

homegrown

SUNSHINE HOLDINGS PLC

ANNUAL REPORT 2022/23



Healthcare

We provide comprehensive solutions for pharmaceuticals and medical devices including the retail sector, while driving the progress of our local pharmaceutical manufacturing business and our distribution-as-a-service business.

Consumer Goods

Consisting of the largest branded tea company in the country, our tea brands are trusted names in the domestic market, while our export arm is renowned internationally for high quality Ceylon tea. Our consumer sub segment, meanwhile, is the market leader in the hard boiled candies category.

Agribusiness

Our agribusiness consists of cultivation, agri processing, and dairy farming, with a future outlook for diversification into other crops. Our palm oil business, the first in South Asia to receive the Roundtable on Sustainable Palm Oil (RSPO) certification, remains the largest revenue earner for the segment.

<https://www.sunshineholdings.lk/>

VISION

**To be the most admired
conglomerate in Sri Lanka**

MISSION

**Growing our enterprises
to be industry leaders**

VALUES

INNOVATION

Continuous improvement through change

PERSEVERANCE

Never give up

TRUST

The foundation upon which we grow

RESPONSIBILITY

Accountable to all stakeholders

INTEGRITY

Honest, open and transparent



homegrown

We are a fully homegrown business whose success is intrinsically tied to the growth of the nation. Since its inception, Sunshine's evolving corporate objectives have been set envisioning a growth trajectory that would also help drive Sri Lanka's own development arc.

Sri Lanka just went through – and in many ways is still going through – a profoundly cataclysmic period that shook the country to its very social, economic and political foundations. A year has passed, during which we endured much turmoil, but we can take heart in the fact that the economy is already well on its way to recovery at a pace that few would've dared anticipate.

We count ourselves among those visionary few who believed in Sri Lanka's potential and its capacity for resilience and perseverance against insurmountable odds. As the country emerges stronger from this unprecedented crisis, we are, more than ever before, committed to nurturing and investing in our roots, as a truly homegrown enterprise.

As a growing concern that has repeatedly demonstrated its ability to adjust to new demands of sustainable growth in times both good and bad, Sunshine is ready to once again steer Sri Lanka towards strength and prosperity.

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HEALTHCARE

Sunshine Healthcare Lanka Ltd. and its subsidiaries

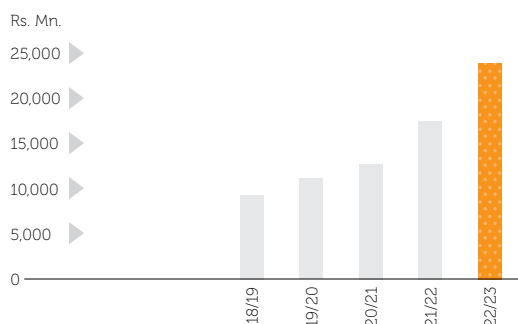
Built on long-term partnerships with trusted international and local principals, we provide comprehensive solutions for healthcare, pharmaceuticals, medical devices and manufacturing through these fully-owned subsidiaries.

Contribution towards group revenue



Performance highlights of the year

Revenue improved by 36.7% year-on-year to Rs. 23.9 Bn.



Outlook for 2023-24 and beyond

We are looking to increase our market share, currently at 12.74%, through mergers and acquisitions.

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

Strategic alliances and partners

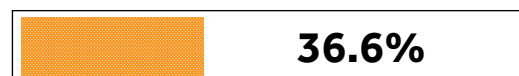


CONSUMER GOODS

Sunshine Consumer Lanka Ltd. and its subsidiaries

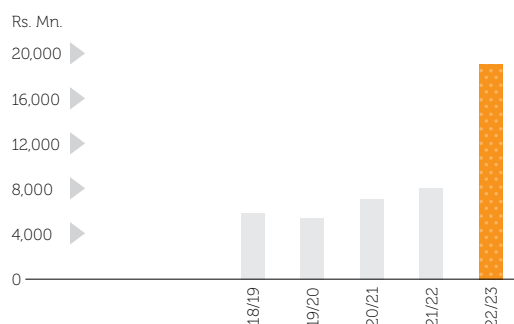
Consisting of the largest branded tea company in the country, our tea brands are trusted names in the domestic market, while our export arm is renowned internationally for high quality Ceylon tea. Our consumer sub segment, meanwhile, is the market leader in the hard boiled candies category.

Contribution towards group revenue



Performance highlights of the year

Revenue increased by 135.6% year-on-year to Rs. 19.0 Bn, driven by the addition of the export business.



Outlook for 2023-24 and beyond

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

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

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

Strategic alliances and partners

Our Brands



Business Partners

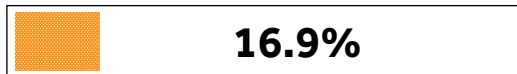
- Keells
- Cargills
- Arpico
- SPAR
- Laugfs
- Sathosa
- Softlogic Glomark

AGRIBUSINESS

Watawala Plantations PLC and its subsidiaries

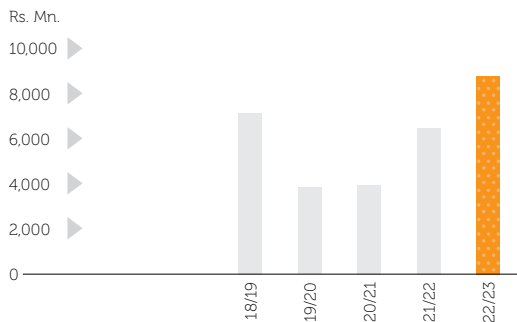
Our agribusiness consists of cultivation, agri processing, and dairy farming, with a future outlook for diversification into other crops. Our palm oil business, the first in South Asia to receive the Roundtable on Sustainable Palm Oil (RSPO) certification, remains the largest revenue earner for the segment.

Contribution towards group revenue



Performance highlights of the year

Revenue increased by 35.4% year-on-year to Rs. 8.8 Bn.



Outlook for 2023-24 and beyond

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

Strategic alliances and partners

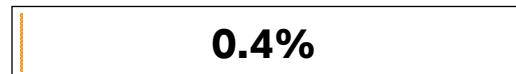


INVESTMENT HOLDINGS AND OTHER

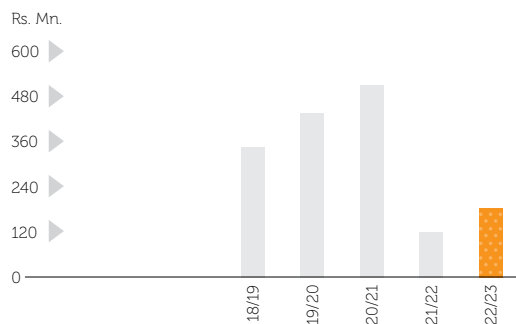
Sunshine Holdings PLC and its subsidiaries

Sunshine Holdings PLC is a diversified holding company contributing to "nation building" by creating value in vital sectors of the Sri Lankan economy. This sector includes the Investment Holdings and Property Management.

Contribution towards group revenue



Performance highlights of the year



Strategic alliances and partners



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➔ Annual Report of the Board of Directors

The Directors are pleased to present this 50th Annual Report of your Company together with the Audited Financial Statements of Sunshine Holdings PLC (the "Company"), and the Audited Consolidated Financial Statements of the Group for the year ended 31 March 2023 and the Independent Auditors' Report on page 80 conforming to all relevant statutory requirements. The details set out here provide pertinent information required by the Companies Act No. 07 of 2007 and the Colombo Stock Exchange (CSE) Listing Rules and are guided by recommended best practices.

Legal Form

Sunshine Holdings was incorporated on 16 June 1973 as a limited liability company to engage in the travel business under the name of Sunshine Travels Ltd., and subsequently converted to a public limited liability company. Sunshine Holdings is the Group's holding company. The principal activities of the Company and the Group during the year are given on pages 4 and 5.

Review of Performance

The financial and operational performance and outlook of the Company and the Group and its business units are described in the Company Profile on page 4, and the Group Managing Director's Review on page 12. This, together with the Audited Financial Statements, reflects the state of affairs of the Company and the Group. Segment-wise contribution to Group revenue, results, assets and liabilities are given in Note 9.1 to the Financial Statements.

Financial Statements

In terms of Sections 150 (1), 151, 152 and 153 (1) and (2) of the Companies Act, the Board of Directors is responsible for the preparation of the Financial Statements of the Company and the Group, which reflect a true and fair view of the financial position and performance of the Company and the Group. In this regard, the Board of Directors wishes to confirm that the Consolidated Financial Statements appearing on pages 84 to 196 have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards as mandated by the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995 and the Companies Act. There were no changes to the accounting policies adopted in the previous year for the Company and the Group, other than those stated.

The Financial Statements of the Company and the Group for the year ended 31 March 2023, including comparatives for 2021/22, were approved and authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 May 2023. The appropriate number of copies of the Annual Report will be submitted to the CSE and to the Sri Lanka Accounting and Auditing Standards Monitoring Board within the statutory deadlines.

Directors

The Directors of the Company, as at 31 March 2023, and their brief profiles are given on page 18. The names of all the Directors who held office anytime during the reporting year are given on page 61. The names of Directors who will retire and those who will seek reappointment at the forthcoming Annual General Meeting (AGM) are given in the Notice of Meeting on page 206.

Directors' Interests in Contracts and Proposed Contracts

Except as stated in Note 41 to the Financial Statements, during and at the end of the financial year 2022/23, none of the Directors were directly or indirectly interested in contracts or proposed contracts connected with the Company or the Group's business.

Directors' Shareholdings

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

	2023 Rs.	2022 Rs.
Mr V Govindasamy	6,079,500	6,079,500
Mr G Sathasivam	9,165	9,165
Mr S G Sathasivam	3,054	3,054
Mr A D B Talwatte	3,054	3,054

Messrs H D Abeywickrama (Resigned w. e. f. 24 May 2023), D A Cabraal, S Shishoo, S Ratwatte (Resigned w. e. f. 31 March 2023), S Jain, W Y R Fernando, and S Renganathan, T Akbarally (Appointed on 17 August 2022), R Mihular (Appointed on 6 April 2023) did not hold shares of the Company.

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Dividend

The Directors recommend that a final cash dividend of Rs. 565,769,673 equivalent to Rs. 1.15 per ordinary share for the financial year 2022/23 (FY 2021/22 Rs. 245,986,815 equivalent to Rs. 0.50 per ordinary share and Interim dividend of Rs. 224,331,154 equivalent to Rs. 0.50 per ordinary share for the financial year) be paid to those on the register of shareholders at the close of business on the ex-dividend date. Prior to recommending the dividend and in accordance with Sections 56 (2) and (3) of the Companies Act, the Board signed a certificate stating that, in their opinion, based on available information, the Company will satisfy the solvency test immediately after the distribution is made and will obtain a certificate from the Auditors in terms of Section 57 of the Companies Act. Shareholder approval will be sought on the day of the AGM to declare and pay the dividend as recommended.

External Auditors

The External Auditors, Messrs KPMG, who were appointed in accordance with a resolution passed at the 49th AGM, have expressed their opinion on pages 80 to 83 Details of their remuneration are given in Note 12 on page 108 to the Financial Statements. As far as the Directors are aware, the Auditors do not have any other relationship or any interest in contracts with the Company or the Group.

Statutory Payments

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

Donations

The donations and contributions made during the year 2022/23 by the Group and Company is Rs. 55.8 Mn. and Rs. 15 Mn. respectively.

Going Concern Basis

The Board of Directors reviewed the business plans of the Company and the Group and is satisfied with the adequacy of resources to continue operations in the foreseeable future. Accordingly, the Financial Statements of the Company and the Group have been prepared on the going concern basis. The Board therefore is confident that the current economic crisis will not impact the going concern ability of the Group and the Company, and will continue to monitor any material changes in future economic conditions and amend the business projections accordingly, if required. The Group is regularly monitoring the situation.

Directors' Interests and the Interests Register

The relevant interests of each Director in the share capital of the Company have been notified by the Directors to the CSE in accordance with Section 7.8 of the Listing Rules and, accordingly, the relevant entries have been made in the Company's Interests Register which has been maintained as required by the Companies Act. This Annual Report also contains particulars of entries made in the Interests Registers of subsidiaries which are public companies or private companies which have not dispensed with the requirement to maintain an Interests Register as permitted by Section 30 of the Companies Act. Particulars of entries in the Interests Register include interests in contracts. The Directors have all made a general disclosure to the Board as required by Section 192 (2) of the Companies Act and no additional interests have been disclosed by any Director.

Related Party Transactions

The Company's transactions with related parties in respect of the Company and the Group, for the financial year ended 31 March 2023, are given in Note 41 to the Financial Statements on page 192 of the Annual Report and have complied with Rule 9.3.2 of the Listing Rules and the Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987.

Internal Control

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

Compliance with Laws and Regulations

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

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Sustainability

The Group pursues its business goals under a stakeholder model of business governance. As per this model, the Group has taken specific steps, particularly in ensuring the conservation of its natural resources and the environment as well as addressing material issues highlighted by stakeholders.

Employment

The Group has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status, or physical disability.

Annual General Meeting

Please refer the Notice of Meeting that appears on page 206 of this Annual Report.

Directors' Corporate Governance Declaration

The Directors declare that:

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

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Signed in accordance with the resolution of the Directors.

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Mr D A Cabraal
Chairman

Mr V Govindasamy
Group Managing Director

Mr A D B Talwatte
Director

Mr S G Sathasivam
Director

Mr S Shishoo
Director

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Mr G Sathasivam
Director

Mr S Jain
Director

Mrs W Y R Fernando
Director

Mr S Renganathan
Director

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Mr T Akbarally
Director

Reyaz Mihular
Director

Mrs S Ratwatte
Director

Mr H D Abeywickrama
Director

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In the face of an extraordinarily challenging year that put Sri Lanka's macroeconomic and socio-political foundations to the test, Sunshine Holdings Group demonstrated unwavering resolve in fulfilling its commitments.

The obstacles encountered in 2022 were unparalleled and had a profound impact on the nation. A series of policy missteps led to the country defaulting on its debt obligations, triggering a severe foreign exchange crisis, rampant inflation, soaring interest rates, and a range of other economic and societal challenges. As a result, individuals and businesses across all sectors had to endure unprecedented hardships, including scarcity of essential items such as food and medicines, acute shortages and rationing of fuel, and severe power disruptions, all amid steep price increases.

However, leveraging the group's extensive experience coupled with resilience and steadfast commitment, your company emerged as a strong and stable entity. Through diligent effort and strategic decision-making, your company navigated through the crisis and demonstrated the ability to adapt to the challenging and changing circumstances. Thereby, Sunshine was able to uphold its reputation as a reliable and trustworthy organisation even during the most trying times.

During the reporting period, the consumer business faced significant obstacles, including disruptions to logistics and substantial increases in input costs. As a result, all tea brands had to implement and endure steep price increases. However, through sharp sales and marketing initiatives, the sector enhanced its market leadership position. The confectionery business also had to confront similar challenges but with the introduction of several innovative products and the revamp of its range, the sector improved its market presence and maintained its share of market. Despite the difficult operating environment, adopting a forward-looking mindset, the company made a strategic acquisition of Sunshine Tea, a tea exporting business. This acquisition not only supports import-dependent sectors like healthcare but also provides a new growth platform for the consumer goods sector. By expanding its portfolio and diversifying its offerings, the company is poised for further success in the market.

While the shocks experienced were unprecedented, your company faced the challenges with fortitude and emerged stronger.

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It is inspiring to observe that, despite numerous challenges, the healthcare business achieved record results. Lina Manufacturing, our healthcare subsidiary, doubled revenue during the year. This accomplishment played a crucial role in fulfilling the demands of the constrained public health sector. By introducing new brands to our locally manufactured pharmaceuticals portfolio, this business generated additional revenue of over Rs. 1 Bn., laying the foundation for exciting future growth prospects. Despite the various constraints, the company demonstrated its commitment to social responsibility. It prioritised its product portfolio, ensuring a consistent supply of vital drugs and medical devices, often at the expense of immediate profits. This approach reflects our dedication to supporting the well-being of the community and contributing to the overall healthcare ecosystem.

The group's two agribusiness verticals, palm oil and dairy, faced significant challenges due to various factors, including the controversial ban on inorganic fertiliser, scarcity of dollars for inputs and shortages in animal feed. The palm oil business managed to weather the storm and emerged relatively unscathed. Although the dairy business performance fell short of expectations, it has the opportunity to capitalise on the market's evident shift towards fresh milk, positioning itself for future growth.

With volatility and uncertainty expected to prevail, your company strengthened its risk management processes and capabilities and made substantial investments in IT infrastructure to support controls and future business growth. Additionally, investment in human capital continued unabated, acknowledging that the company's employees are its most valuable asset. Through comprehensive training initiatives and access to advanced technology, the teams were empowered and mobility was fostered across the

diverse verticals. The group also remained committed to upholding its rigorous transparency and accountability policies, placing significant emphasis on complying with statutory obligations and adhering to the requisite reporting framework. The Board received invaluable assistance from its various subcommittees in carrying out its oversight responsibility to ensure good governance practices and compliance with all regulatory obligations.

While the shocks experienced were unprecedented, your company faced the challenges with fortitude and emerged stronger. Having successfully navigated the turbulence of 2022, the company has transitioned from a focus on survival to a renewed emphasis on growth. As the country moves forward on its gradual but steady path to recovery, Sunshine Holdings Group stands optimistic and prepared to seize the emerging opportunities. We remain committed to meeting the expectations of our customers, employees, and shareholders.

I would like to take this opportunity to express my sincere gratitude to the Sunshine Team and all our stakeholders for their unwavering support. I would also like to extend my heartfelt appreciation to my distinguished colleagues on the board for their wise counsel and steadfast assistance.



A Cabraal

Chairman

25 May 2023

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The year under review was by far the toughest year Sunshine Holdings had faced in a long while – perhaps decades. And yet, the past 12 months saw the Group find strength in its resilience, resourcefulness and relationships and move ever closer to our vision to be the most admired conglomerate in Sri Lanka.

While we certainly took a hit from the macroeconomic emergency that had gripped the country for much of the reporting period, we took every measure within our power to resist the fallout from the crisis and deliver on our obligations to all stakeholders. The dividends of this strategy are now clear, as this report will no doubt reveal, with nearly all segments and business units of the Group gaining significant ground in their respective markets despite some setbacks.

Healthcare, Consumer Goods and Agribusiness, our three core business segments, were all faced with the unenviable task of mitigating the effects of a crippling economic crisis while also earning enough revenue to stay afloat in a prohibitively difficult year. By the end of the reporting period, we can reasonably surmise that this objective was more than adequately met, across all three segments.

➔ Healthcare

The Group's largest revenue earner to date, contributing approx. 46%, Sunshine Healthcare Lanka had just about recovered from the pandemic when it had to contend with an even harsher new economic reality in early 2022: depleting foreign exchange in the banking system and a steep drop in consumer spending. The five business units that make up the healthcare segment – namely pharmaceuticals, medical devices, distribution, retail and local manufacturing – are all heavily reliant on imports, and, needless to say, the country's macroeconomic situation posed an unprecedented challenge to the entire business.

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Though the Group certainly had its work cut out in surviving this tumultuous period, I am happy to report that we exceeded most of our revenue targets for the year, and, by the end of the reporting period, we can reasonably surmise that our objective to fight another day was more than adequately met, across all three segments.

Sunshine had always prided itself in its healthcare segment being a high-priority essential service, and, in 2022, we concerned ourselves more with product availability than short term profitability during a year in which the word 'survival' was becoming increasingly literal. To illustrate, being the country's largest supplier of insulin, for example, meant that Sunshine Healthcare was duty-bound to ensure a steady national supply, lest the people sink deeper into an already bottomless abyss. Many of our principals who were sensitive to the plight the country was facing took great pains to ship products to us, in profound testimony to the abundance of trust we had built with them over the years. Some of these manufacturers, with whom we have had relations going back nearly half a century, went the extra mile to donate some of the more essential drugs, enabling a largely uninterrupted supply to the thousands of pharmacies and institutions that were counting on us.

A regulated maximum retail price (MRP) regime would have led to products shortages, but through timely pricing decisions allowed by the National Medicines Regulatory Authority (NMRA), the industry regulator, we managed to implement some price increases in the interest of maintaining availability of products, essentially – and sans any hyperbole – saving the industry. Though the bills mounted and in our single-minded pursuit of availability at all costs, we can and do take solace in the belief that a price cannot be put on the sheer goodwill that this exercise generated among all parties concerned, especially the Sri Lankan public.

Healthguard distribution service, meanwhile, had to rise to the challenge of distributing pharmaceuticals to some 3,500 touch points around the island while maintaining an uninterrupted cold chain amid a worsening energy crisis. The business could've suffered greatly from disruptions to the fuel supply, had it not been for our dedicated teams who were in constant dialogue with the authorities from the onset of the crisis to ensure that we, as an essential service provider, had access to a steady supply of fuel.

Healthguard, the Group's pharmaceutical retail chain, had to manage a significant drop in demand for wellness products in 2022, which led to a flat year in terms of revenue and little or no growth despite high levels of product availability, but the business persevered.

The medical devices business, too, underwent much hardship during the year as prices rose and routine tests and surgeries were postponed, but managed to outperform its competition.

The reporting period saw Sunshine Healthcare also concentrate heavily on its newly acquired manufacturing business which crossed the Rs. 1 Bn. revenue milestone during the year. As a quality conscious player, we are eager to explore avenues of increased local production of more pharmaceuticals and medical devices that Sri Lanka needs, in line with national objectives. Conversations in this regard with the NMRA are ongoing as are discussions with our principals abroad on the possibility of manufacturing their products in Sri Lanka under licence.

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➔ Consumer

The Consumer segment achieved moderate levels of success during 2022 despite the challenges posed by the crisis. Though the tea and confectioneries businesses suffered some losses, the export business soared during the reporting period, helped by the sharp depreciation of the rupee.

The local tea business was under heavy stress during much of 2022 as the tea industry had yet to fully recover from the crisis brought on by the then Government's ban on inorganic fertiliser. Production came down by nearly 48 million kilogrammes of tea in 2022 compared to 2021, which was the lowest production in 26 years. This was tremendously challenging to the tea trade for myriad reasons. A drop in production meant a rise in prices more than 100%, but during a period of borderline runaway inflation, the price of a cup of tea – Sri Lanka's most widely consumed warm beverage across all demographics – could only be raised by so much. Sunshine Consumer took a conscious decision to absorb some of the increased costs without compromising on quality, betting on unwavering customer loyalty, and swiftly reaped the rewards. Price increases in both tea and confectionery units had a positive impact in terms of revenue as prices of certain products across both sectors rose by as much as 30 to 40% in 2022 due to increased costs.

In early 2022, Daintee Limited, the confectionary business, legally amalgamated with Sunshine Consumer Lanka Limited to integrate the synergies in both business segments and streamline the organisation structure.

Sunshine Tea, the export business the Group had fully acquired early on in the 2022/23 financial year as part of a strategy to optimise the Group's export arm, benefited from the dollar spike, securing much-needed foreign exchange for the Group. However, China and Japan being among the biggest markets for Ceylon Tea meant that our own exports came under significant pressure in addition to the stresses from the fertiliser ban.

➔ Agribusiness

The Group's agribusiness segment continued to be greatly inconvenienced by the blanket ban on the expansion of oil palm cultivation, the segment's core business, while still reeling from the impact of the inorganic fertiliser ban. Many months of the year under review were spent negotiating with the authorities and presenting to them findings from cutting-edge global research on oil palm cultivation as well as our own findings from the local context to educate policymakers on the many misconceptions around the cultivation of this valuable crop.

Lobbying continued throughout the year in addition to scientific research at great expense to the company. Increased cost of sales, input prices, and non availability of fertiliser and other chemicals spelled potential disaster for Watawala Plantations, but a well-formulated strategy to increase output despite regulatory and other external challenges resulted in profits comparable to the previous financial year, with the exception of the impacts on the social security contribution levy, corporate tax rate changes, and fair valuation of biological assets.

The dairy component of the agribusiness also suffered from the fertiliser crisis during 2022 as the Company had to grow its own maize as fodder for its nearly 1,800-strong herd of cows. The ban on imported maize only served to worsen the situation. The situation was dire to say the least for the dairy business due to severe shortages in animal feed. The year 2022 was a period of survival for dairy as input prices skyrocketed across the board and the Agribusiness had to expend fast-depleting resources to grow its own maize. Attempts to increase milk production did not achieve the envisioned results either.

➔ Drawing from our strengths

Two of our businesses across segments are import-reliant and, perhaps with the exception of Sunshine Tea, the plummeting foreign reserves threatened to bring each of them to a virtual standstill at various points of the reporting period. The Management team sat down for numerous meetings with Government officials even as Sri Lanka's forex reserves were dwindling to a few million dollars to discuss options, and the effort paid off to a large extent, much to the benefit of the pharmaceutical industry and to the country at large.

