,729,581**	72,577,780

30.1 PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

As at 31 March	GROUP 2022 Rs.	GROUP 2021 Rs.
Balance as at 1 April	**66,194,016**	66,194,016
Acquisition through business combination	**–**	13,543,851
(Reversal)/Charge during the year	**26,158,731**	57,788,999
Written-off during the year	**(1,771,707)**	(137,526,866)
Balance as at 31 March	**90,581,040**	66,194,016

Impact of economic conditions and COVID-19 on impairment provision

The Board of Directors has assessed the potential impairment loss of Trade Debtors as at 31 March 2022 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 2022 Rs.	GROUP 2021 Rs.
Balance as at 1 April	**15,274,154**	15,274,154
(Reversal)/Charge during the year	**(15,274,154)**	–
Balance as at 31 March	**–**	15,274,154

B. CREDIT AND MARKET RISKS, AND IMPAIRMENT LOSSES

Information about the Group's exposure to credit and market risks, and impairment losses for trade receivables is included in Note 40.

31. AMOUNTS DUE FROM RELATED PARTIES

	GROUP		COMPANY	
As at 31 March	**2022 Rs.**	2021 Rs.	**2022 Rs.**	2021 Rs.
Sunshine Healthcare Lanka Ltd.	**–**	–	**9,339,283**	–
Akbar Brothers (Pvt) Ltd.	**594,500**	–	**–**	–
Watawala Plantation PLC	**–**	–	**7,144,200**	–
Sunshine Consumer Lanka Ltd.	**–**	–	**6,604,624**	–
Daintee Limited	**–**		**1,735,185**	
Sunshine Packaging Lanka Ltd.	**–**	–	**217,284,425**	223,261,089
Waltrim Energy Limited	**–**	–	**–**	28,699,002
Elgin Hydropower (Pvt) Ltd.	**–**	–	**–**	6,951,608
Upper Waltrim Hydropower (Pvt) Ltd.	**–**	–	**–**	8,423,669
Sunshine Tea (Pvt) Ltd.	**9,714,574**	–	**20,183**	–
Waltrim Hydropower (Pvt) Ltd.	**–**	–	**–**	5,054,770
Lamurep Properties Ltd.	**346,245**	–	**203,165**	–
Pyramid Lanka (Private) Limited	**–**	475,000	**–**	–
Sky Solar (Pvt) Ltd.	**–**	–	**–**	62,724,896
	10,655,319	475,000	**242,331,065**	335,115,034

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 41.

32. CASH AND CASH EQUIVALENTS

Accounting policy

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

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

Statement of Cash Flows

The Statement of Cash Flows has been prepared using the indirect method of preparing cash flows in accordance with the Sri Lanka Accounting Standard (LKAS) 7, Statement of Cash Flows.

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

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

		GROUP		COMPANY	
As at 31 March	Note	**2022 Rs.**	2021 Rs.	**2022 Rs.**	2021 Rs.
Cash at bank		**3,066,315,036**	1,998,874,126	**1,015,432,249**	1,410,274,516
Fixed deposits		**192,840,890**	494,191,002	**192,841,490**	–
TR/Import margins		**–**	21,869,548	**–**	–
Cash in hand		**5,567,597**	5,617,563	**21,280**	34,879
		3,264,723,523	2,520,552,239	**1,208,295,019**	1,410,309,394
Bank overdraft	32.1	**(917,513,501)**	(872,203,730)	**–**	(1,198,941)
Cash and bank balance under asset held for sale	42	**–**	52,507,138	**–**	–
Bank overdraft under liability held for sale	42	**–**	(2,418,623)	**–**	–
Cash and cash equivalents in the statement of cash flows		**2,347,210,022**	1,698,437,024	**1,208,295,019**	1,409,110,453

32.1 BANK OVERDRAFTS

As at	31 March 2022 Rs.	31 March 2021 Rs.	Security
Sunshine Holdings PLC			
Hatton National Bank PLC	**–**	1,198,941	Unsecured
	–	1,198,941	
Watawala Plantations PLC			
Hatton National Bank PLC	**–**	9,342,000	Corporate Guarantee (Rs. 25 Mn.) from Watawala Plantations PLC
	–	9,342,000	
Watawala Dairy Limited			
Hatton National Bank PLC	**–**	25,671,000	Corporate Guarantee (Rs. 25 Mn.) from Watawala Plantations PLC
	–	25,671,000	
Sunshine Healthcare Lanka Ltd.			
MCB Bank Limited	**46,801,840**	2,744,694	Unsecured
Nations Trust Bank PLC	**80,678,192**	42,871,450	Primary concurrent mortgage over stocks and book debts for Rs. 100 Mn.
DFCC Bank PLC	**2,064,446**	–	Unsecured
Bank of Ceylon	**–**	65,610	Unsecured
Commercial Bank of Ceylon	**41,529,774**	–	Unsecured
Hatton National Bank PLC	**70,849,013**	20,841,634	Unsecured
Seylan Bank PLC	**15,826,271**	–	Unsecured
Standard Chartered Bank	**122,985,604**	7,255,779	Unsecured
National Development Bank PLC	**80,647,007**	1,163,102	Primary concurrent mortgage bond over stocks and book debts for Rs. 200 Mn.
	461,382,147	74,942,269	
Sunshine Consumer Lanka (Pvt) Limited			
Hatton National Bank PLC	**80,863,911**	–	Unsecured
Commercial Bank of Ceylon PLC	**38,727,265**	–	Unsecured
Nations Trust Bank PLC	**1,674,308**	–	Unsecured
Standard Chartered Bank	**95,879,272**	–	Unsecured
DFCC Bank PLC	**36,582,356**	500	Unsecured
	253,727,113	500	
Healthguard Pharmacy Ltimited			
Nations Trust Bank PLC	**20,652,804**	–	Primary mortgage bond over stocks for Rs. 50,000,000.00
Standard Chartered Bank	**6,466,444**	10,341,361	Unsecured
	27,119,248	10,341,361	

As at	31 March 2022 Rs.	31 March 2021 Rs.	Security
Akbar Pharmaceuticals (Pvt) Ltd.			
Hatton National Bank PLC	–	48,716,898	Unsecured
Commercial Bank of Ceylon PLC	–	280,927,707	Unsecured
	–	329,644,605	
Lina Manufacturing (Pvt) Ltd.			
Hatton National Bank PLC	**78,886,478**	103,367,884	Akbar Pharmaceutical (Pvt) Ltd. given Corporate Guarantee of Rs. 350 Mn.
Commercial Bank of Ceylon PLC	–	113,992,362	Unsecured
	78,886,478	217,360,246	
Lina Spiro (Pvt) Ltd.			
Commercial Bank of Ceylon PLC	**96,398,515**	183,507,264	Corporate Guarantee of Rs. 350,000,000.000 to be signed by Akbar Pharmaceuticals (Pvt) Ltd.
	96,398,515	183,507,264	
Daintee Limited			
DFCC Bank PLC	–	120,660	Unsecured
Peoples Bank	–	20,074,883	Unsecured
	–	20,195,543	
Total	**917,513,501**	872,203,730	

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 2022	Value 2021	Number of shares 2022 Rs.	Value 2021 Rs.
Balance at the beginning		**448,662,309**	1,641,715,247	**149,554,103**	1,641,715,247
Share split	33.1.A	**–**	–	**299,108,206**	–
Balance at the end of the year		**448,662,309**	1,641,715,247	**448,662,309**	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 share holders or one vote per share in the case of a poll.

33.1.A SHARE SPLIT

As resolved in the Extra Ordinary General Meeting held , with effect from March 25, 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 NCI, before any intra-group eliminations:

31 March 2022	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.
NCI percentage (%)	28%	28%	0%	37.1%	37.1%	67.94%	63%
Non-current assets	2,133,149,708	353,379,414	–	374,000,000	459,479,337	434,953,248	6,074,691,000
Current assets	8,544,788,320	3,013,199,356	–	61,988,176	415,009,445	158,598,674	2,414,478,000
Non-current liabilities	(169,355,309)	(207,793,886)	–	–	(138,208,266)	(94,028,751)	753,133,000
Current liabilities	(137,815,073)	(2,598,896,677)	–	(52,894,065)	(167,770,185)	(347,009,106)	604,072,000
Net assets	10,370,767,646	559,888,207	–	383,094,111	568,510,331	152,514,065	9,846,374,000
Net assets attributable to NCI	2,903,814,941	156,768,698	–	142,296,477	211,167,477	103,623,302	6,191,399,971
Revenue	15,042,296,186	11,359,515,510	–	–	614,669,998	301,705	5,782,074,000
Profit	960,577,523	281,475,391	–	(95,864,049)	29,428,081	(120,945,448)	3,429,782,000
Other comprehensive income	23,002,364	(2,447,575)	–	–	(1,010,022)	90,841	49,611,000
Total comprehensive income	983,579,887	279,027,816	–	(95,864,049)	28,418,059	(120,854,607)	3,479,393,000
Profit allocated to NCI	268,961,706	78,813,109	–	(35,607,742)	10,930,767	(82,174,498)	2,156,646,922
Other comprehensive income allocated to NCI	6,440,662	(685,321)	–	–	(375,163)	61,721	31,195,397
Cash flows from operating activities	861,420,470	(435,960,136)	–	1,090,397	262,851,350	(38,833,032)	3,734,534,000
Cash flows from investment activities	(26,812,184)	(27,509,237)	–	(194,000,000)	(24,643,476)	(61,094,198)	(727,328,000)
Cash flows from financing activities	(800,225,343)	428,240,006	–	204,000,000	(71,553,589)	187,035,979	(1,984,066,000)
Net increase/(decrease) in cash and cash equivalents	34,382,944	(35,229,366)	–	11,090,397	166,654,285	87,108,749	1,023,140,000

31 March 2021	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.
NCI percentage (%)	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)
Net assets	5,772,021,913	330,860,389	673,705,901	274,958,160	540,092,258	79,368,672	5,482,349,000
Net assets attributable to NCI	1,616,166,136	92,640,909	188,637,652	102,128,503	200,608,027	53,925,518	3,447,301,051
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
Total comprehensive income	966,525,579	36,831,249	(565,052)	(165,452)	74,002,406	(55,163,019)	1,673,983,000
Profit allocated to NCI	275,545,881	11,164,394	(449,127)	(61,454)	27,486,927	(37,479,453)	1,042,219,022
Other comprehensive income allocated to NCI	(4,918,719)	(851,644)	290,913	–	–	–	10,381,488
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)
Net increase/(decrease) in cash and cash equivalents	790,019,069	61,518,967	(23,500,876)	(178,335)	(15,251,025)	(29,355,375)	302,045,000

	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.**
	0%	**0%**	**0%**	**0%**	**67%**	**0%**	**0%**	**50%**		
	–	**–**	**–**	**–**	**2,498,967,722**	**–**	**–**	**3,018,740,860**		
	–	**–**	**–**	**–**	**132,230,421**	**–**	**–**	**95,875,520**		
	–	**–**	**–**	**–**	**308,732,443**	**–**	**–**	**–**		
	–	**–**	**–**	**–**	**145,273,836**	**–**	**–**	**62,268,285**		
	–	**–**	**–**	**–**	**3,085,204,422**	**–**	**–**	**3,176,884,666**		
	–	**–**	**–**	**–**	**2,067,211,358**	**–**	**–**	**1,588,442,333**	**(7,914,488,293)**	**5,450,236,264**
	–	**–**	**–**	**–**	**693,987,296**	**–**	**–**	**1,358,433,387**		
	–	**–**	**–**	**–**	**27,696,741**	**–**	**–**	**1,173,554,781**		
	–	**–**	**–**	**–**	**3,689,937**	**–**	**–**	**–**		
	–	**–**	**–**	**–**	**31,386,678**	**–**	**–**	**1,173,554,781**		
	–	**–**	**–**	**–**	**18,557,933**	**–**	**–**	**586,777,391**	**(726,976,477)**	**2,275,929,110**
	–	**–**	**–**	**–**	**2,472,407**	**–**	–	–		
	–	**–**	**–**	**–**	**56,310,736**	**–**	**–**	**(177,393,764)**		
	–	**–**	**–**	**–**	**(278,529,255)**	**–**	**–**	**8,821,686**		
	–	**–**	**–**	**–**	**243,810,632**	**–**	**–**	**190,687,637**		
	–	**–**	**–**	**–**	**21,592,113**	**–**	**–**	**22,115,559**		

	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		

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
Decrease/Increase in equity attributable to owners of the Company	1,520,750,002	352,071,099	307,579,587	(522,016,592)	1,391,844,424	445,451,247	3,328,658,436

33.4 ACQUISITION OF NCI

Acquisition of 30% holding in Sunshine Energy (Pvt) Ltd.

