NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

(a) DOMICILE AND LEGAL FORM

Sunshine Holdings PLC (the Company) is a public limited liability Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The registered office and principal place of business of the Company is located at No. 60, Dharmapala Mawatha, Colombo 3.

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

The Group structure is given on page 106.

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

(b) CONSOLIDATED FINANCIAL STATEMENTS

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

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

2. BASIS OF ACCOUNTING

2.1 STATEMENT OF COMPLIANCE

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

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

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

The financial statements were authorised for issue by the directors on 30 May 2019.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Sri Lankan Rupees (LKR), which is the Group's functional currency, except for the foreign subsidiary whose functional currency is different as it operates in a different economic environment.

4. USE OF ESTIMATE AND JUDGEMENTS

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

(a) JUDGEMENTS

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

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

(b) ASSUMPTIONS AND ESTIMATION UNCERTAINTIES

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

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

5. BASIS OF MEASUREMENT

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

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

6. SIGNIFICANT ACCOUNTING POLICIES

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

6.1 BASIS OF CONSOLIDATION

BUSINESS COMBINATIONS

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

NON-CONTROLLING INTERESTS

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

LOSS OF CONTROL

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

TRANSACTIONS ELIMINATED ON CONSOLIDATION

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

6.2 FOREIGN CURRENCY

FOREIGN CURRENCY TRANSACTIONS

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

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

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

6.3 IMPAIRMENT OF ASSETS

6.3.1 FINANCIAL INSTRUMENTS AND CONTRACT ASSETS

(A) POLICY APPLICABLE FROM 1 APRIL 2018

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

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

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

MEASUREMENT OF ECLS

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

(B) POLICY APPLICABLE PRIOR TO 1 APRIL 2018

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

FINANCIAL ASSETS MEASURED AT AMORTISED COST

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

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

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

AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

6.3.2 NON-FINANCIAL ASSETS

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

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

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

6.4 PROVISIONS

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

6.5 LEASES

DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE

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

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

LEASED ASSETS

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

LEASE PAYMENTS

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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

SLFRS 16 LEASES

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

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

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

LEASES IN WHICH THE GROUP IS A LESSEE

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

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

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

LEASES IN WHICH THE GROUP IS A LESSOR

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

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

7. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

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

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

7.1 SLFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

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

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

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

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

7.2 SLFRS 9 FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

IMPAIRMENT OF FINANCIAL ASSETS

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

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

8. OPERATING SEGMENTS

8.1 BASIS OF SEGMENTATION

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

The following summary describes the operations of each reportable segment:

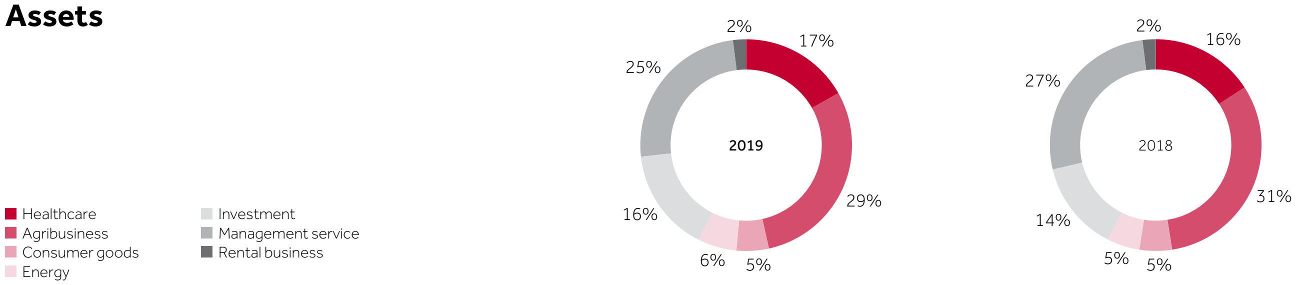
Reportable segment	Operations
Healthcare	Wholesale and retail trading for pharmaceutical products island wide
Agribusiness	Plantations and dairy farming
Consumer goods	Import and sale of tea products
Energy	Generation of Hydro power energy
Investment	Management of investment portfolio
Management service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

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

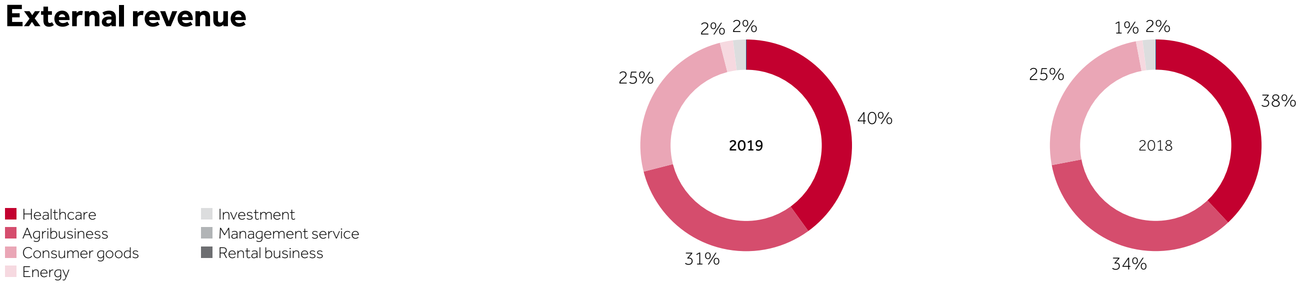
Inter-segment pricing for any transactions between segments is determined on an arm's length basis.

8.2 INFORMATION ABOUT REPORTABLE SEGMENTS

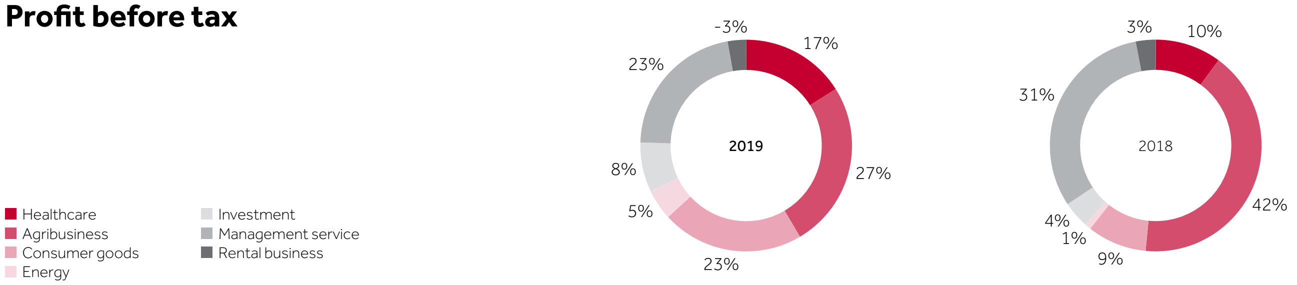
Assets



External revenue



Profit before tax



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

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

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

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

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

8.3 RECONCILIATIONS OF INFORMATION ON REPORTABLE SEGMENTS TO IFRS MEASURES

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

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

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

9. REVENUE

Accounting policy

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

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

A. REVENUE STREAMS

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

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

B. DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

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

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

C. CONTRACT BALANCES

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

D. PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION POLICIES

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

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

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

10. OTHER INCOME

Accounting policy

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

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

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

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

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

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

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

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

11. OPERATING PROFIT

Accounting policy

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

Expenses

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

Borrowing costs

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

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

11.1 STAFF COSTS

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

12. NET FINANCE COST

Accounting policy

The Group's finance income and finance costs include:

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

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

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

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

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

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

13. INCOME TAX EXPENSE

Accounting policy

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

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

Current tax

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

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

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Refer Note 27 for detail accounting policy.

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

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

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

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

Withholding tax on dividends

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

13.I AMOUNT RECOGNISED IN PROFIT OR LOSS

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

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

13.I.A CURRENT TAXES

Company

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

Group

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

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

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

WALTRIM HYDROPOWER (PRIVATE) LIMITED

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

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

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

Pursuant to the agreement entered into with the Board of Investments (BOI) of Sri Lanka, profit of the Upper Waltrim Hydropower (Private) Limited and Elgin Hydropower (Private) Ltd., shall qualify for tax exemption period of seven years as stipulated in the Inland Revenue Act No. 10 of 2006 as amended by Inland Revenue (Amendment) Act No. 8 of 2012 (Section 17A) based on proposed investment of more than Sri Lankan Rupees Five Hundred Million (Rs. 500 Mn.) in fixed assets in the Project.

For the above purpose, the “year of assessment” shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two years reckoned from the date of commencement of commercial operations whichever is earlier as such.