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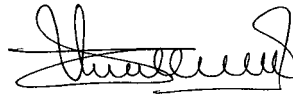
We must also thank the Government of India for the line of credit it so graciously extended to Sri Lanka for essential imports, a gesture that we, as the country's only major pharmaceuticals importer to use the credit line, immensely benefited from.

Our human resources were well looked after during the worst of the crisis, with the Group ensuring transport facilities were available to employees who were effectively immobilised by the fuel shortages. Employees in need were also provided stocks of food as inflation shot up to as high as 70%. In terms of social responsibility, the Group took the initiative to do what it could to alleviate hunger by distributing dry rations to deserving people throughout the community.

One unforeseen side effect of the crisis was that the Group had to expend valuable resources to recruit for key positions that had become vacant in the wake of the crisis, but as at May 2023, this issue has been largely resolved.

➔ Future outlook

Since its inception, Sunshine Holdings PLC is a conglomerate that has weathered many a storm, and we have the utmost confidence that we will emerge stronger than ever from this crisis. As a Sri Lankan corporation that's uniquely positioned to drive broader economic growth across multiple sectors, Sunshine is no stranger to pursuing business objectives that are in line with the national interest. As Sri Lanka fast-tracks its development trajectory on its way out of the ongoing crisis, Sunshine will necessarily be a vital part of that story of relentless resolve.



V Govindasamy
Group Managing Director

25 May 2023

➔ Group performance

In spite of the upheaval, Sunshine Holdings PLC recorded a noteworthy performance during the year under review with a consolidated revenue of Rs. 51.9 Bn., marking a growth of 61% from the previous financial year. The growth was backed by the acquisition of the export business, Sunshine Tea and the revenue growth in the pharmaceutical business segment.

Net profit for the period was Rs. 3.6 Bn., a decrease of 27.6%. The decrease was mainly due to impairment of goodwill prudently, and the tax rate revisions which impacted on tax expenses and deferred tax.

Total assets grew to Rs. 36.0 Bn. from Rs. 29.1 Bn., mainly backed by the acquisition of Sunshine Tea.

As at 31 March 2023, the National Long-Term Rating for Sunshine Holdings stood at "AA+(lka)"; Outlook Stable as affirmed by Fitch Ratings, reflecting the Agency's view that Sunshine's exposure to defensive cash flow will support its financial metrics, despite challenging operating conditions. The financial overview is presented in the Group Financial Review on page 16 of this Annual Report.

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➔ Highlights of 2022/23

- **Resilient revenue growth:** Sunshine Holdings Group achieved a remarkable top-line growth of 61.3% in FY23, despite macroeconomic challenges.
- **Healthcare sector's dominance:** The Healthcare segment emerged as the largest contributor to Sunshine's revenue, accounting for 46.1% of the total Group revenue in FY23. It recorded a revenue of Rs. 23.9 Bn., representing a significant increase of 36.7% YoY.
- **Strong Consumer Goods performance:** The Consumer Goods sector achieved a significant 135.6% YoY increase in revenue, reaching Rs. 19 Bn. in FY23. This growth was predominantly driven by the addition of an export business and the strong performance of consumer brands.
- **Agribusiness revenue growth:** The Agribusiness sector experienced a significant 35.4% YoY revenue growth, reaching Rs. 8.8 Bn. in FY23. This growth was primarily driven by increase in Palm oil Net Sales Average (NSA) in line with global commodity trends.

➔ Review of Group Financial Review

Overview

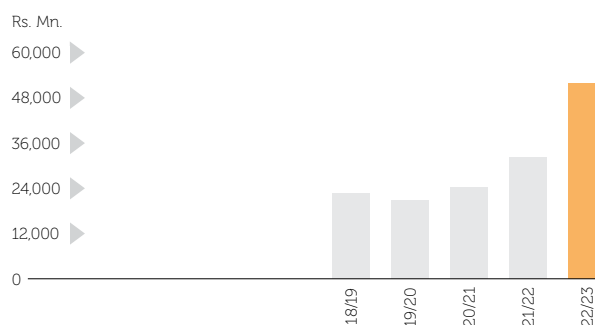
Sunshine Holdings Group recorded a consolidated revenue of Rs. 51.9 Bn. in FY23, representing a significant YoY growth of 61.3%. Revenue streams from the Healthcare, Consumer Goods, and Agribusiness sectors contributed 46.1%, 36.6%, and 16.9% respectively to the overall Group revenue. Notably, the Group acquired Sunshine Tea (Pvt) Ltd. in April 2022, consolidating its performance within the Consumer Goods sector since then.

Despite the gross profit margin contracting by 580 basis points to 26.0% for the period, gross profit recorded a substantial growth of Rs. 3.3 Bn., reflecting a YoY growth of 31.9% driven by the substantial increase in revenue. The Group's EBIT closed at Rs. 7.0 Bn., indicating a YoY increase of 22.7%. However, the reported profit after tax (PAT) for FY23 decreased by 27.6% YoY to Rs. 3,617 Mn. Profit attributable to equity shareholders (PATMI) amounted to Rs. 2.3 Bn., representing a YoY decrease of 16.8%.

Revenue

The Group recorded a consolidated revenue of Rs. 51.9 Bn. in FY23, representing a significant increase of 61.3% compared to the previous year. The revenue contributions from the Healthcare, Consumer Goods, and Agribusiness sectors were 46.1%, 36.6%, and 16.9%, respectively. Notably, the acquisition of Sunshine Tea (Pvt) Ltd. in April 2022 further strengthened our Consumer Goods sector.

Group Revenue

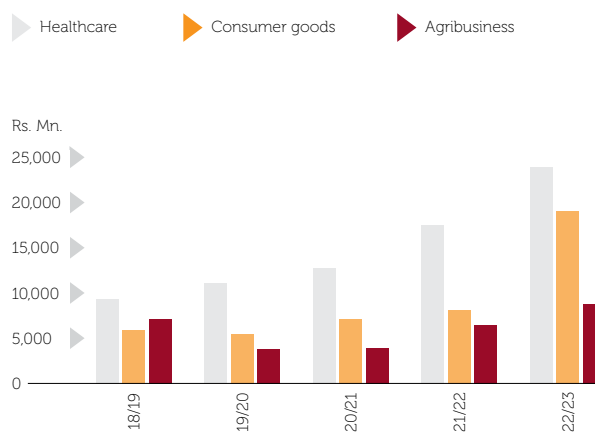


The Healthcare sector demonstrated strong revenue growth of 36.7% YoY, primarily attributed to price increases reflecting the depreciation of the LKR currency. Despite volume challenges, the Pharma and the Medical Devices Division segments contributed to the overall growth.

The Consumer Goods sector reported revenue of Rs. 19.0 Bn. in FY23, representing a substantial increase of 135.6%. The revenue growth was driven by various factors, including the acquisition of Sunshine Tea (Pvt) Ltd. and price increases. However, the sector faced challenges such as increased input cost and reduction in volumes in both tea and confectionery segments.

The Agribusiness sector contributed significantly to the Group's revenue with a growth rate of 35.4% YoY. This growth was predominantly due to increase in palm oil NSA in line with global commodity trends, supported by the slight increase in volumes during the period. Palm oil production was at 12,651 Mt for FY23 cf. 12,597 Mt in FY22.

Group Revenue by segment



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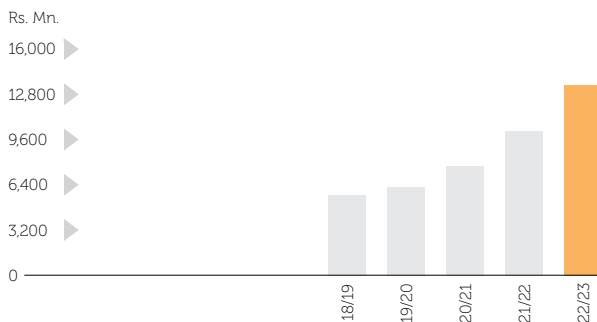
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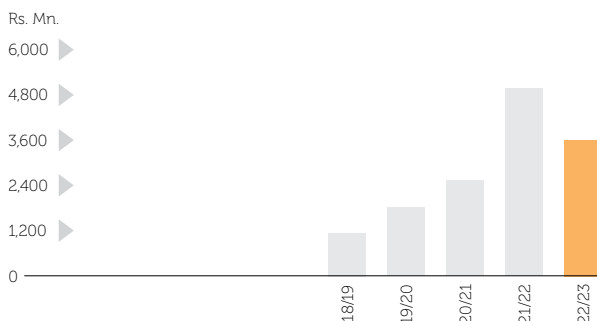
Profitability

Gross profit margin stood at 26.0% for FY23, reflecting a contraction of 580 basis points. However, the gross profit increased by Rs. 3.3 Bn., representing a growth of 31.9% year-on-year, driven by revenue growth. The Group's operating profit (EBIT) closed at Rs. 70 Bn., an increase of 22.7% compared to the previous year. Profit after tax (PAT) amounted to Rs 3.6 Bn. in FY23, showing a decrease of 276% year-on-year.

Group Gross Profit



Group Profit After Tax



Finance Expenses

Finance cost for the Group increased by 290% in FY23 to Rs. 1.5 Bn. from Rs. 376 Mn. in FY22. This is mainly driven by higher utilisation of funds in working capital significant increases in interest rates and interest costs of the newly added tea export business compared with the previous year.

Taxation

Income tax for the period is Rs. 2.0 Bn. from Rs. 654 Mn. in the previous period. 214% YoY increase of the tax expense is mainly due to increased tax rates effective from October 2022. Further, the deferred tax provision for the period also increased to Rs. 680 Mn. from the deferred tax reversal of Rs. 121 Mn. in the prior period.

Dividends

The Company has access to the necessary funds to finance the proposed final dividend of Rs. 1.15 per share and the Company's independent Auditors will certify the requisite solvency levels for the payment of the proposed dividend.

Capex

Group Capital Expenditure (CAPEX) which includes both acquisition of businesses and property, plant and equipment is listed in the Group Cash Flow Statements under investing activities.

Working Capital

Net working capital for the period has significantly increased by Rs. 4.4 Bn. mainly driven by the increase in inventory of Rs. 3.4 Bn. year on year due to inflationary effects arising from LKR devaluation and increased tea prices.

Cash Management

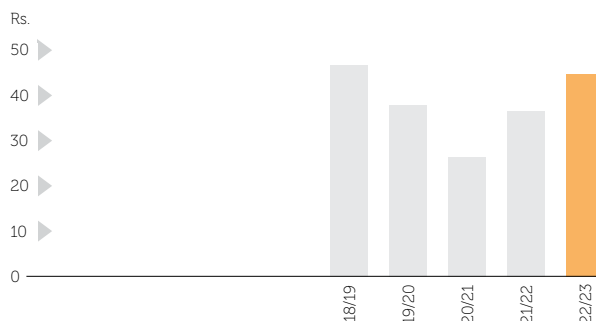
Net operating cash flow for the year decreased by 56% to Rs. 2.0 Bn., from Rs. 4.5 Bn. in the same period last year. The decrease was realised mainly due to the increase in tax payments, including surcharge taxes and the interest payments for the period.

Net cash flow from investing activities increased to Rs. 3.1 Bn. in FY23 from Rs. 1.3 Bn. the previous year. The increase was generated mainly by the cash outflow amounting to Rs. 1.4 Bn. from the acquisition of the export business and increased investment on property, plant and equipment.

Share Price and Market Capitalisation

The SUN share price closed at Rs. 45.00 at the end of the trading on 31 March 2023, 23% YoY higher than the start of the year (Rs. 36.60). Market capitalisation as at year-end amounted to Rs. 21.2 Bn.

SUN Share Price



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Amal Cabraal**Chairman**

Amal Cabraal is an independent non-executive director of Sunshine Holdings PLC and has been since 2017. He was appointed Vice Chairman of the company in February 2020 and took over as the Chairman in June 2021.

Cabraal is an accomplished business leader with over four decades of management experience in both local and international markets. He currently serves as the Chairman of Lion Brewery (Ceylon) PLC, Ceylon Beverage Holdings PLC, Silvermill Investment Holdings, and CIC Feeds Group of Companies. In addition to his numerous leadership roles, he also serves as a Non-Executive Director of John Keells Holdings PLC and is a business advisor to several other companies.

Previously, Cabraal served as the Chairman and Chief Executive Officer of Unilever Sri Lanka, where he gained extensive knowledge and expertise in the consumer goods industry. He has also completed the stipulated maximum nine-year tenure as a Non-Executive Director of Hatton National Bank PLC, providing him with deep insights into the banking sector.

Cabraal is a member of the Board of the Ceylon Chamber of Commerce, and also serves on the Management Committee of the Mercantile Services Provident Society. As a marketer by profession and a Fellow of the Chartered Institute of Marketing-UK, he brings a wealth of marketing and branding expertise to his leadership roles. Cabraal holds an MBA from the University of Colombo, and is an executive education alumnus of INSEAD-France.

V Govindasamy**Group Managing Director**

Mr V Govindasamy holds a Bachelor of Science Degree in Electrical Engineering and an MBA from the University of Hartford, USA. He is a fellow member of the Institute of Certified Professional Managers of Sri Lanka. He is the Chairman of the Ceylon Chamber of Commerce.

A D B Talwatte**Director**

Mr A D B Talwatte is a fellow member of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and the Chartered Institute of Management Accountants of the UK, and has served as the Country Managing Partner of Ernst & Young for over a decade. Besides his distinguished career of more than 38 years in Assurance, Business Risk and Advisory Services, Talwatte has served as the head of numerous leading industry bodies and has been closely associated with the development of Corporate Governance in Sri Lanka.

A former President of the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) (in 2002/2003) and the Chartered Institute of Management Accountants (in 1995/96), he now serves as Chairman of Management Systems (Pvt) Limited (MSL) and also Chairman of the Corporate Governance Committee of CA Sri Lanka. He serves on Boards and chairs Audit Committees of several public listed companies.

G Sathasivam**Director**

Mr G Sathasivam began his career in the pharmaceutical sector. Over the past 56 years of success and innovation, he established Sunshine Healthcare Lanka Limited (SHL) into a leader in Sri Lanka's pharmaceutical industry. Not content to rest on his laurels, he drove the Group's diversification into uncharted territories – molding Sunshine Holdings into the pride of the nation. His business acumen has been recognised both in Sri Lanka and abroad. He is the Founder of Sunshine Holdings PLC.

S G Sathasivam**Director**

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

Sanjeev Shishoo

Director

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

He was the Corporate Vice President, Global Shared Services, at Novo Nordisk, a global healthcare company with more than 90 years of innovation and leadership in diabetes care. Headquartered in Denmark, Novo Nordisk employees over 50,000 people in 80 countries and markets its products in more than 170 countries.

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

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

Sudarshan Jain

Director

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

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

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

Ruvini Fernando

Director

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

Mrs Fernando was a former visiting lecturer at the Postgraduate Institute of Management, University of Sri Jayewardenepura where she taught strategy and finance and is a member of the National Agenda Committee on Finance and Capital at the Ceylon Chamber of Commerce. She has been a speaker, presenter and moderator at forums on capital markets and other topics of business interest. She currently serves on the board of Cargills Bank Limited as a non executive independent director.

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

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Sivakrishnarajah Renganathan

Director

Mr Sivakrishnarajah Renganathan completed the entirety of his four-decade banking career at the Commercial Bank of Ceylon PLC where he held several key positions. He retired as the Bank's Managing Director/Chief Executive Officer after serving on the Bank's Board as an Executive Director for nearly eight years.

He led the team to acquire the Banking operations of Credit Agricole Indosuez in Bangladesh in July 2003 as the first Country Manager and successfully established the Bank's operations with a high rating during the first five years of his tenure.

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

He is also a Vice Chairman of the International Chamber of Commerce Sri Lanka, Executive Member of the Ceylon Chamber of Commerce, Member of the Sri Lanka Institute of Directors, and the Vice President of the Sri Lanka India Society.

Mr Renganathan currently serves on the Boards of Ceylon Hospitals PLC, Janashakthi Life Insurance PLC, Agility Innovations Ltd., and Damro Holdings Ltd as a Non-Executive Independent Director in addition to Sunshine Healthcare Ltd., Sunshine Consumer Lanka Ltd., Lina Spiro (PVT) Ltd., and Lina Manufacturing Private Ltd.

He is a Fellow of the Chartered Institute of Management Accountants, UK (FCMA), Chartered Global Management Accountant (CGMA), Fellow of the London Institute of Banking & Finance, UK (FLIBF) and a Fellow of the Institute of Bankers Sri Lanka (FIB), and has received extensive leadership, management and banking training locally and overseas.

Tyeabally Akbarally

Director

(Appointed w. e. f.
17 August 2022)

Mr Tyeabally Akbarally has been a Director of the Akbar Brothers Group of Companies since 1979, and presently holds the position of Managing Director and is actively engaged in the tea and commodity export trade. He is a former Chairman of The Colombo Tea Traders Association, and Spices and Allied Products Producers' and Traders' Association. He was also a Director of Amana Bank and Chairman of Amana Takaful PLC and is on the Boards of several other companies. Mr Akbarally is a Trustee of the M H Kanji Charitable Trust.

Reyaz Mihular

Director

(Appointed w. e. f. 6 April 2023)

Mr Reyaz Mihular served as the Managing Partner of KPMG Sri Lanka & Maldives from 1 April 2012 to 31 March 2022 and was Chairman of KPMG's Middle East & South Asia (MESA) Regional Cluster during the period 1 October 2018 to 30 September 2021. Reyaz previously served a term as Chief Operating Officer of the MESA regional office. He also served on KPMG's Europe Middle East & Africa (EMA) Board and on the Global Council of KPMG International.

He is a Past President and Fellow Member of the Institute of Chartered Accountants of Sri Lanka and is a Fellow Member of the Chartered Institute of Management Accountants (CIMA) – UK. He also served as Chairman of the CIMA Sri Lanka Division in 2013. He has completed International Executive Education programmes at INSEAD – France, Harvard Business School and the London Business School, UK.

Mr Reyaz served as a Board Member of the International Accounting Standards Committee (IASC) for a five-year term from July 1995 to December 2000. Subsequently he served on the IASC's Standing Interpretations Committee for a year and as a Member of the IFRS Advisory Council of the International Accounting Standards Board for a five-year period. He also served as a member of the International Ethics Standards Board for Accountants (IESBA) for a six-year term from January 2013 to December 2018.

Mr Reyaz presently serves as Chairman of Bairaha Farms PLC and as an Independent Non-Executive Director of Nestlé Lanka PLC, Melstacorp PLC, Sri Lanka Telecom PLC, Agility Innovation (Pvt) Ltd., LTL Holdings Ltd. and Damro group. He also serves on the Colombo Port City Economic Commission as a Commissioner and as a Member of the Stakeholder Engagement Committee of the Central Bank of Sri Lanka.

Shalini Ratwatte**Director**

(Resigned w. e. f. 31 March 2023)

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

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

Harsha Abeywickrama**Director**

(Resigned w. e. f. 24 May 2023)

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

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During a whirlwind year that pushed many businesses to the brink, Sunshine Holdings PLC held ground thanks primarily to a more focused Group strategy that emphasised leveraging the strengths of each business segment to create maximum value in a climate of profound uncertainty. With diversification taking a backseat in 2022, the Group sought to focus instead on its existing strengths and build on areas it already excelled at.

➔ Global outlook

With a war in Europe in early 2022 setting the stage for a year of upheaval, the global economy, already battered from the pandemic, was set for some shocks of varying degrees of intensity. Tightened monetary policy measures taken by central banks around the world to contain inflation also took a significant toll on businesses everywhere.

Global growth bottomed out at 2.8% in 2022 with a slow rise up to 3% forecast for 2024. Though global inflation decreased over time, it was at a slower pace than anticipated, from 8.7% in 2022 to 7.0% in 2023 and forecast to be 4.9% in 2024.

Economies worldwide slowed down considerably during 2022 with growth rates dropping to as low as 2.8% by the end of the year. Though the slowdown was concentrated in Europe, the UK and the rest of the developed world, the aftershocks were felt around the globe, particularly in the global south.

➔ Local outlook

Much has been written elsewhere in this report about the socioeconomic catastrophe that defined 2022 for Sri Lanka, but it bears repeating that the macroeconomic environment of the reporting period presented some of the toughest challenges the Group had to contend with in its 50-plus-year history.

Driven by domestic and global headwinds and an unprecedented currency crisis that erupted within its borders, Sri Lanka in 2022 recorded its deepest economic contraction since independence, with real GDP dropping by a staggering 7.8%.

A twin deficit that went back decades, a rapid erosion of foreign exchange reserves and a galloping demand-pull inflation triggered by unsustainable money printing led to an operating environment that proved monumentally difficult for import-reliant businesses that were already reeling from an import ban on hundreds of products and inputs.

Meanwhile, an ill-advised agricultural policy from the authorities that saw a blanket ban on inorganic fertiliser imposed in 2021 and continued into Q1 2022 contributed significantly to the near-collapse of the Sri Lankan economy. This disastrous policy dealt a heavy blow to Sunshine's Agribusiness, as did the ongoing ban on the cultivation of oil palm, one of our key revenue generators.

Fuel shortages and an energy crisis that engulfed Sri Lanka in 2022 also proved fatal to many businesses and the Group had to devise new strategies to cope from the fallout.

Recovery measures such as high policy rates and IMF-backed fiscal consolidation efforts taken by the authorities led to conditions that were prohibitively difficult for growth for businesses large and small and led to further contraction of the economy. Though stability has been largely restored by Q2 2023 and the outlook for the remainder of the year is on a positive trajectory, the impact the 2022 financial year had on the business cannot be understated.

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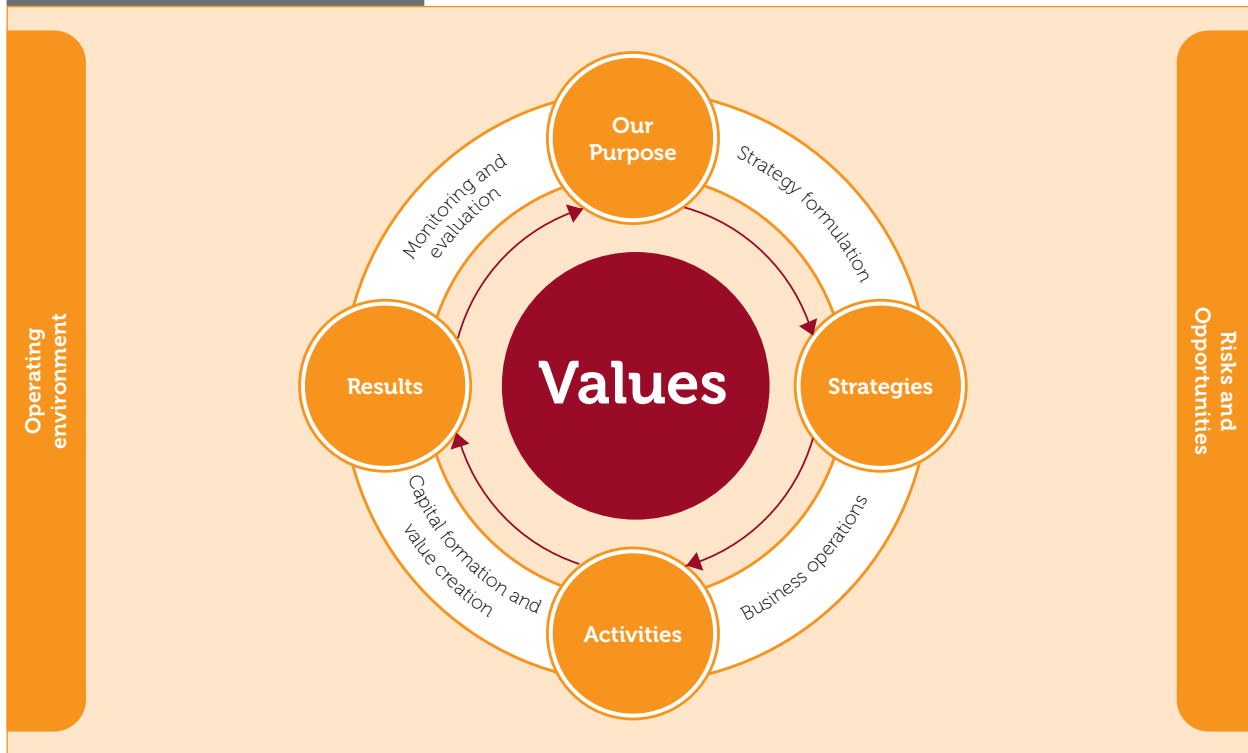
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Our business model



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➔ Strategy

Our Group strategy is enabled by four key drivers – innovation, focus, synergy and sustainability – that allow us to fulfill our vision and mission. These strategic enablers are in turn driven by six unique parenting functions that serve as a centralised structure to create maximum sustainable value across the nine individual business units via everyday operations and an overall holding strategy inside which the six parenting functions reside.