On 27 September 2021, the Company has acquired the remaining stake of 30% in Sunshine Energy (Private) Limited from SBI Ven Holdings Pte Limited for the purchase consideration of Rs. 400 Mn. As a result of this transaction effective shareholdings of Sunshine Energy (Private) Limited has increased from 70% to 100%.

The carrying amount of consolidated net assets of the Sunshine Energy Group on the date of the acqusition was Rs. 913,770,218.

Carrying amount of NCI acquired (913 Mn.* 30%)	274,131,065
Consideration paid to NCI	(400,000,000)
A decrease in equity attributable to owners of the Company	(125,868,935)

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 undertake activities that are necessary to prepare the asset for their intended use or sell. It ceases capitalisation when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Capitalisation of borrowing costs shall be suspended, if it suspends active development of a qualifying asset.

Group borrows funds generally and uses them for qualifying asset such as immature plantations of tea, rubber and oil palm. The Group determines the amount of borrowing costs eligible for capitalisation by applying a capitalisation rate to the expenditure on the above biological assets. For this purpose Group uses weighted average of the borrowing costs applicable to the general borrowings.

All other borrowing costs are recognised in Statement of Profit or Loss in the period in which they are incurred. Investment income earned on the temporary investment of specific borrowings, pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalisation.

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 remeasurements 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 standalone 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 sub-lease separately. It assesses the lease classification of a sub-lease 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 sub-lease 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 sub-lease entered into during current reporting period that resulted in a finance lease classification.

As at 31 March	Note	GROUP 2022 Rs.	GROUP 2021 Rs.	COMPANY 2022 Rs.	COMPANY 2021 Rs.
Amount repayable after one year					
Loans	34.1	**1,226,434,883**	1,430,769,827	**–**	–
SLSPC/JEDB lease creditors	34.2	**254,050,000**	248,186,000	**–**	–
Lease liabilities (2019: finance lease obligations)	34.3	**182,858,964**	289,878,919	**–**	–
		1,663,343,846	1,968,834,746	**–**	–
Amount repayable within one year					
Loans	34.1	**793,837,293**	2,105,981,419	**–**	990,439,477
SLSPC/JEDB lease creditors	34.2	**2,363,000**	2,108,000	**–**	–
Lease liabilities (2019: finance lease obligations)	34.3	**198,632,922**	76,604,630	**–**	16,369,056
		994,833,215	2,184,694,049	**–**	1,006,808,533
		2,658,177,062	4,153,528,795	**–**	1,006,808,533

34.1 LOANS

	GROUP		COMPANY	
	2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Balance as at 1 April	**3,536,751,246**	4,814,292,713	**990,439,477**	2,898,448,424
Loans obtained during the year	**4,731,268,198**	11,031,270,271		3,104,000,000
Acquisition through business combination (Note 34.1.1)		111,128,550		–
Fair value adjustment	**(222,469,740)**	(32,322,486)	**(222,469,740)**	(32,322,486)
Accrued interest		19,991,171		19,435,237
Less: Repayment during the year	**(6,025,277,528)**	(11,852,381,665)	**(767,969,737)**	(4,999,121,698)
Less: Transferred to liability held for sale	**–**	(555,227,308)		–
Balance as at 31 March	**2,020,272,176**	3,536,751,246	**–**	990,439,477
Amount repayable within one year	**793,837,293**	2,105,981,419	**–**	990,439,477
Amount repayable after one year	**1,226,434,883**	1,430,769,827	**–**	–
	2,020,272,176	3,536,751,246	**–**	990,439,477

34.2 SLSPC/JEDB LEASE CREDITORS

	GROUP	
	2022 Rs.	2021 Rs.
Balance as at 1 April	**250,294,000**	243,975,000
Remeasurement of lease liabilities	**–**	5,367,000
Additions during the year	**8,440,000**	2,167,000
Interest charges	**38,919,000**	35,888,000
Repayment during the year	**(41,240,000)**	(37,103,000)
Balance as at 31 March	**256,413,000**	250,294,000
Net lease obligation	**256,413,000**	250,294,000
Amount repayable within one year	**2,363,000**	2,108,000
Amount repayable after one year	**254,050,000**	248,186,000
	256,413,000	250,294,000

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

		GROUP		COMPANY	
	Note	**2022 Rs.**	2021 Rs.	**2022 Rs.**	2021 Rs.
Balance as at 1 April		**366,483,549**	225,605,366	**16,369,056**	26,826,174
Recognition of lease creditor on initial application of SLFRS 16	7.4	**–**	–	**–**	4,620,241
Recognised/Derecognition during the year		**131,754,746**	168,883,830	**–**	–
Interest charges		**53,013,446**	37,365,493	**900,144**	2,191,841
Transferred to accruals		**(461,250)**	(1,439,100)	**–**	(1,439,100)
Transferred to other income		**(13,759,816)**	(22,153,634)	**–**	(1,079,325)
Repayment during the year		**(155,538,789)**	(138,103,298)	**(17,269,200)**	(14,750,775)
Transferred to liability held for sale		**–**	(6,775,287)	**–**	–
Acquisition through business combination	34.3.1	**–**	103,154,372	**–**	–
Balance as at 31 March		**381,491,886**	366,537,742	**–**	16,369,056
Interest in suspense		**–**	(54,193)	**–**	–
Net lease obligation		**381,491,886**	366,483,549	**–**	16,369,056
Amount repayable within one year		**198,632,922**	76,604,630	**–**	16,369,056
Amount repayable after one year		**182,858,964**	289,878,919	**–**	–
		381,491,886	366,483,549	**–**	16,369,056

Lease liability – SLFRS 16

The Company entered into a lease agreement for lease of office building for a period of 2 years ended 31 March 2020 and further extended for another 2 years ending 31 March 2022. Previously this lease was classified as operating leases under LKAS 17.

Information about leases for which the Company/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 5 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 sub-lease arrangements.

The warehouses, office building and outlets were entered into many years ago as combined leases of land and buildings. Previously, these leases were classified as operating leases under LKAS 17.

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.

34.3.1 RIGHT-OF-USE ASSETS

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

		GROUP		COMPANY	
		Building and leasehold land		Building	
	Note	**2022 Rs.**	2021 Rs.	**2022 Rs.**	2021 Rs.
Balance at 1 April		**601,892,085**	478,968,325	**15,045,388**	25,470,532
Additions to right-of-use assets during the year	19.1	**159,519,986**	206,049,375		4,620,241
Remeasurement of leasehold right to land	21	**–**	5,367,000	**–**	–
Additions to leasehold land right to land	21	**–**	2,167,000	**–**	–
Additions to leasehold land right to land	21	**8,440,000**	–	**–**	–
Acquisition through business combination		**–**	93,511,810	**–**	–
Transfer to asset held for sale		**–**	(6,395,495)	**–**	–
Disposal/written off		**(6,432,102)**	(27,651,971)	**–**	–
Depreciation and amortisation for the year	19.1 and 21	**(163,012,296)**	(150,123,959)	**(15,045,388)**	(15,045,385)
Adjustment related to disposal of subsidiary				**–**	–
Balance at 31 March		**600,407,673**	601,892,085	**–**	15,045,388

34.3.2 AMOUNTS RECOGNISED IN PROFIT OR LOSS

	GROUP		COMPANY	
For the year ended 31 March	**2022 Rs.**	2021 Rs.	**2022 Rs.**	2021 Rs.
Interest on lease liabilities	**53,013,446**	37,365,493	**900,144**	2,191,841
Interest charges on SLSPC/JEDB lease creditors	**38,919,000**	35,888,000	**–**	–
Depreciation of right-of-use assets	**151,714,296**	140,003,959	**15,045,388**	15,045,385
Amortisation of leasehold right to land of JEDB/SLSPC estates	**11,298,000**	10,120,000	**–**	–
	254,944,742	223,377,452	**15,945,532**	17,237,226

34.3.3 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.

OPERATING LEASES UNDER LKAS 17

	GROUP		COMPANY	
For the year ended 31 March	**2022 Rs.**	2021 Rs.	**2022 Rs.**	2021 Rs.
Total cash outflow for leases	**(65,024,043)**	(175,206,298)	**(16,369,056)**	(14,750,775)
	(65,024,043)	(175,206,298)	**(16,369,056)**	(14,750,775)

34.3.4 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 sub-lease, 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

		2022			2021		
Company/Lender	Year	**Repayable within one year Rs.**	**Repayable after one year Rs.**	**Balance as at 31 March 2022 Rs.**	Repayable within one year Rs.	Repayable after one year Rs.	Balance as at 31 March 2021 Rs.
1. Sunshine Holdings PLC							
Standard Chartered Bank Ltd.	2018	**–**	**–**	**–**	990,439,477	–	990,439,477
	2020	**–**	**–**	**–**	–		–
		–	**–**	**–**	990,439,477	–	990,439,477
		–	**–**	**–**	990,439,477	–	990,439,477
2. Watawala Plantations PLC							
Nation Trust Bank PLC	2020	**45,500,000**	**–**	**45,500,000**	115,000,000	45,500,000	160,500,000
		–	**–**	**–**	–	–	–
		45,500,000	**–**	**45,500,000**	115,000,000	45,500,000	160,500,000
3. Watawala Dairy Ltd.							
Hatton National Bank PLC	2017	**3,301,000**	**1,830,000**	**5,131,000**	3,452,000	5,117,000	8,569,000
	2020	**6,944,000**	**–**	**6,944,000**	16,666,000	6,942,000	23,608,000
		10,245,000	**1,830,000**	**12,075,000**	20,118,000	12,059,000	32,177,000
State Bank of India	2018	**90,000,000**	**225,000,000**	**315,000,000**	90,000,000	315,000,000	405,000,000
		90,000,000	**225,000,000**	**315,000,000**	90,000,000	315,000,000	405,000,000
		100,245,000	**226,830,000**	**327,075,000**	110,118,000	327,059,000	437,177,000
4. Sunshine Healthcare Lanka Ltd.							
Hatton National Bank PLC		**5,020,178**		**5,020,178**	–	–	–
		5,020,178	**–**	**5,020,178**	–	–	–
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	**38,792,031**	**–**	**38,792,031**	30,000,000	–	30,000,000
		38,792,031	**–**	**38,792,031**	30,000,000	–	30,000,000
		43,812,209	**–**	**43,812,209**	443,145,274	–	443,145,274