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

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

WALTRIM ENERGY LIMITED

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

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

WATAWALA TEA CEYLON LIMITED

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

WATAWALA DAIRY LIMITED

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

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

13.II AMOUNT RECOGNISED IN OCI

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

13.III AMOUNTS RECOGNISED DIRECTLY IN EQUITY

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

13.IV RECONCILIATION OF EFFECTIVE TAX RATE

Group

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

Company

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

13.V TAX LOSSES CARRIED FORWARD

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

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

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

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

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

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

Reconciliation of adjusted EBITDA to profit from continuing operations – Group

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

15. DISCONTINUED OPERATIONS

Accounting policy

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

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

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

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

15.1 RESULTS OF DISCONTINUED OPERATION

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

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

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

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

16. EARNINGS PER SHARE

Accounting policy

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

16.1 BASIC EARNINGS PER SHARE

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

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

16.1.2 WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES

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

16.2 DILUTED EARNINGS PER SHARE

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

17. DIVIDEND PER SHARE

Accounting policy

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

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

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

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

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

17.1 DIVIDEND PAID DURING THE YEAR

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

18. FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS

A. POLICY APPLICABLE FROM 1 APRIL 2018

RECOGNITION AND INITIAL MEASUREMENT

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

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

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

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

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

FINANCIAL ASSETS – BUSINESS MODEL ASSESSMENT

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

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

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

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

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

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

FINANCIAL ASSETS – SUBSEQUENT MEASUREMENT AND GAINS AND LOSSES

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

FINANCIAL ASSET CLASSIFICATION CHANGE

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

B. POLICY APPLICABLE BEFORE 1 APRIL 2018

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

DATE OF RECOGNITION

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

INITIAL MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

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

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

The Group classified its financial assets into the following categories:

LOANS AND RECEIVABLES;

The subsequent measurement of financial assets depends on their classification.

FINANCIAL ASSETS CLASSIFIED AS LOANS AND RECEIVABLES

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

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL LIABILITIES

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

The subsequent measurement of financial liabilities depends on their classification.

RECLASSIFICATION OF FINANCIAL INSTRUMENTS

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

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

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

NON-DERIVATIVE FINANCIAL LIABILITIES

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

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

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

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

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

DERECOGNITION

A. FINANCIAL ASSETS

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

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

B. FINANCIAL LIABILITIES

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

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

OFFSETTING

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

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

19. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Recognition and measurement

Property, plant and equipment are recorded at cost less accumulated depreciation and accumulated impairment losses if any –

The cost of property, plant and equipment is the cost of purchase or construction together with any expenses incurred in bringing the asset to its working condition for its intended use.

Expenditure incurred for the purpose of acquiring, extending or improving assets of a permanent nature by means of which to carry on the business or to increase the earning capacity of the business has been treated as capital expenditure. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items or major components of property, plant and equipment.

The assets' residual values, useful lives and methods of depreciation are reviewed at each financial year end and adjusted prospectively, if appropriate.

Restoration costs

Repairs and maintenance are charged to the Statement of Profit or Loss during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

Capital work-in-progress

Capital work-in-progress is stated at cost and not depreciated. Depreciation on capital work-in-progress commences when the assets are ready for the intended use. These are expenses of a capital nature directly incurred in the construction of buildings, major plants/machineries and system developments awaiting capitalisation. Capital work-in-progress is stated at cost less any accumulated impairment loss.

Accounting policy

Leasehold assets

The determination of whether an arrangement is, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases that transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the commencement of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the Statement of Profit or Loss.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

The cost of improvements on leased hold property is capitalised and depreciated over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is lower.

Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss on a straight-line basis over the lease term.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably.

Derecognition

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

Depreciation

Depreciation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Expected useful life of lease assets are determined by reference to comparable owned assets or over the term of lease, which is shorter. As no finite useful can be determined related carrying value of freehold land is not depreciated though it is subject to impairment testing.

Depreciation of an asset begins when it is available for use and ceases at the earlier of the dates on which the asset is classified as held for sale or is derecognised.

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

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

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

Depreciation methods, useful life and residual values are re-assessed at the reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The carrying amount to Groups non-financial assets are reviewed at each reporting date to determine if there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, the recoverable amount is estimated at each reporting date or more frequently, if events or changes in circumstances indicate that they might be impaired.

CALCULATION OF RECOVERABLE AMOUNT

The recoverable amount of an asset or cash-generating unit is the great of its value in use and its fair value less costs to sell. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and other risk specific to the asset. A cash generating unit is the smallest identifiable assets group that generates cash flows that are largely independent from other assets and groups.

PROVISION FOR/REVERSAL OF IMPAIRMENT

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

19.1 RECONCILIATION OF CARRYING AMOUNT

A. GROUP

COST

	Balance as at 1 April 2017 Rs.	Additions Rs.	Disposals Rs.	Transfers Rs.	Balance as at 31 March 2018 Rs.
Freehold assets					
Land	311,972,691	–	–	(119,731,875)	192,240,816
Buildings	1,174,253,091	371,892,812	–	235,166,652	1,781,312,555
Plant and machinery	1,866,325,178	217,254,453	(49,076,371)	(125,064,674)	1,909,438,586
Power plant	1,252,476,859	1,141,912	–	–	1,253,618,771
Tools	19,347,000	–	–	(19,347,000)	–
Machinery oil project	2,399,658	–	–	(2,399,658)	–
Factory equipment	10,932,848	–	(711,888)	(10,220,960)	–
Furniture and fittings	177,255,909	20,782,977	(38,189)	1,248,678	199,249,375
Equipment	241,855,283	27,959,353	(2,770,659)	5,029,427	272,073,404
Water tank	158,435	–	–	(158,435)	–
Computer equipment	98,790,209	12,741,132	–	(2,729,914)	108,801,427
Motor vehicles	850,274,350	73,480,000	(36,210,151)	(152,750)	887,391,449
Electrical equipment	28,681,322	5,350,227	–	–	34,031,549
Medical equipment	191,527,498	63,240,843	–	–	254,768,341
Other	184,123,100	132,160,000	–	31,366,000	347,649,100
Capital work-in-progress	665,550,916	514,065,572	–	(373,271,580)	806,344,908
	7,075,924,347	1,440,069,281	(88,807,258)	(380,266,089)	8,046,920,281
Leasehold assets					
Roads and bridges	484,000	–	–	–	484,000
Improvements to land	3,340,000	–	–	–	3,340,000
Vested other assets	3,305,000	–	–	–	3,305,000
Buildings	93,279,000	–	–	–	93,279,000
Water supply system	3,838,000	–	–	–	3,838,000
Machinery	32,506,000	–	–	–	32,506,000
Mini-hydropower plant	1,540,000	–	–	–	1,540,000
Motor vehicles	34,787,340	–	–	–	34,787,340
Mature plantations	257,202,000	–	–	–	257,202,000
	430,281,340	–	–	–	430,281,340
Total cost	7,506,205,687	1,440,069,281	(88,807,258)	(380,266,089)	8,477,201,621

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

ACCUMULATED DEPRECIATION

	Balance as at 1 April 2017 Rs.	Depreciation Rs.	Disposals Rs.	Transfers Rs.	Balance as at 31 March 2018 Rs.
Freehold assets					
Buildings	248,604,180	45,434,496	–	(17,687,102)	276,351,574
Plant and machinery	936,189,451	124,722,997	(28,322,711)	(70,758,579)	961,831,158
Power plant	153,177,312	62,676,179	–	–	215,853,491
Tools	18,188,620	512,718	–	(18,701,338)	–
Machinery oil project	1,349,356	92,295	–	(1,441,651)	–
Factory equipment	5,858,093	527,763	(98,076)	(6,287,780)	–
Furniture and fittings	107,156,280	17,265,715	(10,873)	(3,732,677)	120,678,445
Equipment	164,441,647	14,446,943	(2,312,407)	(1,089,229)	175,486,954
Water tank	142,990	906	–	(143,896)	–
Computer equipment	72,568,200	19,085,250	–	(2,207,129)	89,446,321
Motor vehicles	466,238,673	106,778,134	(26,939,279)	(1,188,734)	544,888,794
Electrical equipment	30,739,435	4,928,747	–	–	35,668,182
Medical equipment	135,500,901	30,027,951	–	–	165,528,852
Other	52,537,264	4,259,000	–	–	56,796,264
	2,392,692,402	430,759,094	(57,683,346)	(123,238,115)	2,642,530,035
Leasehold assets					
Roads and bridges	289,000	14,000	–	–	303,000
Improvements to land	2,750,000	110,000	–	–	2,860,000
Vested other assets	1,108,000	44,000	–	–	1,152,000
Buildings	92,460,000	1,058,000	–	–	93,518,000
Water supply system	3,838,000	–	–	–	3,838,000
Machinery	32,506,000	–	–	–	32,506,000
Mini-hydropower plant	1,540,000	–	–	–	1,540,000
Motor vehicles	9,513,513	8,697,489	–	–	18,211,002
Mature plantations	182,655,000	13,739,000	–	–	196,394,000
	326,659,513	23,662,489	–	–	350,322,002
Total accumulated depreciation	2,719,351,915	454,421,583	(57,683,346)	(123,238,115)	2,992,852,037
Carrying value	4,786,853,772				5,484,349,584