Strategic Enablers

Innovation	Focus	Synergy	Sustainability
Innovation is one of our foremost corporate values and is part of our identity, going back to the Group's founding. Sunshine's acumen for innovation has made notable contributions to the nation's development over the years and 2022 was no exception, with a number of product innovations launched across our business segments.	In the wake of the crisis, the Group took a strategic call to focus more on its existing strengths over a more diversity-oriented approach. With increased focus on deeper market penetration in the sectors we are already strong in, the Group now concentrates on growing and consolidating through product differentiation, capacity building and innovation.	Leveraging the strengths and potential of each of our core segments to capitalise on opportunities and mitigate risks has been at the heart of our success over the decades. Synergies occur both within each segment, through the alignment and cohesion of the various operations, and at the group level through effective coordination, resource allocation, and oversight. The synergies of Sunshine's three segments come at the Group centre primarily in the form of cost synergies, governance, IT, human resources and the like, all of which are centralised.	Sunshine places great emphasis on sustainability throughout our operation cycle across each segment and is a value that's deeply entrenched in the very fabric of the Group's ethos. Serving the interests of all stakeholder groups is of paramount importance to us and our commitment to delivering value to each segment including the environment and society at large is at the foundation of our corporate philosophy.

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Group Parenting Functions

Governance	Risk Management	Finance	Human Resources	Information Technology	Sustainability
Governance takes the form of independent boards, an audit committee, an investment committee, remuneration committee and risk committee, all of which come under the central Sunshine Holdings board of directors which appoints the boards of each respective company. High calibre independent directors of the Holding board also sit on the subsidiary boards.	Risk assessment is done centrally at the Group level for all business segments. A risk management system developed with the consultation of the Audit Committee and Risk Review Committee is also implemented across the Group. Headline risks including political/regulatory risks, external risks, strategic risks and business risks are all assessed and managed by this committee.	Finance's parenting function in our group is crucial for establishing financial policies, resource allocation, risk management, and performance evaluation. It ensures consistency, transparency, and optimal utilisation of financial resources across subsidiaries, fostering growth and strategic alignment. By effectively fulfilling these roles, our finance function supports the group's financial stability, accountability, and overall success.	The Group runs a centralised HR operation as it was decided early on to achieve cost synergies by using centralised talent. A majority of functions that are universally applicable to all strategic business units are centrally controlled, with individual HR units also overseeing human capital related matters at the business unit level.	The Group's information infrastructure is primarily cloud-based, across each business unit, including ERP systems. All businesses utilise data and analytics resources in a shared service model that is run centrally for cost-sharing purposes.	Sunshine's sustainability strategy is implemented at the segment level rather than at the Group level as centralising sustainability is difficult for a conglomerate that engages in vastly different businesses. However, we have a Group-level initiative we call the Green Tape on which we track all suppliers.

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Healthcare

We provide comprehensive solutions for pharmaceuticals and medical devices including the retail sector, while driving the progress of our local pharmaceutical manufacturing business and our distribution-as-a-service business.

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Overview

Accounting for over 46% of the Group's revenue, healthcare is Sunshine's largest as well as the founding business, and is perhaps the most widely known aspect of its corporate identity, going back well over five decades. As of 2023, Sunshine Healthcare Lanka Ltd. functions as five distinct business units that operate under a larger umbrella. We

deliver cutting edge curative and preventative healthcare solutions to a market increasingly conscious of the quality, efficacy and safety of their medical and surgical purchases. The Group's healthcare segment caters to both private and public sectors as well as individual consumers through the following five business units that cover the entire span of the healthcare supply chain:

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PHARMACEUTICALS

Serves as an agency house and master importer for prescription drugs, and represents foreign principals.



Business Segment Value: **Rs. 15 Bn.**

MEDICAL DEVICES

Importer of surgical and diagnostic devices and equipment, selling mainly to hospitals both government and private.



Business Segment Value: **Rs. 4 Bn.**

DISTRIBUTION

Known as Healthguard Distribution, the distribution arm of Sunshine Healthcare delivers to over 3,500 customer points Islandwide.



Business Segment Value: **Rs. 13 Bn.**

RETAIL

The Healthguard chain of retail outlets sell pharmaceuticals, devices and wellness products to a loyal customer base in the Western Province.



Business Segment Value: **Rs. 2 Bn.**

MANUFACTURING

Lina Manufacturing is the pioneer and only manufacturer of MDIs (Metered Dose Inhalers, in Sri Lanka. The DPI (dry powdered inhaler) manufactured by Lina is a patented, state-of-the-art inhaler which has won the Presidential Award for its invention and innovation.



Business Segment Value: **Rs. 1 Bn.**

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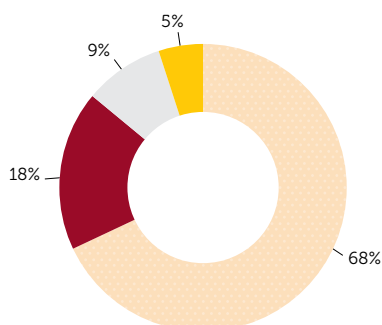
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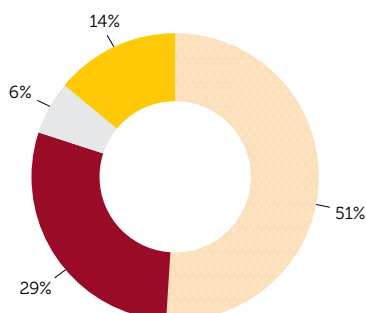
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Healthcare revenue split



Healthcare total asset split



Having successfully navigated the COVID-19 pandemic and the devastation it left in its wake, the healthcare sector was barely able to catch its breath as, mere months later, it was hit by the worst economic crisis in the history of post-independence Sri Lanka. No import business was spared and, as a player heavily dependent on imports, Sunshine Healthcare had its work cut out in navigating new and turbulent waters during much of 2022. Fortunately, consequent to the pandemic and the Easter attacks before that, the Group had already attained an enviable durability and capacity to weather any storm, no matter how violent or unfamiliar, and come out on top. The ongoing socioeconomic crisis, while a challenge unlike any other, was not insurmountable and, with the country now on track to recovery, Sunshine Healthcare is poised to grow beyond expectations and cement its position as an industry giant.

During the reporting period, each business unit was faced with its own unique set of challenges that it had to meet head-on, but there were a number of unprecedented hurdles that defined the year for Sunshine Healthcare as a whole. Chief among these was the steep decline in dollar liquidity in the economy, which adversely affected the import-reliant pharmaceutical and devices businesses as well as the manufacturing business that depended on imported inputs. Fuel shortages also had a significant impact, particularly on the distribution channel, threatening to bring the entire segment to a halt.

In terms of performance, Healthcare recorded Rs. 23.9 Bn. in FY 2022/23, with earnings before interest and taxes (EBIT) of Rs. 3.0 Bn. at a margin of 12.4%, and profit after tax (PAT) of Rs. 1.2 Bn. at a margin of 5.1%.

Margins for the segment overall improved over the reporting period due to maximum retail price (MRP) adjustments on all stock-keeping units (SKUs) due to the devaluation of the rupee against the US dollar. The improvement in the EBIT margin can be attributed to improved gross profit margin and overhead cost controls during the year.

Pharmaceuticals

As a Rs. 15 Bn. business, the pharmaceuticals arm of Sunshine Healthcare is at the heart of the Group's well-entrenched reputation as an iconic name in Sri Lanka's wider healthcare sector. The second largest pharmaceuticals importer in the country, Sunshine holds a market share of 13% in a sector that's dominated by the top four or five players who make up to 75% of the market. The Company specialises in an array of fast-moving therapy segments like diabetes, cardiology and gastroenterology, occupying top sales positions in each, and is Sri Lanka's largest provider of insulin, accounting for 64% of the private market.

The primary function of Sunshine's pharmaceutical business is to serve as master importer of pharmaceutical products for citizens of Sri Lanka with high quality, regulator-approved drugs sourced from India, Denmark, Indonesia, Bangladesh, Australia and Germany, among other markets. As the Group's legacy business dates back to the founding of the Company over 50 years ago, our agency house operation is perhaps the biggest contributor to Sunshine's accelerated growth over the years.

Market share 2021/22 – 12.87%

Market share 2022/23 – 12.74%

Pharmaceuticals in Sri Lanka is an industry that is tightly controlled by the Government and exists in a rigorous regulatory environment demanding 100% statutory compliance at all times. A vast majority of our products are sensitive to exchange rate fluctuations and are subject to rigid price controls. All products imported and distributed by Sunshine Healthcare are registered with the National Medicines Regulatory Authority (NMRA), the industry

regulator, on top of even stricter compliance requirements of our principals. Stringent audits are a regular feature of our operations across the different business units, and nowhere is this more exhaustive than in the pharma division.

Our business model includes regulatory services, import and clearing services, inventory planning, sales booking, physical distribution, finance and HR, which sees Sunshine routinely acquire talent on behalf of our principals. We leverage Group synergies by relying on our state-of-the-art, end-to-end cold chain capabilities and real-time monitoring systems made possible by Healthguard Infinity, our distribution arm, that ensure our products meet stringent temperature requirements as specified by the principals. Further, our business model is designed around our supporting services to drive growth in our principal brands.

Year under review

The pharmaceuticals division of Sunshine Healthcare was perhaps the most visibly hurt by the 2022 macroeconomic emergency, at least at the outset. The unavailability of dollars for imports after Sri Lanka's foreign reserves depleted to a historic low was a damaging blow to all import-reliant businesses, and Sunshine Healthcare was no exception.

However, we were able to overcome this unprecedented challenge sooner than anticipated, thanks in large part to the Indian credit line (ICL) that was extended to Sri Lanka for essential imports including medicines. Sunshine was among the first to use the ICL and successfully secure shipments of pharmaceuticals to ensure product availability. Some of our partners across the Palk Strait went out of their way to help us find our feet again once the initial shock of the crisis had worn off. The inherent financial strength of the Sunshine pharmaceutical business was also crucial here, as we had sufficient rupee liquidity to pay the billions of rupees due to clear shipments of urgently-needed pharmaceuticals.

As a business that is both hypersensitive to exchange rate volatility and must, at the same time remain compliant with the strictly enforced maximum retail price (MRP) regime, the pharmaceuticals segment was able to improve their profit margins during the period.

Adjusting the price of pharmaceuticals is never a triviality and one that we take very seriously. While it is imperative that medicine remain affordable, especially in a situation of record-high inflation, the lack of price increases would have crippled the industry and resulted in a much more significant shortage of pharmaceuticals, a situation the country simply could not afford. Availability of a vital medicine even at a higher price point was a markedly less undesirable outcome than not being able to find it at all.

In 2022-23, Sunshine Healthcare also took steps to cut down on overhead costs, slashing any expenditures that were not deemed prudent. A number of expansion plans were also put on hold, which helped us manage costs while keeping prices static for a large range of our products.

A number of our principals also helped us with additional credit, reaffirming the strength of our relationship-building efforts over the decades.

The pharmaceutical division was able to sustain its gross profit margins in 2022-23 up to a point, some losses notwithstanding.

→ Medical devices

Sunshine Healthcare's medical devices business is a fast-growing enterprise that recorded a rapid increase in revenue by four fold – in just five years. Today, it is the healthcare segment's third largest business unit in terms of revenue, and has carved itself into a niche in the surgical, diagnostic and other medical devices market.

In 2017, Sunshine Healthcare split its pharmaceuticals and medical devices businesses into two separate SBU's, looking to tap into the devices segment's immense potential. At the time, Sunshine Medical Devices held only 4% market share, a segment the Group was keen to aggressively pursue. The strategy paid off and today, Sunshine Medical Devices enjoys 11% of the market.

Sunshine's medical devices business operates across three segments: surgical, diagnostic and equipment, showing steady growth in the first two segments in particular. The business represents some of the world's leading surgical and diagnostic device manufacturers, including such renowned names as Johnson & Johnson, 3M, Siemens Healthineers, GE Healthcare, ICU Medical and Radox.

Sunshine's medical devices arm, which caters primarily to hospitals and institutions, has recorded tremendous growth over the years. Since its initiation as a separate business unit in 2017, it has grown by four times to become a Rs. 4 Bn. business with profitability also dramatically increasing.

Year under review

The crisis that defined the year dealt a crippling blow to the surgical and diagnostic devices space as well, resulting in a near-total crash of the market. However, perhaps somewhat paradoxically, Sunshine Medical Devices outperformed much of its competition thanks in large part to its growing foothold in the private sector, resulting in our own market share growing to about 11% bringing the band ever closer to the number 2 position.

As it did for the pharmaceutical business, the steep decline in affordability had a measurable impact on the devices business, despite its outward growth. The Company had to adjust prices to accommodate the exchange rate hike as well, which led to a 22% unit drop.

Prices of tests and procedures nearly doubling in the private sector also had a tremendous impact, leading to private sector volumes declining over the year. In addition, a sharp decline in purchasing power among various consumer

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segments meant a corresponding drop in the number of medical tests and surgical procedures they were willing to undertake. Many would postpone surgeries that were not deemed urgent and government hospitals, too, made a decision to delay routine surgeries. A similar trend affected diagnostic testing, with patients choosing to reduce or postpone tests. All of this posed a significant challenge to the devices business during the latter part of the year under review.

Financing costs in the high interest rate environment that prevailed proved challenging. Collection, particularly in the government sector, was harder than usual owing to cash-flow restrictions consequent to the economic crisis. Initially, the banking system only met 23% of the business' need for letters of credit (LCs) in US dollars in Q2 2022, with delays for approval running into two or three weeks. The situation has improved since then, with banks currently able to meet all of our LC requirements.

Overall, however, Sunshines' devices business overcame most of the challenges thrown its way during the reporting period, enabling us to become a Rs. 4 Bn. enterprise, a significant rise from the previous year's Rs. 3 Bn.

Some effects of the economic crisis on our business, however, cannot immediately be quantified, such as the widespread talent exodus or "brain drain" that we experienced in the aftermath of the crisis. A number of top positions in our business became vacant as a result towards the end of 2022, with some key product specialists also taking their expertise with them to migrate. This particular challenge was overcome to a degree after Sunshine Healthcare was recognised as a Great Place to Work for the third year running, which helped attract new talent. Clinching the Great Place to Work accreditation also helped a fresh, growth-focused recruitment drive. As we move forward, building and retaining tacit knowledge within our business and continuing to offer a superior employee proposition will be crucial to our operational resilience.

→ Distribution

Infinity operates largely in the private retail pharmacy channel modern trade and hospitals distributing pharmaceutical and wellness products – imported either by Sunshine or other players – to over 3,500 touchpoints islandwide.

Formerly a division of its agency business (Sunshine Healthcare being the only major pharma importer to have its own distribution channel until then), Infinity now operates as its own independent entity serving all of the segment's internal distribution requirements while also building its roster of external clients. The expertise and talent Infinity inherited from its previous incarnation helped the business become the Group's fastest-growing business.

The Company offers a one-stop-shop delivery solution with stand-out capabilities and sophistications that can be utilised by any importer or local manufacturer to distribute their own pharmaceuticals and wellness products to any customer point in the island. We strive to deliver on our 24-hour distribution promise and ensure strict end-to-end cold chain delivery, with high-tech temperature monitoring and online tracking features enabled for our fleet of 36 vehicles which guarantee sustained product quality throughout the delivery journey.

Our staff, over 150 strong, are highly trained in managing and overseeing the distribution process and are experts in collection and also maintain relationships with chemists, all of which are important attributes that our clients can put to good use.

While Sunshine's agency business accounts for majority of Infinity's business for now, we have signed up with a number of players who operate in cosmetics, perfumery and sanitary napkins spaces as well as in contraceptives and condoms. The business is expanding its horizons with a view to distributing, not just pharmaceuticals, but virtually anything that can sit in a pharmacy. Beyond retail, Infinity has ventured out covering institutions and modern trade space islandwide.

As of May 2023, Infinity has six regional centres that distribute to 14 sales areas covering the entire island following the establishment of the business unit.

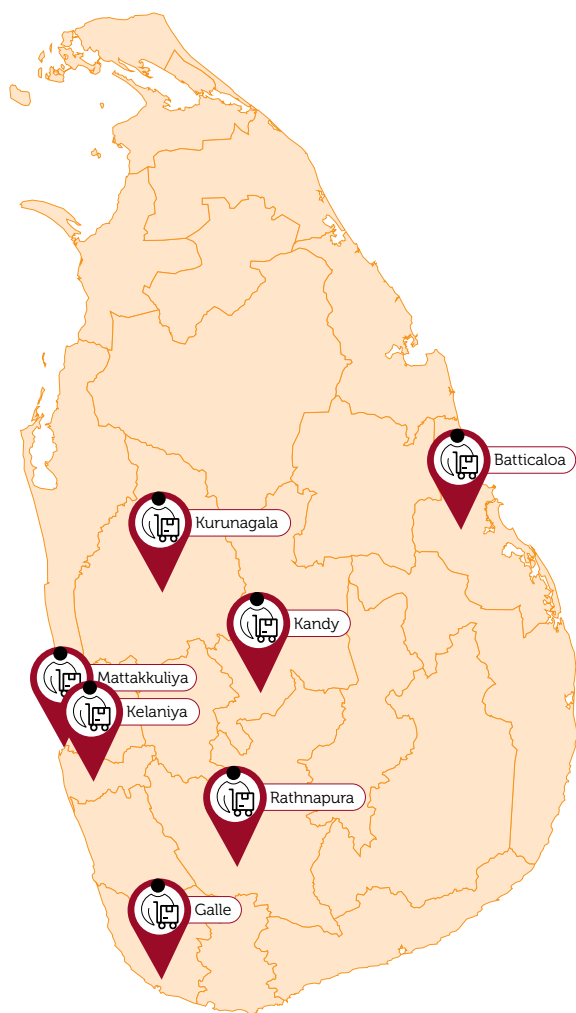
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The fuel crisis that nearly crippled Sri Lanka for a number of weeks mid-2022 threatened to stop pharmaceutical distributors in their tracks, however Sunshine Healthcare once again worked closely with the authorities to ensure an adequate supply of fuel for Infinity's fleet of vehicles. The Group's own fuel tank located in Mattakkuliya, approved by the Ceylon Petroleum Corporation (CPC), allowed for the distribution network to remain operative in a time of profound uncertainty.

Despite a steady supply of fuel, Infinity took measures to rework the itineraries of our drivers in a bid to save fuel. A number of routes were also brought together to this end. During what was one of the toughest years in recent memory, Infinity along with the rest of Sunshine Healthcare, pulled through, ably managing the crisis and mitigating effects through faster decision-making and the empowerment of second-level managers. Infinity's long-standing team members who supported the value chain coverage were the strength of our operations throughout 2022.

High levels of scalability and cost controls through high-tech innovations such as Robotic Process Automation (RPA) and automated invoicing and even measures like providing laptops to our staff who worked from home helped the Company perform well during an otherwise chaotic period.

Healthcare distribution centres islandwide



➔ Retail

Healthguard, our flagship retail brand, is built on a single central premise: to deliver high-quality pharmaceuticals and wellness solutions to an increasingly discerning consumer base that values quality above all else.

There are a number of pharmacy chains that compete in this same space, but Healthguard sets itself apart by pursuing a level of differentiation and sophistication across three pillars – ambiance, product offering, and service driven on expertise and technology – which has, over the last 10 years, elevated it to a position of unrivaled leadership.

Healthguard's product portfolio comprises primarily pharmaceuticals and wellness products that can be categorised as upmarket, which is in line with our brand identity as a pharmacy that caters to urban, upper-middle income earners whose doctors also tend to prescribe drugs that are of a higher price point. We do, however, stock the lower-tier equivalents of all products we offer, but the fast-moving product range tends to comprise the higher-end products, a trend that continues post-crisis.

Healthguard employs qualified pharmacists and our service stands out as being customer-centric with our data-driven solutions that rely on analytics to understand customer preferences.

In terms of ambiance, Healthguard considers it important to create an atmosphere that's conducive to a pleasant shopping experience and enables proper storage of products, which comes through in the physical layout and overall look and feel of our outlets. Healthguard has set the standard for modern pharmacy retailing that conveys quality and trust in the design of its store format. This is further reinforced through the display and merchandising of its quality products assortment.

Though it is a fully-owned subsidiary of the Group, Healthguard is not limited to pharmaceutical products imported by Sunshine Healthcare. Our 14 retail outlets across the Western Province represent all major pharmaceutical and wellness importers including the Group's competitors so as to offer our customers as diverse a range of products as possible.

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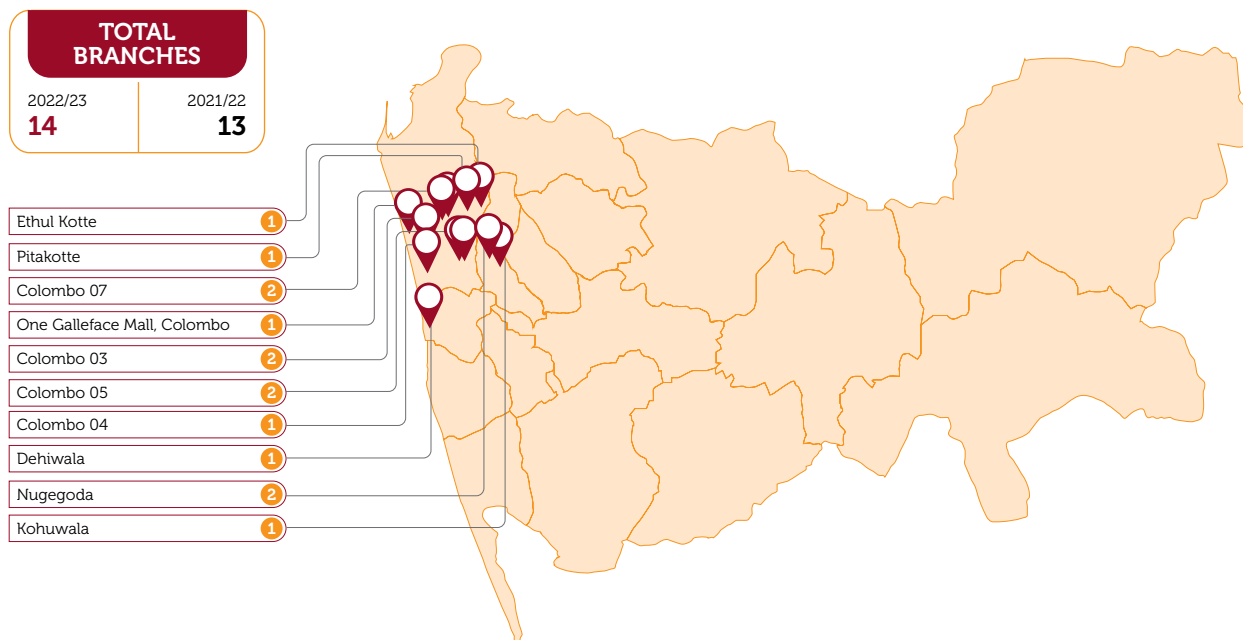
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Healthguard Pharmacy Locations



Healthguard is more than a pharmacy. Our retail outlets also offer impulse driven categories that complement routine pharma and wellness purchases that add to the overall shopping experience, and enable convenience to our valued customers, many of whom are accustomed to the pharmacy-cum-lifestyle-store model seen in some of the more developed markets in Europe and elsewhere.

The pharmacy retail chain also leverages the group's ICT capabilities to improve its product and service offering. A case in point is its automated ordering engine which allows weekly automatic orders, which range in the thousands, from up to 300 suppliers. The sophisticated software solution predicts availability of stock and automatically places orders as needed with little or no manual intervention required. The system is also able to cross reference and inform the pharmacist what alternatives, if any, are available, adding to the customer experience.

Year under review

One of the more notable challenges for Healthguard during 2022 was a sudden decline in the demand for wellness products. While demand for pharmaceuticals didn't dip significantly across our consumer base – whose disposable incomes dropped – the consumption of wellness products likely became a non-essential category to the middle-to-high income segment in a year that was marked by numerous hardships and social, economic and political upheaval.

As the crisis unfolded, consumers who had been very health conscious during the pandemic gradually shifted to a more price-centric outlook, focusing solely on essential medicines. This meant that purchases in Healthguard's wellness categories notably slowed down. Low footfall and reduced wellness volumes contributed to what was a largely flat year for Healthguard in terms of revenue. Growth was stifled as a result, despite maintaining high levels of product availability.

On the HR front, new challenges emerged as employees struggled to afford essentials as cost of living soared, especially in Colombo where all 13 of our outlets are located. Free lodging was offered to staff members during 2022 and their incomes were supplemented through a variety of initiatives at the height of the crisis. Fuel allowances were also increased and a host of activities were organised to help relieve the stresses of working through a crisis that, in untold ways, bordered on the existential. Operating hours were also limited during the reporting period, so staff could return home early. Brain drain was also a significant challenge in 2022, though not to a debilitating degree.

Loyalty engagement remained at high levels throughout the year, and online purchases that saw a dramatic spike during the pandemic but dropped significantly in Q4 2021 grew again significantly in 2022 with the emergence of the crisis.