Purpose	Repayment terms	Security
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
To acquire 50% stake in new entity	60 days	Cash lien of Rs. 2 Bn.
Re-financing	8 equal quarterly instalments	Unsecured
Purchase of lorry	60 equal monthly instalments commencing from November 2017	Ownership of lorry
Working capital financing	18 months instalments after 6 months grace period monthly	Unsecured
Construction of dairy farm	12 bi-annual instalment after 2 year grace period	Project assets and corporate guarantee from Watawala Plantations PLC
Working capital financing	Loans to be settled with sales proceeds	A. Documents of title/Duly accepted usance drafts B. Indemnity of the Company
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
Working capital financing	90 days from the date of grant	Unsecured

Company/Lender	Year	2022 Repayable within one year Rs.	2022 Repayable after one year Rs.	2022 Balance as at 31 March 2022 Rs.	2021 Repayable within one year Rs.	2021 Repayable after one year Rs.	2021 Balance as at 31 March 2021 Rs.
5. Akbar Pharmaceuticals (Pvt) Ltd.							
Hatton National Bank PLC	2020	**–**	**–**	**–**	16,841,097	–	16,841,097
		–	**–**	**–**	16,841,097	–	16,841,097
6. Lina Manufacturing (Pvt) Ltd.							
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	**2,965,600**	**–**	**2,965,600**	9,888,000	4,942,000	14,830,000
		2,965,600	**–**	**2,965,600**	48,772,595	4,942,000	53,714,595
		2,965,600	**–**	**2,965,600**	58,215,349	4,942,000	63,157,349
7. Lina Spiro (Pvt) Ltd.							
Commercial Bank of Ceylon PLC	2021	**13,316,635**	**64,499,677**	**77,816,312**	–	79,899,812	79,899,812
		13,316,635	**64,499,677**	**77,816,312**	–	79,899,812	79,899,812
8. Healthguard Pharmacy Ltd.							
Nations Trust Bank		**502,936,395**	**–**	**502,936,395**	**–**	–	–
		502,936,395	**–**	**502,936,395**	**–**	–	–
12. Sunshine Consumer Lanka Ltd. (Formerly known as "Watawala Tea Ceylon Limited")							
DFCC Bank PLC	2021	**–**	**–**	**–**	**122,222,222**	973,369,015	1,095,591,237
International Finance Corporation	2021	**–**	**–**	**–**	**250,000,000**	–	250,000,000
	2021	**34,537,191**	**985,630,466**	**1,020,167,657**	**–**	–	–
		34,537,191	**985,630,466**	**1,020,167,657**	**372,222,222**	973,369,015	1,345,591,237
Total		**743,313,030**	**1,276,960,142**	**2,020,273,173**	**2,105,981,419**	1,430,769,827	3,536,751,246

There is no violations on loan covenants during the year.

Purpose	Repayment terms	Security
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	5 year - monthly instalments	Corporate Guarantee by Akbar Pharmaceutical (Pvt) Ltd.
To finance two months working capital requirements of the business.	6 months grace period and 12 months equal instalments	Corporate Guarantee by Akbar Pharmaceutical (Pvt) Ltd.
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.
Working capital financing	Within 3 months	Unsecured
Acquisition of Daintee Limited	72 equal capital instalments starting from August 2021	Unsecured
Working capital financing	Within 3 months	Unsecured

34.5 ASSET PLEDGE AS SECURITIES

Sunshine Consumer Lanka Limited has obtained a loan amounting to USD 5,000,000 (LKR equivalent to Rs. 1,000,200,000) on 12 October 2021 from International Finance Corporation for the purpose of financing the acqusition of Daintee Limited. Following assets have been pledged as securities as at 31 March 2022 for the purpose of obtaining loan.

IMMOVABLE PROPERTY

Name of the owner	Location	Description of the property	Owned/leased
Sunshine Packaging Lanka Limited	Mattakkuliya	Lot D in Plan No. 2753 dated 17.10.2002 made by J G Kammanankada LS (Warehouse)	Owned
Sunshine Packaging Lanka Limited	Mattakkuliya	Lot 1A in Plan No. 4219 dated 19.12.2010 made by A R Silva LS (Car park)	Owned
Sunshine Packaging Lanka Limited	Mattakkuliya	Lot A in Plan No. 9508 dated 13 March 2013 made by Gamini B Dodanwela, Licensed Surveyor (resurvey of Lot 1 in Plan No. 2317 dated 28.04.1996 made by Gamini B Dodanwala LS)	Owned
Sunshine Packaging Lanka Limited	Mattakkuliya	Lot 2 in Plan No. 2317 dated 28.04.1996 made by Gamini B Dodanwala LS	Owned
Norris Canal Properties (Private) Limited	Maradana	Lot 1 depicted in Plan No. 2117 dated 1 November 1980 made by Sri D Liyanasuriya LS	Owned
Sunshine Packaging Lanka Limited	Ratmalana	Lot A in Plan No. 9079 in Plan No. K V M W Samaranayake LS	Owned
Daintee Limited	Moratuwa	Lot 3 and lot 1 (reservation for a road 20 feet wide) on plan No. 637 dated 15.02.1983 made by T S Siriwardena, LS	Owned
Daintee Limited	Moratuwa	Lot 2 on Plan No. 637 dated 15.02.1983 made by T S Siriwardena, LS	Owned
Daintee Limited	Moratuwa	Lots 1/B, 2/B, 3/B and 4B on Plan No. 990 dated 15.02.1989 made by G P Abeynayaka LS	Owned
Daintee Limited	Moratuwa	Land Parcel No. 26 on Cadastral Map No. 520208 in extent 0.2688 Hectares	Owned

MOVABLE PROPERTY

Name of the owner	Factory assets
Daintee Limited	Factory Land, Land (Maligawa Road), Factory Building, Maligawa Building, Plant and Machinery, Factory Equipment, Lab Equipment, Garage Equipment, Boiler

Name of the owner	Office assets
Daintee Limited	Bicycles, Office Equipment, Furniture and Fittings, Motor Vehicles

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 contribution respectively. All employees of the Group are members of the Employees' Provident Fund, Estate Staff Provident Society or Ceylon Planters' Provident Fund.

Defined benefit plans

The liability recognised in the Statement of Financial Position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. Benefits falling due more than 12 months after the reporting date are discounted to present value. The defined benefit obligation is calculated annually by Independent Actuaries/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 Standards 19 – "Employee Benefit".

However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of five years of continued service.

The Company is liable to pay gratuity in terms of the relevant statute.

Actuarial gains and losses

The re-measurements of the net defined benefit liability, which comprise actuarial gains and losses are recognised in Other Comprehensive Income.

When benefits of a plan are changed or when a plan is curtailed, resulting a change in benefits paid that relates to past service or the gain or loss curtailment is recognised immediately in profit or loss.

The Group recognises gains or losses on the settlement of the defined plan when the settlement occurs.

Short-term benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

	GROUP		COMPANY	
	2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Employees' Provident Fund				
Employers' contribution	**157,750,924**	157,995,732	**23,489,826**	21,389,820
Employees' contribution	**133,672,269**	137,533,487	**15,659,884**	15,589,171
Employees' Trust Fund	**42,287,519**	43,480,425	**5,226,809**	4,819,515

As at 31 March	Note	GROUP		COMPANY	
		2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Present value of defined benefit obligations	35.1	**615,771,635**	713,774,478	**113,135,769**	103,878,290

35.1 DEFINED BENEFIT OBLIGATIONS (PVDBO)

	Note	GROUP		COMPANY	
		2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Liability for defined benefit obligation at 1 April		**713,774,478**	559,458,926	**106,078,437**	96,712,325
Staff transfers		**1,422,873**	–	**21,712**	(310,985)
Acquisition through business combination	35.2		57,592,796		–
Transferred to liability held for sale			(3,502,479)		–
		715,197,351	613,549,243	**106,100,149**	96,401,340
Included in profit or loss					
Current service cost		**107,148,309**	63,452,830	**20,309,048**	8,211,275
Interest cost		**–**	55,677,801	**–**	7,515,731
		107,148,309	119,130,631	**20,309,048**	15,727,006
Included in OCI					
Actuarial (gains)/losses on PVDBO		**(132,572,210)**	25,750,348	**(13,070,842)**	(6,049,909)
		(132,572,210)	25,750,348	**(13,070,842)**	(6,049,909)
Benefits paid		**(74,001,816)**	(44,655,744)	**(202,586)**	–
Liability for defined benefit obligation at 31 March		**615,771,635**	713,774,478	**113,135,769**	106,078,437

The details of the actuaries involved in carrying out the valuation as at 31 March 2022 are as follows:

Company	Data of valuation	Valuation method	Details of the actuary
Watawala Plantations PLC	31 March 2022	Projected Unit Credit Method	Mr M Pooplanathan, Messrs Actuarial and Management Consultants Private) Limited
Sunshine Healthcare Lanka Ltd.	31 March 2022	Projected Unit Credit Method	Mr Pushpakumar Gunasekera, AIAA, of Messrs Smiles Global (Pvt) Limited

35.2 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	
	2022 %	2021 %	**2022 %**	2021 %	**2022 %**	2021 %
Sunshine Holding PLC – Company	**15.5**	8.0	**13.5**	7.7	**17.0**	15.0
Watawala Plantations PLC	**15.0**	8.0			**–**	10
– estate workers (every three years)			**5.7**	5.7		–
– estate staff (every three years)			**25.0**	15.0		–
– estate management and head office staff (every year)			**10.0**	7.5		–
Sunshine Consumer Lanka Ltd. (Formerly known as "Watawala Tea Ceylon Limited")	**15.0**	8.0	**12.0**	11.5-20	**12-20**	14-18
Sunshine Energy (Pvt) Ltd.	**0.0**	8.0	**0.0**	9.5	**0.0**	7.1
Waltrim Hydropower (Pvt) Ltd.	**0.0**	8.0	**0.0**	9.5	**0.0**	7.1
Upper Waltrim Hydropower (Pvt) Ltd.	**0.0**	8.0	**0.0**	9.5	**0.0**	7.1
Elgin Hydro Power (Pvt) Ltd.	**0.0**	8.0	**0.0**	9.5	**0.0**	7.1
Sunshine Healthcare Lanka Ltd.	**15.5**	7.3	**14.0**	9.5	**12.0**	23.0
Healthguard Pharmacy Ltd.	**15.5**	8.0	**14.0**	8.0	**18.0**	21.0
Akbar Pharmaceutical (Pvt) Ltd.	**15.5**	11.0	**14.0**	10.0	**18.0**	15.0
Lina Manufacturing (Pvt) Ltd.	**15.5**	11.0	**14.0**	10.0	**20.0**	3.0
Lina Spiro (Pvt) Ltd.	**15.5**	11.0	**14.0**	10.0	**20.0**	3.0

*** The retiring age for the group 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	
	2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
1% increase in discount rate	**(60,910,255)**	(38,935,665)	**(4,328,162)**	(1,888,013)
1% decrease in discount rate	**68,368,903**	43,681,508	**4,079,766**	2,006,611
1% increase in salary increment rate	**68,656,424**	41,601,817	**4,118,272**	1,993,292
1% decrease in salary increment rate	**(60,589,089)**	(37,806,921)	**(4,434,963)**	(1,910,319)

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 RETIREMENT AGE OF WORKERS

According to the Minimum Retirement Age of Workers Act No. 28 of 2021 certified on 17 November 2021, the retirement age of the employees in Sri Lanka has been extended. Accordingly, the Group/Company has incorporated the impact of the same into the computation. This change has been accounted for as a plan amendment in terms of paragraph 104 of LKAS-19 -Employee Benefits. Accordingly, past service cost relating to this plan amendment has been recognised as a reversal to profit or loss.