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

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

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

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

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

B. COMPANY

COST

	Balance as at 1 April 2017 Rs.	Additions Rs.	Disposals Rs.	Balance as at 31 March 2018 Rs.
Freehold assets				
Furniture and fittings	2,780,980	6,000	–	2,786,980
Equipment	1,115,269	979,793	(521,109)	1,573,953
Computer equipment	4,515,245	875,591	–	5,390,836
Motor vehicles	3,500,000	–	(3,500,000)	–
	11,911,494	1,861,384	(4,021,109)	9,751,769

ACCUMULATED DEPRECIATION

	Balance as at 1 April 2017 Rs.	Depreciation Rs.	Disposals Rs.	Balance as at 31 March 2018 Rs.
Freehold assets				
Furniture and fittings	1,373,427	555,584	–	1,929,011
Equipment	560,781	346,993	(178,103)	729,671
Computer equipment	2,792,956	1,009,444	–	3,802,400
Motor vehicles	1,283,015	627,123	(1,910,138)	–
	6,010,179	2,539,144	(2,088,241)	6,461,082
Carrying value	5,901,315			3,290,687

19.2 TITLE RESTRICTION ON PROPERTY, PLANT AND EQUIPMENT

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

19.3 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT DURING THE YEAR

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

19.4 CAPITALISATION OF BORROWING COSTS

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

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

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

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

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

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

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

19.7 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

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

19.8 PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY

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

19.9 TEMPORARILY IDLE PROPERTY, PLANT AND EQUIPMENT

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

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

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

20. INTANGIBLE ASSETS

Accounting policy

Recognition and measurement

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Statement of Profit or Loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Statement of Profit or Loss when the asset is de-recognised.

Goodwill

Goodwill arising on an acquisition represents the excess of the cost of the acquisition over the Group's interest in the net fair value of identifiable assets and liabilities of acquired entity.

Goodwill arising from business combinations is included in intangible assets whereas goodwill on acquisition of associate is included in investment in associates and is tested for impairment as part of the overall balance.

The excess of the purchase price over the carrying amount of non-controlling interest, when the Group increases its interest in an existing subsidiary, is recognised in equity.

Goodwill is tested annually for impairment, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups that are expected to benefit from the business combination which the goodwill arose.

Research and development costs

The costs on research activities undertaken with the prospect of gaining new scientific or technical knowledge is expensed as incurred. Development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate:

a. the technical feasibility of completing the intangible asset so that it will be available for use or sale.
b. its intention to complete the intangible asset and use or sell it.
c. its ability to use or sell the intangible asset.
d. how the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
e. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
f. its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Accounting policy

Brand name

Brands acquired as part of a business combination, are capitalised as part of a brand name if the Brand meets the definition of an intangible asset and the recognition criteria are satisfied. Brand names are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Computer software

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

Development costs that are directly attributable to the production of identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year are recognised as intangible assets and amortised over the useful lives.

Directly attributable costs, capitalised as part of the software product include the software development employee cost and an appropriate portion of relevant overheads. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. When the computer software is an integral part of the related hardware which cannot operate without the specific software is treated as property, plant and equipment.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in Statement of Profit or Loss as incurred.

Project development cost

The cost incurred to commence the electricity generation on hydropower plants of Elgin Hydropower (Private) Limited and Upper Waltrim Hydropower (Private) Limited, subsidiaries of the Company, have been capitalised as project development cost.

Amortisation

Amortisation is recognised in Statement of Profit or Loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and brand name, from the date on which they are available for use. The estimated useful lives are as follows;

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

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

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

20.1 RECONCILIATION OF CARRYING AMOUNT

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

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

20.1.1 BRAND ACQUISITION

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

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

21. LEASEHOLD LAND

LEASEHOLD RIGHT TO LAND OF JEDB/SLSPC ESTATES

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

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

The leasehold rights to land is recorded in accordance with the Statement of Recommended Practice for the Right-to-Use of land on lease with corresponding liability is shown as a lease payable to JEDB/SLSPC.

22. BIOLOGICAL ASSETS

Accounting policy

Biological assets shall be qualified for recognition if the Group controls the assets as a result of past event. It is probable that future economic benefits associated with the assets will flow to the Group and fair value or cost of the asset can be measured reliably.

Livestock

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

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

Mature and immature plantations

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

Since the market determined prices or values are not available and for which alternative estimates of fair value are determined to be clearly unreliable, the Group measures immature and mature plantations of bearer biological assets such as tea, rubber, oil palm etc. at its cost less any accumulated depreciation and any accumulated impairment losses on initial recognition in line with the ruling given by The Institute of Chartered Accountants of Sri Lanka to measure bearer biological assets under LKAS 16 on "Property, Plant and Equipment".

Nurseries are carried at cost as the fair value cannot be easily determined. The costs consist of direct materials, direct labour and appropriate proportion of other directly attributable overheads. Once the fair value of such a biological asset becomes reliably measurable, the Group measures it at its fair value less cost to sell.

All expenses incurred in land preparation, planting, and development of crops up to maturity or up to the harvesting of the crop are capitalised as biological assets. All expenses subsequent to maturity are recognised directly in Statement of Profit or Loss. General charges incurred on the replantation and new plantations are apportioned based on the labour days spent on respective replanting and new planting and capitalised on immature areas. The remaining portion of the general charges is expensed in the accounting period in which it is incurred.

Where infilling results in an increase in the economic life of a relevant field beyond its previously assessed standard of performance, the costs are capitalised and depreciated over the remaining useful life at rates applicable to mature plantations. Infilling costs that are not capitalised are charged to the Statement of Profit or Loss in the year in which they are incurred.

The cost of areas coming into bearing are transferred to mature plantations and depreciated over their useful lives as follows:

	Freehold Years	Leasehold Years
Tea	33	30
Rubber	20	20
Palm Oil	20	20
Caliandra	10	–
Coconut	33	–

Timber plantation

Timber plantation is measured at fair value on initial recognition and at the end of each reporting period at fair value less cost to sell which includes all the cost that would be necessary to sell the assets including transportation costs.

Gain or loss arising on initial recognition of timber plantations at fair value less costs to sell and from the change in fair values less costs of plantations at each reporting date are included in the Statement of Profit or Loss for the period in which they arise.
All costs incurred in maintaining the assets are included in Statement of Profit or Loss in the year in which they are incurred.

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

22.1 BIOLOGICAL ASSETS – BEARER

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

Investments in biological assets – plantations since the formation of the Company have been classified as shown above and includes bearer biological assets comprising mainly tea and palm plantations. Bearer biological assets together with any unmanaged biological assets are stated at cost.

The requirement of recognition of bearer biological assets at its fair value less cost to sell under LKAS 41 was superseded by the ruling issued on 2 March 2012, by the Institute of Chartered Accountants of Sri Lanka. Accordingly, Watawala Plantations PLC, a subsidiary of the Company has elected to measure the bearer biological assets at cost using LKAS 16 – "Property, Plant and Equipment".

22.2 BIOLOGICAL ASSETS – CONSUMABLES

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

The mature consumer biological assets are stated at fair value determined based on an independent valuation of timber/tree reserves performed by Messrs S Sivakantha, Bsc Estate Management and Valuation. The key assumptions and judgements include the following:

- Expected rate of return p.a. 14.5% [2017 – 13.5%]
- Maturity for harvesting – 25 years [2016 – 25 years]
- No. of trees valued – 28,798

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

SENSITIVITY ANALYSIS

The financial impact on the value appearing in the Statement of Financial Position due to change of selling price and variation of discount rate is given below:

SENSITIVITY VARIATION SALES PRICE (USING 10% ESTIMATED VARIATION)

Simulations made for the timber show that a rise or decrease by 10% of the estimated future selling price has the following effect on the net present value of biological assets:

	2019 Rs.	2018 Rs.
Value stand as now	662,620,000	57,4415,000
Value stand as at 10% positive variance	906,710,576	60,3468,871
Value stand as at 10% negative variance	418,530,296	545,361,076

SENSITIVITY VARIATION DISCOUNT RATE (USING 1.0% VARIATION)

Simulations made for the timber trees show that a rise or decrease by 1.0% of the discount rate has the following effect on the net present value of biological assets:

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

22.3 BIOLOGICAL ASSETS – LIVESTOCK

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

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

The amendment became effective for the period beginning on or after 1 January 2016. The growing crops on bearer plants should be fairvalued and recognised in the financial statements.

The volume of produce growing on bearer plants are measured considering the estimated crop of the last harvesting cycle of the year as follows:

Tea-Three days crop (50% of 6 days cycle), Oil palm-five days crop(50% of 10 days cycle) and Rubber-One day's crop
Produce that grows on mature bearer plantations are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the bought leaf formula recommended by the Sri Lanka Tea Board and the value of unharvested fresh fruit bunches(FFB) of oil palm is measured using the actual price used to purchase FFB from outgrowers. The rubber crop is fair valued using RSS prices.