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➔ Manufacturing

Our manufacturing business comprises two entities that function as one unit: Lina Manufacturing and Lina Spiro, two subsidiaries of the Group. Founded in 2011 by Dr Anil Gunatillake, Lina – (the founder's name spelt backwards) – mainly operates in the respiratory space, specialising in patented dry-powder inhalers (DPIs), and as of today is the only producer of metered dose inhalers (MDIs) in the local market.

Lina Manufacturing supplies a range of respiratory products to both the government and private sector, and has pioneered the development of local respiratory products over the 12 years of its existence, and the Company continues to invest in research and development to introduce more sophisticated products to the local market. Currently, Lina manufactures six lines of products, with a focus on asthma therapy. All lines have been operationally successful: the dry powder capsules line, the tablet line, the nasal spray line, device line, the metered dose inhaler line and cream line.

The state-of-the-art Lina Spiro Ltd. manufacturing plant in Kadawatha is the only WHO good manufacturing practices (GMP) certified manufacturing plant of locally formulated

MDI products in Sri Lanka. In January 2021, Lina Spiro commenced operations of Sri Lanka's first MDI.

Sunshine Healthcare acquired the companies when it merged with Akbar Pharmaceuticals in December 2020. The merger elevated Sunshine Healthcare to being Sri Lanka's first fully integrated healthcare company that operates in all five segments of the healthcare supply chain: R&D, manufacturing, importation, distribution, and retail.

Year under review

Faced with number of challenges presented by the macroeconomic situation, particularly with regard to increased input costs in the wake of the exchange rate hike. Delayed payment or nonpayment from the government sector was also a problem Lina had to contend with in 2022.

Furthermore, Lina lost invaluable human capital in 2022, with the Company's Quality Control Manager, Engineering Manager, Commercial Manager and R&D Manager all departing the country. Though losing key talent proved costly, Lina continues to believe in local expertise and has conducted a fresh recruitment to drive building local talent to grow strategically in local manufacturing.

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Consumer Goods

Consisting of the largest branded tea company in the country, our tea brands are trusted names in the domestic market, while our export arm is renowned internationally for high quality Ceylon tea. Our consumer sub segment, meanwhile, is the market leader in the hard boiled candies category.

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From its modest beginnings 25 years ago, Sunshine Holdings PLC's consumer segment has evolved into one of the top performing entities in the entire Sri Lankan fast moving consumer goods (FMCG) sector. A veritable giant in the industry, Sunshine's Consumer Goods business boasts an annual turnover of Rs. 19.0 Bn. and all but dominates the local market in tea and confectioneries and is also a leading player in the tea export trade, helping the country earn much needed foreign exchange.

Sunshine Consumer Lanka functions as several distinct business units that cater to both the local and international markets. Its three tea brands, Zesta, Watawala and Ran Kahata, all sell exceptionally well in their respective target markets, while the 75+ products of the recently acquired Daintee Ltd. are among some of the most popular confectionary brands in the country.

Sunshine Tea (Pvt) Ltd., fully acquired by the Group, serves as Sunshine Holdings' export arm and is consistently ranked among the top exporters of Ceylon Tea. The Company exports over 200 varieties of the finest teas grown in the island to an exclusive clientele scattered over 40 countries.

LOCAL MARKET

Branded consumer products in the tea and sugar confectionary space, including Zesta, Watawala, Ran Kahata teas and Daintee, Milady and other confectioneries.

Business Segment Value: Rs. 11 Bn.

EXPORT MARKET

Exporter of tea for OEM brands, and Sunshine's own Ceylon Tea brands including AvanTea, Gordon Frazer and Teazup.

Business Segment Value: Rs. 8 Bn.

The year that passed was a mixed bag of challenges and opportunities for the Consumer Goods segment. While the locally oriented business units suffered a number of setbacks in what was undoubtedly a prohibitively difficult year, the export business benefited greatly from the appreciation of the US dollar against the rupee, though it too was certainly affected by the disruptive macroeconomic climate that was prevalent throughout the year.

Having survived multiple crises since the turn of the decade, Sunshine Consumer has been able to retain its position as market leader in branded tea. Our branded tea portfolio comprises Zesta, Watawala and Ran Kahata, each catering to a specific socioeconomic demographic and each widely popular within its target market.

In the confectionery space, in the wake of Sunshine's acquisition of Daintee Ltd in 2020, the Group is now the undisputed leader in hard candy (toffee) and has successfully forayed in to the bubble gums, chocolate and biscuit markets.

→ Tea

Tea is the most widely consumed beverage in Sri Lanka, with up to 98% of the population estimated to indulge in a hot cup of tea at least once a day. The approximately 30 million kilogrammes of domestically consumed tea in Sri Lanka is retailed to consumers both as branded tea and loose tea, with branded tea occupying about 60% of the market. Sunshine Consumer is a dominant player in this segment, with its three brands of tea enjoying nearly 50% market share and occupying the top five tea brands.



Zesta

Launched in 1998, Zesta is our premium tea brand well regarded for its distinctive flavour and full-bodied taste. A 100% BOPF tea, the Zesta brand has always celebrated the 'Art of Tea' and is synonymous with high quality. Our latest products include a range of wellness infusions created with fresh herbs and healing spices.



Watawala Tea

Watawala Tea was launched in 2002 and has grown to become the number one brand in Sri Lanka's tea market, according to the Kantar Worldpanel, an international company dealing in consumer knowledge and insights based on continuous consumer panels. The brand has won the 'Most Popular Hot Beverage Brand of the Year' at the SLIM People's Awards for five years running since 2016 and continues to grow in popularity all over Sri Lanka.

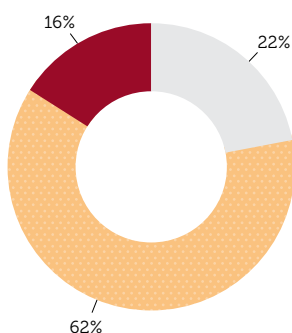


Ran Kahata

Though Ceylon tea is considered world class, an affordable cup of good quality tea remains elusive to many Sri Lankans. Ran Kahata is Sunshine's solution to this unfortunate disparity. Ran Kahata shook up the local market with the promise of two cups for every teaspoon of tea and proved an immediate hit with tea drinkers from all walks of life. It's now among the top five selling tea brands in the country and is a popular choice among those who love a strong cup of "kahata".



Tea segments revenue breakdown



Zesta

Watawala Tea

Ran Kahata

➔ Confectioneries

Daintee is perhaps the most recognisable confectionery brand in Sri Lanka, going back nearly 40 years. Launched in 1984 as a collaboration with UK confectionery giant, Barker and Dobson, Daintee Ltd. is famous for its assortment of candy, jellies and other confectionery items and popular toffee brands like Milady, Chocomint and X-tra, all of which has contributed to its unchallenged position as market leader. The Company enjoys a 40% market share in the hard candy (toffee) space and, since its acquisition by Sunshine in 2020, it has expanded the chocolate, biscuits and other confectioneries looking to fill niches that aren't occupied by the bigger players.

Daintee and Milady and a number of other confectionery brands produced by Sunshine are economical purchases that can be classified as affordable indulgences sold at the grocery store level and are, therefore, widely popular with the masses. Milady Chocomint, in particular, has had an impressive record over the years and is now the single biggest confectionery in Sri Lanka in terms of volume.

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In the wake of the crises that erupted in 2022, our tea business had to face a number of unanticipated challenges. Pricing revisions had to be made across the board and the Company had to focus its energies on specific markets and specific pack sizes as consumers shifted to smaller packs and more frequent purchases. A small drop in the consumption of milk also had a noticeable effect on the local tea trade.

In terms of revenue, the trajectory for both tea and confectionery was positive during the reporting period, primarily due to price increases. Prices of some of our products across both sectors rose by as much as 60% in 2022 largely due to increased costs. Though it did not cascade into EBIT, neither for tea nor confectionery – though performance was marginally better for the latter during 2022 – it led to a significant spike in revenue for both sectors even if it did not pass down to the bottom. To increase profitability, Sunshine Consumer will have to find new ways including more price increases to improve profitability in the new financial year.

The crises that marked the year also offered the local market segment of Sunshine Consumer valuable learnings in what we can do to improve growth, and the Company is ready to put these lessons to good use to grow in the coming months.

➔ Export market

Sunshine Tea (Pvt) Ltd. is a leading exporter of high-end Ceylon tea to over 80 clients in the US, China, Europe and a number of Asian markets including the Middle East. The Company exports some 200 varieties of tea including three prominent brands of its own, namely AvanTea, Gordon Frazer and Teazup and is a top earner of foreign exchange.

Sunshine Tea is known for its high-tech blending and packaging and practices international standards and quality assurances. With high-capacity tea bagging machines to help meet its ever burgeoning demand for value added teas, the Company is fast becoming one of the foremost tea exporters of Ceylon Tea.

Our factory processes over 11 million kilos of tea per annum and is well appointed with an assortment of sophisticated machinery. From tea cleaning, blending to packing facilities, the factory complies with state-of-the-art mechanisms and processes. It also hosts an in-house tea room and laboratory designed for chemical and microbiological analysis.

Sunshine Tea deploys the services of over 100 personnel and records an annual turnover exceeding USD 25 Mn. Tea bags, bulk tea and a host of other versatile product capabilities are all further supplemented by the Company's list of certifications that range from ISO 9001, FSSC 22000, GMP, Fair Trade, Rainforest Alliance, Halaal, SMETA to SGP (Green rating).

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Sunshine Tea Export Markets



➔ Year under review

Part of the logic in Sunshine Holdings PLC's acquisition of Sunshine Tea was the possibility of optimising the export arm of the business for dollar-earning avenues for the Group. Given that Sunshine had been well acquainted with the inner workings of the Company pre-acquisition, the decision to absorb the business was not one that required much deliberation and, thus, Sunshine Tea was fully acquired by the Group in April 2022 as Sri Lanka was heading into its worst economic crisis in decades.

Sunshine Tea primarily deals with client-owned brands – about 70% – with bulk tea making up the rest. Over the recent past, some of these clients have been gradually moving out of Sri Lanka due to the ease of packing in their own country as well as duty concessions and other benefits. However, many of our clients stayed with us during the reporting period, including such prestigious names as the Tata Tetley Group and Coca-Cola, Japan.

The devaluation of the rupee gave Ceylon Tea a competitive edge in certain markets, helped by increased global demand for tea which contributed to 2022 being a better-than-anticipated year for Sunshine Tea despite the many challenges back home.

As the pricing of Sri Lankan tea remained competitive, hovering around Rs. 1,200-1,400 a kilo – in the first and second quarters of the 2022 financial year despite the currency depreciation, countries that were importing tea from India and Kenya started to look toward us. This opened up many hitherto unavailable opportunities for Sunshine Tea to expand in both bulk and value-added tea segments.

This did not last, however, as, towards the end of the year, prices shot up along with fertiliser shortages and crop scarcities up to a staggering Rs 2,000 and more, which led to a perception in certain key markets that Ceylon Tea had become unaffordable, causing a drop in demand. By the end of the third quarter, Sunshine Tea saw a decline in the order content, but thanks to the devaluation and exchange rate gains recorded in the first six months, Sunshine Tea ended the year on a reasonably positive note.

In the international market, however, the picture was not quite so rosy. With governments no longer paying salaries to COVID-19 hit populations and with the emergence of the Russia-Ukraine war and a global rise in inflation amid a high interest climate, disposable incomes saw a notable shrinkage which led to a drop in demand for imported tea, especially in Europe, one of Sunshine Tea's top markets. Other tea-purchasing countries like Iran have also stopped importing Ceylon Tea, which impacted our performance during the reporting period.

Going into the new financial year, the global economic situation remains volatile and, thus, challenging for Ceylon Tea despite benefits accrued from the favourable exchange environment. The coming months will be critical for the tea export industry in general.

2022 was a difficult year not just for business but for workers too, and Sunshine Tea rewarded their dedicated and capable staff, all of whom showed the highest level of commitment despite the ongoing crisis. We were one of the first tea companies to recommence operations within just two days of the Government declaring curfew, and our employees returned to work voluntarily braving the chaos unfolding outside.

Starting in 2022, Sunshine Tea also began to diversify into other export commodities such as coconut and cinnamon, and the Consumer Goods business already leverages the marketing strengths of Sunshine Tea to market Zesta, its premium range of value-added tea.

Despite the numerous challenges faced by the business, Sunshine Tea is keenly aware that the industry is highly resilient and has the capacity to overcome any crisis, and the Company is focused on sustainable and profitable growth with higher volume margins and focused marketing.

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Agribusiness

Our agribusiness consists of cultivation, agri processing, and dairy farming, with a future outlook for diversification into other crops. Our palm oil business, the first in South Asia to receive the Roundtable on Sustainable Palm Oil (RSPO) certification, remains the largest revenue earner for the segment.

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➔ Overview

Despite some severe setbacks suffered in possibly the most hostile period for agribusiness in recent memory, Sunshine Holdings PLC's Agribusiness remains the third largest revenue generator for the Group, accounting for Rs. 8.8 Bn. in the 2022/23 financial year. Going back over a quarter of a century, the Sunshine Agribusiness at present comprises two primary upstream business units: oil palm cultivation and dairy farming, both of which have had to contend with multiple crises over the past three years that posed almost an existential threat to the segment.

PALM OIL

Watawala Plantations PLC
Upstream plantation and mill selling crude palm oil to refiners and local brands.

Business Segment Value: Rs. 7.6 Bn.

DAIRY FARMING

Watawala Dairy Ltd.
Upstream farm with 1,800 cows and an automated milking parlour selling fresh milk at the farm gate to local brands.

Business Segment Value: Rs. 1.2 Bn.

To say that 2022 was a tough year for businesses big and small would be an understatement, but nowhere was the stranglehold of the crisis more keenly felt than in the agricultural sector. The industry, which was just on the mend from the near destruction caused by a ruinous ban on inorganic fertiliser, had to face two unforeseen challenges in 2022: mounting costs of the fertiliser that was at long last made available after the ban was lifted, and input shortages triggered by the depletion of foreign exchange in

the country's banking system. Making matters worse was a devastating dearth of animal feed for our herd, which threatened to grind the dairy farming business to an abrupt halt. The year was also marked by a rigorous regulatory environment that has proved challenging for the Group's palm oil business due to an ongoing ban on the cultivation of the crop despite heavy lobbying by Sunshine and other players. Moreover, the financial crisis and the political unrest erupted in its wake.

These monumental difficulties notwithstanding, the Agribusiness reported a more than satisfactory financial performance during the reporting period, recording operating profits almost on par with those of the previous financial year. As of 31 March 2023, Sunshine remains a name to be reckoned with in the agricultural sector and we look forward to taking on any new challenges that the coming year has in store for us as Sri Lanka takes bold new measures to overcome its worst economic crisis in decades.

	2023 Rs.	2022 Rs.	Growth %
Revenue	8,768	6,475	35.4
Gross profit	3,564	3,538	-0.7
Operating profit	2,931	3,347	-12.4

➔ Palm oil

Earning over Rs. 7 Bn. for the Group annually, our oil palm cultivation – operated by Watawala Plantations PLC – had over the years spread out across 3,400 hectares and one palm oil mill until the Government ban on expansion came into effect in 2021.

A joint venture between Sunshine Holdings PLC and Pyramid Wilmar Plantations Pvt Ltd., Watawala Plantations PLC is a true pioneer, having set the regional standard on environmentally and socially responsible oil palm cultivation that's also sustainable and profitable. Watawala Plantations follows only the highest international cultivation standards, and ours being the first and only oil palm plantation management company in South Asia to receive the coveted Roundtable on Sustainable Palm Oil (RSPO) certification, is testimony to our strong commitment to sustainable agricultural practices. The ISO 45001 (Occupational Health and Safety) certification received by our palm oil mill, meanwhile, attests our approach to worker safety.

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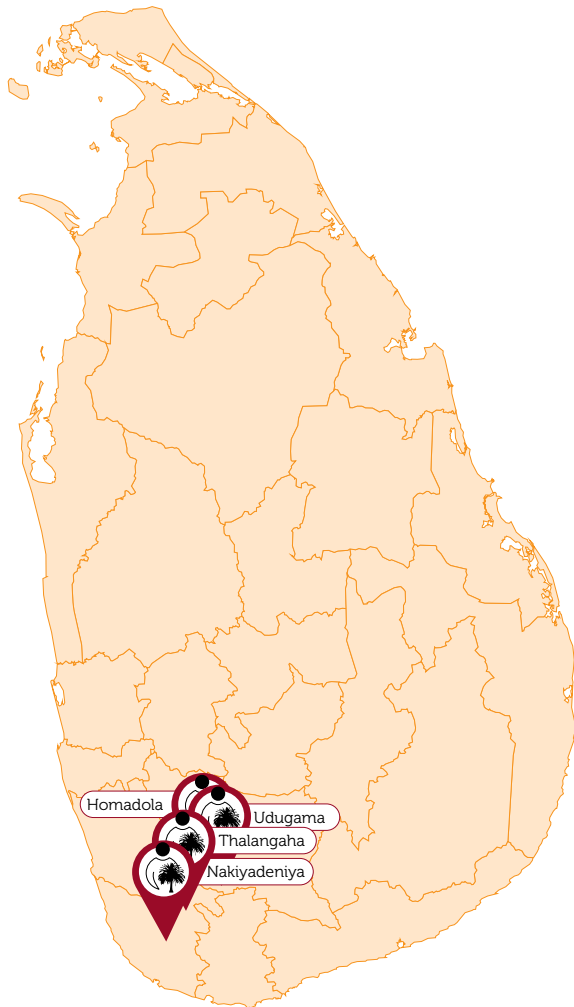
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Palm Oil Estate Locations



Watawala Plantations' 1,500-strong staff, all of whom receive routine training on international best practices in an ever-evolving industry landscape, contribute to the production of high-quality palm oil that we supply to five number of refiners and brands at an average of 13,697 tons per year. As of 31 March 2023, the Company enjoys a market share of approx. 54% of production in Sri Lanka and has retained its position as a major producer of this highly sought-after product.

While no crop is without some degree of impact on its surroundings, oil palm is no different from tea, rubber or coconut – which, incidentally, we also cultivate at a much smaller scale – in terms of consumption of groundwater and nutrients. Regardless, Watawala Plantations conducts regular experiments to assess the effects, if any, of our plantations on the water table and freshwater streams that surround our plantations. Our stakeholders will be pleased to hear that our in-house teams of experts, who routinely check our compliance levels.

In fact, the Company goes the extra mile in ensuring that we leave no stone unturned in protecting the environment. Treated wastewater from our oil palm mill in Nakiyadeniya provides moisture, nutrients and organic matter to the soil and reduces the need for chemical fertilisers. The water discharged is checked for compliance with Central Environment Authority (CEA) thresholds, to minimise the risk of pollution of groundwater and disturbance to the aquatic environment.

We are hopeful that the authorities will take these factors into consideration in its re-evaluations of the ban placed on oil palm cultivation in Sri Lanka. Until such time, and statutory hurdles notwithstanding, Watawala Plantations remains the industry leader in palm oil, and, with years of expertise and state-of-the-art technology at our disposal, we are ready to take charge again no sooner than the Government revokes the gazette.



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At the very outset of a year defined by uncertainty and mass confusion, Watawala Plantations, which had just dealt with the catastrophic fertiliser shortage, had to brace itself for another period of prolonged stagnation if not accelerated decline as the country was thrust headfirst into multiple crises of untold severity. Increased cost of sales, input prices, and non-availability of fertiliser and other chemicals would go on to create a challenging environment that was unlike any other for our everyday operations.

And yet, the palm oil business, and by extension the Agribusiness overall, persevered and, in fact, did reasonably well in 2022 all things considered – quite the feat given what the business had to endure just a few months prior. Much of early 2022 had been spent drawing up contingency plans to overcome the fertiliser crisis that had thrown the agribusiness sector into chaos. The blanket ban on further expansion of oil palm plantations had already dealt a heavy blow to our agribusiness segment's core business, and it didn't take long for the policy misadventure of banning inorganic fertiliser to take its toll.

Unable to meet even 60% of its fertiliser requirement, Watawala Plantations had to look at other means. Confronted with the need to maximise yield while also optimising costs, the Company had to resort to a completely new fertiliser mixture it had never tried before, which was able to sustain the yield, albeit at a higher cost. With oil palm being a perennial crop, we were able to sustain the plantation until the ban on inorganic fertilizer was lifted. We also drew from the synergies of our business units, by applying cattle slurry, cow manure, and compost produced at the farm to enrich the soil and our plantations. These and other efforts to mitigate the effects of the crisis paid off and prevented what would otherwise have been a significant drop in production.

Though the ban on fertiliser was lifted, the cost of production had dramatically increased by the time the financial year end rolled around, leading to even higher costs. Fertiliser that cost Rs. 27,000 a ton was now priced at Rs. 880,000, a 32-fold increase, which meant that our fertiliser bill which stood at Rs. 140 Mn. a year had increased to over Rs. 1 Bn.

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➔ Dairy

Our dairy business, namely Watawala Dairy Ltd., a subsidiary, produces around 2% of Sri Lanka's total production of milk. This is significant for a market that produces only 40% of its annual dairy requirement locally. Sunshine's long-term objective is to tap into the enormous potential in the market to be 100% self-sufficient in dairy, a prospect Watawala Dairy takes quite seriously.

With some 1,800 cows, about a 1,000 of whom are used in milk production – all crossbreeds imported from Australia and New Zealand – our state-of-the-art milk production facility supplies five million litres of fresh milk sold to around six food brands every year.

Ethical and sustainable dairy production is a philosophy that underpins our business as demonstrated by our dedication to the wellbeing and welfare of our herd, which stems from our commitment to protecting the planet, preserving mother nature, and taking responsibility for our shared future.

The Watawala Dairy Farm also employs a fully automated Dairymaster milking parlour system imported from Ireland that's capable of monitoring the progress of each animal's yield and quality of the milk produced. Sensors are clipped to the ear of each heifer to measure temperature, activity, resting time, rumination time, feeding behaviour, facilitating better care over the welfare of each cow.

The Company has been purchasing maize, the primary fodder for our herd, from over 40 suppliers in Anuradhapura, Polonnaruwa, Ampara, Monaragala and Mahiyanganaya, providing vital support to the maize farming community in Sri Lanka. However, this was disrupted by the crises that hit the industry starting with the fertiliser ban in 2021, forcing us to grow our own fodder at great risk. Due to the severe shortage of maize for cattle fodder in the backdrop of import restrictions and reluctance to cultivate maize by the farming community, Watawala Plantations embarked on a journey to cultivate maize which resulted in the dairy farm securing about 40% of the feed requirement from Watawala's maize plantation.

Year under review

Never in its 16-year history has the dairy business faced a year as challenging as 2022. In many ways, Watawala Dairy Ltd. had to fight for survival during the reporting period, hit as it was by non-availability of animal feed and a massive hike in input costs.

Even as fertiliser was gradually becoming available for the local cultivation of maize, the Government had imposed a ban importing the crop. Given that maize is required for both human consumption and animal feed for the poultry and dairy industries, the ban on imported maize was a devastating blow to all industries with intense competition to source the limited volumes available driving up the price. The Company had to incur significant costs and expend vast resources on cultivating our own maize. Maize being a short provision crop that's weather-dependent and is also resource and labour-intensive, was a challenge that we had to work overtime to meet. The reporting period saw Watawala Dairy grow about 600 acres of maize in the dry zone at a time when both fertiliser and seed prices were at an all-time high. The risk was worth our while, however, and we ensured that our herd was well-nourished during the entire period, leading to an output of 5.3 million litres of fresh milk.

Watawala Dairy's strategy to increase milk production proved only marginally successful during the reporting period, earning the company Rs. 1,198 Mn. in revenue whilst resulting in a net loss of Rs 321 Mn., due in large part to feed costs, which makes up about 80% of our operational costs, and loss on valuation of biological assets.

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➤ Sunshine Group HR

As disruptive as the pandemic years were to the entire economy, from a human resources perspective, the challenges posed by the 2022 socioeconomic and political crises were uniquely taxing to all businesses. As the crisis deepened into the first quarter of the year and people across all walks of life began to feel the pinch in a very visceral sense, Sunshine Holdings PLC was faced with the uphill task of retaining a productive workforce while being empathetic and understanding of their individual and collective struggles.

With this in mind, Our HR teams embarked on a mission to create as fulfilling an employee experience as possible in a year that saw a significant percentage of our 1,600+ staff undergo numerous hardships as a direct result of the country's macroeconomic situation. A number of initiatives were carried out based on our Three R strategy, [Reach (Communication), Redesign and Resilience] which led to us building strategies around redeploying, rightsizing and reskilling our employees in order to get the best out of our pool of talent without overburdening them at a time of profound mental exhaustion.