35.4 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.

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 with the daily wage rate of Rs. 892/- for the estimation of the benefits to be paid as gratuity at retirement in the calculation of Retirement Benefit Obligations as at 31 March 2022.

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. 17 Mn. and Rs. 14 Mn. resulting an additional charge of Rs. 978,000/- and Rs. 848,000/- to the profit or loss of the Group and the Company and an additional charge of Rs. 16 Mn. and Rs. 13 Mn. to the other comprehensive income of the Group and the Company for the year ended 31 March 2022 respectively. No provisions have been made in the Financial Statements for the year ended 31 March 2022 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	
	2022 Rs.	2021 Rs.
Balance as at 1 April	**91,996,000**	142,550,000
Amortised during the year	**(50,554,000)**	(50,554,000)
Balance as at 31 March	**41,442,000**	91,996,000

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

Funds had been received by Watawala Plantations PLC, a subsidiary of the Company, from the Plantation Human Development Trust (PHDT) and Ministry of Estate Infrastructure for Workers' welfare facilities including re-roofing of line rooms, latrines, water supply, sanitation, etc. The Grants received from the ministry of Estate Infrastructure for construction of crèches, 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	
	2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Trade payables	**4,017,709,779**	2,573,094,074		–
Sales representatives security deposits	**5,950,918**	14,823,501		
Retention payable to contractors		6,026,400		
Tax and other statutory payables	**2,016,570**	13,714,410	**2,016,570**	1,685,392
Accrued expenses and other payables (Note 37.1)	**1,612,249,967**	1,167,718,734	**36,770,611**	28,346,064
	5,633,690,534	3,771,140,419	**38,787,181**	30,031,456

The Group's liabilities in foreign currency were valued at USD/LKR 299/-.

38. AMOUNTS DUE TO RELATED PARTIES

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

	GROUP		COMPANY	
	2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Sunshine Tea (Pvt) Ltd.	**32,542,112**	12,802,099	**–**	–
Lamurep Properties Ltd.	**1,014,750**	–	**–**	–
Pyramid Lanka (Private) Limited	**23,981,000**	–		–
Sunshine Consumer Lanka Ltd.	**–**	–	**8,398**	–
	57,537,862	12,802,099	**8,398**	–

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

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.

31 March 2022	GROUP					
			Fair value			
	Classification	Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets measured at fair value						
Investment in unquoted shares	Fair value through OCI	**440,308,416**	**–**	**–**	**440,308,416**	**440,308,416**
Investment in quoted shares	Fair value through P&L	**21,365,872**	**21,365,872**	**–**	**–**	**21,365,872**
Investment fund	Fair value through P&L	**72,313,000**	**–**	**72,313,000**	**–**	**72,313,000**
		533,987,288	**21,365,872**	**72,313,000**	**440,308,416**	**533,987,288**
Financial assets not measured at fair value						
Trade and other receivables**	Amortised cost	**5,061,469,954**	**–**	**5,061,469,954**	**–**	**5,061,469,954**
Investment in debentures	Amortised cost	**207,525,753**	**–**	**207,525,753**	**–**	**207,525,753**
Short-term investments	Amortised cost	**717,726,603**	**–**	**717,726,603**	**–**	**717,726,603**
Amounts due from related parties**	Amortised cost	**10,655,319**	**–**	**10,655,319**	**–**	**10,655,319**
Cash and cash equivalents**	Amortised cost	**3,264,723,523**	**–**	**3,264,723,523**	**–**	**3,264,723,523**
		9,262,101,152	**–**	**9,262,101,152**	**–**	**9,262,101,152**
Financial liabilities not measured at fair value						
Loans and borrowings***	Other financial liabilities	**2,658,177,062**	**–**	**2,658,177,062**	**–**	**2,658,177,062**
Bank overdraft**	Other financial liabilities	**917,513,501**	**–**	**917,513,501**	**–**	**917,513,501**
Trade and other payables**	Other financial liabilities	**4,023,660,697**	**–**	**4,023,660,697**	**–**	**4,023,660,697**
Amounts due to related parties**	Other financial liabilities	**57,537,862**	**–**	**57,537,862**	**–**	**57,537,862**
		7,656,889,122	**–**	**7,656,889,122**	**–**	**7,656,889,122**

*** 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				
		Fair value			
	Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
	440,308,416	–	–	440,308,416	440,308,416
	21,365,872	21,365,872	–	–	21,365,872
	–	–	–	–	–
	461,674,288	21,365,872	–	440,308,416	461,674,288
	136,729,581	–	136,729,581	–	136,729,581
	207,525,753	–	207,525,753	–	207,525,753
	202,812,603	–	–	–	–
	242,331,065	–	242,331,065	–	242,331,065
	1,208,295,019		1,208,295,019	–	1,208,295,019
	1,997,694,022	–	1,794,881,419	–	1,794,881,419
	–	–	–	–	–
	–	–	–	–	–
	38,787,181	–	38,787,181	–	38,787,181
	8,398	–	8,398	–	8,398
	38,795,579	–	38,795,579	–	38,795,579

31 March 2021	GROUP					
			Fair value			
	Classification	Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets measured at fair value						
Investment in unquoted shares	Fair value through OCI	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
Financial assets not measured at fair value						
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
Financial liabilities not measured at fair value						
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.*

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)

COMPANY				
	Fair value			
Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total 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

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:

	GROUP		COMPANY	
As at 31 March	**2022 Rs.**	2021 Rs.	**2022 Rs.**	2021 Rs.
Impairment loss on trade receivables and contract assets arising from contracts with customers	**90,581,040**	66,194,016	**–**	–
	90,581,040	66,194,016	**–**	–

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.

	GROUP			
As at 31 March 2022	**Weighted average loss rate %**	**Gross carrying amount Rs.**	**Loss allowance Rs.**	**Credit impaired**
Less than 30 days	**0.1**	**2,184,115,036**	**3,017,022**	**No**
More than 30 days but less than 60 days	**0.4**	**888,010,455**	**3,669,182**	**No**
More than 60 days but less than 90 days	**1.8**	**254,084,483**	**4,461,926**	**No**
More than 90 days	**9.3**	**854,269,665**	**79,432,910**	**No**
		4,180,479,640	**90,581,040**	

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	66,194,016	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 2022 is as follow:

	GROUP		COMPANY	
	2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Other investments	**1,459,239,644**	1,339,695,085	**461,674,288**	763,258,597
Trade and other receivables	**4,281,151,733**	4,281,151,733	**74,432,424**	16,236,144
Amount due from related parties	**10,655,319**	475,000	**242,331,065**	223,215,489
Cash and cash equivalents	**3,264,723,523**	2,520,552,239	**1,208,294,419**	1,281,865,256
	9,015,770,219	8,141,874,057	**1,986,732,196**	2,284,575,48

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. 217 Mn. (2021: Rs. 223 Mn.).

Cash and cash equivalents

The Group held cash and cash equivalents of Rs. 3,264 Mn. at 31 March 2022 (2021: Rs. 2,520 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

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements.

As at 31 March 2022	GROUP				
	Contractual cash flows				
	Carrying amount Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.	Total Rs.
Bank overdrafts	**917,513,501**	**917,513,501**	**–**	**–**	**917,513,501**
Loans and borrowings	**2,658,177,062**	**398,100,147**	**596,733,069**	**1,663,343,846**	**2,658,177,062**
Trade and other payables	**5,633,690,534**	**5,633,690,534**	**–**	**–**	**5,633,690,534**
Amount due to related parties	**57,537,862**	**57,537,862**	**–**	**–**	**57,537,862**
	9,266,918,958	**7,006,842,043**	**596,733,069**	**1,663,343,846**	**9,266,918,958**

As at 31 March 2022	COMPANY				
	Contractual cash flows				
	Carrying amount Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.	Total Rs.
Bank overdrafts	**–**	**–**	**–**	**–**	**–**
Loans and borrowings	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**38,787,181**	**38,787,181**	**–**	**–**	**38,787,181**
Amount due to related parties	**8,398**	**8,398**	**–**	**–**	**8,398**
	38,795,579	**38,795,579**	**–**	**–**	**38,795,579**

As at 31 March 2021	GROUP				
	Contractual cash flows				
	Carrying amount Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.	Total Rs.
Bank overdrafts	872,203,730	872,203,730	–	–	872,203,730
Loans and borrowings	5,283,746,339	398,100,147	3,222,302,346	1,663,343,846	5,283,746,339
Trade and other payables	3,771,140,419	3,771,140,419	–	–	3,771,140,419
	4,236,700	–	–	4,236,700	4,236,700
Amount due to related parties	12,802,099	12,802,099	–	–	12,802,099
	9,944,129,287	5,054,246,395	3,222,302,346	1,667,580,546	9,944,129,287

As at 31 March 2021	COMPANY				
	Contractual cash flows				
	Carrying amount Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.	Total Rs.
Bank overdrafts	1,198,941	1,198,941	–	–	1,198,941
Loans and borrowings	1,006,808,533	–	1,006,808,533	–	1,006,808,533
Trade and other payables	23,288,662	23,288,662	–	–	23,288,662
Amount due to related parties	–	–	–	–	–
	1,031,296,136	24,487,603	1,006,808,533	–	1,031,296,136

40.4 MARKET RISK

Accounting policy

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 2022. 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.