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

MEASUREMENT OF FAIR VALUES

A. FAIR VALUE HIERARCHY

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

B. LEVEL 3 FAIR VALUES

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

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

C. VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

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

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

RISK MANAGEMENT STRATEGY RELATED TO AGRICULTURAL ACTIVITIES

REGULATORY AND ENVIRONMENTAL RISKS

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

SUPPLY AND DEMAND RISK

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

CLIMATE AND OTHER RISKS

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

23. INVESTMENT PROPERTY

Accounting policy

Recognition and measurement

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

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

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

23.1 RECONCILIATION OF CARRYING AMOUNT

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

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

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

23.1.2 DETAILS OF LAND AND BUILDING UNDER INVESTMENT PROPERTY

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

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

23.2 MEASUREMENT OF FAIR VALUES

FAIR VALUE HIERARCHY

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

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

VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

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

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

Significant assumptions used by the valuer:

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

23.3 INCOME FROM INVESTMENT PROPERTY SITUATED AT RATMALANA

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

24. INVESTMENT IN SUBSIDIARIES

Accounting policy

Recognition and measurement

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

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

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

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

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

24.3 GROUP'S INDIRECT HOLDINGS

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

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

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

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

25. EQUITY ACCOUNTED IN INVESTEE

Accounting policy

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

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

Transactions eliminated on consolidation
Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

25.1 ASSOCIATE – COMPANY

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

25.2 ASSOCIATE – GROUP

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

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

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

VALUE OF THE EQUITY ACCOUNTED ASSOCIATE

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

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

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

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

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

25.2.A PROFIT FROM CONTINUING OPERATIONS

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

26. OTHER INVESTMENTS, INCLUDING DERIVATIVES

See accounting policies in Note 18.

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

The Group's financial instruments are summarised as follows:

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

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

26.1 FAIR VALUE THROUGH PROFIT OR LOSS – FVTPL

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

26.1.1 INVESTMENT IN QUOTED SHARES

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

26.1.2 INVESTMENT IN UNIT TRUSTS

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

26.1.3 INVESTMENT FUND

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

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

The carrying value of the investment fund represents the following:

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

26.2 FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – FVOCI

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

26.2.1 INVESTMENT IN UNQUOTED SHARES

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

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

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

EQUITY SECURITIES DESIGNATED AS AT FVOCI*

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

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

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

26.3 DERIVATIVE INSTRUMENTS

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

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

27. DEFERRED TAXATION

Accounting policy

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

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

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

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

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

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

27.1 COMPOSITION OF NET DEFERRED TAX ASSET/(LIABILITY)

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

27.2 DEFERRED TAX ASSET (GROSS)

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

27.3 DEFERRED TAX LIABILITY (GROSS)

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

27.4 RECONCILIATION OF DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS

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

UNRECOGNISED DEFERRED TAX ASSETS ON TAX LOSSES:

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

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

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

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

DEFERRED TAX LIABILITY ARISING FROM REVALUATION GAIN

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

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

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

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

28. INVENTORIES

Accounting policy

Recognition and measurement

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

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

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

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

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

28.1 PROVISION FOR IMPAIRMENT OF INVENTORIES

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

29. CURRENT TAX ASSETS/LIABILITIES

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

30. TRADE AND OTHER RECEIVABLES

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

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

30.1 PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

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

30.2 PROVISION FOR IMPAIRMENT OF OTHER RECEIVABLES

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

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

B. CREDIT AND MARKET RISKS, AND IMPAIRMENT LOSSES

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

31. AMOUNTS DUE FROM RELATED PARTIES

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

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

CREDIT AND MARKET RISKS, AND IMPAIRMENT LOSSES

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

32. CASH AND CASH EQUIVALENTS

Accounting policy

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

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

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

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

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

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

32.1 BANK OVERDRAFTS

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

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

33. ASSETS HELD FOR SALE

Accounting policy

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

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

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

33.1 RECONCILIATION OF CARRYING AMOUNT

The Board of Directors of Sunshine Packaging Lanka Limited, fully-owned subsidiary of Sunshine Holdings PLC, decided to discontinue the manufacturing operations with effect from 31 August 2017, and to classify its plant and machineries as a non-current assets held for sale.

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

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

33.2 ASSETS AND LIABILITIES OF DISPOSAL GROUP HELD FOR SALE

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

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

33.3 CUMULATIVE INCOME OR EXPENSES INCLUDED IN OCI

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

34. CAPITAL AND RESERVES

Accounting policy

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

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

34.1 STATED CAPITAL

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per individual present at meetings of the shareholders or one vote per share in the case of a poll.

ISSUE OF ORDINARY SHARES

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

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

34.2 NATURE AND PURPOSE OF RESERVES

RESERVE ON EXCHANGE GAIN OR LOSS

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

FAIR VALUE RESERVE

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

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

GENERAL RESERVE

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

34.3 NON-CONTROLLING INTERESTS

See accounting policies in Note 6.

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

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

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

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

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

35. LOANS AND BORROWINGS

Accounting policy

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

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets which are assets that necessary take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

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

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

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

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

35.1 LOANS

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

35.2 FINANCE LEASE OBLIGATIONS

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

35.3 SLSPC/JEDB LEASE CREDITORS

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

The annual lease series of payments payable by Watawala Plantations PLC, a subsidiary of the Company, with effect from 18 June 1996 in respect of these estates is Rs. 20.32 Mn. (basic lease series of payments) plus an amount to reflect inflation during the previous year determined by multiplying Rs. 20.32 Mn. by gross domestic product (GDP) deflator of the preceding year. However, as per the agreement entered into with the Ministry of Plantations the application of GDP deflator has been suspended for five years commencing from 18 June 2003, resulting in a fixed lease payment of Rs. 29,041,405.00. Since this agreement lapsed on 31 March 2008, the subsidiary continued to adopt the same terms and conditions until such time the fresh terms and conditions are negotiated and agreed. The gross liability to the lesser represents the total basic lease series payable by the Company for the remaining term of the lease. The net liability to the lesser is the present value of annual basic lease series of payments over the remaining tenure of the lease. The discount rate used is 6% p.a.

The interest in suspense is the total amount of interest payable during the remaining tenure of the lease at 6% p.a. on the net liability to the lesser on 18 June each year. The basic lease series of payments paid each year (in equal quarterly instalments in advance) has been debited to the gross liability and the appropriate interest amount for the year is charged to finance costs by crediting the interest in suspense account.

35.4 TERM LOANS

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

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

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

2018					
Repayable within one year Rs.	Repayable after one year Rs.	Balance as at 31 March 2018 Rs.	Purpose	Repayment terms	Security
5,184,689	–	5,184,689		60 equated monthly instalments Rs. 1,115,000	Primary Mortgage Bond Rs. 50,000,000
–	–	–	Working capital financing	Loans to be settled with sale proceeds	Registered concurrent Mortgage bond for Rs. 150 Mn. over stocks and receivables
30,146,066	–	30,146,066	Working capital financing		General terms and conditions relating to Import Demand Loans for Rs. 50,000,000 dated 28/4/2017 signed by the company.
–	–	–	Working capital financing	Within 150 days	Short-Term Loan agreement/ Concurrent Mortgage over stocks and trade and book debts for Rs. 400 Mn.
35,330,755	–	35,330,755			
256,670,000	1,143,330,000	1,400,000,000		8 equal monthly instalments commencing from March 2016	Registered primary mortgage bond over moveable assets lying at No. 139/A, Dharmapala Mawatha, Colombo 7; No. 229, Kirula Road, Colombo 5 and No. 415, Galle Road, Colombo 3
256,670,000	1,143,330,000	1,400,000,000			

Company/Lender	Year	Interest rate % p.a.	2019 Repayable within one year Rs.	2019 Repayable after one year Rs.	2019 Balance as at 31 March 2019 Rs.
Sunshine Packaging Lanka Limited					
Hatton National Bank PLC	2017	AWPLR +1%	–	–	–
			–	–	–
Waltrim Hydropower (Pvt) Ltd.					
Hatton National Bank PLC	2011	AWPLR + 0.5% (3 month avg.)	37,975,627	–	37,975,627
			37,975,627	–	37,975,627
Estate Management Services (Pvt) Ltd.					
Commercial Bank of Ceylon PLC	2018	AWPLR + 0.75%	–	–	–
ICICI Bank	2013	SLIBOR + 3.25%	–	–	–
			–	–	–
Upper Waltrim Hydropower (Private) Limited					
DFCC Bank PLC		AWPLR + 0.5%	70,000,008	209,999,976	279,999,984
			70,000,008	209,999,976	279,999,984
Elgin Hydropower (Pvt) Limited					
DFCC Bank PLC	2016	8%	26,000,000	361,000,000	387,000,000
			26,000,000	361,000,000	387,000,000
Sky Solar (Pvt) Ltd.					
Hatton National Bank PLC	2019	AWPLR + 1.65%	5,004,000	14,996,000	20,000,000
			5,004,000	14,996,000	20,000,000

	2018					
	Repayable within one year Rs.	Repayable after one year Rs.	Balance as at 31 March 2018 Rs.	Purpose	Repayment terms	Security
	33,119,800	–	33,119,800	Purchase of machinery and working capital		Registered primary floating mortgage bond for Rs. 111.25 Mn. over immovable property at No. 75, Kandawala Road, Ratmalana
	33,119,800	–	33,119,800			
	51,000,000	59,018,338	110,018,338		08 years inclusive of an initial grace period of 24 months from the date of first disbursement.	Primary on current mortgage bond for Rs. 290 Mn. over the sub-lease right over the project property and structure to be constructed/machinery to be installed therein
	51,000,000	59,018,338	110,018,338			
	190,000,000	–	190,000,000		Re-payable in six months	Unsecured
	23,500,000	–	23,500,000	To Purchase shares of Watawala Plantations PLC	10 semi-annual instalments	Unsecured
	213,500,000	–	213,500,000			
	70,000,000	279,999,992	349,999,992		08 years inclusive of an initial grace period of 24 months from the date of first disbursement.	Corporate Guarantee of the Sunshine Holdings PLC
	70,000,000	279,999,992	349,999,992			
	–	308,893,954	308,893,954			
	–	308,893,954	308,893,954			
	–	–	–			
	–	–	–			

36. EMPLOYEE BENEFITS

Accounting policy

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Employees' Provident Fund and Employees' Trust Fund is a post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts.