Total employees by age and gender

Age	Male	Female	Total
>56	28	4	32
46-55	196	20	216
26-45	1,070	203	1,273
18-25	117	22	139
Total	1,411	249	1,660

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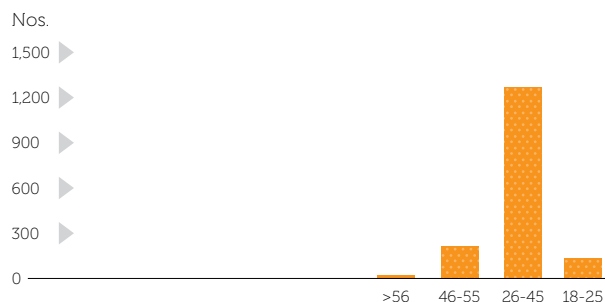
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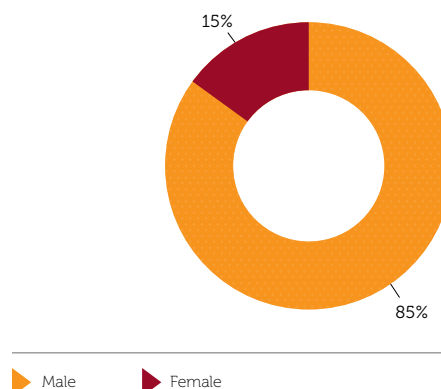
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Age distribution of employees



Gender breakdown



Employees by category, age, and gender

Age	Corporate Management		Executive Management		Executive		Clerical/supervisory	
	Male	Female	Male	Female	Male	Female	Male	Female
18-25	0	0	2	1	33	6	82	15
26-45	65	13	146	27	434	90	425	73
46-55	39	2	33	7	57	5	67	6
Above 56	7	1	6	0	2	2	13	1
Total	111	16	187	35	526	103	587	95

Geographic dispersion of employees

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Employees by contract type age, and gender

Years	Permanent		Contract		Casual		Probation		Trainee		Other	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
18-25	80	12	0	0	0	0	37	9	0	1	0	0
26-45	931	162	1	2	0	0	137	38	0	1	1	0
46-55	183	19	2		0	0	11	1	0	0	0	0
Above 56	26	3	1	1	0	0	1		0	0	0	0
Total	1220	196	4	3	0	0	186	48	0	2	1	0

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Total employees – Department-wise (Support services)

Department	Male	Female	Total percentage
HR	10	26	24%
IT	20	4	16%
Finance	51	37	60%
Total	81	67	

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Total employees by employment category and years of service

Category/Years of service	< 2	3-10	11-20	21-30	31-35	>36	Total
Band 5 and above	38	40	42	6	1	0	127
Band 6	63	87	60	11	1	0	222
Band 7	252	288	69	15	4	1	629
Band 8 & 9	264	312	82	24	0	0	682
Total	617	727	253	56	6	1	1660

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➔ An equitable work environment

While meritocracy remains the cornerstone of Sunshine's HR policy, diversity and inclusion are important considerations when recruiting fresh talent. All employees are held in equal regard – which translates to equal pay and other entitlements – irrespective of gender, sexual orientation or any other socially constructed difference. The following is a breakdown of how our human capital is currently organised across the Group:

TOTAL EMPLOYEES 2021/22: 1,700

TOTAL EMPLOYEES 2022/23:

1,660

MALE				FEMALE			
TOTAL	2022/23	2021/22		2021/22	2022/23		TOTAL
	1,411	1,439		261	249		
PERMANENT STAFF	2022/23	2021/22		2021/22	2022/23		PERMANENT STAFF
	1,220	1,382		246	196		
CONTRACT STAFF	2022/23	2021/22		2021/22	2022/23		CONTRACT STAFF
	7	13		5	4		

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	TRAINING COST (Rs. Mn.)		TRAINING HOURS	
	2022/23	2021/22	2022/23	2021/22
	27	23	52,437	29,225
	AVERAGE TRAINING HOURS PER EMPLOYEE		NUMBER OF HOURS ON DIGITAL TRAINING	
	2022/23	2022/23	2022/23	2021/22
	34	17	2,604	1,012

	NUMBER OF EMPLOYEES ENTITLED TO MATERNITY LEAVE		NUMBER OF EMPLOYEES WHO TOOK MATERNITY LEAVE		NUMBER OF EMPLOYEES WHO RETURNED TO WORK AFTER MATERNITY LEAVE	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22
	17	11	17	10	9	7
					53%	70%

Sunshine also believes strongly in the potential of a well-trained staff, and we expend considerable resources every year in keeping our employees up to date on the latest knowledge in their respective fields. Capacity building is a key pillar in our HR strategy.

Training programmes by category

Type of training	Number of programmes	Number of participants	Training hours
Internal training programmes	559	6,955	23,065
External training programmes	180	4,228	29,372
Total	739	11,183	52,437

Average training hours by category

Category	Training hours
Band 1	141
Band 2	35
Band 3	615
Band 4	2,697
Band 5	10,005

Average training hours by gender

	Training hours
Male	44,527
Female	7,910

Recruitment by category, age, and gender

Age	Corporate Management		Executive Management		Executive		Clerical/Supervisory		Other	
	Band 5 and above		Band 6		Band 7		Band 8 and 9		Male	Female
	Male	Female	Male	Female	Male	Female	Male	Female		
18-25	0	0	1	1	19	3	55	11	4	0
26-45	16	3	34	10	104	39	139	40	4	2
46-55	10	0	3	2	15	0	23	3	0	0
Above 56	2	0	3	0	1	0	6	1	0	0

Average training hours by sector

Sector	Training hours
Healthcare	32,202
Consumer Goods	17,710
Agribusiness	2,525

A centralised approach

Sunshine Holdings PLC runs a centralised HR operation where the majority of functions that are universally applicable are centrally handled, with HR Business Partners in the strategic business units (SBUs).

The Group utilises embedded HR functions as well as centres of excellence. To illustrate, we have an HR Service Centre where we carry out all operational HR work for the different SBUs and govern compensation, benefits and rewards at a Group level. Organisational development and design, from an HR perspective, also occurs centrally. For instance, if there is a training requirement for a specific SBU, the planning and development of that exercise is carried out by Group HR.

Each SBU is bound to have its own unique set of HR challenges, and it is the task of Group HR to sit with the Management of the individual business and design a HR strategy tailored for that particular operation. Underpinning each individual approach, however, is a Group-level HR philosophy that sees a central Sunshine Culture ingrained to the DNA of the entire group.

A turbulent year

With record attrition levels across the different SBUs in 2022, Group HR devised a mechanism to convert all tacit knowledge in the talent pool into explicit knowledge in a bid to future-proof the Organisation. Measures were also taken to minimise staff turnover through initiatives to support employees in various ways during the peak of the crisis in order to make them feel valued and to inculcate in them a sense of resilience.

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Total recruitments by gender and region

Region	Male	Female	Total
Western Province	212	60	272
Southern Province	60	19	79
Central Province	52	5	57
North Western Province	27	8	36
Uva Province	25	5	30
Northern Province	6	0	1
Sabaragamuwa Province	23	9	32
Eastern Province	21	4	25
North Central Province	17	5	22

Total recruitments by sector/department

Sector/Department	Male	Female
Healthcare	169	56
Agribusiness	30	4
Consumer Goods	218	43
Other	20	8
Sunshine Holdings	2	4
Total	439	115

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As inflation soared and everyday commodities became unaffordable or unavailable even to the relatively well off, the Group took a calculated approach to mitigate the effects of rising prices by distributing dry rations to employees in need and providing transport, among other benefits, to alleviate some of the burden on them. These targeted relief measures proved more sustainable and indeed more beneficial in a practical sense to staff across the different SBUs than a flat wage increase which would not have been sustainable for the Group in the long-run. Group HR also launched new initiatives such as book donations and other measures to help our employees' children in school throughout a period that had caused irreparable damage to primary and secondary education.

If there was one overarching side effect of the 2022 crisis, it was stress – an inordinate excess of it. It was up to Group HR to manage stress levels across the different SBUs.

Numerous initiatives were taken throughout the year to educate employees on stress management, on the importance of spending quality time with family and loved ones and how to manage their lifestyles in a way that would not add to their stress. A strategy we formulated to manage financial stress was to instruct employees on scaling down their lives, and to this, the Group itself had to live by example. Senior staff who drove their own vehicles would opt for carpooling during the fuel shortages that threatened to cripple the economy, with some Senior Management even taking the bus to work to drive home the point about scaling down, about strategic frugality. Other measures included

home gardening – particularly in the Agribusiness – and other means of keeping consumption down in a time of high inflation. These practices would go on to become part of the Sunshine Culture throughout the year, having a measurable impact on staff morale.

The Group also took a call to move away from award ceremonies and other resource-intensive recognition events and instead focused on more meaningful initiatives that would be of more practical use to them in a time of crisis. Staff engagement funds, for example, were channelled to initiatives that would cushion the impact of the worst economic crisis most of our staff had ever experienced. Enhancing existing benefits such as medical allowances, we found, were far more useful to all parties concerned rather than going for a blanket salary increase, particularly in light of the new tax regime.

Future outlook

Going into the new financial year, though there has been a notable improvement in the broader economic situation, the Group is likely to be affected by attrition whether it's for employment abroad or for further education. An area that is going to be of significant concern to Sunshine in the months ahead is the overpricing of talent in the job market. Having invested heavily in our employees, the Group has every intention of retaining as much of the existing staff as possible.

The talent war has only just begun, and Group HR is tasked with future-proofing the business in an increasingly high-attrition market. To do this, we have already put in place extensive documentation of our processes across all business units, developing operating manuals and instructive videos and the like. Group HR Business partners are instructed to discuss these initiatives at the SBU management level so that a more rigorous documentation process can take place with the involvement of top existing talent. Some of these videos invariably end up on YouTube for the benefit of any new recruits. Digitalisation efforts, which had to be put on hold due to COVID-19, will also recommence in the coming year as part of a novel HR strategy to build new capacities.

Finally, the guiding principle of Group HR with regard to talent is retention, where the critical, more pivotal roles are identified and strategies are implemented for the sustainability of the business. However, we are keenly aware that our employees across the talent hierarchy are not with us purely for the remuneration but also for the value proposition of the Sunshine Group, specifically in terms of the opportunities provided to advance their careers in terms of cross industry exposure and training.

Our Group Managing Director, who also heads the Ceylon Chamber of Commerce, routinely addresses the staff and shares with them his wealth of insights and his vision for the future. As a strong believer in Sri Lankan ingenuity and capacity to withstand any crisis, he uses every available opportunity to instil in all Sunshine employees irrespective of industry or position, the value of unity in the face of adversity. Group HR subscribes to this very philosophy, and we are confident that it will help us face any challenge that the new year has in store for us head on.

CORPORATE SOCIAL RESPONSIBILITY



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SUWA DIVIYA

The diabetes awareness programme, "Suwa Diviya," continued to create awareness through half-day workshops conducted at multiple corporate offices/factories and on social media.

Value: **Rs. 2,700,000**

Year-round

**SUNSHINE CARE CENTRE**

The Foundation continued to support the developmental needs of the 20+ differently abled children at the Care Centre in Lindula for the fifth straight year. A nutritious lunch is provided to the children who are assisted by three trained supervisors.

Value: **Rs. 6,426,000**

Year-round

**PHARMACEUTICAL DONATIONS**

Value: **Rs. 16,889,013**

Year-round

**FIVE NEW REVERSE OSMOSIS (RO) PLANTS IN POONERYN**

Opening of five new RO plants for two GS divisions (Paramankirai and Gnanimadam) in Pooneryn, which provides safe drinking water to over a thousand people.

Value: **Rs. 6,300,000**

April

**KATHARAGAMA HOUSING PROJECT**

Sunshine Foundation for Good (SFG) contributed towards a housing project for low-income families in the Kataragama area.

April

Value: **Rs. 2,847,000**

DONATION OF LAPTOP

SFG donated a laptop to Chathushika De Silva, a deserving undergraduate of a long-serving Sunshine Consumer Lanka employee, to pursue her higher studies. The request was made by her father, the employee, who is a visually impaired, single parent, upon her selection to university.

Value: **Rs 156,990**

May

**DONATION OF MEDICATION TO LADY RIDGEWAY HOSPITAL**

A donation of essential medication required for the treatment of children admitted to the Lady Ridgeway Hospital in Colombo was made by SFG.

May

Value: **Rs 1,922,267**

DONATION TOWARDS "MANUDAM MEHEWARA" BY DIALOG

A multi-corporate ration donation programme organised by Dialog saw Sunshine contribute with a donation of tea products which were delivered to the islandwide Sarvodaya centres.

Value: **Rs 15,124,800**

May

**DONATION TOWARDS "DIVIYATA DIRIYAK" OF THE CEYLON CHAMBER OF COMMERCE**

SFG made a financial donation towards the ration donation programme "Diviyata Diriyak" by the Ceylon Chamber of Commerce to assist low-income families during the economic crisis.

June

Value: **Rs 1,000,000**

DONATION TOWARDS RATION DONATION BY COLOMBO EXPATS CULTURAL ASSOCIATION

Responding to a request by the Colombo Expats Cultural Association, SFG made a financial donation to assist in the purchase, importation and distribution of dry rations to orphanages in the country.

June

Value: **Rs 1,000,000**

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DONATION OF MEDICATION TO MINISTRY OF HEALTH

Sunshine Pharmaceuticals supported the Ministry of Health at a critical juncture by donating essential medicines.

Value: **Rs. 13,400,000**

June

**EMERGENCY DONATION OF INSULIN TO CASTLE STREET HOSPITAL FOR WOMEN**

Following an urgent plea from Consultant Dr Saman Kumara which was posted on social media, the Sunshine Pharmaceuticals team responded in less than 24 hours with almost all the insulin available in our inventory.

Value: **Rs. 266,700**

June

**DONATION OF MEDICATION TO THE RAMAKRISHNA MISSION, BATTICALOA**

Value: **Rs. 590,767**

June

**DONATION TOWARDS COMMONWEALTH GAMES PARTICIPANTS**

July

Value: **Rs. 250,000**

A donation was made towards the contingent of athletes representing the country at the Commonwealth Games, Birmingham.

DONATION TOWARDS "FEED A CHILD" BY COLLEGE OF PAEDIATRICIANS

A special dry ration donation programme organised by the College of Paediatricians to assist the children of the Nuwara Eliya district was supported by SFG.

Value: **Rs. 5,400,000**

August



DONATION OF TUBE FEEDING NUTRITIONAL SUPPLEMENTS TO MULTIPLE HEALTHCARE FACILITIES

Sunshine Pharmaceuticals donated Hexagon (tube feeding nutritional supplements) to multiple Base Hospitals, Teaching Hospitals, District Hospitals, Special Care Units, and even the Apeksha Cancer Hospital. Hexagon is a supplement most needed for critical patient care related to dialysis, and renal care. The donations were made in the presence of Oncologists, Nutritionists, Dieticians, GI Surgeons, Nephrologists, and other hospital staff.

Value: **Rs 12,095,926** **August**



DONATION OF ESSENTIAL MEDICATION TO THE MINISTRY OF HEALTH

Essential medication was donated to the Medical Supplies Division (MSD) of the Ministry of Health by Lina Manufacturing.

Value: **Rs 2,100,000** **August**



DONATION OF PROBIOTIC PRODUCTS TO MULTIPLE PAEDIATRIC WARDS AND HOSPITALS

Sunshine Pharmaceuticals donated Cell Biotech Yummy Kids probiotic products to paediatric wards and hospitals across the country. These donations were made in the presence of consultant paediatricians, ward doctors and nursing staff.

Value: **Rs 13,632,000** **August**



DONATION OF MEDICATION TOWARDS SG AND PG MEMORIAL TRUST BENEFICIARIES

October

Value: **Rs 1,103,338**

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DONATION OF MEDICAL SUPPLIES TOWARDS 1990 SUWA SERIYA

Value: **Rs. 1,000,180**

October



DONATION OF EPOC CARTRIDGES TO THE MINISTRY OF HEALTH

October

Value: **Rs. 2,233,300**

Donation of 500 Excess Post-Exercise Oxygen Consumption (EPOC) cartridges to assist the Ministry of Health with conducting CKDu (Chronic Kidney Disease of Unknown Etiology) screenings.

REPAINTING AND REPAIRS TO PAEDIATRIC WARD OF PANADURA BASE HOSPITAL

Further to the complete renovation of Ward 5A (paediatric ward) of the Panadura Base Hospital by SFG in 2019, a request was received to assist with minor repair and repainting work, which was honoured during the year.

Value: **Rs. 150,603**

November



DONATION OF ICU BEDS TO KANDY TEACHING HOSPITAL

SFG donated three ICU beds upon the urgent request by the Teaching Hospital, Kandy.

Value: **Rs. 2,380,500**

December



SPECIAL WELFARE PACK FOR CHRISTMAS

December

Value: **Rs. 1,536,255**

DONATION OF SCHOOL BUS

January

Value: **Rs. 4,700,000**

DONATION TOWARDS "LIGHT A FUTURE"

SFG assisted the 'Light a Future' donation programme organised by Atlas to support the continued education of children from under-privileged schools/orphanages.

Value: **Rs 2,986,500** **January**



DONATION TOWARDS "ADOPT AN AMBULANCE" BY 1990 SUWA SERIYA

SFG and subsidiary company stepped in to assist 1990 Suwa Seriya to 'Adopt an Ambulance' (three vehicles), given the funding shortfall by the Government.

Value: **Rs 15,000,000** **February**



DONATION OF ESSENTIAL MEDICATION TO THE MINISTRY OF HEALTH

Sunshine Medical Devices handed over 4,000 units of Rocuronium to the Medical Supplies Division (MSD) of the Ministry of Health. This medication is essential during surgery to help relax muscles and help with ventilation of the lungs.

February



DONATION TOWARDS "ONE MILLION TREES PROJECT" BY ROTARY INTERNATIONAL

SFG honoured a pledge made by the Group Managing Director (GMD) to Jennifer Jones, President, Rotary International to sponsor the planting of 10,000 trees of the total of a one million tree planting project.

Value: **Rs 1,000,000** **March**



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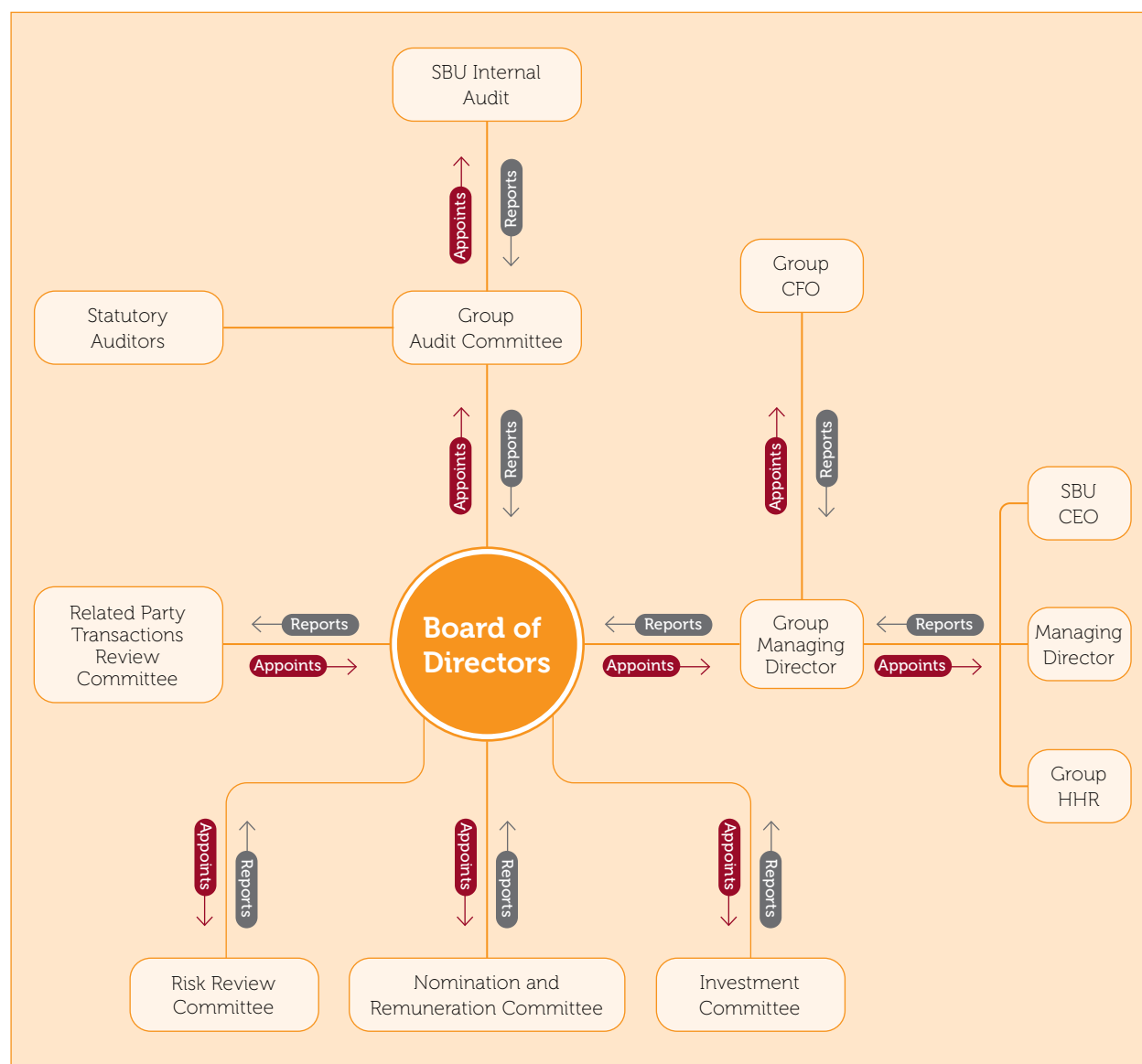
Sunshine Holdings PLC (SUN) is the holding company of five subsidiaries, namely Sunshine Healthcare Lanka Limited, Sunshine Consumer Lanka Limited, Sunshine Tea (Pvt) Limited, Sunshine Wilmar (Pvt) Limited, and Sunshine Packaging Lanka Limited, representing the business sectors of Healthcare, Consumer Goods and Agribusiness respectively.

Sunshine believes that an important aspect of communication with stakeholders and other interested parties is in compliance with best practices on corporate

governance issued by The Institute of Chartered Accountants of Sri Lanka in 2017, the rules set out in Section 07 of the Listing Rules of the Colombo Stock Exchange and compliance with the Country's legislative and regulatory requirements relevant to the Group.

The Group's corporate governance framework provides the directors and the corporate management guidance on their responsibilities and duties. It defines the matters which require board approval, delegation to management and review by the Board subcommittee.

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



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➔ The Board of Directors

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

Board Responsibilities and Rights

The Board has the following powers to execute its responsibilities.

Strategic Direction

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

Business Performance

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

Management of Risks

With the consultation of the Audit Committee and Risk Review Committee, a risk management system was developed and periodically reviewed. The Risk Review Committee Report is depicted on page 75 of this report. The Audit Committee Report is also given on Page 71.

Code of Conduct and Ethics

The Company communicates its Code of Conduct and Ethics to all levels of the employees including its Board of Directors.

Financial Performance of the Company

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

Investor Rights and Relations

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

Audit

Independent statutory audits are carried out annually and the appointment of Auditors for the ensuing year is recommended to the shareholders at the Annual General Meeting. Internal Audits are carried out by an independent auditor quarterly and bi annually in group subsidiaries and the findings are presented to the Management and the relevant audit committees.

Budget

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

Corporate Governance

Monitoring and reviewing Corporate Governance in accordance with the best practice framework issued by The Institute of Chartered Accountants of Sri Lanka.

Board Balance

The Company maintains a Board balance of executive, non-executive and independent Directors as required under Listing Rules of the Colombo Stock Exchange. Together, the Directors with their wide experience in both the public and private sectors and diverse academic backgrounds provide a collective range of skills, expertise and experience, which is vital for the successful direction of the Group.

Composition of the Board

The Board consists of twelve (12) members through out the financial year. Ten (10) members are Non-Executive Directors and two (2) are Executive Directors. Eight (8) Non-Executive Directors (including the Chairman) are independent as defined under the Listing Rules of the Colombo Stock Exchange.

The Non-Executive Independent Directors are;

Mr A Cabraal (Chairman)

Mr S Shishoo

Mr A D B Talwatte

Mr S Jain

Ms R Fernando

Mr S Renganathan

Mr M R Mihular (Appointed 6 April 2023)

Mrs S Ratwatte (Resigned 31 March 2023)

Mr H Abeywickrama (Resigned 24 May 2023)

There is a distinct and clear division of responsibility between the Chairman and the Group Managing Director to ensure that there is a balance of power and authority. The roles of the Chairman and the Group Managing Director are separated and clearly defined. The Chairman is responsible for ensuing Board effectiveness and conduct whilst the Group Managing Director has overall responsibilities over the operating units, organisational effectiveness and implementation of Board policies and decisions.

