

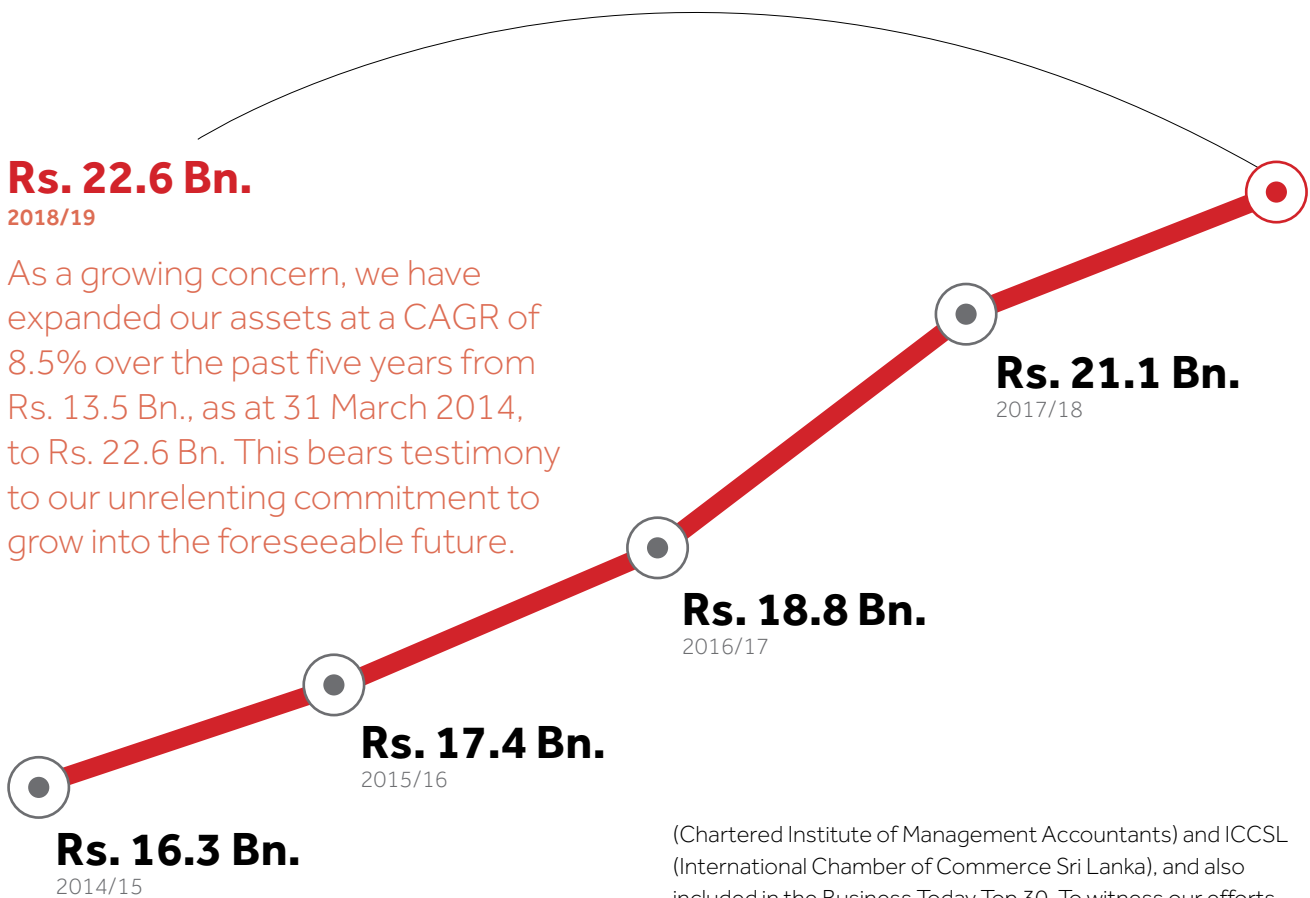
A storm in a teacup is manageable, but when each is followed by a succession of literal and figurative storms, growing an enterprise becomes ever more challenging.

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

Rs. 22.6 Bn.

2018/19

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



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

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

As an investment company with several subsidiaries under our wing, we continued to focus on market leadership with an eye to the future. As the Chairman has outlined in his message, Sunshine Holdings holds much promise and this is reflected in the recognition we received. We were selected as one of the top 10 most admired companies in 2018 by CIMA

(Chartered Institute of Management Accountants) and ICCSL (International Chamber of Commerce Sri Lanka), and also included in the Business Today Top 30. To witness our efforts validated in this manner is indeed deeply satisfying on the one hand while on the other it provides us with the impetus to continue breaking the mould and redefining what it means to be a market leader.

INNOVATING LEADERSHIP IN HEALTHCARE

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

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

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

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

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

AUTHORING RESPONSIBLE CHANGE IN AGRIBUSINESS

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

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

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

CONNECTING WITH THE NOT-SO-CONSUMMATE CONSUMER

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

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

POWERING AHEAD WITH PERSEVERANCE

Our renewable energy sector posted its best results in five years with revenue for the reporting year increasing by 43% over the previous year to Rs. 356 Mn., while net profit rose by 32% to Rs. 63 Mn. With the Government committed to an ambitious plan to have a 60% energy mix entirely from renewable energy sources by 2030, we are only too glad to be

contributing to this initiative through our three mini-hydropower plants and nascent solar roof project. Our renewable energy business leverages the synergy of the Group, using our land and captive rooftops to grow this sector. In the near future, we hope to be able to increase our contribution to the national grid to 15MW while also exploring other forms of renewable energy including wind and bio gas project.

REDEFINING MARKET LEADERSHIP

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

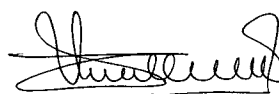
As we move towards a future that is always in motion, and not always predictable, we will continue to redefine what it means to be a leader. This type of focus on innovation, diversity, synergy and sustainability is what defines us. For instance, when we first purchased a plantation decades ago, we were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

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

A VOTE OF THANKS

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

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



V Govindasamy
Group Managing Director

30 May 2019