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 2022	GROUP USD Rs.	Australian Dollar Rs.	LKR Rs.	Total Rs.
Financial assets				
Other investments (excluding derivatives)			**717,726,603**	**717,726,603**
Trade and other receivables	**677,832,772**		**5,117,949,733**	**5,795,782,505**
Amount due from related parties			**10,655,319**	**10,655,319**
Cash and cash equivalents	**97,713,372**	**1,352,207**	**3,165,657,944**	**3,264,723,523**
	775,546,144	**1,352,207**	**9,011,989,599**	**9,788,887,950**
Financial liabilities				
Loans and borrowings			**(2,658,177,062)**	**(2,658,177,062)**
Trade and other payables	**(1,633,026,211)**		**(2,390,634,486)**	**(4,023,660,697)**
Amount due to related parties			**(57,537,862)**	**(57,537,862)**
Bank overdrafts			**(917,513,501)**	**(917,513,501)**
	(1,633,026,211)	**–**	**(6,023,862,911)**	**(7,656,889,122)**
Net exposure	**(857,480,067)**	**1,352,207**	**2,988,126,688**	**2,131,998,828**

As at 31 March 2021	GROUP USD Rs.	Australian Dollar Rs.	LKR Rs.	Total Rs.
Financial assets				
Other investments (excluding derivatives)	35,969,400	–	299,394,787	335,364,187
Trade and other receivables	302,493,696	–	4,261,904,708	4,564,398,404
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	7,036,197,062	7,420,789,830
Financial liabilities				
Loans and borrowings	(971,004,240)	–	(3,182,524,555)	(4,153,528,795)
Trade and other payables	–	–	(2,593,943,975)	(2,593,943,975)
Amount due to related parties	–	–	(12,802,099)	(12,802,099)
Bank overdrafts	–	–	(872,203,730)	(872,203,730)
	(971,004,240)	–	(6,661,474,359)	(7,632,478,599)
Net exposure	(587,354,396)	942,924	374,722,703	(211,688,769)

COMPANY		
USD	**LKR**	**Total**
Rs.	**Rs.**	**Rs.**
	202,812,603	**202,812,603**
	88,955,189	**88,955,189**
	242,331,065	**242,331,065**
	1,208,295,019	**1,208,295,019**
–	**1,742,393,876**	**1,742,393,876**
	–	**–**
	(8,398)	**(8,398)**
	–	**–**
–	**(8,398)**	**(8,398)**
–	**1,742,385,478**	**1,742,385,478**

COMPANY		
USD	LKR	Total
Rs.	Rs.	Rs.
–	222,469,740	222,469,740
–	70,396,643	68,730,448
–	223,215,489	223,215,489
–	1,281,865,256	1,281,865,256
–	1,797,947,128	1,796,280,933
(971,004,240)	(35,804,293)	(1,006,808,533)
–		–
–	(1,198,941)	(1,198,941)
(971,004,240)	(37,003,234)	(1,008,007,474)
(971,004,240)	1,760,943,894	788,273,459

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				COMPANY			
	Profit or loss		Equity, net of tax		Profit or loss		Equity, net of tax	
	Strengthening Rs.	Weakening Rs.	Strengthening Rs.	Weakening Rs.	Strengthening Rs.	Weakening Rs.	Strengthening Rs.	Weakening Rs.
As at 31 March 2022								
USD (1% movement)	(8,574,801)	8,574,801	(8,574,801)	8,574,801	(9,710,042)	9,710,042	(9,710,042)	9,710,042
AUD (1% movement)	13,522	(13,522)	13,522	(13,522)				
As at 31 March 2021								
USD (1% movement)	(5,873,544)	5,873,544	(5,873,544)	5,873,544	(12,548,146)	12,548,146	(12,548,146)	12,548,146
AUD (1% movement)	9,429	(9,429)	9,429	(9,429)				

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	
	2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Fixed-rate instruments				
Financial liabilities				
Loans and borrowings	**2,658,177,062**	4,153,528,795	**–**	1,006,808,533
	2,658,177,062	4,153,528,795	**–**	1,006,808,533
Variable-rate instruments				
Financial liabilities				
Bank overdrafts	**917,513,501**	872,203,730	**–**	1,198,941
	917,513,501	872,203,730	**–**	1,198,941

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.

40.6 CAPITAL MANAGEMENT

Overall Group target was to maintain healthier capital base to ensure the sustainability of the Holdings company and its subsidiaries. In order to achieve above target, management monitors the return on capital and dividend payout ratio.

Board of Directors ensure the optimum capital structure ensuring the best balance between equity and debt. The Group leverage will be monitored quarterly to ensure the optimum liquidity ratio. The Group leverage ratio will be maintain below 40% , while obtaining borrowing facilities ensuring the optimal returns to the shareholders.

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 65, the Board of Directors of the Company has the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly.

Accordingly, the Board of Directors of the Company is also KMP of the Group. Therefore, officers who are only Directors of the subsidiaries and not of the Company have been classified as KMP only for that respective subsidiary.

41.1.A COMPENSATION OF KEY MANAGEMENT PERSONNEL

For the year ended 31 March	GROUP		COMPANY	
	2022 Rs.	2021 Rs.	**2022 Rs.**	2021 Rs.
Short-term employee benefits	**326,326,454**	310,939,489	**316,943,574**	283,769,889
Post-employment benefits	**5,680,574**	5,164,159	**5,680,574**	5,164,159
	332,007,028	316,103,648	**322,624,148**	288,934,048

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 2022.

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 2022 Audited Financial Statements, which required additional disclosures in the 2021/22 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 2022 Audited Financial Statements, which required additional disclosures in the 2021/22 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 2022 Rs.**	Transaction amount 2021 Rs.	**Amount payable/ receivable 2022 Rs.**	Amount payable/ receivable 2021 Rs.
Sunshine Healthcare Lanka Ltd.	Service income	**130,238,915**	128,681,520	**9,339,283**	
	Dividend income	**252,000,000**	–		
Healthguard Pharmacy Ltd.	Service income	**38,225,747**	–	**–**	
	Dividend income	**–**	–		
Watawala Plantations PLC	Service income	**85,730,400**	75,600,000	**7,144,200**	
	Gratuity transfer		774,386		
Sunshine Consumer Lanka Ltd. (formerly known as "Watawala Tea Ceylon Ltd.")	Service income	**102,991,424**	94,057,262	**6,596,226**	–
	Dividend income	**170,000,000**			
	Gratuity transfer		(79,041)		
	Purchases		(46,788)		
Sunshine Packaging Lanka Ltd.	Interest income	**19,460,494**	16,405,000	**217,284,425**	223,215,489
Sunshine Energy (Pvt) Ltd.	Service income	**644,371**	–	**–**	–
	Gratuity transfer		(1,006,330)		
Upper Waltrim Hydropower (Pvt) Ltd.	Service income		10,440,235	**–**	–
Waltrim Hydropower (Pvt) Ltd.	Service income		5,449,270	**–**	–
Sky Solar (Pvt) Ltd.	Service income	**5,623,480**	5,395,701	**–**	–
Akbar Pharmaceuticals (Pvt) Ltd.	Service income	**14,014,595**			–
Lina Manufacturing (Pvt) Ltd.	Service income	**3,574,654**			–
Elgin Hydropower (Pvt) Ltd.	Service income		5,517,224	**–**	–
Daintee Limited	Service income	**26,599,594**	17,201,849	**1,735,184**	–
Sunshine Wilmar (Pvt) Ltd.	Dividend income	**583,550,000**	379,200,000	**–**	–
		1,432,653,676	737,590,288	**242,099,318**	223,215,489

Transactions with associates

There were no transactions carried out between the Group with the associate during the year ended 31 March 2022.

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 2022 Rs.**	Transaction amount 2021 Rs.	**Amount payable/ receivable 2022 Rs.**	Amount payable/ receivable 2021 Rs.
Sunshine Tea (Pvt) Ltd.	Affiliate	Sales	**–**	162,000	**20,183**	(12,802,099)
		Service cost	**–**	(245,784,000)	**–**	–
		Shared cost	**–**	599,000	**–**	–
		Rent paid	**1,173,690**	(753,346)		
Pyramid Lanka (Pvt) Ltd.	Affiliate	Sales	**–**	2,816,916,000	**–**	475,000
Lamurep Properties Limited	Affiliate	Rent	**17,269,200**	(24,395,575)	**203,165**	–
Sunshine Foundation	Affiliate	Members contribution	**–**	(23,250,000)	**–**	–
			18,442,890	2,523,494,079	**223,348**	(12,327,099)

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 Limited, 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 into a sales agreement to dispose the Waltrim Energy (Pvt) 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 million 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 for the year ended 31 March 2021.

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.

		GROUP
	Note	**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)
Total assets held for sale		1,781,889,421
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
Total liabilities held for sale		856,505,631

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 less impairment. 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 amouted to 74 Mn.

43. COMMITMENTS

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

44. CONTINGENCIES

Accounting policy

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

Contingent liabilities are disclosed if there is a possible future obligation as a result of a past event, or if there is a present obligation as a result of a past event but either a payment is not probable or the amount cannot be reasonably estimated.

Use of Judgments 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.

Pending litigation and claims:

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

Group

Bank Guarantees:

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

Sunshine Consumer Lanka Ltd. has given a Bank guarantees amounting to Rs. 77.3 Mn. in relation to the acquisition of Daintee Limited.

Also refer Note 35.3 on the contingent liability arising on retirment benefit obligation.

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 interim dividend of Rs. 0.50 and final dividend of Rs. 0.50 per share for the financial year ended 31 March 2022.

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 27 May 2022 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 2022.

45.2 SURCHAGE TAX ACT NO. 14 OF 2022

The Surcharge Tax Act No. 14 of 2022 (Act) was certified by the Speaker and published as a Supplement to Part II of the Gazette of the Democratic Socialist Republic of Sri Lanka on 8 April 2022. As per the said Act, the Group of companies will meet the chargeability threshold when the aggregate taxable income of all subsidiaries and holding company (excluding the companies with nil taxable income due to losses or unrelieved losses) exceed Rs. 2 Bn. for Y/A commencing from 1 April 2020. Such Group of companies will be liable for Surcharge tax at a rate of 25% on the taxable income of each subsidiary and holding company excluding gains and profits from dividends received from a subsidiary which is part of such taxable income for Y/A commencing from 1 April 2020.

Sunshine Holdings Plc and its subsidiaries meet the chargeability threshold referred to above and will be liable for Surcharge Tax . However, as the Act is not considered to be substantially enacted as at 31 March 2022 and treated as Non-adjusting event, no adjustments have been made in these Financial Statements.

The Company has computed the Tax payable by the Company and Group in the financial year ending 31 March 2023 as follows:

	Surcharge tax liability Rs.	1st Installment – On or before 20 April 2022 Rs.	2nd Installment – On or before 20 July 2022 Rs.
Group	654,510,598	327,255,299	327,255,299

As per the Statement of Alternative Treatment (SoAT) issued by CA Sri Lanka on 22 April 2022, Surcharge Tax expense which is deemed to be an expenditure for the year of assessment which commenced on 1 April 2020, shall be recorded as an adjustment to the opening retained earnings reported in the Statement of Changes in Equity on 1 April 2021. Such adjustment will be incorporated in the Financial Statements for the next reporting period.

45.3 ANNOUNCEMENT MADE TO COLOMBO STOCK EXCHANGE

On 23 March 2022, the Company made the following announcements regarding its future plans on acquisitions

- Company has entered into a share sale and purchase agreement with Mr Govindasamy Sathasivam, the owner of Sunshine Tea (Private) Limited ("STPL"), whereby the Company will acquire Three Million Five Hundred Thousand (3,500,000) shares which amounts to 100% of the total issued shares of STPL, at a total consideration of Sri Lanka Rupees One Billion Four Hundred and Forty Million (Rs.1,440,000,000).
- Company has decided to acquire, subject to obtaining the necessary corporate and regulatory approvals, the balance 28% of the issued shares of Sunshine Healthcare Lanka Limited ("SHL") which is a subsidiary of the Company for a total consideration payable of Rs. 2,598,679,200, which shall be paid to by the issue of shares in the Company.
- Sunshine Healthcare Lanka Limited, a subsidiary of the company has entered into a share sale and purchase agreement with Hemsons International (Private) Limited ("Hemsons") on 23 March 2022 to acquire 60% of the total issued shares of Hemsons immediately at the consideration of Rs. 228,000,000, with the balance 40% to be acquired after 31 March 2024 subject to the fulfillment of conditions precedent as specified in the said share sale and purchase agreement. However, the Company has decided not to proceed with the acquisition with the mutual agreement of both Sunshine Healthcare Lanka Limited and Hemsons International (Private) Limited.

45.4 MEMORANDUM ISSUED BY MINISTRY OF FINANCE

As per the memorandum issued by the Ministry of Finance on 12 April 2022, the Sri Lankan Government will suspend normal debt servicing of all Affected Debts (as defined in the memorandum), for an interim period pending an orderly and consensual restructuring of those obligations in a manner consistent with an economic adjustment programme supported by the IMF.