All the employees who are eligible for Employees' Provident Fund and Employees' Trust Fund are covered by relevant contribution funds in line with the respective statutes. Employer's contribution to the defined contribution plans are recognised as an expense in the Statement of Comprehensive Income when incurred.

The Group contributes 12% and 3% of gross emoluments to employees as Provident Fund and Trust Fund contribution respectively. All employees of the Group are members of the Employees' Provident Fund, Estate Staff Provident Society or Ceylon Planters' Provident Fund.

Defined benefit plans

The liability recognised in the Statement of Financial Position in respect of defined benefit plan is the present value of the defined benefit obligation at the reporting date. Benefits falling due more than 12 months after the reporting date are discounted to present value. The defined benefit obligation is calculated annually by Independent Actuaries using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee Benefits".

- Actuarial gains and losses in the period in which they occur have been recognised in the Statement of Other Comprehensive Income.
- The Gratuity liability is not externally funded.

Gratuity liability is computed from the first year of service for all employees in conformity with Sri Lanka Accounting Standards 19 – "Employee Benefit".

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

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

Actuarial gains and losses

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

Short-term benefits

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

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Employees' Provident Fund				
Employers' contribution	318,126,629	256,083,227	20,072,533	19,093,459
Employees' contribution	212,084,419	170,722,151	13,381,689	12,728,973
Employees' Trust Fund	74,896,548	64,020,807	4,516,305	4,289,942

As at 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Present value of defined benefit obligations (Note 36.1)	1,499,417,003	1,062,640,865	87,068,694	78,399,096

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

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Liability for defined benefit obligation at 1 April	1,062,640,865	1,085,479,743	78,399,096	51,881,378
Staff transfers	3,051,198	(224,021)	–	14,944,783
	1,065,692,063	1,085,255,722	78,399,096	66,826,161
Included in profit or loss				
Current service cost	127,084,280	87,539,990	5,947,203	5,283,488
Interest cost	167,903,008	73,291,138	8,462,105	7,349,839
	294,987,288	160,831,128	14,409,308	12,633,327
Included in OCI				
Actuarial (gains)/losses on PVDBO	291,058,626	(37,314,385)	2,351,050	(889,542)
	291,058,626	(37,314,385)	2,351,050	(889,542)
Benefits paid	(152,320,973)	(146,131,600)	(8,090,760)	(170,850)
Liability for defined benefit obligation at 31 March	1,499,417,004	1,062,640,865	87,068,694	78,399,096

ACTUARIAL ASSUMPTIONS

The following were the principal actuarial assumptions at the reporting date (expressed as weighted averages):

	Interest rate		Salary increment rate		Staff turnover rate	
	2019 %	2018 %	**2019 %**	2018 %	**2019 %**	2018 %
Sunshine Holding PLC – Company	12	11	11	7	16	15
Watawala Plantation PLC	10.0	11.5				
– estate workers (every 3 years)			25	19		
– estate staff (every 3 years)			25	20		
– estate management and head office staff (every year)			7.5	7.5		
Hatton Plantations PLC	12	11.5				
– estate workers (every 2 years)			25	20		
– estate staff (every year)			25	7.5		
– estate management and head office staff (every year)			7.5	7.5		
Watawala Tea Ceylon Limited	11.5	11	16.5	12	18	18
Sunshine Packaging Lanka Limited	–	0	–	0	–	–
Waltrim Hydropower (Pvt) Ltd.	11	11	10	10	20	6.7
Upper Waltrim Hydropower (Pvt) Ltd.	11	10	9	10	13	13.3
Sunshine Healthcare Lanka Limited	11	10	10	8	20	26
Healthguard Pharmacy Ltd.	11	10	9	11	26	26

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

SENSITIVITY ANALYSIS

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below:

As at 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
1% increase in discount rate	1,477,185,890	1,033,411,695	85,571,151	77,252,683
1% decrease in discount rate	1,526,151,647	1,072,546,847	88,655,573	79,618,640
1% increase in salary increment rate	1,517,315,035	1,065,322,253	88,655,573	79,653,612
1% decrease in salary increment rate	1,484,479,374	1,039,012,046	85,544,713	77,200,327

Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumptions shown.

37. DEFERRED INCOME AND CAPITAL GRANTS

Accounting policy

Government grants

The Government grants relating to the purchase of property, plant and equipment and biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses, are recognised initially as deferred income at fair value when there is a reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant and are then recognised in Statement of Profit or Loss as other income on a straight line basis over the expected lives of the related assets.

The grants that compensate the Group expenses or losses already incurred are recognised in Statement of Profit or Loss as other income of the period in which it becomes receivable and when the expenses are recognised.

	GROUP	
	2019 Rs.	2018 Rs.
Balance as at 1 April	377,516,000	193,528,000
Received during the year	–	240,984,000
Amortised during the year	(56,823,000)	(56,996,000)
Balance as at 31 March	320,693,000	377,516,000

Funds have been received by Watawala Plantations PLC, a subsidiary of the Company, from the Plantation Human Development Trust (PHDT) and Ministry of Estate Infrastructure for Workers' Welfare facilities including re-roofing of line rooms, latrines, water supply, sanitation, etc. The Grants received from the Ministry of Estate Infrastructure for construction of creches, farm roads and community centres, are also included above. The amounts spent have been included under the relevant classification of tangible fixed assets and the grant received is shown above. The Capital Grants are amortised on a straight line basis over the useful life of the respective asset.

Further, funds have been received by Watawala Dairy Limited, a subsidiary of the Company from the Ministry of Rural Development Affairs for Development of Dairy Industry amounting to Rs. 241 Mn.

38. TRADE AND OTHER PAYABLES

Accounting policy

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

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Profit or Loss net of any reimbursement.

Provisions are not recognised for future operating losses. The amount recognised as a provision shall be the best estimate of the expenditure required to settle the present obligation and the provision is reviewed at end of each reporting period and adjusted to reflect the current best estimate.

Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of possible outcomes against their associated probabilities.

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Trade payables	2,258,060,140	2,208,187,972	–	–
Sales representatives security deposits	14,398,933	13,145,583	–	–
Retention payable to contractors	21,190,333	–	–	–
NBT payable	9896,560	3,068,716	9,896,560	3,068,716
Advance for customers	6,502,606	359,992	–	–
Accrued expenses and other payables	932,465,862	895,837,620	16,925,220	22,056,939
	3,242,514,434	3,120,599,883	26,821,780	25,125,655

39. AMOUNTS DUE TO RELATED PARTIES

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

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Sunshine Tea (Pvt) Ltd.	2,940,848	3,675,182	–	–
Duxton Asset Management Limited	22,250,000	–	–	–
	25,190,848	3,675,182	–	–

40. FAIR VALUE MEASUREMENT

Accounting policy

Fair Value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

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

When one is available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short position at an ask price.

The best evidence of the fair value of a financial instrument or initial recognition is normally the transaction price- i.e., the fair value of the consideration given or received. If the Group determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability not based on a valuation techniques for which any unobservable inputs are judged to be insufficient in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, threat difference is recognised in profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is wholly supported by observable market data or the transaction is closed out.

The Group measures the fair value using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurement. An analysis of the fair value measurement of financial and non-financial assets and liabilities are provided below:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

When available, the Group measures the fair value of an instrument using active quoted prices or dealer price quotations (assets and long positions are measured at a bid price; liabilities and short positions are measured at an ask price), without any deduction for transaction costs. A market is regarded as active if transactions for asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

This category includes instruments valued using;

a. quoted prices in active markets for similar instruments;
b. quoted prices for identical or similar instruments in markets that are considered to be less active, or
c. other valuation techniques in which almost all significant inputs are directly or indirectly observable from market data.