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Composition and Attendance at Meetings

The Board met quarterly to discharge its duties effectively. In addition, special Board Meetings are also held whenever necessary. A total of six (6) meetings including the Annual General Meeting was held in the financial year ended 31 March 2022. The attendance of Directors at these meetings were as follows:

Attendance **6**

Name of Director	No.	%
Mr A Cabraal	6	100
Mr V Govindasamy	6	100
Mr S G Sathasivam	5	83
Mr A D B Talwatte	6	100
Mr G Sathasivam	3	50
Mr S Jain	5	83
Mr S Shishoo	6	100
Ms R Fernando	5	83
Mr S Renganathan	5	83
Mr T Akbarally (Appointed 17 August 2022)	2	33
Mr M R Mihular (Appointed 6 April 2023)	–	–
Ms S Ratwatte (Resigned 31 March 2023)	4	67
Mr H Abeywickrama (Resigned 24 May 2023)	6	100

case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the Non-Executive Director concerned.

The Nomination and Remuneration Committee recommends to the Board the frameworks of the Executive Director's remuneration and the remuneration package for the Executive Directors and Senior Management team. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of the executive Director. The Director's remuneration is disclosed in Note 12 of the Financial Statements.

Delegation of Board Authority – Board Committees

The Board in discharging its duties, establishes various Board Committees. The function and terms of reference of the Board Committee are clearly defined and, where applicable, comply with the recommendations of the code of best practice on corporate governance. The group has five Board Subcommittees,

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

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

Audit Committee

The Audit Committee provides oversight on the Financial Statements and other related information prepared for presentation for external financial reporting, reviews the work of the internal audit function, and ensures that the External Auditor carries out their statutory duties in an independent and objective manner. It also assists the Board in ensuring a sound system of internal control. The Committee has full access to the auditors both internal and external who, in turn, have access at all times to the Chairman of the Committee. The Committee meets with the external auditors without any executives present except for the Group Secretaries, at least once a year. The report on the Audit Committee is presented on page 71 and the duties of the Audit Committee are included therein.

Nomination and Remuneration Committee

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

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Re-election of Directors

The provisions of the Company's Articles require a Director appointed by the Board to hold office until the next annual general meeting and seek re-appointment by the shareholders at that meeting. The Articles call for one third of the Directors in office to retire at each Annual General Meeting. The Directors who retire are those who have served for the longest period after their appointment/re-appointment. Retiring Directors are generally eligible for re-election. In addition, a newly appointed Director is required to submit him/herself for retirement and re-election at the Annual General Meeting immediately following his appointment. The Managing Director does not retire by rotation.

Directors Remuneration

The objectives of the Company's policy on Directors remuneration are to attract and retain Directors of the calibre needed to direct the Group successfully. In the case of the Executive Director, the components of the remuneration are structured so as to link rewards to corporate and individual performance. Performance is measured against profits and other targets set from the Company's annual budget and plans, and from returns provided to shareholders. In the

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

➔ Investment Committee

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

➔ Related Party Transactions Review Committee

The Committee exercises oversight on behalf of the Board, that all Related Party Transactions (RPTs, other than those exempted by the CSE listing rules on the RPTs), are carried out and disclosed in a manner consistent with the CSE Listing Rules.

Membership of Sub Board Committees are listed below.

	Appointment to the Board	Nomination and Remuneration Committee	Audit Committee	Investment Committee	Related Party Transactions Committee	Risk Review Committee
Executive						
V Govindasamy	08.02.2000					
S G Sathasivam	13.06.2006					
Non-Executive						
G Sathasivam	08.02.2000	✓				
T Akbarally	17.08.2022					
Independent Non-Executive						
S Shishoo	18.12.2017		✓		✓	
A D B Talwatte	30.05.2016	✓	✓	✓	✓	
A Cabraal	30.05.2017	✓	✓	✓	✓	✓
H Abeywickrama	30.06.2014		✓		✓	
S Ratwatte	30.05.2019					✓
S Jain	03.02.2022					
R Fernando	21.02.2022					✓
S Renganathan	27.05.2022		✓		✓	
M R Mihular	06.04.2023	✓		✓		✓

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➔ Financial Acumen

The Board comprises a Senior Chartered Accountant who serves as a member of the Audit Committee and the Related Party Transaction Review Committee.

➔ Supply of Information

Directors are provided with quarterly reports on performance, minutes of quarterly meetings and other such reports and documents as necessary. The Chairman ensures all Directors are adequately briefed on issues arising at meetings.

➔ Company Secretaries

The services and advice of the Company secretaries are made available to Directors as necessary. The company secretaries keep the Board informed of new laws, regulations and requirements coming into effect which are relevant to them as individual Directors and collectively to the Board.

Corporate Services (Private) Limited having their registered office at No, 216, De Saram Place, Colombo 10 are the Company secretaries since 1 April 2016.

➔ Going Concern

The Directors, after making necessary inquiries and reviews including reviews of the Group's budget for the ensuring year, capital expenditure requirements, future prospects and risks, cash flows and borrowings facilities, have a reasonable expectation of the Company's existence in the foreseeable future. Therefore, the going concern basis is adopted in the preparation of the Financial Statements.

➔ Internal Control

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

➔ Communication with Stakeholders

Shareholders are provided with quarterly Financial Statements and the Annual Report which the Group considers as its principal communication with them and other stakeholders. These reports are provided to the Colombo Stock Exchange and also published in print media. Shareholders may bring up concerns they have, either with the Chairman or Group Managing Director as appropriate. Sunshine Holdings PLC's website www.sunshineholdings.lk and websites of listed companies within the Group serve to provide a wide range of information on the Group. The Company has reported a fair assessment of its position via the published audited Financial Statements and quarterly accounts. In preparation of these documents, the company has complied with the requirements of the Companies Act No. 07 of 2007 and the Sri Lanka Financial Reporting Standards.

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➔ Corporate Governance Disclosure

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

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section
The Board of Directors	A 1	Company to be headed by an effective Board to direct and control the Company	Complied	Profile of the Board
	A 1.1	Regular Board meetings	Complied	Composition & attendance
	A 1.2	Responsibilities	Complied	Board Responsibility
	A 1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	Complied	Annual Report of the Board of Directors
	A 1.4	Access to Company Secretary	Complied	Communication with stakeholders
	A 1.5	Bring Independent judgement on various business issues and standards of business conduct	Complied	The Directors are permitted to get professional advice when necessary and the Directors of SUN group have obtained professional advice on certain matters during the year and coordinated through company secretaries
Chairman and Group Managing Director (GMD)	A 2	Chairman and GMD's division of responsibilities to ensure a balance of power and authority	Complied	The Chairman does not involve himself in day-to-day operations of the Group and acts as an independent Non-Executive Director. The GMD executes powers given by the Chairman and the Board to run the operation
Chairman's role	A 3	Facilitate the effective discharge of Board functions	Complied	The Chairman is responsible for conducting meetings effectively and he preserves order and implements Board decisions taken
	A 3.1	Ensure Board proceedings are conducted in a proper manner	Complied	The Chairman is responsible for the effective participation of both Executive and Non-Executive Directors, their contribution for the benefit of the Group, balance of power between Executive and Non-Executive Directors and control of group's affairs, and communicate to stakeholders

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section
Financial acumen	A 4	Availability of financial acumen within the Board	Complied	Financial acumen
Board balance	A 5.1	Non-Executive Directors	Complied	Ten (10) out of twelve (12) are Non-Executive Directors
	A 5.2	Independent Non-Executive Directors	Complied	Eight (8) out of Ten (10) Non-Executive Directors are independent
	A 5.3	Independent Non-Executive Directors	Complied	All Independent Non-Executive Directors are in fact free of any business with the Group and are not involved in any activity that would affect their independence
	A 5.4	Annual Declaration	Complied	Submitted the declarations as prescribed
	A 5.5	Determination of independence of the Directors	Complied	The independence of the Directors is determined based on declarations submitted by the Non-Executive Directors
Supply of information	A 6.1	Provide appropriate and timely information to the Board	Complied	Directors are provided quarterly performance reports, minutes of review meetings and other relevant documents ahead of the Board meeting
	A 6.2	Adequate time for effective conduct of Board meeting	Complied	The minutes, agenda and reports for the Board meeting are provided well before the meeting date
Appointments to the Board	A 7	Formal and transparent procedure for Board appointments	Complied	The Nomination Committee makes recommendations to the Board on new Board appointments
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied	The Nomination Committee makes recommendations to the Board on new Board appointments
	A 7.2	Assessment of the capability of the Board to meet strategic demands of the Company	Complied	Profile of the Board
	A 7.3	Disclosure of New Board member profile and interests	Complied	Profile of the Board
Re election	A 8 – 8.2	Board members should be subject to election, and re-election by shareholders	Complied	Re-election of Directors

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Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section
Appraisal of Board performance	A 9 – 9.3	Existence of Board evaluation methods and execution	Complied	The Chairman and Remuneration Committee evaluates the performance of the Executive Directors
Disclosure of information in respect of Directors	A 10 – 10.1	Profiles of Directors Directors' interests Board meeting attendance Board Committee memberships	Complied	Profile of the Board
Appraisal of GMD	A 11 – 11.2	Appraisal of the GMD against the set strategic targets	Complied	Evaluation is done by the Chairman and Remuneration Committee based on the financial and non-financial targets set with the discussion of the Committee
Directors' remuneration	B 1	Establishment of the Nomination and Remuneration Committee	Complied	Nomination and Remuneration Committee report
	B 1 – 1.3	Membership of the Nomination and Remuneration Committee to be disclosed and should only comprise Non-Executive Directors	Complied	Discussed under subcommittees
Disclosure of remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Discussed under subcommittees
Relations with shareholders	C 1.1	Counting of proxy votes	Complied	A Form of Proxy accompanies the Annual Report, when they are dispatched to the shareholders. The Chairman makes an announcement of the proxies received at the commencement of the General Meeting
	C 1.2	Separate resolution to be proposed for each item	Complied	The Company propose a separate resolution at the AGM on each significant issue
	C 1.3	Heads of Board subcommittees to be available to answer queries	Complied	Sub-committee Chairman's are present at the AGM
	C 1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute	Complied	A copy of the Annual Report including financials, Notice of Meeting and the form of Proxy are sent to shareholders 15 working days prior to the date of the AGM
	C 1.5	Summary of procedures governing voting at General Meetings to be informed	Complied	Circulated through Notice of the Annual General Meeting

Subject	Rule/ Code No.	Compliance requirement	Compliance status	Section
Major transactions	C 2 - 2.1	Disclosure of all material facts involving any proposed acquisition, sale or disposal of assets	Complied	Major transactions of the Group were disclosed to all stakeholders through the Colombo Stock Exchange, print media, and the Company website
Accountability and Audit	D 1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	Complied	Annual Report of the Board of Directors
	D 1.2 – 1.5	Declaration by the Directors that the company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary	Complied	Annual Report of the Board of Directors
	D 1.3	Statement of Directors' responsibility	Complied	Directors' responsibility report
	D 1.4	Management Review and Preview	Complied	Segment analysis
Internal control	D 2.1	Annual review of effectiveness of the system of internal control.	Complied	Internal Auditors carry out an independent review, and report directly to the Audit Committee.
Audit Committee	D 3.1	Audit Committee composition	Complied	Composition of Audit Committee
	D 3.2	Terms of reference, duties and responsibilities	Complied	Clearly documented to Audit Committee charter
Communication with shareholders	E 1 – 1.1	Regular dialogue to be maintained with shareholders	Complied	Shareholders are provided Quarterly Financial Statements and the Annual Report. These reports are also available on the Group website and are provided to the Colombo Stock Exchange.

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

Subject	Rule No.	Applicable requirement	Compliance status	Details
Non-Executive Directors	7.10.1	At least one third of the total number of Directors should be Non-Executive Directors	Complied	Ten (10) out of twelve (12) Directors are Non-Executive Directors
Independent Directors	7.10.2 (a)	Two or one-third of Non-Executive Directors, whichever is higher, should be independent	Complied	Eight (8) out of ten (10) Non-Executive Directors are independent
Independent Directors	7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence/non-independence in the prescribed format	Complied	Non-Executive Directors have submitted these declarations
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Please refer page 60
Disclosure relating to Directors	7.10.3 (b)	The basis for the Board to determine a Director is independent, if criteria specified for independence are not met	Complied	Given on page 60 under the heading of Board balance
Disclosure relating to Directors	7.10.3 (c)	A brief résumé of each Director should be included in the Annual Report and should include the Director's areas of expertise	Complied	Profile of Directors Pages 18 to 21
Disclosure relating to Directors	7.10.3 (d)	Forthwith provide a brief résumé of new Directors appointed to the Board with details specified in 7.10.3 (d) to the CSE	Complied	Brief résumés have been provided to the Colombo Stock Exchange
Remuneration Committee	7.10.5	A listed company shall have a Remuneration Committee	Complied	Nomination and Remuneration Committee comprises: Mr A Cabraal Mr G Sathasivam Mr A D B Talwatte Mr Reyaz Mihular
Composition of Remuneration Committee	7.10.5 (a)	Shall comprise Non-Executive directors a majority of whom will be independent	Complied	All members are Non-Executive and three (3) out of four (4) are independent
Remuneration Committee Functions	7.10.5 (b)	Shall recommend the remuneration of the GMD and the Executive Directors and Senior Management	Complied	As above
Disclosure in the Annual Report relating to Remuneration Committee	7.10.5 (c)	The Annual Report should set out Names of Directors comprising the Nomination and Remuneration Committee	Complied	Please refer page 70
		Statement of Remuneration Policy	Complied	Please refer page 70
		Aggregated remuneration paid to Executive and Non-Executive Directors	Complied	Note 12 and 41.1.1 of Financial Statement

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Subject	Rule No.	Applicable requirement	Compliance status	Details
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Please refer Report of the Audit Committee on page 71
Composition of Audit Committee	7.10.6 (a)	Shall comprise Non-Executive Directors, majority of whom will be independent	Complied	Four (4) out of four (4) Directors are Independent Non-Executive Directors
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an Independent Non-Executive Director
		GMD and Group Chief Financial Officer should attend Audit Committee Meetings	Complied	GMD and Group Chief Financial Officer attend meetings by invitation
		The Chairman of the Audit Committee or one member should be a member of a professional Accounting body	Complied	One (1) member is a Qualified Chartered Accountant
Audit Committee functions	7.10.6 (b)	Should be as outlined in the Section 7.10 of the listing rules	Complied	The terms of reference of the Audit Committee have been ratified by the Board
Disclosure in the Annual Report relating to Audit Committee	7.10.6 (c)	a. Names of the Directors comprising the Audit Committee	Complied	Please refer page 71
		b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination	Complied	Please refer Audit Committee Report on pages 71
		c. The Annual Report shall contain a Report of the Audit Committee setting out the manner of compliance with their functions	Complied	Please refer Audit Committee Report on pages 71

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Statement of Compliance under Section 9.3.2 of the Listing Rules of the CSE on Corporate Governance

Mandatory Provisions – Fully Compliant

Subject	Rule No.	Applicable requirement	Compliance status	Reference (within the WATA Annual Report)
Disclosures in the Annual report	9.3.2 (a)	Details pertaining to Non-Recurrent Related Party Transactions	Complied	Notes to the Financial Statements
Disclosures in the Annual report	9.3.2 (b)	Details pertaining to Recurrent Related Party Transactions	Complied	Notes to the Financial Statements
Disclosures in the Annual report	9.3.2 (c)	Report of the Related Party Transaction Review Committee	Complied	Refer Report of the Related Party Transaction Review Committee
Disclosures in the Annual report	9.3.2 (d)	Declaration by the Board of Directors as an affirmative statement of compliance with the rules pertaining to Related Party Transactions, or a negative statement otherwise	Complied	Annual Report of the Board of Directors

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

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

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The NRC is appointed by the Board of Directors and comprises four Directors namely Messrs D A Cabraal, A D B Talwatte and G. Sathasivam, and Mr Reyaz Mihular who was appointed as a Member to the NRC with effect from 06th April 2023. Executive Directors attend meetings by invitation.

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During the year, one (1) new Director was appointed to the Board while one (1) retired or resigned. The NRC met one (1) time during the year and all objectives of the NRC with regard to compensation & benefits and human resources policies were met. The minutes of the NRC meetings including recommendations and approvals were presented to the Board of Directors for affirmation.

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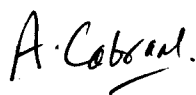
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Amal Cabraal
Chairman

25 May 2023

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The Committee consists of five (5) members of which one member is a Senior Chartered Accountant. The Committee is chaired by Mr A D B Talwatte, and Corporate Services (Private) Limited, the Secretaries of the Company function as the Secretaries to the Audit Committee. The Group Managing Director and Managing Director attend meetings by invitation. The Group Chief Financial Officer and Sector Financial Controllers attend meetings as requested. The Charter for the Audit Committee is in line with international best practice. The Audit Committee reviews the charter annually and is updated to reflect current developments and other matters considered necessary by the Committee.

Composition

Mr A D B Talwatte (Chairman) – Independent Non-Executive

Mr A Cabraal (Member) – Independent Non-Executive

Mr H Abeywickrama (Member) – Independent Non-Executive, (Resigned w. e. f. 24 May 2023)

Mr S Shishoo (Member) – Independent Non-Executive

Mr S Renganathan (Member) – Independent Non-Executive (Appointed w. e. f. 6 April 2023)

Meetings

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

Attendance

Mr A D B Talwatte (Chairman) – Independent Non-Executive
5 of 5 meetings

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

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

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

Mr S Renganathan (Member) – Independent Non-Executive (Appointed w. e. f. 6 April 2023)

The Audit Committee and its Responsibilities

The objectives of the Audit Committee are as follows:

- To ensure that the Company presents Financial Statements that are true and fair,
- To comply with applicable financial reporting standards and relevant laws and regulations governing financial reporting,
- Ensure an effective system of internal controls and risk management and an independent process for external audit is in place.

The Audit Committee obtains the representation from the Group Chief Financial Officer on compliance with law and regulations, adequacy and effectiveness of internal control systems, fraud (if any), and going concern. The committee reviews the published Financial Statements, assesses compliance with regulatory requirements, considers the impact of risks, fraud and errors in the Financial Statements, reviews internal Audit Reports, the external audit findings and recommends the appointment and remuneration of the external auditors.

The Report of the Audit Committee to the Board of Directors of Sunshine Holdings PLC

The Management of Sunshine Holdings PLC is responsible for its internal control and financial reporting including the preparation of consolidated Financial Statements. Independent Auditors are responsible for auditing the annual consolidated Financial Statements in accordance with auditing standards and ensuring that the Financial Statements truly and fairly present the results of operations and the financial position of the Company. The independent auditors are also responsible for issuing an opinion on those Financial Statements. The Audit Committee monitors and oversees these processes. The Audit Committee annually recommends to the Board for its approval an independent accounting firm to be appointed as the Company's independent auditors.

To fulfill its obligations the Audit Committee carried out the following activities

- Reviewed and discussed with the Company's Management and the independent auditors, the consolidated Financial Statements for the financial year ended 31st March 2023.
- Reviewed and discussed the Management's representations to ensure that the consolidated Financial Statements prepared in accordance with Sri Lanka Financial Reporting Standards, truly and fairly present the results of operations and the financial position of the Company.
- Coordinated with the Risk Committee and reviewed the procedures for identifying business risk and management of its impact on the Group.
- Reviewed the operational effectiveness of internal controls.
- Discussed and reviewed information system security arrangements introduced by the management
- Reviewed the compliance reports presented by the Senior Management for monitoring the compliances with laws and regulations.

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- Reviewed the ability of the company to continue as a going concern based on the Audited Financial Statements of the Company.
- Reviewed and discussed with the Management, the annual and the quarterly Financial Statements prior to their release, including the extent of compliance with the Sri Lanka Financial Reporting Standards and the Companies Act, No.7 of 2007.
- Reviewed internal audit reports and findings of the external auditor in support of the integrity of reported results.
- Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. The Group Chief Financial Officer submitted to the Audit Committee on a quarterly basis, a report on the extent to which the Company was in compliance with mandatory statutory requirements.
- Reviewed and recommended to the Board non-audit services to be granted to the external auditors.
- Obtained a confirmation on independence from the External Auditors, and recommended that the Board selects KPMG Chartered Accountants as independent auditors to audit and report on the annual consolidated company's Financial Statements.

➔ **Conclusion**

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

On behalf of the Audit Committee.



A D B Talwatte
Chairman
Audit Committee

25 May 2023

➔ **External Auditor**

The Committee is satisfied that the independence of the External Auditors has not been impaired by any event or service that gives rise to a conflict of interest. Due consideration has been given to the nature of the services provided by the Auditors and the level of audit and non-audit fees received by the Auditors from Sunshine Holdings PLC and its subsidiaries. The Committee also reviewed the arrangements made by the Auditors to maintain their independence and confirmation has been received from the Auditors of their compliance with the independence guidance given in the Code of Ethics of the Institute of Chartered Accountants of Sri Lanka. The Committee also met the External Auditors without management being present, prior to the finalisation of the Financial Statements.

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

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The Board Related Party Transactions Review Committee (the Committee) has been established in terms of the Section 9 of the Listing Rules of the Colombo Stock Exchange (the "Rules"). The Committee comprises five (5) Non-Executive Independent members of which one (1) committee member is a Senior Chartered Accountant.

Composition

A D B Talwatte (Chairman) – Independent Non-Executive

A Cabraal (Member) – Independent Non-Executive

H Abeywickrama (Member) – Independent Non-Executive (Resigned w. e. f. 24 May 2023)

S Shishoo (Member) – Independent Non-Executive

S Renganathan (Member) – Independent Non-Executive (Appointed w.e.f. 6 April 2023)

The above composition is in compliance with the provisions of the Code and the Rules regarding the composition of the Committee. Brief profiles of the members are given on pages 18 to 19 of this Annual Report. The Company Secretary functions as the Secretary to the Committee.

Meetings

The Committee met five (05) times during the year. Attendance of the Committee members at each of these meetings is as follows.

Mr A D B Talwatte (Chairman) – Independent Non-Executive
5 of 5 meetings

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

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

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

Mr S Renganathan (Member) – Independent Non-Executive (Appointed w.e.f. 6 April 2023)

Terms of reference

The role and functions of the Committee are regulated by the Rules.

Role and Responsibilities

The mandate of the Committee is derived from the Rules and includes mainly the following:

1. Developing and maintaining a Related Party Transactions Policy consistent with the provisions of the CSE Listing Rules (Section 9) for adoption by the Board of Directors of the Company (the Board) and its subsidiaries, and reviewing the processes followed for reporting Related Party Transactions ("RPTs").
2. Reviewing all RPTs in compliance with the provisions of the Rules.
3. Advising the Board on obtaining shareholders' approval, making immediate market disclosures and disclosures in the Annual Report where necessary, in respect of RPTs, in compliance with the provisions of the Rules, Procedures and Directives/ Guidelines.
4. Ensuring that Procedures/Directives/Guidelines are issued to require all RPTs to be referred to the Committee for review.
5. Reviewed the transfer pricing policy and ensure that independent transfer pricing review is carried out periodically as required by the regulation.

Review function of the committee

Review of the RPTs by the Committee takes place quarterly.

The Committee has communicated its observations to the Board. RPTs are disclosed in Note 41 to the Financial Statements.

Reporting to the Board

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

Professional Advice

The Committee has the authority to seek external professional advice on matters under its purview. The RPTs are audited by the Group external auditors, Messers KPMG as part of the annual audit process.

On behalf of the Board Related Party Transactions Review Committee.



A D B Talwatte
Chairman
Related Party Transactions Review Committee
25 May 2023

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The Board Risk Review Committee consisted of three (3) independent/non-executive Board Directors during the year. The Committee was chaired by Ms S Ratwatte until her resignation from the Board and the Committee on 31 March 2023 and Mr Reyaz Mihular chaired the Board Risk Review Committee thereafter. Mr Reyaz Mihular and Mr Sanjeev Shishoo, Independent non-executive directors, were appointed as Members to the Board Risk Review Committee on 6 April 2023. Corporate Services (Private) Limited, the Secretaries of the Company function as the Secretaries to the Board Risk Review Committee. The Group Managing Director, Group Chief Financial Officer and Sector Business Heads have a standing invitation to the Committee meetings, and Heads of Finance attend meetings on request. The Charter for the Board Risk Review Committee is in line with the best practice framework. The Charter will be reviewed annually and updated to reflect current developments and to include other matters considered necessary by the Committee.