Subsequent to this Fitch Ratings has downgraded Sri Lanka's long-term Foreign-Currency Issuer Default Rating (IDR) to "C" from "CC". The Board of Directors continue to monitor the potential implications on the groups business activities and ability to continue as a going concern.

46. AMALGAMATION

Accounting policy

Refer Note 7.2 for the accounting policy.

46.1 AMALGAMATION OF SUNSHINE ENERGY (PVT) LTD. WITH SUNSHINE HOLDINGS PLC

Sunshine Energy (Pvt) Ltd (SEL) , which was a subsidiary of the Group ,was amalgamated with Sunshine Holdings PLC (the Company). The Board of Directors resolved to amalgamate Sunshine Energy (Pvt) Ltd and the Company w.e.f 28 October 2021 in accordance with Section 244(i)(a) of the Companies Act No 7 of 2007. The Group received the Certificate of Amalgamation on the 28 January 2022. Accordingly, on 28 January 2022 the book values of Sunshine Energy (Pvt) Ltd, was amalgamated with that of the the Company and the investment in subsidiary of Rs. 957,908 Mn. recorded in the Company , was set off against the equity of Sunshine Energy (Pvt) Ltd.

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.

46.2 EFFECT OF AMALGAMATION – CONSOLIDATED FINANCIAL STATEMENTS

The Amalgamation of Sunshine Energy (Pvt) Ltd. with Sunshine Holdings PLC 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 Sunshine Energy (Pvt) Ltd. was consolidated to Sunshine Holdings PLC as at 31 March 2021 with 30% non-controlling interest.

46.3 EFFECT OF AMALGAMATION - SEPARATE FINANCIAL STATEMENTS

Effect of amalgamation for the year ended 31 March 2021 and 31 March 2022 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:

46.3.A STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March	**Year ended 31 March 2022**			Year ended 31 March 2021		
	Amalgamating with SEL from 1 January 2022 Rs.	**Amalgamating with SEL from 1 April 2021 Rs.**	**Effect on amalgamation Rs.**	As previously presented Rs.	As restated amalgamating with SEL Rs.	Effect on amalgamation Rs.
Revenue	**1,075,338,436**	**1,075,338,436**	**–**	850,202,179	850,202,179	–
Cost of sales	**–**	**–**	**–**	–	–	–
Gross profit	**1,075,338,436**	**1,075,338,436**	**–**	850,202,179	850,202,179	–
Other income	**341,537,554**	**400,666,055**	**59,128,501**	341,800,630	354,688,067	12,887,437
Selling and distribution expenses	**–**	**–**		–	–	–
Administrative expenses	**(514,780,598)**	**(588,900,644)**	**(74,120,046)**	(449,704,631)	(472,540,034)	(22,835,403)
Impairment of investment in equity accounted investee/subsidiary	**(436,572)**	**(436,572)**	**–**	(59,452)	(59,452)	–
(Loss)/Gain on Disposal of Subsidiaries/Associates	**59,173,066**	**59,173,066**	**–**	2,032,745,933	2,032,745,933	–
Gain on disposal of subsidiary shares	**–**	**–**	**–**	260,563,654	260,563,654	–
Profit from Operating Activities	**960,831,886**	**945,840,341**	**(14,991,545)**	3,035,548,313	3,025,600,347	(9,947,966)
Net finance costs	**66,922,521**	**92,444,590**	**25,522,070**	(14,772,930)	(1,571,580)	13,201,350
Profit before tax	**1,027,754,407**	**1,038,284,931**	**10,530,524**	3,020,775,383	3,024,028,767	3,253,384
Income tax expense	**(10,629,664)**	**(15,452,669)**	**(4,823,005)**	(117,053,693)	(117,953,217)	(899,524)
Profit for the year	**1,017,124,743**	**1,022,832,262**	**5,707,519**	2,903,721,690	2,906,075,550	2,353,860
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurement of retirement benefit liability	**13,070,842**	**13,070,842**	**–**	6,049,909	5,713,081	(336,828)
Equity investments at FVOCI – net change in fair value	**(65,125,525)**	**(65,125,525)**	**–**	(32,088,698)	(32,088,698)	
Related tax	**12,412,284**	**12,412,284**	**–**	10,912,884	10,993,723	80,839
Total other comprehensive income/(expense) for the year	**(39,642,399)**	**(39,642,399)**	**–**	(15,125,905)	(15,381,894)	(255,989)
Total comprehensive income for the year	**977,482,344**	**983,189,863**	**5,707,519**	2,888,595,785	2,890,693,656	2,097,871

46.3.B STATEMENT OF FINANCIAL POSITION

Year ended 31 March	Current year ended 31 March 2022			Year ended 31 March 2021		
	Amalgamating with APL from 1 January 2022 Rs.	Amalgamating with APL from 1 April 2021 Rs.	Effect on amalgamation Rs.	As previously presented Rs.	As restated amalgamating with APL Rs.	Effect on amalgamation Rs.
Assets						
Non-current assets						
Property, plant and equipment	**12,608,308**	**13,663,640**	**1,055,332**	33,067,152	33,067,152	–
Right to use assets	**3,210,053,985**	**3,210,053,985**	**–**	3,767,962,237	3,399,509,135	368,453,102
Intangible assets	**–**	**–**	**–**	1,292,007	1,292,007	–
Investments in subsidiaries	**–**	**–**	**–**	–	–	–
Equity-accounted investee	**669,200,042**	**669,200,042**	**–**	647,177,898	647,177,898	–
Other investments, including derivatives	**25,028,235**	**25,028,235**	**–**	7,555,660	7,555,660	–
Deferred tax assets	**59,506,672**	**59,506,672**	**–**	42,536,150	43,064,185	(528,035)
Total non-current assets	**3,976,397,242**	**3,977,452,574**	**1,055,332**	4,499,591,104	4,131,666,037	367,925,067
Current Assets						
Inventories	**–**	**–**	**–**	–	–	–
Other investments	**202,812,603**	**202,812,603**	**–**	222,469,740	222,469,740	–
Trade and Other Receivables	**61,240,204**	**136,729,581**	**75,489,377**	70,396,643	72,577,780	(2,181,137)
Amounts due from related parties	**242,331,065**	**242,331,065**	**–**	223,215,489	335,115,034	(111,899,545)
Income tax recoverable	**14,318,672**	**14,318,672**	**–**	14,318,672	14,318,672	–
Cash and Cash Equivalents	**364,227,529**	**1,208,295,019**	**844,067,490**	1,281,865,256	1,410,309,394	(128,444,138)
Assets Held for sale	**–**	**–**	**–**		487,208,241	(487,208,241)
Total Current Assets	**884,930,072**	**1,804,486,940**	**919,556,868**	1,812,265,800	2,541,998,860	(242,524,819)
Total Assets	**4,861,327,315**	**5,781,939,514**	**920,612,199**	6,311,856,904	6,673,664,898	125,400,247
Equity and liabilities						
Capital and reserves						
Stated capital	**744,505,520**	**1,641,715,247**	**897,209,727**	1,641,715,247	1,641,715,247	–
Reserves	**266,257,122**	**266,257,122**	**–**	331,382,645	331,382,645	–
Retained earnings	**3,675,047,163**	**3,694,810,277**	**19,763,114**	3,141,800,110	3,495,157,198	(353,357,088)
Total equity	**4,685,809,805**	**5,602,782,646**	**916,972,841**	5,114,898,002	5,468,255,090	(353,357,088)
Non-current liabilities						
Employee benefits	**113,135,769**	**113,135,769**	**–**	–	–	–
Loans and borrowings	**–**	**–**	**–**	103,878,290	106,078,437	(2,200,147)
Total non-current liabilities	**113,135,769**	**113,135,769**	**–**	103,878,290	106,078,437	(2,200,147)
Current Liabilities						
Loans and borrowing	**–**	**–**	**–**	1,006,808,533	1,006,808,533	–
Trade and Other Payables	**37,821,278**	**38,787,181**	**965,903**	24,974,054	30,031,456	(5,057,402)
Amounts Due to Related Parties	**8,398**	**8,398**	**–**	–	–	–
Current tax liabilities	**24,552,065**	**27,225,520**	**2,673,455**	60,099,084	61,292,441	(1,193,357)
Bank Overdrafts	**–**	**–**	**–**	1,198,941	1,198,941	–
Total Current Liabilities	**62,381,741**	**66,021,099**	**3,639,358**	1,093,080,612	1,099,331,371	(6,250,759)
Total Equity and Liabilities	**4,861,327,315**	**5,781,939,514**	**920,612,199**	6,311,856,904	6,673,664,898	(361,807,994)

46.3.C Composition of assets and liabilities in the Sunshine Energy (Pvt) Ltd. on the date of amalgamation (as at 31 January 2022)

	Rs.
ASSETS	
Property, plant and equipment	1,055,332
Investment in Subsidiaries	–
Intangible assets	–
Deferred tax assets	–
Inventories	–
Trade and Other Receivables	75,489,377
Amounts Due from Related Parties	–
Income Tax Receivables	–
Cash and Cash Equivalents	844,067,490
Total Assets (A)	920,612,199
LIABILITIES	
Liabilities	2,673,455
Retirement benefit obligations	–
Trade and other payables	**965,903**
Interest bearing borrowings and lease liability	–
Amounts due to related parties	–
Current tax liabilities	2,673,455
Bank overdrafts	–
Total Liabilities (B)	3,639,358
Total Equity(A-B)	916,972,841

Amalgamation of Akbar Pharmaceuticals (Pvt) Ltd with Sunshine Healthcare Lanka Ltd.

Accounting policy

Refer Note 7.2 for the accounting policy.

Akbar Pharmaceuticals (Pvt) Ltd. (APL), which was a subsidiary of the Group, was amalgamated with Sunshine Healthcare Lanka Ltd. (SHL). The Board of Directors resolved to amalgamate APL and SHL w.e.f 24 September 2021 in accordance with Section 244(i)(a) of the Companies Act No. 7 of 2007. Sunshine Healthcare Lanka Ltd. received the Certificate of Amalgamation on the 30 December 2021. Accordingly, on 30 December 2021 the book values of APL, was amalgamated with that of SHL and the investment in subsidiary of Rs. 2,320 Mn. recorded in SHL, was set off against the equity of APL.

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.

46.4 EFFECT OF AMALGAMATION - CONSOLIDATED FINANCIAL STATEMENTS

The Amalgamation of APL with SHL 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 APL was consolidated to Sunshine Healthcare Lanka Ltd as at 31 March 2021 as a fully owned subsidiary.