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs). This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

31 March 2019	GROUP					
			Fair value			
	Classification	Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets measured at fair value						
Investment in unquoted shares	Fair value through OCI	594,319,053	–	–	594,319,053	594,319,053
Investment in quoted shares	Fair value through P&L	61,297,280	61,297,280	–	–	61,297,280
Investment in unit trust	Fair value through P&L	8,461,934	8,461,934	–	–	8,461,934
Investment fund	Fair value through P&L	312,051,000	–	312,051,000	–	312,051,000
		976,129,267	69,759,214	312,051,000	594,319,053	976,129,267
Financial assets not measured at fair value						
Trade and other receivables**	Amortised cost	3,788,362,024	–	3,788,362,024	–	3,788,362,024
Amounts due from related parties**	Amortised cost	27,998,528	–	27,998,528	–	27,998,528
Cash and cash equivalents**	Amortised cost	1,843,593,506	1,843,593,506	–	–	1,843,593,506
		5,659,954,058	1,843,593,506	3,816,360,552	–	5,659,954,058
Financial liabilities not measured at fair value						
Loans and borrowings***	Other financial liabilities	4,412,962,430	–	4,412,962,430	–	4,412,962,430
Bank overdraft**	Other financial liabilities	826,769,498	–	826,769,498	–	826,769,498
Trade and other payables**	Other financial liabilities	3,242,479,427	–	3,242,479,427	–	3,242,479,427
Amounts due to related parties**	Other financial liabilities	25,190,848	–	25,190,848	–	25,190,848
		8,507,402,202	–	8,507,402,202	–	8,507,402,202

COMPANY					31 March 2019
	Fair value				
Carrying amount Rs.	**Level 1 Rs.**	**Level 2 Rs.**	**Level 3 Rs.**	**Total Rs.**	
					Financial assets measured at fair value Investment in unquoted shares
577,866,053	–	–	577,866,053	577,866,053	Investment in quoted shares
61,297,280	61,297,280	–	–	61,297,280	Investment in unit trust
8,461,934	8,461,934	–	–	8,461,934	Investment fund
	–	–	–	–	
647,625,267	69,759,216	–	577,866,053	647,625,267	Financial assets not measured at fair value Trade and other receivables**
102,434,027	–	–	–	–	Amounts due from related parties**
225,727,276	–	–	–	–	Cash and cash equivalents**
1,042,331,375	–	–	–	–	
1,370,492,678	–	–	–	–	Financial liabilities not measured at fair value
1,664,908,029	–	1,664,908,029	–	1,664,908,029	Loans and borrowings***
–	–	–	–	–	Bank overdraft**
26,821,779	–	26,821,779	–	26,821,779	Trade and other payables**
–	–	–	–	–	Amounts due to related parties**
1,691,729,808	–	1,691,729,808	–	1,691,729,808	

31 March 2018	GROUP					
			Fair value			
	Classification	Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets measured at fair value						
Investment in unquoted shares	Fair value through OCI	566,210,085	–	–	566,210,085	566,210,085
Investment in quoted shares	Fair value through P&L	81,237,481	81,237,481	–	–	81,237,481
Investment in unit trust	Fair value through P&L	5,948,890	5,948,890	–	–	5,948,890
Investment fund	Fair value through P&L	288,595,000	–	288,595,000	–	288,595,000
		941,991,456	87,186,371	288,595,000	566,210,085	941,991,456
Financial assets not measured at fair value						
Trade and other receivables**	Amortised cost	3,233,987,996	–	–	3,233,987,996	3,233,987,996
Amounts due from related parties**	Amortised cost	14,950,556	–	–	14,950,556	14,950,556
Cash and cash equivalents**	Amortised cost	1,374,218,432	1,374,218,432	–	–	1,374,218,432
		4,623,156,983	1,374,218,432	–	3,248,938,552	4,623,156,983
Financial liabilities not measured at fair value						
Loans and borrowings***	Other financial liabilities	4,380,977,634	–	4,380,977,634	–	4,380,977,634
Bank overdraft**	Other financial liabilities	927,663,776	–	927,663,776	–	927,663,776
Trade and other payables**	Other financial liabilities	3,120,599,836	–	3,120,599,836	–	3,120,599,836
Amounts due to related parties**	Other financial liabilities	3,675,182	–	3,675,182	–	3,675,182
		8,432,916,428	–	8,432,916,428	–	8,432,916,428

*** Classes of financial instruments that are not carried at fair value and of which carrying amounts are a reasonable approximation of fair value.*
This includes trade receivables, cash and cash equivalents, trade payable, other payables, amounts due to and due from related parties and bank overdraft.
The carrying amounts of these financial assets and liabilities are a reasonable approximation of fair values due to their short term nature.

**** Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a risk-adjusted discount rate.*

31 March 2018	COMPANY				
		Fair value			
	Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets measured at fair value					
Investment in unquoted shares	555,447,085	–	–	555,447,085	555,447,085
Investment in quoted shares	81,237,481	81,237,481	–	–	81,237,481
Investment in unit trust	5,948,890	5,948,890	–	–	5,948,890
Investment fund	–	–	–	–	–
	642,633,456	87,186,371	–	555,447,085	642,633,456
Financial assets not measured at fair value					
Trade and other receivables**	59,406,435	–	–	59,406,435	59,406,435
Amounts due from related parties**	170,891,161	–	–	170,891,161	170,891,161
Cash and cash equivalents**	526,335,611	526,335,611	–	–	526,335,611
	756,633,208	526,335,611	–	230,297,596	756,633,208
Financial liabilities not measured at fair value					
Loans and borrowings***	1,400,000,000	–	1,400,000,000	–	1,400,000,000
Bank overdraft**	–	–	–	–	–
Trade and other payables**	25,125,655	–	25,125,655	–	25,125,655
Amounts due to related parties**	–	–	–	–	–
	1,425,125,655	–	1,425,125,655	–	1,425,125,655

VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

The following tables show the valuation techniques used in measuring level 2 and level 3 fair values for financial instruments measured at fair value in the statement of financial position, as well as the significant unobservable inputs used:

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement	Profit/(loss)	
				Increase	Decrease
Unquoted equity instruments	Discounted Cash Flows The valuation model considers the present value of expected net cash flows from those investments discounted using a risk adjusted discount rate. The expected cash flows are derived based on the budgeted cash flow forecasts of those investments determined by considering the sensible probability of the forecast EBITDA.	Forecast annual EBIT growth rate: – LCBL 5% – TATA 4%	– the EBITDA margin were higher/(lower) – 1%	22,613,947	(21,866,053)
		Risk adjusted discount rate: – LCBL 16.54% – TATA 13.82%	– the risk adjusted discount rate were lower/(higher) – 1%	(45,456,053)	53,903,947

TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

There were no transfers between Level 1 and Level 2 during the year ended 31 March 2019.

LEVEL 3 FAIR VALUES

Reconciliation of Level 3 fair value

The following table shows a reconciliation from the opening balances to the closing balances for Level 3 fair values.

	Equity securities	
	Group Rs.	Company Rs.
Balance as at 1 April 2017	531,336,896	520,573,896
Gain included in OCI		
– Net change in fair value (unrealised)	34,873,189	34,873,189
Balance as at 31 March 2018	566,210,085	555,447,085
Balance as at 1 April 2018	566,210,085	555,447,085
Gain included in OCI		
– Net change in fair value (unrealised)	28,108,968	22,418,968
Balance as at 31 March 2019	594,319,053	577,866,053

41. FINANCIAL RISK MANAGEMENT

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

a. Credit risk (Note 41.2)

b. Liquidity risk (Note 41.3)

c. Market risk (Note 41.4)

d. Operational risk (Note 41.5)

41.1 RISK MANAGEMENT FRAMEWORK

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk Management framework in relation to the risks faced by the Group. The Group Audit Committee is assisted in its oversight role by internal audit. Internal audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

41.2 CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amounts of financial assets and contract assets represent the maximum credit exposure.

Impairment losses on financial assets and contract assets recognised in profit or loss were as follows:

As at 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Impairment loss on trade receivables and contract assets arising from contracts with customers	33,821,437	56,494,676	–	–
	33,821,437	56,494,676	–	–

TRADE RECEIVABLES AND CONTRACT ASSETS

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, Management also considers the factors that may influence the credit risk of its customer base, including the default risk associated with the industry and country in which customers operate.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all clients who wish to trade on credit terms are subject to credit verification procedures and contractual agreements made for every high-value transactions.
In addition, receivable balances are monitored on an ongoing basis with the results that the Group's exposure to bad debts is not significant.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade receivable and contract assets for which no loss allowance is recognised because of collateral.

The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to the credit risk as at 31 March 2019 is as follow.

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Other investments	976,129,267	941,991,456	647,625,267	642,633,456
Trade and other receivables	3,788,362,024	3,233,987,996	102,434,027	59,406,435
Amount due from related parties	27,998,528	14,950,556	225,727,276	170,891,161
Cash and cash equivalents	1,843,593,506	1,374,218,432	1,042,331,375	526,335,611
	6,636,083,325	5,565,148,439	2,018,117,945	1,399,266,663

41.3 LIQUIDITY RISK

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group uses activity-based costing to cost its products and services, which assists it in monitoring cash flow requirements and optimising its cash return on investments.