→ Meetings

The Committee met four (4) times for the FY 2022/23. The attendance of the Committee members at each of these meetings is as follows;

→ Attendance

Mr Reyaz Mihular – Independent Non-Executive
4 of 4 meetings (currently a Member, and served as Consultant until 6 April 2023)

Ms S Ratwatte – Independent Non-Executive
(resigned 31 March 2023) 2 of 4 meetings

Ms W Y Ruvini Fernando – Independent Non-Executive
3 of 4 meetings

Mr Sanjeev Shishoo – Independent Non-Executive
(appointed 6 April 2023) 1 of 4 meetings

→ The Board Risk Review Committee

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

- Overseeing that the executive team has identified and assessed all the key risks that the organization faces and has established a risk management infrastructure and mitigation plan capable of addressing those risks

- Overseeing the monitoring of applicable risks such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks
- Overseeing the division of risk-related responsibilities and performing a gap analysis to determine that the oversight of any risks is not missed
- In conjunction with the full board, approving the company's enterprise-wide risk management policy and framework

→ The Responsibility of the Committee

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

→ Conclusion

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

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

On behalf of the Board Risk Review Committee



Reyaz Mihular
25 May 2023

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Serial No.	Headline risk	Related risk	Risk	Risk Control Measure/Mitigation Action
1.	Political/Regulatory	Changes in Government policies	Price control of pharmaceutical and medical devices products by the Regulator	(a) Continuous negotiations with the principals to transfer the risk on price control to them through CIF reduction. (b) Volume driven revenue growth (c) Continuous lobbying and discussion with Regulator to increase the MRP of the products to mitigate the currency devaluation risks of the business (d) Lobbying through Industry Associations/ memberships for a pricing formula for pharmaceuticals and healthcare products
2.	External	Exchange rate movements and limited foreign currency reserves	Potential loss as a result of the adverse exchange movements Unavailability of US Dollar in the banking system to make foreign payments which interrupt the supply chain	(a) Negotiation with principals to fix the exchange rate through the contracts. (b) Premature settling of bills at favorable exchange rates or advance payments to the suppliers, (c) Managed foreign currency inflows to the group diligently and getting the priority for the availability of foreign currency/US Dollars for life saving pharmaceuticals and healthcare products (d) Focusing on the financial institutes/banks which offers competitive rates for short and medium-term financing based on their liquidity levels (e) Balancing the borrowings in USD Vs LKR (f) Pooling of group cash within the preview and framework of arm's length principle
3.	Strategic	Government ban on oil palm	Government policy on oil palm expansion/cultivation	(a) Diversification into other crops, (b) Engagement with government agencies and Planter Association for constructive discussions on best practices of cultivations and protection of environment, (c) RSPO certification (d) Public awareness program
4.	Business	Costs escalation risk	The rise in the inflation will result in a significant increase in business operational costs such as people, utilities, maintenance, fuel, electricity, selling and distribution expenses, fertilizer costs	(a) Costs rationalisation across business units, and freezing some of costs items, evaluation of alternative options to manage operational costs (b) Re-skilling existing cadre as necessary to minimise new recruitments (c) Products pricing

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Serial No.	Headline risk	Related risk	Risk	Risk Control Measure/Mitigation Action
5.	Business	Increase in raw material prices	Potential impact to the cost structure and availability issues, such as quality tea, fertilizer, confectionary raw materials	(a) Weekly tea buying meetings to focus on buying plan. (b) Managing inventory levels optimally and evaluating the possibility of local sourcing for some of the raw materials (c) Exploring alternative options for packings and materials (d) Competitive bidding process (e) Products pricing
6.	External	Damages or destruction to the company's assets/ properties	Financial losses due to damages to the assets/ properties of the group and business interruptions	(a) Periodic risk assessment in manufacturing, distribution sites and warehouses and take preventive controls (b) Comprehensive Insurance covers for Fire and Property covering all risks, Electronic equipment covering all risks and Marine Goods in Transit (c) Insurance Policies covering Business Interruptions (d) Regular review of adequacy of Sum Insured and coverage (e) Regular awareness programs, fire and safety drills, emergency evacuations
7.	Technology Reputational	Cyber Security Information Security	Business continuity challenges due to data/ Information breach of the business entities, Potential cyber-attacks in internal IT system and technical infrastructure, reputational risks	(a) IT audit on IT control and compliance reviews (b) IT Governance framework on security controls, policies and procedures, user awareness and trainings, business continuity and disaster recovery protocols (c) IT security; performing regular vulnerability risk assessments, penetration testing and networking scanning assessments for group application systems and websites, Review and support group firewalls, anti-virus software, patch management systems (d) Cloud services management

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This Statement of Directors' Responsibility is to be read in conjunction with the Report of the Auditors and is made to distinguish the respective responsibilities of the Directors and of the Auditors in relation to the Financial Statements contained in this Annual Report.

The Directors are required by the Companies Act No. 07 of 2007, to prepare financial statements for each financial year, which give a true and fair view of the state of affairs, the income, and the expenditure of the Company and of the Group at the end of the financial year. The Directors confirm that the Financial Statements of the Company for the year ended 31 March 2023 presented in this report have been prepared in accordance with the Sri Lanka Financial Reporting Standards/SLFRS and the Companies Act No. 07 of 2007. In preparing the Financial Statements, the Directors have selected appropriate accounting policies and have applied them consistently. Reasonable and prudent judgments and estimates have been made, applicable accounting standards have been followed, and the Financial Statements have been prepared on a going concern basis.

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

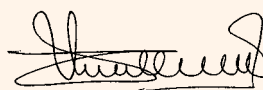
The Directors are required to provide the Auditors with all required information and explanations and every opportunity to take whatever steps and undertake whatever audit procedures they consider appropriate for the purpose of enabling them to provide an audit opinion on the Financial Statements. The Directors are of the view that they have discharged their responsibilities in this regard.

Compliance Report

The Directors confirm that, to the best of their knowledge and belief, all taxes and levies payable by the Company and all contributions, all other known statutory obligations as at the reporting date have been paid or provided for in the Financial Statements and have obtained the compliance reports from senior management on a quarterly basis in areas such as Finance, Company relevant regulatory requirements, Human Resources, Insurance, Company Secretarial, and Information security controls.

As required by section 56(2) of the Companies Act No. 07 of 2007, the Board of Directors has confirmed that the Company satisfies the Solvency Test immediately after proposed distributions, and any other circumstances as required in accordance with the Companies Act No. 07 of 2007.

By Order of the Board



V Govindasamy
Group Managing Director



A D B Talwatte
Director

25 May 2023

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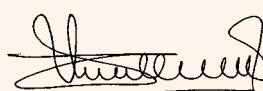
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The Consolidated Financial Statements of Sunshine Holdings PLC are prepared in compliance with Sri Lanka Financial Reporting Standards/SLFRS issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act No 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, and the Listing Rules of the Colombo Stock Exchange. The Accounting Policies used in the preparation of the Consolidated Financial Statements are appropriate and are consistently applied by the Company (material departures, if any, have been disclosed and explained in the notes to the Consolidated Financial Statements). There are no departures from the prescribed Accounting Standards in their adoption. Comparative information has been reclassified wherever necessary to comply with the current presentation.

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

The Consolidated Financial Statements of the Company were audited by Messrs. KPMG, Chartered Accountants and their report is given on page 80 of this Annual Report. The Audit Committee of the Company meets periodically with the internal audit team and the External Auditors to review their audit plans, assess the manner in which these Auditors are performing their responsibilities and to discuss their reports on internal controls and financial reporting issues. To ensure complete independence, the External Auditors and the Internal Auditors have full and free access to the members of the Audit Committee to discuss any matters of substance.

The Audit Committee pre-approves the audit and non-audit services provided by our External Auditors KPMG in order to ensure that the provision of such services does not impair the External Auditor's independence. We confirm that the Company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company other than those disclosed in the Financial Statements in this Annual Report.



V Govindasamy
Group Managing Director



Aruna Deepthikumara
Group Chief Financial Officer

25 May 2023

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(Chartered Accountants)
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TO THE SHAREHOLDERS OF SUNSHINE HOLDINGS PLC

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Sunshine Holdings PLC ("the Company") and the consolidated financial statements of the Company and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 March 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 84 to 196 of this Annual Report.

In our opinion, the accompanying financial statements of the Company and the Group give a true and fair view of the financial position of the Company and the Group as at 31 March 2023,

and of their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Company's financial statements and the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the Company's financial statements and the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessing potential Impairment of Goodwill

Refer to Note 24.5 to the Consolidated Financial Statements and the accounting policies on page 142.

As at 31 March 2023 the carrying value of the goodwill reported by the Group, which resulted from the acquisition of three subsidiaries amounted to Rs. 1,387 Mn.

Risks description

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

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

Our responses

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

- Evaluating the appropriateness of the assumptions applied by the management to key inputs such as sales volumes and prices, operating costs, inflation, and long-term growth rates, which included comparing these inputs with our own assessments based on our knowledge of the Group and the industry;

KPMG, a Sri Lankan partnership and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee.

C.P. Jayatilake FCA
Ms. S. Joseph FCA
S.T.D.L. Perera FCA
Ms. B.K.D.T.N. Rodrigo FCA
Ms. C.T.K.N. Perera ACA

T.J.S. Rajakarier FCA
Ms. S.M.B. Jayasekara FCA
G.A.U. Karunaratne FCA
R.H. Rajan FCA
A.M.R.P. Alahakoon ACA

W.J.C. Perera FCA
W.K.D.C. Abeyrathne FCA
R.M.D.B. Rajapakse FCA
M.N.M. Shameel FCA
Ms. P.M.K. Sumanasekara FCA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA, Ms. F.R. Ziyad FCMA (UK), FTII



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

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

- Performing our own sensitivity analysis which included assessing the effect of reasonably possible reductions in growth rates and forecast cashflows to evaluate the impact on the currently estimated headroom for the Health sector manufacturing and distribution cash-generating unit (CGU); and
- Assessing the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements and sensitivities.

Measurement of Biological Assets

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

The Group reported bearer biological assets of Rs. 2,566 Mn., and biological assets livestock carried at fair value amounting to Rs. 893 Mn as at 31 March 2023.

Risks Description

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

The biological assets livestock include cattle, which are measured at fair value less cost to sell. The management has used internally developed discounted cash flow method to calculate the fair value of the Group's biological assets as at the reporting date. The calculation of the fair value of biological assets involves significant degree of judgments, particularly in respect of expected production, market prices of raw milk, expected costs and discounting factor.

Our responses

Our audit procedures to assess the measurement of Biological assets included the following:

Bearer biological assets

- Obtaining an understanding of the process of immature to mature transfer and testing the design, implementation and operating effectiveness of management key internal controls in relation to bearer biological assets;
- Obtaining schedules of costs incurred and capitalised under immature plantations as well as cost transferred to mature plantations by each estate and reconciling those balances to the general ledger on sample basis, verifying the reconciling items and obtaining explanations from management for any significant variances identified;
- Physical verification of fields on a sample basis and cross checking with the classification of immature and mature plantations;
- Testing immature to mature cost transfer worksheet for selected estates to check whether the amounts transferred during the year were consistent with the Group accounting policy and industry norms.



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We considered measurement of biological assets as a key audit matter due to the magnitude of the value of bearer biological assets and significant management judgments involved in determining the point at which a plant is deemed ready for commercial harvesting. Further, valuation of livestock biological assets involved significant assumptions and judgments in determining the fair value which could be subject to error or potential management bias.

Livestock Biological assets

- Obtaining and understanding of the process of valuation and testing the design, implementation and operating effectiveness of management key controls relation to the valuation of livestock;
- Challenging the methodologies adopted in the valuation of livestock with reference to the requirements of the prevailing accounting standards;
- Challenging the key assumptions and methodology used in the valuation, in particular the discount rate, average milk production, selling price of milk, average cost per cow, weight and selling price of the cattle in evaluating the appropriateness of the valuation methodology and discount rate use;.
- Evaluating the accuracy, completeness and reasonableness of the data and inputs used for the valuation of livestock and evidence for physical verification of cattle during the year.
- Comparing the discount rate, normal life cycle of a milking cow, milking yield per lactation with available industry data; and
- Assessing the adequacy of the financial statement disclosures, including disclosures of key assumptions and judgements and sensitivities

Valuation of unquoted investments classified as FVOCI

Refer to Note 18 (accounting policy), Note 26.2 (financial statement disclosures) to these financial statements.

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

The Group's portfolio of Investments comprised of financial assets classified at FVOCI as at 31 March 2023 which comprise investment in unquoted shares of Rs. 310 Mn. which have been valued using discounted cash flows.

Risks Description

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

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

Our responses

Our audit procedures to assess the valuation of unquoted investment included the following:

- Documenting and assessing the design and implementation of the investment valuation processes and key controls relating specifically to these financial instruments;
- Evaluating the key assumptions used and discount factor applied by the management to develop the cash flow projections and assessing whether the estimate reflected the current economic conditions;
- Comparing key underlying financial data inputs used in the valuation with the external sources such as investee company audited financial statements; and
- Assessing the adequacy of disclosures in the financial statements and inherent degree of subjectivity and key assumptions in the estimates as required by the applicable accounting standards.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon. The annual report is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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



Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements.

We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with ethical requirements in accordance with the Code of Ethics regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company.

CA Sri Lanka membership number of the engagement partner responsible for signing this independent auditor's report is FCA 2294.

KPMG
CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
25 May 2023

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For the year ended 31 March	Notes	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Continuing operations					
Revenue	10	51,886,754,055	32,166,208,979	1,381,728,100	1,075,338,436
Cost of sales		(38,380,521,327)	(21,927,172,553)	–	–
Gross profit		13,506,232,728	10,239,036,426	1,381,728,100	1,075,338,436
Other income	11	154,821,017	563,541,787	472,625,386	400,666,055
Selling and distribution expenses		(3,381,440,200)	(2,327,421,928)	–	–
Administrative expenses		(3,278,685,078)	(2,766,082,470)	(697,725,933)	(588,900,644)
Impairment of investment in equity-accounted investee/subsidiary		–	–	–	(436,572)
(Loss)/Gain on disposal of Subsidiaries/Associates		–	(2,705,775)	–	59,173,066
Operating profit	12	7,000,928,467	5,706,368,040	1,156,627,553	945,840,341
Finance income	13	477,805,538	366,448,549	122,205,987	96,334,771
Finance costs	13	(1,463,801,472)	(375,706,666)	(27,758,750)	(3,890,181)
Net finance costs		(985,995,934)	(9,258,117)	94,447,237	92,444,590
Share of profit/(loss) of equity-accounted investees, net of tax		–	(436,572)	–	–
Impairment of goodwill	24.5	(354,294,888)	(50,000,000)	–	–
Profit before tax		5,660,637,645	5,646,673,351	1,251,074,790	1,038,284,931
Income tax expenses	14.1	(2,043,786,492)	(650,001,269)	(738,303)	(15,452,669)
Profit for the year		3,616,851,153	4,996,672,082	1,250,336,487	1,022,832,262
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of retirement benefit liability	35.1	(129,252,040)	132,572,210	1,482,428	13,070,842
Equity investments at FVOCI – net change in fair value	26.2.1	(130,397,351)	(65,125,525)	(130,397,351)	(65,125,525)
Related tax		84,626,264	(6,574,130)	46,927,934	12,412,284
		(175,023,127)	60,872,555	(81,986,989)	(39,642,399)
Items that are or may be reclassified subsequently to profit or loss					
Foreign operations – foreign currency translation differences		711,244	9,505,900	–	–
		711,246	9,505,900	–	–
Other comprehensive income for the year, net of tax		(174,311,883)	70,378,455	(81,986,989)	(39,642,399)
Total comprehensive income for the year		3,442,539,270	5,067,050,537	1,168,349,498	983,189,863

For the year ended 31 March	Notes	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Profit attributable to:					
Owners of the Company		2,263,929,612	2,720,742,972	1,250,336,487	1,022,832,262
Non-controlling interests		1,352,921,541	2,274,240,824	–	–
		3,616,851,153	4,996,672,082	1,250,336,487	1,022,832,262
Total comprehensive income attributable to:					
Owners of the Company		(123,719,190)	31,420,887	(81,986,989)	983,189,863
Non-controlling interests		(50,592,693)	40,645,854	–	–
Total comprehensive income for the year		3,442,539,270	5,067,050,537	1,168,349,498	983,189,863
Earnings per share					
Basic earnings per share (Rs.)	16.1	4.67	6.06	2.58	2.28
Diluted earnings per share (Rs.)	16.1	4.67	6.06	2.58	2.28

Figures in brackets indicate deductions.

The Notes to the Financial Statements on pages 95 and 196 are integral part of these Consolidated Financial Statements.

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As at 31 March	Notes	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Assets					
Property, plant and equipment	19	6,735,558,992	4,787,019,935	25,522,851	13,663,640
Intangible assets	20	349,108,828	385,928,439	19,759,131	25,028,235
Leasehold land	21	243,876,000	235,995,000	–	–
Biological assets	22	3,503,610,000	3,675,946,000	–	–
Investment property	23	627,528,864	1,030,093,525	–	–
Investments in subsidiaries	24	–	–	7,248,733,185	3,210,053,985
Other investments	26	519,016,640	741,513,041	465,733,640	669,200,042
Deferred tax assets	27	320,098,700	59,582,503	121,248,838	59,506,672
Goodwill on acquisition	24.5	1,387,106,153	1,526,648,376	–	–
Non-current assets		13,685,904,177	12,442,726,819	7,880,997,645	3,977,452,574
Biological assets	22	86,126,000	71,671,000	–	–
Inventories	28	9,861,120,677	6,483,619,355	1,882,767	–
Other investments	26	1,084,019,804	717,726,603	225,000,000	202,812,603
Current tax assets	29	139,070,077	56,763,982	74,195,226	58,245,732
Trade and other receivables	30	7,892,295,238	6,105,636,443	28,133,470	92,802,521
Amounts due from related parties	31	149,442,584	10,655,319	233,868,531	242,331,065
Cash and cash equivalents	32	3,110,102,165	3,264,723,523	814,024,863	1,208,295,019
Current assets		22,322,176,545	16,710,796,225	1,377,104,857	1,804,486,940
Total assets		36,008,080,722	29,153,523,044	9,258,102,502	5,781,939,514
Equity					
Stated capital	33	4,240,394,447	1,641,715,247	4,240,394,447	1,641,715,247
Reserves	33	191,802,554	274,560,725	184,270,133	266,257,122
Retained earnings		11,356,302,835	11,061,418,417	4,638,236,073	3,694,810,277
Equity attributable to owners of the Company		15,788,499,836	12,977,694,389	9,062,900,653	5,602,782,646
Non-controlling interests	33	3,448,610,022	5,450,236,264	–	–
Total equity		19,237,109,858	18,427,930,653	9,062,900,653	5,602,782,646
Liabilities					
Loans and borrowings	34	1,911,005,883	1,663,343,846	3,469,652	–
Employee benefits	35	883,411,984	615,771,635	141,256,252	113,135,769
Refundable deposit received		2,518,424	–	–	–
Deferred income and capital grants	36	39,084,000	41,442,000	–	–
Deferred tax liabilities	27	1,404,405,895	501,523,157	–	–
Non-current liabilities		4,240,426,186	2,822,080,638	144,725,904	113,135,769

As at 31 March	Notes	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade and other payables	37	6,423,945,204	5,637,927,234	34,157,522	38,787,181
Amounts due to related parties	38	55,000,000	57,537,862	12,424	8,398
Current tax liabilities	29	555,159,303	295,699,941	–	27,225,520
Loans and borrowings	34	3,387,971,366	994,833,215	16,305,999	–
Bank overdraft	32	2,108,468,805	917,513,501	–	–
Current liabilities		12,530,544,678	7,903,511,753	50,475,946	66,021,099
Total liabilities		16,770,970,865	10,725,592,391	195,201,849	179,156,869
Total equity and liabilities		36,008,080,722	29,153,523,044	9,258,102,502	5,781,939,514
Net assets per share		32.08	28.93	18.42	12.49

Figures in brackets indicate deductions.

The Notes to the Financial Statements on pages 95 and 196 are integral part of these Consolidated Financial Statements.

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



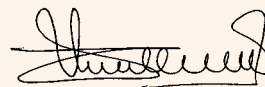
Aruna Deepthikumara
Group Chief Financial Officer

The Board of Directors is responsible for the preparation and presentation of these Financial Statements.

Approved and signed for and on behalf of the Board,



A Cabraal
Chairman



V Govindasamy
Group Managing Director

25 May 2023
Colombo

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GROUP

For the year ended 31 March

Balance as at 1 April 2021

Total comprehensive income

Profit for the year

Total other comprehensive income for the year

Total comprehensive income for the year

Transactions with owners of the Company

Disposal of NCI – Waltrim Energy Limited

Impact on loss of effective shareholding of 4.12% in Watawala Dairy Ltd.

Acquisition of 30% NCI in Sunshine Energy (Private) Limited

Transactions with NCI

Dividend paid to owners for 2020/21

Balance as at 31 March 2022

Balance as at 1 April 2022

Adjustment for surcharge tax

Adjusted balance as at 1 April 2022

Total comprehensive income

Profit for the year

Total other comprehensive income for the year

Total comprehensive income for the year

Acquisition of 28% of NCI in Sunshine Healthcare Lanka Limited

Acquisition of 2.59% of Watawala Plantations PLC shares

Share Issue to Akbar Brothers (Pvt) Ltd.

Transactions with NCI

Acquisition of NCI

WHT payment on dividend distribution from SHL

Capital Infusion in Watawala Plantations PLC

Dividend paid to owners for 2021/22

Balance as at 31 March 2023

Figures in brackets indicate deductions.

The Accounting Policies and Notes from page 95 to 196 are an integral part of these Financial Statements.

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Stated capital	Attributable to owners of the Company				Total	Non-controlling interests	Total equity
	General reserve	Reserve on exchange gain/(loss)	Fair value reserve	Retained earnings			
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
1,641,715,247	1,257,725	4,224,153	334,204,372	8,551,561,683	10,532,963,180	4,808,856,243	15,341,819,423
-	-	-	-	2,720,742,972	2,720,742,972	2,275,929,110	4,996,672,082
-	-	-	(65,125,525)	96,546,412	31,420,887	38,957,568	70,378,455
-	-	-	(65,125,525)	2,817,289,384	2,752,163,859	2,314,886,678	5,067,050,537
-	-	-	-	-	-	(345,322,392)	(345,322,392)
-	-	-	-	267,098,594	267,098,594	88,841,406	355,940,000
-	-	-	-	(125,868,935)	(125,868,935)	(274,131,065)	(400,000,000)
-	-	-	-	-	-	10,000,000	10,000,000
-	-	-	-	(448,662,310)	(448,662,310)	(1,152,894,605)	(1,601,556,914)
-	-	-	-	(307,432,650)	(307,432,650)	(1,673,506,656)	(1,980,939,306)
1,641,715,247	1,257,725	4,224,153	269,078,847	11,061,418,417	12,977,694,389	5,450,236,264	18,427,930,653
1,641,715,247	1,257,725	4,224,153	269,078,847	11,061,418,417	12,977,694,389	5,450,236,264	18,427,930,653
-	-	-	-	(550,652,526)	(550,652,526)	(102,758,616)	(653,411,142)
1,641,715,247	1,257,725	4,224,153	269,078,847	10,510,765,891	12,427,041,863	5,347,477,648	17,774,519,511
-	-	-	-	2,263,929,612	2,263,929,612	1,352,921,541	3,616,851,153
-	-	711,244	(83,469,415)	(40,961,017)	(123,719,188)	(50,592,693)	(174,311,881)
-	-	711,244	(83,469,415)	2,222,968,595	2,140,210,424	1,302,328,848	3,442,539,272
-	-	-	-	(736,115,310)	(736,115,310)	(1,862,563,890)	(2,598,679,200)
-	-	-	-	(291,033,858)	(291,033,858)	(170,746,657)	(461,780,515)
2,598,679,200	-	-	-	-	2,598,679,200	-	2,598,679,200
-	-	-	-	-	-	196,000,000	196,000,000
-	-	-	-	7,981,958	7,981,958	(7,981,958)	-
-	-	-	-	(97,500,000)	(97,500,000)	-	(97,500,000)
-	-	-	-	(14,777,626)	(14,777,626)	14,777,626	-
-	-	-	-	(245,986,815)	(245,986,815)	(1,370,681,596)	(1,616,668,411)
2,598,679,200	-	-	-	(1,377,431,651)	1,221,247,549	(3,201,196,475)	(1,979,948,925)
4,240,394,447	1,257,725	4,935,397	185,609,432	11,356,302,835	15,788,499,836	3,448,610,022	19,237,109,858

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COMPANY

For the year ended 31 March

Balance as at 1 April 2021

Total comprehensive income for the year

Profit for the year

Total other comprehensive income for the year

Total comprehensive income for the year

Set-off of acquisition of 40% of non-controlling interest in SEL against the investment made during the year

Dividend paid to owners – 2020/21

Balance as at 31 March 2022

Balance as at 1 April 2022

Surcharge tax

Adjusted balance as at 1 April 2022

Total comprehensive income for the year

Profit for the year

Total other comprehensive income for the year

Total comprehensive income for the year

Issue of share to Akbar Brothers (Pvt) Ltd.

Dividend paid to owners 2021/22

Balance as at 31 March 2023

Figures in brackets indicate deductions.

The Accounting Policies and Notes from page 95 to 196 are an integral part of these Financial Statements.