46.5 EFFECT OF AMALGAMATION - SEPARATE FINANCIAL STATEMENTS

Effect of amalgamation for the year ended 31 March 2021 and 31 March 2022 on the statement of profit or loss and other comprehensive income and the statement of financial position on the separate financial statements of Sunshine Healthcare Lanka Ltd. are as follow:

46.5.A STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 March	2022			2021		
	Amalgamating with APL from 1 Jan 2022 Rs.	**Amalgamating with APL from 1 April 2021 Rs.**	**Effect on amalgamation Rs.**	As previously presented Rs.	As restated amalgamating with APL Rs.	Effect on amalgamation Rs.
Revenue	**14,150,786,428**	**15,042,296,186**	**891,509,758**	11,639,981,311	11,794,453,021	154,471,710
Cost of sales	**(11,404,655,676)**	**(12,058,255,333)**	**(653,599,657)**	(8,712,498,449)	(8,827,235,995)	(114,737,546)
Gross profit	**2,746,130,752**	**2,984,040,853**	**237,910,101**	2,927,482,862	2,967,217,026	39,734,164
Other income	**185,441,575**	**187,812,654**	**2,371,079**	125,501,345	125,486,845	(14,500)
Selling and distribution expenses	**(791,319,185)**	**(858,589,276)**	**(67,270,091)**	(1,080,602,247)	(1,139,902,398)	(59,300,151)
Administrative expenses	**(909,753,376)**	**(1,038,034,560)**	**(128,281,184)**	(649,333,853)	(686,630,517)	(37,296,664)
Profit from operating activities	**1,230,499,765**	**1,275,229,670**	**44,729,905**	1,323,048,107	1,266,170,956	(56,877,151)
Net finance costs	**89,439,361**	**89,596,415**	**157,054**	(22,107,896)	(24,623,713)	(2,515,817)
Profit before tax	**1,319,939,126**	**1,364,826,085**	**44,886,959**	1,300,940,211	1,241,547,243	(59,392,968)
Income tax expense	**(390,812,966)**	**(404,248,562)**	**(13,435,596)**	(316,847,779)	(317,630,506)	(782,727)
Profit for the year	**929,126,160**	**960,577,523**	**31,451,363**	984,092,432	923,916,737	(60,175,695)
Other comprehensive income						
Items that will not be reclassified to profit or loss						
Remeasurment of retirement benefit liability	**29,126,574**	**30,266,269**	**1,139,695**	(23,114,280)	(21,747,209)	1,367,071
Related tax	**(6,990,378)**	**(7,263,905)**	**(273,527)**	5,547,427	5,219,330	(328,097)
Total other comprehensive income/(expense) for the year	**22,136,196**	**23,002,364**	**866,168**	(17,566,853)	(16,527,879)	1,038,974
Total comprehensive income for the year	**951,262,356**	**983,579,887**	**32,317,531**	966,525,579	907,388,858	(59,136,721)

46.5.B STATEMENT OF FINANCIAL POSITION

Year ended 31 March	2022			2021		
	Amalgamating with APL from 1 Jan 2022 Rs.	**Amalgamating with APL from 1 April 2021 Rs.**	**Effect on amalgamation Rs.**	As previously presented Rs.	As restated amalgamating with APL Rs.	Effect on amalgamation Rs.
Assets						
Non-current assets						
Property, plant and equipment	**139,900,754**	**149,908,135**	**10,007,381**	196,600,351	204,335,298	7,734,947
Investments in subsidiaries	**279,319,969**	**519,931,959**	**240,611,990**	2,599,569,269	519,931,959	(2,079,637,310)
Goodwill on amalgamation	**1,331,207,919**	**1,331,207,919**	**–**	–	1,381,207,919	1,381,207,919
Intangible assets	**77,480,164**	**93,791,002**	**16,310,838**	82,753,768	104,328,940	21,575,172
Deferred tax assets	**29,388,216**	**38,310,693**	**8,922,477**	27,709,787	39,573,590	11,863,803
Total non-current assets	**1,857,297,022**	**2,133,149,708**	**275,852,686**	2,906,633,175	2,249,377,706	(657,255,469)
Current assets						
Inventories	**2,984,256,311**	**3,247,003,917**	**170,480,778**	2,351,062,774	2,714,955,130	363,892,356
Trade and other receivables	**2,757,571,201**	**3,329,523,431**	**295,151,746**	3,526,692,339	3,984,077,710	457,385,371
Amounts due from related parties	**1,644,287,229**	**1,743,686,013**	**99,398,784**	29,997,974	78,582,958	48,584,984
Income tax recoverable	**9,320,761**	**–**	**9,320,761**			–
Cash and cash equivalents	**218,787,016**	**224,574,959**	**5,787,943**	116,991,043	133,331,134	16,340,091
Total current assets	**7,614,222,518**	**8,544,788,320**	**580,140,012**	6,024,744,130	6,910,946,932	886,202,802
Total assets	**9,471,519,540**	**10,677,938,028**		8,931,377,305	9,160,324,638	228,947,333
Equity and liabilities						
Capital and reserves						
Stated capital	**2,371,293,890**	**2,811,906,458**	**440,612,568**	2,811,906,458	2,811,906,458	–
Retained earnings	**3,012,948,998**	**3,278,359,860**	**265,410,862**	2,960,115,455	2,694,779,973	(265,335,482)
Total equity	**5,384,242,888**	**6,090,266,318**	**706,023,430**	5,772,021,913	5,506,686,431	(265,335,482)
Non-current liabilities						
Employee benefits	**153,459,748**	**162,581,627**	**9,121,879**	156,980,315	182,859,108	25,878,793
Loans and borrowings	**5,860,846**	**6,773,682**	**912,836**	31,845,433	31,845,433	
Total non-current liabilities	**159,320,594**	**169,355,309**	**10,034,715**	188,825,748	214,704,541	25,878,793
Current liabilities						
Loans and borrowing	**50,402,096**	**78,532,068**	**28,129,972**	475,180,014	493,244,290	18,064,276
Trade and other payables	**3,595,493,233**	**3,726,011,633**	**130,518,400**	2,188,343,281	2,318,861,679	130,518,398
Amounts due to related parties	**12,508,114**	**14,575,480**	**2,067,366**	68,977,656	71,045,022	2,067,366
Current tax liabilities	**137,815,073**	**137,815,073**	**–**	163,152,034	151,261,411	(11,890,623)
Bank overdrafts	**131,737,542**	**461,382,147**	**329,644,605**	74,876,660	404,521,265	329,644,605
Total current liabilities	**3,927,956,058**	**4,418,316,401**	**490,360,343**	2,970,529,644	3,438,933,666	468,404,022
Total equity and liabilities	**9,471,519,540**	**10,677,938,028**		8,931,377,305	9,160,324,638	228,947,333

46.5.C STATEMENT OF CHANGES IN EQUITY – DAY 1 ADJUSTMENT

	Stated capital Rs.	Retained earnings Rs.	Total equity Rs.
Balance as at 1 April 2020	491,657,158	1,993,589,875	2,485,247,033
Retained earnings as of amalgamation date	–	(206,198,760)	(206,198,760)
Adjustments due to amalgamation	–	(206,198,760)	(206,198,760)
Adjusted Balance as 1 April 2019 – Restated	491,657,158	1,787,391,115	2,279,048,273

46.5.D Composition of assets and liabilities in the investment Akbar Pharmaceuticals (Pvt) Ltd. on the date of amalgamation (as at 30 December 2021)

	Rs.
Assets	
Property, plant and equipment	10,007,381
Investment in subsidiaries	240,611,990
Intangible assets	16,310,838
Deferred tax assets	8,922,477
Inventories	170,480,778
Trade and other receivables	295,151,746
Amounts due from related parties	99,398,784
Income tax receivables	9,320,761
Cash and cash equivalents	5,787,943
Total assets (A)	855,992,698
Liabilities	
Retirement benefit obligations	9,121,879
Trade and other payables	89,622,322
Interest bearing borrowings and lease liability	29,042,808
Amounts due to related parties	20,163,909
Bank overdrafts	2,018,350
Total Liabilities (B)	149,969,268
Total Equity (A-B)	706,023,430

Investment of Sunshine Healthcare Lanka Ltd in APL (NCI - NIL)	(2,320,249,300)
Total equity balance transferred on merger	(1,614,225,870)

46.5.E NATURE AND AMOUNT OF SIGNIFICANT ACCOUNT ADJUSTMENT

APL 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. There is no impact due to the merger:

Investment in subsidiaries as carried in APL financial statements	240,611,990
Merger adjustment on conversion of fair value to cost	–
Investment in subsidiaries as carried in the combined financial statement relating to AP	240,611,990

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.

47. 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.

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, the business operations and activities of the Company/Group were impacted. The Company has taken various precautionary measures to protect employees , 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.

Although the Government introduced curfew in 2021 due to second and third wave of COVID-19 outbreak 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. The Healthcare, Agri and Energy sectors continued to operate as those businesses are classified under the essential services.

Sri Lanka has been facing foreign exchange crisis due to the adverse economic impacts of the COVID-19 pandemic and it has grown from acute to severely acute during the financial year ended 31 March 2022. Accordingly, the Government of Sri Lanka is taking various measures to control the outflow of foreign exchange reserves of the Country including restrictions on several imports and outward remittances. Despite the Government's measures to control foreign exchange outflows, continual deterioration of foreign reserves is putting pressure on exchange rate to depreciate in the market. On 7 March 2022, the Central Bank of Sri Lanka (CBSL), with immediate effect, set an exchange rate limit of Rs. 230/- per US dollar compared to a limit of Rs. 200-203 that was controlled by CBSL since October 2021. The Sri Lankan Rupee (LKR) has depreciated by Rs. 96 against USD in a duration of three weeks, bringing the exchange rate to the highest ever, Rs. 299/- per USD as at 31 March 2022. A severe shortage of foreign currency has left the Government of Sri Lanka unable to pay for essential imports, including fuel, foods, gas, and medicine. Short supply in fuel has led to incapacitating power cuts lasting up to 13 hours. At the same. time, Sri Lanka's annual inflation scaled to 18.7 percent in March of 2022 from 3.9 percent in April 2021.– Also Refer to Note 45.4.

The Board carried out an assessment of the potential implications of COVID-19, econnomic crisis and country down grade 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 2023. Based on this assessment, the Board is of the view that the Group has adequate liquidity position considering the level of business operations, 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 and the economic crisis in the country 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 the resutant implications on the business operations 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.

06

ANNEXES

INVESTOR INFORMATION

STOCK EXCHANGE LISTING

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

SHAREHOLDER INFORMATION

	31 March 2022	31 March 2021
Total numbers of shareholders	**8,723**	3,246
Total numbers of shares	**448,662,309**	448,662,309

31 March 2022		
Number of holders	Holdings	**Total Holdings %**
4,354	**1 – 1,000 shares**	**0.33**
3,166	**1,001 – 10,000 shares**	**2.71**
1,043	**10,001 – 100,000 shares**	**7.18**
139	**100,001 – 1000,000 shares**	**8.60**
21	**Over 1,000,000**	**81.18**
		100.00

Analysis of shareholders	**31 March 2022**			31 March 2021		
	Number of shareholders	**Number of shares**	**%**	Number of shareholders	Number of shares	%
Individuals	**8,181**	**63,073,256**	**14.05**	3,063	34,655,779	7.72
Institutions	**542**	**385,589,053**	**85.95**	183	414,006,530	92.28
Total	**8,723**	**448,662,309**	**100.00**	3,246	448,662,309	100.00

Public shareholdings	**Requirement by CSE**	**As at 31 March 2022**	**Comply with CSE Rule 7.13.1 (a)**	Requirement by CSE	As at 31 March 2021	Comply with CSE Rule 7.13.1 (a)
Option	**3**	**3**	**Yes**	4	4	Yes
Float adjusted market capitalisation	**Above Rs. 5,000,000,000/-**	**5,863,953,566**	**Yes**	Above Rs. 2,500,000,000/-	4,359,898,421	Yes
The percentage of shares held by the public	**7.5%**	**35.71%**	**Yes**	10%	36.67%	Yes
Number of shareholders representing public holding	**500**	**5,331**	**Yes**	500	3,238	Yes

SHAREHOLDER TRADING INFORMATION FROM 1 APRIL 2021 TO 31 MARCH 2022

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.