EXPOSURE TO LIQUIDITY RISK

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

As at 31 March 2019	**Contractual cash flows**				
GROUP	**Carrying amount Rs.**	**Total Rs.**	**6 months or less Rs.**	**6-12 months Rs.**	**More than 12 months Rs.**
Bank overdrafts	826,769,498	826,769,498	826,769,498	–	–
Loans and borrowings	4,412,962,430	4,412,962,430	556,520,424	556,520,424	3,299,921,582
Trade and other payables	3,242,514,435	3,242,514,435	3,242,514,435	–	–
Amount due to related parties	25,190,848	25,190,848	25,190,848	–	–
	8,507,437,210	8,507,437,210	4,650,995,204	556,520,424	3,299,921,582

As at 31 March 2019	Contractual cash flows				
COMPANY	Carrying amount Rs.	Total Rs.	6 months or less Rs.	6- 12 months Rs.	More than 12 months Rs.
Loans and borrowings	1,664,908,029	1,664,908,029	214,557,355	214,557,355	1,235,793,320
Trade and other payables	26,821,780	26,821,780	26,821,780	–	–
	1,691,729,809	1,691,729,809	241,379,135	214,557,355	1,235,793,320

As at 31 March 2018 GROUP	Contractual cash flows				
	Carrying amount Rs.	**Total Rs.**	**6 months or less Rs.**	**6-12 months Rs.**	**More than 12 months Rs.**
Bank overdrafts	927,663,776	927,663,776	927,663,776	–	–
Loans and borrowings	4,380,977,634	4,380,977,634	404,481,824	404,481,824	3,572,013,986
Trade and other payables	3,120,599,883	3,120,599,883	3,120,599,883	–	–
Amount due to related parties	3,675,182	3,675,182	3,675,182	–	–
	8,432,916,475	8,432,916,475	4,456,420,665	404,481,824	3,572,013,986

As at 31 March 2018 COMPANY	Contractual cash flows				
	Carrying amount Rs.	Total Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.
Loans and borrowings	1,400,000,000	1,400,000,000	128,335,000	128,335,000	1,143,330,000
Trade and other payables	25,125,655	25,125,655	25,125,655	–	–
	1,425,125,655	1,425,125,655	153,460,655	128,335,000	1,143,330,000

41.4 MARKET RISK

Market risk is the risk that changes in market prices – e.g. foreign exchange rates, interest rates and equity prices – will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Group uses derivatives to manage market risks. All such transactions are carried out within the guidelines set by the risk management committee. Generally, the Group seeks to apply hedge accounting to manage volatility in profit or loss.

CURRENCY RISK

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings are denominated and the respective functional currencies of Group companies. The functional currency of Group companies are primarily LKR. The currencies in which these transactions are primarily denominated are Euro, US Dollars, Australian Dollar, Singapore Dollar and Japanese Yen.

EXPOSURE TO CURRENCY RISK

The summary quantitative data about the Group's exposure to currency risk as reported to the Management of the Group is as follows:

As at 31 March 2019	GROUP		
	USD Rs.	Rs.	Total Rs.
Financial assets			
Other investments	–	203,742,135	203,742,135
Trade and other receivables	82,748,834	3,705,613,190	3,788,362,024
Amount due from related parties	–	27,998,528	27,998,528
Cash and cash equivalents	824,674	1,842,768,832	1,843,593,506
	83,573,508	5,780,122,685	5,863,696,193
Financial liabilities			
Loans and borrowings	–	(1,113,040,848)	(1,113,040,848)
Trade and other payables	(1,972,973,536)	(1,269,540,899)	(3,242,514,435)
Amount due to related parties	–	(25,190,848)	(25,190,848)
Bank overdrafts	–	(826,769,498)	(826,769,498)
	(1,972,973,536)	(3,234,542,092)	(5,207,515,628)
Net exposure	(1,889,400,028)	2,545,580,593	656,180,565

As at 31 March 2018	GROUP		
	USD Rs.	Rs.	Total Rs.
Financial assets			
Trade and other receivables	143,609,236	3,090,378,760	3,233,987,996
Amount due from related parties	–	14,950,556	14,950,556
Cash and cash equivalents	718,115	1,373,500,317	1,374,218,432
	144,327,351	4,478,829,632	4,623,156,983
Financial liabilities			
Loans and borrowings	–	(808,963,648)	(808,963,648)
Trade and other payables	(1,759,172,124)	(1,361,427,759)	(3,120,599,883)
Amount due to related parties	–	(3,675,182)	(3,675,182)
Bank overdrafts	–	(927,663,776)	(927,663,776)
	(1,759,172,124)	(3,101,730,365)	(4,860,902,489)
Net exposure	(1,614,844,773)	1,377,099,267	(237,745,506)

SENSITIVITY ANALYSIS

A reasonably possible strengthening (weakening) of the US dollar against all other currencies at 31 March would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases:

	GROUP			
	Profit or loss		Equity, net of tax	
	Strengthening Rs.	Weakening Rs.	Strengthening Rs.	Weakening Rs.
As at 31 March 2019				
USD (1% movement)	(18,894,000)	18,894,000	(18,894,000)	18,894,000
As at 31 March 2018				
USD (1% movement)	(16,148,448)	16,148,448	(16,148,448)	16,148,448

INTEREST RATE RISK

Interest rate risk is a key constitute of the market risk exposure of the Group due to adverse and unanticipated movements in future interest rate which arises from core business activities; granting of credit facilities, accepting deposits and issuing debt instruments.

Due to the nature of operations of the Company, the impact of interest rate risk is mainly on the earnings of the company rather than the market value of portfolios. Several factors give rise to interest rate risk; among these are term structure risk, which arises due to the mismatches in the maturities of assets and liabilities; basis risk which is the threat to income arises due to differences in the bases of interest rates.

EXPOSURE TO INTEREST RATE RISK

The interest rate profile of the Group's interest-bearing financial instruments as reported to the management of the Group is as follows:

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Fixed-rate instruments				
Financial liabilities				
Loans and borrowings	4,412,962,430	4,380,977,634	1,664,908,029	1,400,000,000
	4,412,962,430	4,380,977,634	1,664,908,029	1,400,000,000
Variable-rate instruments				
Financial liabilities				
Bank overdrafts	826,769,498	927,663,776	–	–
	826,769,498	927,663,776	–	–

41.5 OPERATIONAL RISK

"Operational risk" is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks – e.g. those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Company's operations.

The Company's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Company's reputation with overall cost effectiveness and innovation. In all cases, Company policy requires compliance with all applicable legal and regulatory requirements.

The Board of Directors has established Board Integrated Risk Management Committee, which is responsible for the development and implementation of controls to address operational risk. This responsibility is supported by the development of overall Company standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- requirements for the reporting of operational losses and proposed remedial action;
- development of contingency plans;
- training and professional development;
- ethical and business standards;
- information technology and cyber risks; and
- risk mitigation, including insurance where this is cost-effective.

Compliance with Company standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the Company Operational Risk Committee, with summaries submitted to the Audit Committee and senior management of the Company.

42. RELATED PARTY TRANSACTIONS

The Group carries out transactions in the ordinary course of its business with parties who are defined as related parties in Sri Lanka Accounting Standard 24 – "Related party disclosures", the details of which are reported below. The pricing applicable to such transactions is based on the assessment of risk and pricing model of the Group and is comparable with what is applied to transactions between the Group and its unrelated customers:

Key Management Personnel (KMP)

Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly.

KMP of the Company

The Board of Directors of the Company has been classified as KMP of the Company.

KMP of the Group

As the Company is the ultimate parent of the subsidiaries listed out on page 106, the Board of Directors of the Company has the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly.

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

42.1 COMPENSATION OF KEY MANAGEMENT PERSONNEL

For the year ended 31 March	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Short-term employee benefits	233,308,346	222,294,955	224,974,830	212,199,342
Post-employment benefits	4,750,445	4,337,698	4,750,445	4,337,698
	238,058,791	226,632,653	229,725,275	216,537,040

Compensation of the Group's key management personnel includes salaries, non-cash benefits and contributions to a post-employment defined benefit plan.

No loans have been granted to the Directors of the Company.

Transactions, arrangements and agreements involving KMP and their Close Family Members (CFM).

CFM of a KMP are those family members who may be expected to influence, or be influenced by, that KMP in their dealings with the entity. They may include KMP's domestic partner and children, children of the KMP's domestic partner and dependants of the KMP or the KMP's domestic partner. CFM are related parties to the Group/Company.

There were no transactions, arrangements or agreements involving CFM during the year ended 31 March 2019.

42.2 TRANSACTIONS WITH GROUP ENTITIES

The Group entities include the subsidiaries and the associates of the Company.

Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2018 Audited Financial Statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

Recurrent related party transactions

There were no recurrent related party transactions which in aggregate value exceeds 10% of the consolidated revenue of the Group as per 31 March 2018 Audited Financial Statements, which required additional disclosures in the 2018/19 Annual Report under Colombo Stock Exchange listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

Transactions with subsidiaries

Company name	Relationship	Nature of transaction	**Transaction amount 2019 Rs.**	Transaction amount 2018 Rs.	**Amount payable/ receivable 2019 Rs.**	Amount payable/ receivable 2018 Rs.
Sunshine Healthcare Lanka Ltd.	Subsidiary	Service income	94,196,763	104,428,658	–	–
		Dividend income	146,396,385	103,500,000	–	–
		Gratuity transfer	–	15,312,446	–	–
Watawala Plantations PLC	Subsidiary	Service income	70,476,201	82,881,442	–	–
		Purchases	–	(65,842)	–	–
Hatton Plantations PLC	Subsidiary	Service income	65,161,481	26,592,993	–	–
		Purchases	(128,642)	(80,677)	–	–
Watawala Tea Ceylon Ltd.	Subsidiary	Service income	87,224,648	(70,737,716)	–	–
		Purchases	–	(340,158)	–	–
		Gratuity transfer	–	(143,642)	–	–
Sunshine Packaging Lanka Ltd.	Subsidiary	Interest income	15,833,580	(3,432,042)	205,371,140	167,190,777
		Loan obtained	(34,400,000)	(30,500,000)	–	–
		Loan settled	5,151,000	–	–	–
		Purchases	–	(60,885)	–	–
Estate Management Services (Pvt) Ltd.	Subsidiary	Dividend income	344,263,036	(116,043,720)	–	–
Sunshine Energy (Pvt) Ltd.	Subsidiary	Dividend income	7,817,697	–	–	696
		Advance given	(118,530,000)	–	–	–
		Advance settled	263,129	–	–	–
		Investment in shares	118,267,567	102,625,124	–	–
Waltrim Energy Ltd.	Subsidiary	Service income	8,007,070	4,717,266	–	–
		Advance given	–	(47,580,000)	–	–
Upper Waltrim Hydropower (Pvt) Ltd.	Subsidiary	Dividend income	2	–	–	–
Sky Solar (Pvt) Ltd.	Subsidiary	Interest income	897,050	–	20,332,676	–
		Loan obtained	(38,935,625)	–	–	–
		Loan settled	(19,500,000)	–	–	–
Sunshine Holdings International Pte Ltd.	Subsidiary	Advance given	(604,693)	–	–	3,699,689
		Advance settled	134,797	–	–	–
Lamurep Investments Ltd.	Subsidiary	Service income	1,476,544	–	–	–
Lamurep Properties Ltd.	Subsidiary	Rent paid	(15,836,535)	(16,255,837)	–	–
			(737,631,455)	(535,244,366)		

Refer Notes 31 and 39.

Transactions with associates

There were no transactions carried out between the Group and the associate during the year ended 31 March 2019.

Transactions with other related entities

Other related entities include significant investors (either entities or individuals) that have control, joint control or significant influence.

Company name	Relationship	Nature of transaction	**Transaction amount 2019 Rs.**	Transaction amount 2018 Rs.	**Amount payable/receivable 2019 Rs.**	Amount payable/receivable 2018 Rs.
Sunshine Tea (Pvt) Ltd.	Affiliate Company	Sales	601,916	17,044,313	–	–
		Service cost	(259,058,859)	(18,602,000)	–	–
		Rent paid	(5,677,000)	(2,899,000)	–	–
		Purchases	(7,485,347)	(199,164,503)	–	–
Pyramid Lanka (Pvt) Ltd.	Affiliate Company	Sales	2,004,233,963	1,723,902,000	–	–
Lamurep Properties Limited	Affiliate Company	Rent	(8,527,265)	(16,255,837)	–	–
		Purchases	(2,842,455)	–	–	–
Norris Canal Properties (Pvt) Ltd.	Affiliate Company	Advance given	23,460	–	23,460	–
Duxton Assets Management Limited	Affiliate Company	Consultancy fee	(22,250,000)	–	(22,250,000)	–
			1,699,018,412	1,504,024,973		

Refer Notes 31 and 39.

43. OPERATING LEASES

Accounting policy

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

Assets held under other leases are classified as operating leases and are not recognised in the Group's Statement of Financial Position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-eight basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

43.1 LEASES AS LESSEE

The Group leases a number of warehouse and factory facilities under operating leases. The leases typically run for a period of 1-10 years, with an option to renew the leases after that date. Lease payments are renegotiated every five years to reflect market rentals.

Future minimum lease payments

The future minimum lease payments under non-cancellable leases were payable as follows:

	GROUP		COMPANY	
	2019 Rs.	2018 Rs.	**2019 Rs.**	2018 Rs.
Less than one year	64,699,664	61,770,210	15,473,484	15,022,800
Between one to five years	175,708,410	222,992,532	16,415,819	16,908,293
More than five years	–	17,415,543	–	17,415,542
	240,408,074	302,178,285	31,889,303	49,346,635
Amount recognised in profit or loss				
Lease expenses	61,770,210	57,729,168	15,022,800	14,135,510
	61,770,210	57,729,168	15,022,800	14,135,510

43.2 LEASES AS LESSOR

The Group leases out its investment properties (refer Note 23).

Future minimum lease payments

The future minimum lease payments under non-cancellable leases were receivables as follows:

	GROUP	
	2019 Rs.	2018 Rs.
Less than one year	21,186,252	19,814,815
Between one to five years	48,817,936	69,008,688
More than five years	–	995,500
	70,004,188	89,819,003
Amount recognised in profit or loss		
Investment property rentals	17,901,815	2,730,000
	17,901,815	2,730,000

44. COMMITMENTS

Company

There were no contract for capital expenditure of material amounts approved or contracted for as at the reporting date.

Group

There were no contract for capital expenditure of material amounts approved or contracted for as at the reporting date.

45. CONTINGENCIES

Accounting policy

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

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

Use of Judgements and Estimates

Provisions and Contingencies

The Company receives legal claims against it in the normal course of business. Management has made judgement as to the likelihood of any claim succeeding in making provisions. The time of concluding legal claims is uncertain, as is the amount of possible outflow of economic benefits. Timing and cost ultimately depend on the due process in the respective legal jurisdictions.

Company

The guarantee given by the Company to banks and other institutions on behalf of subsidiaries to facilitate obtained are as follows:

	2019 Rs.	2018 Rs.
Elgin Hydropower (Pvt) Limited		
DFCC Bank PLC	–	320,000,000
Upper Waltrim Hydropower (Pvt) Limited		
DFCC Bank PLC	–	420,000,000

The above corporate gurantees were given on top of the collateral, already vested by the respective subsidiaries.

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

Group

Watawala Plantation PLC, a subsidiary of the Company, has given a bank guarantees amounting to Rs. 11,000,000 to the Sri Lanka Customs to facilitate the subsidiary to import green tea. Further, corporate guarantee were issued on behalf of Watawala Dairy Limited amounting to Rs. 1,150,000,000.

Sunshine Healthcare Lanka Limited, a subsidiary of the Company, has given a bank guarantee amounting to Rs. 17,000,000 on behalf of its subsidiary.

Elgin Hydropower (Pvt) Limited, a subsidiary of the Company, has given a bank guarantee amounting to Rs. 503,000.

There were no material contingencies as at the reporting date except for disclosed above.

46. EVENTS AFTER THE REPORTING PERIOD

Accounting policy

Events after the reporting period are those events, favourable and unfavourable, that occur between the reporting date and the date when the Financial Statements are authorised for issue.

All material events after the reporting date have been considered and where appropriate, adjustments or disclosures have been made in the respective Notes to the Financial Statements.

Company

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

The Board of Directors of the Company has declared a first and final dividend of Rs. 1.25 per share for the financial year ended 31 March 2019.

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

In accordance with the LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the Financial Statements as at 31 March 2019.

Group

No events have occurred after the reporting date, which would require adjustments to or disclosure in the Financial Statements, except as follows:

On 28 May 2019, Estate Management Services (Pvt) Ltd. ("EMSPL"), a subsidiary, has disposed of 120,700,002 ordinary shares amounting to 51% of the shares in issue in Hatton Plantations PLC for a purchase consideration of LKR 1,001,810,017, at a price of Rs. 8.30 per share to Lotus Renewable Energy (Private) Limited ("LREL"). It has also been agreed by EMSPL that it will not accept the mandatory offer except to the extent of ensuring that LREL acquires at least 75.65% of the issued shares subsequent to such mandatory offer.

LREL has also granted EMSPL the right and entitlement to sell (i.e. a Put Option) all or part of the balance 58,334,368 ordinary shares which are held by EMSPL to them at any time within a period of three months from the expiry of the Mandatory Offer at a price of Rs. 8.30 per share.

47. COMPARATIVE INFORMATION

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

(a) As described in Note 7, the adoption of SLFRS 15 and SLFRS 9 did not have a significant effect on the Company's Financial Statements. Accordingly, comparative information have not been restated based on adoption of the said accounting standards.

48. DIRECTOR'S RESPONSIBILITY

The Board of Directors is responsible for the preparation and presentation of the Financial Statements in accordance with Sri Lanka Accounting Standards.