	2022	2021
Highest price (Rs.)	**71.4**	105.00
Lowest price (Rs.)	**35.0**	26.00
As at 31 March (Rs.)	**36.6**	26.50
Number of transactions	**104,024**	14,488
Number of shares traded	**437,178,738**	42,536,027
Value of shares traded (Rs.)	**17,590,786,375**	3,089,785,004

MARKET CAPITALISATION VS SHAREHOLDERS' FUNDS

	Rs.
Market capitalisation as at 31 March 2022	**16,421,040,509**
Shareholders funds as at 31 March 2021	5,602,782,646

DIVIDEND

	2022	2021	2020	2019	2018	2017	2016
Proposed and final dividend (Rs.)	**470,317,969***	373,885,258	112,165,577	186,942,629	204,738,420	236,496,726	141,898,035
Interim dividend (Rs.)	**0.5**	1.0					
Dividend per share (Rs.)	**0.96**	0.83	0.75	1.25	1.50	1.75	1.05

** Final dividend, subject to shareholders' approval, includes the amounts to be paid for 43,311,320 ordinary shares allotted on 30 May 2022.*

TWENTY (20) LARGEST SHAREHOLDERS AS AT

Name	**31 March 2022**		31 March 2021	
	Number of shares held	**%**	Number of shares held	%
Lamurep Investments Limited Account No. 1 and 4	**271,454,139**	**60.5**	229,216,803	51.1
Deepcar Limited	**44,866,231**	**10.0**	78,215,478	17.4
Ceylon Property Development Limited	**10,915,876**	**2.43**	9,165,876	2.0
Mr V Govindasamy	**6,079,500**	**1.36**	3,079,500	0.7
Hatton National Bank PLC/Subramaniam Vasudevan	**4,366,918**	**0.97**	Nil	–
Nuwara Eliya Property Developers (Pvt) Ltd.	**4,153,250**	**0.93**	Nil	–
Sampath Bank PLC/Mr Gerard Shamil Niranjan Peiris and Mrs Indrani Roshani Peiris	**2,919,617**	**0.65**	Nil	–
Mr K A S R Nissanka	**2,501,180**	**0.56**	Nil	–
Citibank Newyork S/A Norges Bank Account 2	**2,376,134**	**0.53**	Nil	–
Seylan Bank Plc/Capital Trust Holdings Limited	**2,344,547**	**0.52**	Nil	–
Hatton National Bank PLC-Senfin Growth Fund	**2,019,084**	**0.45**	2,019,084	0.5
Hatton National Bank PLC/Ratnasabapathy Iyer Shanmugasarma	**1,851,339**	**0.41**	Nil	–
Perera And Sons Bakers Pvt Limited	**1,500,000**	**0.33**	Nil	–
Akbar Brothers Pvt Ltd. A/C No 1	**1,261,003**	**0.28**	Nil	–
Dfcc Bank PLC/L C A Lankeshwara	**1,200,000**	**0.27**	Nill	–
Commercial Bank of Ceylon PLC/Metrocorp (Pvt) Ltd.	**1,150,000**	**0.26**	Nil	–
GF Capital Global Limited	**1,102,154**	**0.25**	4,202,154	0.9
Code-Gen International Pvt Ltd.	**1,100,000**	**0.25**	Nil	–
Capital Trust Holdings Ltd.	**1,056,532**	**0.24**	Nil	–
Hatton National Bank PLC/Palaniyandy Muralitharan	**990,000**	**0.22**	Nil	–

GLOSSARY

ACCRUAL BASIS
Recording revenues and expenses in the period in which they are earned or incurred regardless of whether cash is received or disbursed in that period.

AVERAGE COST OF FUNDS
Finance cost divided by average interest-bearing borrowing from banks and finance institutions.

CAPITAL EMPLOYED
Shareholders' funds plus minority interest and debt.

CONTINGENT LIABILITIES
Conditions or situations at the reporting date, the financial effects of which are to be determined by future events, which may or may not occur.

CASH EQUIVALENTS
Liquid investments with original maturities of three months or less.

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.

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.

LIQUIDITY RATIO
Current assets divided by current liabilities.

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.

STATED CAPITAL
Total of all amounts received by the Company or due and payable to company.

a. In respect of issue of shares and

b. Inspect of calls on shares

SHAREHOLDERS' FUNDS
Total of issued and fully-paid share capital, capital reserves and revenue reserves.

TOTAL DEBT
Long-term loans plus short-term loans and overdrafts.

TOTAL EQUITY
Shareholders' funds plus minority interest.

CORPORATE INFORMATION

NAME OF COMPANY	Sunshine Holdings PLC
LEGAL FORM	Public limited liability company (Incorporated in 1973 and listed in the Colombo Stock Exchange)
DATE OF INCORPORATION	16 June 1973
REGISTRATION NUMBER	PQ13
ACCOUNTING YEAR END	31 March
PRINCIPAL ACTIVITIES	Holding Company, carrying out investment in subsidiaries
REGISTERED OFFICE	No. 60, Dharmapala Mawatha, Colombo 3
DIRECTORS	Mr D A Cabraal (Chairman) Mr V Govindasamy (Group Managing Director) Mr A D B Talwatte Mr G Sathasivam Mrs S Ratwatte Mr S G Sathasivam Mr H D Abeywickrama Mr S Shishoo Mr S Jain (Appointed 3 February 2022) Mrs Y W R Fernando (Appointed 23 March 2022) Mr Renganathan (Appointed 27 May 2022) Mr M Shaikh (Retired 25 June 2021) Mrs A Goonetilleke (Resigned 11 November 2021) Mr Y Kitao/Mr S Dias (Resigned 10 December 2021)
SECRETARIES	Corporate Services (Private) Limited, No. 216, De Saram Place, Colombo 10 Tel: +94 11 460 5100
AUDITORS	KPMG Chartered Accountants 32A, Sir Mohamed Macan Markar Mawatha, Colombo 3
LAWYERS	F J & G de Saram (Attorney-at-Law) No. 216, De Saram Place, Colombo 10 Nithya Partners (Attorney-at-Law) No. 97/A, Galle Road, Colombo 3
BANKERS	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
CREDIT RATINGS	The Company has been assigned a national long-term rating of "AA+ stable outlook" with stable outlook by Fitch Ratings Lanka Limited.
WEBSITE	www.sunshineholdings.lk

NOTICE OF MEETING

Notice is hereby given that the Forty-Ninth (49th) Annual General Meeting ("AGM") of Sunshine Holdings PLC (the "Company") will be held online via a virtual platform on Friday, the 24th day of June 2022 at 9.00am 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 2022 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-five (75) years:

   Ordinary Resolution

   "IT IS HEREBY RESOLVED THAT the age limit referred to in section 210 of the Companies Act No. 7 of 2007 ("Companies Act") shall not apply to Mr G Sathasivam, Director of the Company, who attained the age of seventy-five (75) years and that he be reappointed as a Director of the Company."

4. To reappoint Mr Sudarshan Jain, Director of the Company, who retires in terms of article 110 of the articles of association of the Company.

5. To reappoint Ms Wedage Yasanthi Ruvini Fernando, Director of the Company, who retires in terms of article 110 of the articles of association of the Company.

6. To reappoint Mr Sivakrishnarajah Renganathan, Director of the Company, who retires in terms of article 110 of the articles of association of the Company.

7. To reappoint Mr H D Abeywickrama, 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 2023 and to authorise the Directors to determine their remuneration therefor.

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

By order of the Board

Corporate Services (Private) Limited
Secretaries

31 May 2022
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 Thilini.Danushkika@sunshineholdings.lk or coroprateservices@coroprateservices.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 Extraordinary 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 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 Thilini.Danushkika@sunshineholdings.lk or corprateservices@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 Thilini.Danushkika@sunshineholdings.lk or corprateservices@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 Thilini Danushkika of Sunshine Holdings PLC on +94 11 470 2400 during office hours.

SUNSHINE HOLDINGS PLC

FORM OF PROXY

*I/We...

of ....

being a shareholder/shareholders of SUNSHINE HOLDINGS PLC do hereby appoint

1.	Mr D A Cabraal	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 S Shishoo	or failing him,
8.	Ms S Ratwatte	or failing her,
9.	Mr S Jain	or failing him,
10.	Ms W Y R Fernando	or failing her,
11.	Mr S Renganathan	or failing him,

.... of

....

as my/our proxy to represent me/us and to speak and to vote on my/our behalf at the annual general meeting of the Company to be held on the Twenty Fourth (24th) day of June 2022 at 9.00am 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 2022 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 reappoint Mr G Sathasivam as a Director who attained the age of seventy-five (75) years.		
4.	To reappoint Mr Sudarshan Jain as a Director who retires in terms of article 110 of the Articles of Association of the Company.		
5.	To reappoint Ms Wedage Yasanthi Ruvini Fernando as a Director who retires in terms of article 110 of the Articles of Association of the Company.		
6.	To reappoint Mr S Renganathan as a Director who retires in terms of Article 110 of the Articles of association of the Company.		
7.	To reappoint Mr H D Abeywickrama as a Director who retires by rotation in terms of Article 104 of the Articles of association of the Company.		
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 2023 and to authorise the Directors to determine their remuneration thereof.		
9.	To authorise the Directors to determine the contributions to charities.		

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

....

*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 or emailed to Thilini.Danushkika@sunshineholdings.lk or coroprateservices@coroprateservices.lk **not less than 48 hours before** the time appointed for the holding of the Meeting.

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Net-zero GHG since 2011

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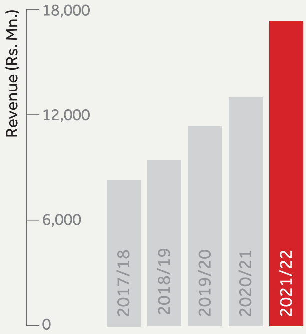
www.carbonfund.org

It is our stakeholders' trust in us that has coloured our 55-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.

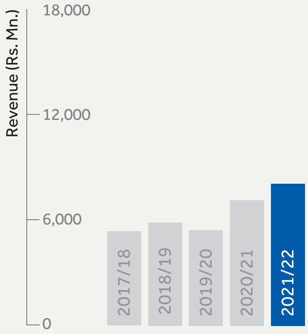
Healthcare



54.4%

We provide comprehensive solutions for pharmaceuticals and medical devices including the retail sector. We will also continue to focus on driving the progress of our local pharmaceutical manufacturing business and our distribution-as-a-service business.

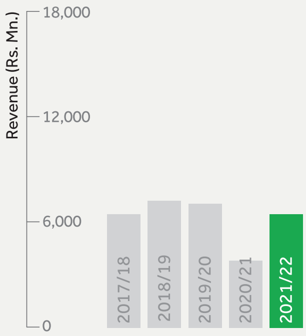
Consumer Goods



25.1%

Consisting of the largest branded tea company in the country, our tea brands are trusted names in the domestic and international markets. Furthermore our consumer sub segment is the market leader in the hard boiled candies category.

Agribusiness



20.1%

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

Investment Holdings and Other

0.4%

Consists of our investment holdings and support services.

Sunshine Holdings PLC
No. 60, Dharmapala Mawatha
Colombo 3, Sri Lanka
Phone: +94 11 470 2400

www.sunshineholdings.lk