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Stated capital Rs.	General reserve Rs.	Fair value gain or loss reserve on AFS Rs.	Retained earnings Rs.	Total Rs.
1,641,715,247	1,257,725	330,124,922	3,495,157,198	5,468,255,092
–	–	–	1,022,832,262	1,022,832,262
–	–	(65,125,525)	25,483,126	(39,642,399)
–	–	–	1,048,315,388	983,189,863
–	–	–	(400,000,000)	(400,000,000)
–	–	–	(448,662,310)	(448,662,310)
1,641,715,247	1,257,725	264,999,397	3,694,810,276	5,602,782,646
1,641,715,247	1,257,725	264,999,397	3,694,810,276	5,602,782,646
–	–	–	(60,923,875)	(60,923,875)
1,641,715,247	1,257,725	264,999,397	3,633,886,401	5,541,858,771
–	–	–	1,250,336,487	1,250,336,487
–	–	(81,986,989)	–	(81,986,989)
–	–	(81,986,989)	1,250,336,487	1,168,349,498
2,598,679,200	–	–	–	2,598,679,200
–	–	–	(245,986,815)	(245,986,815)
4,240,394,447	1,257,725	183,012,408	4,638,236,073	9,062,900,654

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For the year ended 31 March	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash flows from operating activities				
Profit before tax for the year	5,660,637,645	5,646,673,351	1,251,074,790	1,038,284,931
Adjustments for:				
Interest income	(477,805,538)	(366,448,548)	(91,625,711)	(96,334,771)
Profit on disposal of property, plant and equipment	(25,721,787)	(51,766,277)	–	(8,625,000)
Biological assets – (gain)/loss from produce crop valuation	(14,455,000)	(19,718,000)	–	–
Dividend income	–	–	–	(347,825)
Impairment of goodwill	354,294,888	50,000,000	–	–
Impairment losses and write downs on Biological (Nurseries)	–	735,000	–	–
Gain on fair valuation of livestock	157,440,000	6,013,000	–	–
Interest expense	1,463,801,472	375,706,666	28,972,835	3,890,181
Depreciation of property, plant and equipment	787,998,007	644,735,023	25,049,515	22,585,396
Amortisation of intangible assets	87,054,575	52,863,375	5,269,104	1,317,276
Depreciation of mature plantations	196,741,000	180,851,000	–	–
Provision/(reversal) and write off for bad and doubtful debts	175,819,482	90,581,040	–	–
Provision/(reversals) and write-off for inventories	154,756,026	21,616,406	–	–
Write-off of intangible asset	(458,241)	–	–	–
Amortisation of capital grants	(2,358,000)	(50,554,000)	–	–
Amortisation of leasehold right to land	100,932,000	11,298,000	–	–
Fair value gain/loss	39,988,717	13,989,045	354,871	13,989,044
Provision for retirement benefit obligations	162,858,592	108,571,309	29,602,911	20,309,048
Rent concession	(4,605,009)	(14,221,066)	–	–
Timber fair valuation gain	(10,486,000)	(1,328,000)	–	–
Loss/(gain) on disposal of associates	–	(44,565)	–	(44,565)
Impairment of investment in associates	–	436,572	–	436,572
Loss/(gain) on disposal of a subsidiary	–	2,750,340	–	(59,173,066)
Fair value gain on investment property	–	(241,076,323)	–	–
Fair value changes in deferred consideration	–	(7,688,504)	–	–
Operating profit before working capital changes	8,806,432,829	6,453,974,842	1,248,698,315	936,287,222
Changes in:				
(Increase)/decrease in inventories	(2,262,767,688)	(1,360,072,765)	(1,882,767)	–
Decrease/(increase) in trade and other receivables	(1,053,650,299)	(1,278,898,724)	108,596,111	(64,151,801)
Decrease/(increase) in amounts due from related parties	(106,253,553)	(10,180,318)	8,462,534	92,783,968
Increase/(decrease) in trade and other payables	6,142,540	1,872,280,098	(64,506,208)	8,755,725
(Decrease)/increase in amounts due to related parties	(10,727,797)	94,380,919	4,026	8,398
Cash generated from operating activities	5,379,176,033	5,771,484,053	1,299,372,011	973,683,512
Interest paid	(1,362,249,975)	(283,774,220)	(24,914,330)	(3,890,181)
Income tax paid	(1,944,112,616)	(870,194,920)	(103,701,934)	(53,549,791)
Employee benefits paid	(66,454,077)	(74,001,816)	–	(202,586)
Net cash from operating activities	2,006,359,365	4,543,513,098	1,170,755,747	916,040,954

For the year ended 31 March	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash flows from investing activities				
Interest received	477,805,538	356,021,548	67,152,493	96,334,771
(Investments)/disposal in other investments	72,714,179	(101,136,712)		
(Investments)/disposal in short-term investments	(366,293,199)	(397,365,156)	(25,000,000)	(202,812,603)
(Investment)/disposal of subsidiary	–	–	(1,440,000,000)	
Investments in debentures	–	–	100,000,000	(100,000,000)
Investment in gratuity fund	19,030,000	87,800,000	–	–
Additions to bearer plants	(64,052,000)	(169,818,000)	–	–
Investment in live stock	(165,176,000)	(225,695,000)	–	–
Additions to property, plant and equipment	(1,502,498,464)	(918,782,371)	(1,332,000)	(11,393,121)
Acquisition of intangible assets	(40,135,119)	(189,734,470)	–	(18,789,851)
Proceeds from sales of livestock	57,870,000	25,821,000	–	–
Disposal of investment in associates	–	900,000	–	900,000
Proceeds from sale of property, plant and equipment	472,160,102	66,368,185	–	16,800,000
Acquisition of non-controlling interest in subsidiaries	(461,780,514)	(400,000,000)	–	(400,000,000)
Acquisition of subsidiaries (net of cash)	(1,563,683,780)	–	–	–
Disposal of subsidiary (net of cash)	–	645,479,827	–	735,836,457
Deferred consideration paid	–	(70,337,910)	–	–
Net proceeds from disposal of biological assets	–	402,000	–	–
Acquisition of investment property	(13,292,864)	(19,518,058)	–	–
Net cash (used in)/generated from investing activities	(3,077,332,122)	(1,309,595,117)	(1,299,179,507)	116,875,654
Cash flows from financing activities				
Receipts of interest bearing borrowings	13,702,041,420	4,731,267,603	771,000,000	–
Proceeds from share issued by subsidiary to NCI	196,000,000	355,940,000	–	–
Advance received from NCI (APHL)	–	10,000,000	–	–
Repayments of interest bearing borrowings	(12,467,822,958)	(6,025,277,528)	(771,000,000)	(768,701,275)
Payment of lease liabilities	(88,865,190)	(65,024,043)	(19,859,581)	(16,368,456)
Dividend paid	(1,616,668,411)	(1,601,556,914)	(245,986,815)	(448,662,310)
Net cash from financing activities	(275,315,139)	(2,594,650,883)	(265,846,396)	(1,233,732,041)
Net (decrease)/increase in cash and cash equivalents	(1,346,287,897)	639,267,098	(394,270,155)	(200,815,433)
Cash and cash equivalents at 1 April	2,347,210,022	1,698,437,024	1,208,295,019	1,409,110,452
Effect of movement in exchange rates	711,234	9,505,900	–	–
Cash and cash equivalents at 31 March	1,001,633,360	2,347,210,022	814,024,863	1,208,295,019

Figures in brackets indicate deductions.

The Accounting Policies and Notes from page 95 to 196 are an integral part of these Financial Statements.

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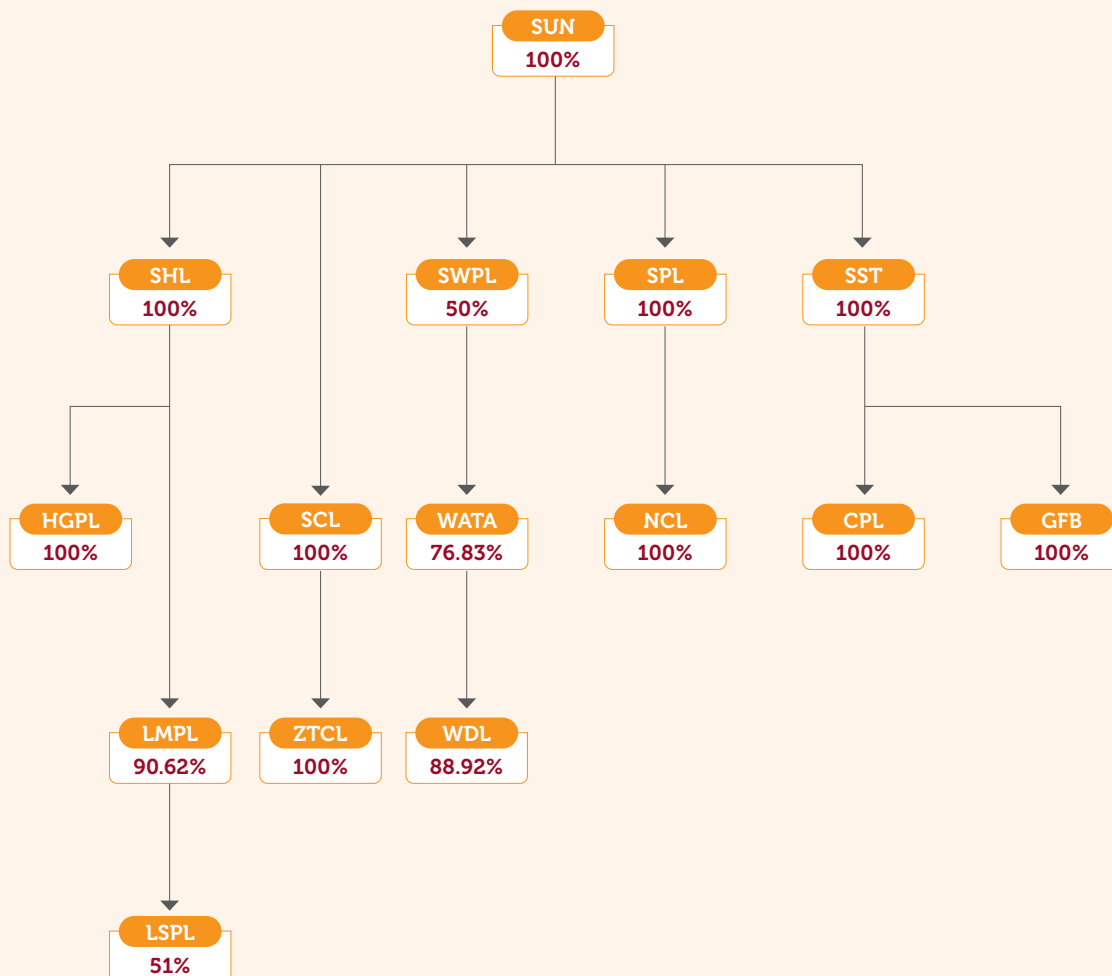
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Abbreviation

SUN Sunshine Holdings PLC

SHL Sunshine Healthcare Lanka Ltd.

HGPL Healthguard Pharmacy Ltd.

SCL Sunshine Consumer Lanka Limited

SST Sunshine Tea Private Limited

LMPL Lina Manufacturing (Pvt) Ltd.

LSPL Lina Spiro (Pvt) Ltd.

SWPL Sunshine Wilmar (Pvt) Ltd.

WATA Watawala Plantations PLC

WDL Watawala Dairy Ltd.

CPL Century Properties Limited

GFB Gordon Frazer & Bosanquate Skrine Company Limited

ZTCL Zesta Tea Ceylon (Shenzhen) Co. Limited

SPL Sunshine Packaging Lanka Ltd.

NCL Norris Canal Properties (Pvt) Ltd.

1 Reporting Entity

1.1 Domicile and legal form

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

Total staff strength of the Company and the Group on 31 March 2023 was as follows:

Group 1,660 (31 March 2022 – 1,700)

Company 24 (31 March 2022 – 24)

1.2 Consolidated and separate Financial Statements

The Consolidated Financial Statements of Sunshine Holdings PLC as at and for the year ended 31 March 2023 comprise the financial information of Company and its subsidiaries (together referred to as "the Group" and encompass the Company and its subsidiaries (together referred to as the "Group"). The subsidiaries are listed in Note 1.4.

The Financial Statements of all Companies in the Group are prepared for a common financial year, which ends on 31 March.

1.3 Parent entity and ultimate parent entity

The ultimate parent of Sunshine Holdings PLC is Lamurep Investment Limited. The Company is the ultimate parent of the Group companies.

1.4 Principal business activities, nature of operations of the Group and ownership by the Company in its subsidiaries and associates

The Group Structure is given on page 94.

Entity	Principal business activity
Sunshine Holdings PLC	Managing portfolio of investments
Subsidiaries	
Sunshine Healthcare Lanka Ltd.	Importing and distributing of pharmaceutical products and medical devices island wide
Healthguard Pharmacy Ltd.	Engage in buying and selling of pharmaceutical products and healthcare items through its chains of pharmacies

Entity	Principal business activity
Lina Manufacturing (Pvt) Ltd.	Manufacturing of drugs
As explained in Note 24.4 Akbar Pharmaceutical Holdings (Pvt) Ltd. was amalgamated with Lina Manufacturing (Pvt) Ltd. on 16 March 2023 and Lina Manufacturing (Pvt) Ltd. continues as the surviving entity	
Lina Spiro (Pvt) Ltd.	Manufacturing of drugs
Watawala plantations PLC	Engage in cultivation, manufacture and sale of crude palm oil
Watawala Dairy Ltd.	Engage in dairy farming
Sunshine Consumer Lanka Ltd.	Buying and adding value to tea for local market and manufacturing and selling confectionery items
Daintee Limited was amalgamated with Sunshine Consumer Lanka Ltd. on 2 April 2022 and Sunshine Consumer Lanka Ltd. continues as the surviving entity	
Zesta Tea Ceylon (Shenzhen) Co. Limited	Wholesale, retail, and import and export of tea leaves, tea set, and accessories and raw materials
Sunshine Packaging Lanka Ltd.	Engaging in renting out premises and earn rental income
Norris Canal Properties (Pvt) Ltd.	Engage in renting out premises and earn rental income
Sunshine Tea (Pvt) Ltd.	Tea Packaging and export

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

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

2 Basis of Accounting

2.1 Statement of compliance

These Consolidated Financial Statements of the Group and the separated Financial Statements of the Company have been prepared and presented in accordance with the Sri Lanka Accounting Standards (SLFRS's and LKAS's) laid down by The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) and in compliance with the requirements of the Companies Act No. 07 of 2007.

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Further, the Tax liability arising for surcharge Tax Act No. 14 of 2022 has been accounted as recommended by Statement of Alternative Treatment (SOAT) issued by the Institute of Chartered Accountants of Sri Lanka as disclosed under the Note 29.1 on income tax.

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 25 May 2023.

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

Details of the Group's Significant Accounting Policies followed during the year are given on Notes 6 to 39 on pages 97 to 181.

These Financial Statements include the following components:

- a Statement of Profit or Loss and Other Comprehensive Income providing information on the financial performance of the Group and the Company for the year under review; (Refer pages 84 and 85).
- a Statement of Financial Position providing information on the financial position of the Group and the Company as at the year end; (Refer pages 86 and 87).
- a Statement of Changes in Equity depicting all changes in shareholders' funds during the year under review of the Group and the Company; (Refer pages 88 and 91).
- a Statement of Cash Flows providing information to the users, on the ability of the Group and the Company to generate cash and cash equivalents and the needs of the entity to utilise those cash flows; (Refer pages 92 to 93).
- Notes to the Financial Statements comprising accounting policies and other explanatory information. (Refer pages 97 to 196)

2.2 Materiality and aggregation

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

2.3 Going concern

The Directors after having made necessary assessment of the Company's and its subsidiary's ability to continue as a going concern declare that it has the resources to continue in business for the foreseeable future. The assessment took into consideration the uncertainties relating to the current economic conditions prevailing in the country and its resultant implications on the Financial Statements and business operations. Furthermore, the Management is not aware of any material uncertainties that may cast significant doubt upon the Company's and its subsidiary's ability to continue as a going concern. Therefore, the Financial Statements of the Company and its subsidiary continue to be prepared on a going concern basis (Refer Note 48).

2.4 Offsetting

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

2.5 Comparative information

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

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

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3 Functional and Presentation Currency

These Financial Statements are presented in Sri Lankan Rupees (LKR), which is the Group's functional currency.

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.

The significant accounting estimates impacted by these forecasts and associated uncertainties are predominantly related to expected credit losses, fair value measurement, and the assessment of the recoverable amount of non-financial assets.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the Financial Statements is included in the following Notes:

- Note 10 – revenue recognition: whether revenue is recognised over time or at a point in time;
- Note 24 – consolidation: whether the Group has the control over an investee
- Note 25 – equity-accounted investees: whether the Group has significant influence over an investee
- Note 34.3 – lease term: whether the Group is reasonably certain to exercise extension options.

(b) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties at 31 March 2023 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following Notes:

- **Note 35** – measurement of defined benefit obligations: key actuarial assumptions;
- **Note 14** – recognition of current tax expense;
- **Note 27** – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- **Note 22** – determining the fair value of biological assets on the basis of significant unobservable inputs;

- **Note 43** – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
- **Note 6.4** – Impairment of financial and non-financial assets;
- **Note 23** – determining the fair value of investment properties on the basis of significant unobservable inputs;
- **Note 24** – assessment of recoverability of goodwill assigned to CGUs;

5 Basis of Measurement

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

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

6 Significant Accounting Policies

Apart from the general accounting policies set out below, the specific accounting policies pertaining to each item in the Financial Statements have been presented in the respective Notes to the Financial Statements. These significant accounting policies have been applied consistently to all periods presented in the Financial Statements of the Group, unless otherwise indicated. The Accounting Policies have been consistently applied by the Group entities where applicable and deviations if any have been disclosed accordingly. Further there were no changes in Accounting Policies due to adoption of new standards and interpretations or adoption of new accounting policies have been presented in Note 7 to the Financial Statements. The Group has not early adopted any other standard, interpretation or amendment that has been issued but not yet effective.

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6.1 Basis of consolidation

Business combinations

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

From 1 April 2020, in determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

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

Non-controlling interests

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Loss of control

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

Transactions eliminated on consolidation

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

Accounting period

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

Consolidated Financial Statements/Separate Financial Statements

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

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

Comparative amounts in the Financial Statements are presented using the principles as set out above as if the entities or businesses had been combined at the previous balance sheet date unless the combining entities or businesses first came under common control at a later date.

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

Expenditure incurred in relation to a common control combination that is to be accounted for by using merger accounting is recognised as an expense in the period in which it is incurred. Such expenditure includes professional

fees, registration fees, costs of furnishing information to shareholders, and salaries and other expenses involved in achieving the common control combination.

Consolidation is performed in accordance with LKAS 27 and SLFRS 10. The principal consolidation entries are as follows:

- (a) the effects of all transactions between the combining entities or businesses, whether occurring before or after the common control combination, are eliminated; and
- (b) since the combined entity will present one set of Consolidated Financial Statements, a uniform set of accounting policies is adopted which may result in adjustments to the assets, liabilities and equity of the combining entities or businesses.

6.2 Merger accounting for common control combination

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

6.3 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.

6.4 Impairment of assets

6.4.1 Financial instruments and contract assets

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

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

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

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

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

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECL in the Statement of Financial Position

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

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

Write-off

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

6.4.2 Non-financial assets

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

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

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

7 Changes in Accounting Policies and Disclosures

There were no changes to the significant accounting policies applied during the year.

8 Standards Issued but not yet Adopted

A number of interpretations and amendments to standards are effective for annual period beginning on or after 01 April 2023 and earlier application is permitted. However, the Group has not early adopted the new or amended standards in preparing these Consolidated Financial Statements.

8.1 Deferred tax related to assets and liabilities arising from a single transaction (Amendments to Sri Lanka Accounting Standard LKAS 12 – "Income Taxes")

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other types of transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented. There will be no impact on retained earnings on adoption of the amendments.

8.2 Other new accounting pronouncements

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

- Classification of liabilities as current or non-current (Amendments to LKAS 1) – effective for annual periods beginning on or after 1 January 2023.
- Disclosure of accounting policies (Amendments to LKAS 1 and SLFRS Practice Statement 2) – effective for annual periods beginning on or after 1 January 2023.
- Definition of accounting estimates (Amendments to LKAS 8) – effective for annual periods beginning on or after 1 January 2023.
- Insurance Contracts SLFRS 17 – effective for annual periods beginning on or after 1 January 2025.

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9 Operating Segments

➔ Accounting policy

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

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

9.1 Basis for segmentation

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

Healthcare	Manufacturing, importing, marketing pharmaceuticals, nutraceuticals, medical diagnostic equipment and surgical products
Agribusiness	Cultivate oil palm, tea and rubber
Consumer goods	Sale of tea and Manufacturing and distribution of confectioneries and export of Tea
Investment	Managing portfolio of investments
Management services	Providing expert management services
Rental business	Renting out of premises

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

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

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Information about reportable segments

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

2023	Reportable segments						Total
	Healthcare Rs.	Agribusiness Rs.	Consumer goods Rs.	Energy Rs.	Investment Rs.	Rental business Rs.	Rs.
External revenues	23,924,434,589	8,768,041,000	19,010,565,094	–	3,526,466,702	35,164,222	55,264,671,607
Segment revenue	23,924,434,589	8,768,041,000	19,010,565,094	–	3,526,466,702	35,164,222	55,264,671,607
Segment profit/(loss) before tax	1,982,225,212	2,953,488,000	759,990,753	–	3,390,066,788	(4,683,552)	9,081,087,201
Interest income	91,017,171	138,938,000	149,807,951	–	147,064,956	91	526,828,168
Interest expense	(727,718,633)	(116,195,000)	(577,563,213)	–	(56,608,563)	(34,738,693)	(1,512,824,103)
Depreciation and amortisation	(305,220,909)	(451,228,000)	(234,695,572)	–	(32,849,624)	–	(1,023,994,105)
Other material non-cash items							
Impairment losses on trade and other receivables	(129,202,745)	–	311,693,953	–	–	(870,221)	1,181,620,986
Segment assets	14,809,533,591	8,865,548,000	8,570,907,825	–	12,979,902,782	1,247,623,579	46,473,515,777
Capital expenditure	(280,566,790)	(900,361,000)	(695,134,006)	–	(40,756,652)	–	(1,916,818,449)
Segment liabilities	7,813,807,178	2,362,560,000	6,079,476,811	–	376,991,768	401,984,639	17,034,820,396

2022	Reportable segments						Total
	Healthcare Rs.	Agribusiness Rs.	Consumer goods Rs.	Energy Rs.	Investment Rs.	Rental business Rs.	Rs.
External revenues	17,501,042,847	6,474,661,000	8,068,809,062	20,891,694	2,433,771,823	31,015,940	34,530,192,366
Inter-segment revenue	–	–	–	–	–	10,275,843	10,275,843
Segment revenue	17,501,042,847	6,474,661,000	8,068,809,062	20,891,694	2,433,771,823	41,291,783	34,540,468,209
Segment profit/(loss) before tax	1,571,702,179	3,331,802,000	510,712,959	(39,122,244)	2,393,370,767	242,191,077	8,010,656,738
Interest income	156,134,096	54,795,000	61,929,679	25,727,474	79,634,388	101	378,220,738
Interest expense	(165,320,141)	(69,768,000)	(129,970,068)	–	(3,965,773)	(19,460,694)	(388,484,677)
Depreciation and amortisation	(298,292,835)	(391,590,000)	(162,578,502)	(374,637)	(23,024,485)	–	(875,860,459)

2022	Reportable segments						Total
	Healthcare Rs.	Agribusiness Rs.	Consumer goods Rs.	Energy Rs.	Investment Rs.	Rental business Rs.	Rs.
Other material non-cash items							
Impairment losses on trade and other receivables	(158,423,433)	–	(16,528,828)	–	–	–	(174,952,261)
Segment assets	13,148,542,533	8,891,696,000	3,892,810,024	–	8,896,555,893	1,158,127,794	36,908,344,443
Capital expenditure	(317,910,518)	(836,383,000)	(289,095,495)	–	(30,182,972)	–	(1,473,571,985)
Segment liabilities	6,541,337,802	1,792,024,000	2,265,658,619	–	238,395,607	305,489,804	11,146,545,314

9.2 Operating segments

Reconciliations of information on reportable segments to SLFRS measures

For the year ended 31 March	2023 Rs.	2022 Rs.
Revenue		
Total revenue for reportable segments	55,264,671,607	34,540,468,209
Elimination of inter-segment revenue	(3,377,917,552)	(2,374,259,230)
Consolidated revenue	51,886,754,055	32,166,208,979
Profit before tax		
Total profit before tax for reportable segments	9,081,087,201	8,010,656,738
Elimination of inter-segment profit	(3,420,449,556)	(2,363,983,386)
Consolidated profit before tax from operations	5,660,637,645	5,646,673,351
Assets		
Total assets for reportable segments	46,473,515,777	36,908,344,443
Elimination of inter-segment assets	(10,465,435,054)	(7,754,821,399)
Consolidated total assets	36,008,080,723	29,153,523,044
Liabilities		
Total liabilities for reportable segments	17,034,820,396	11,146,545,314
Elimination of inter-segment liabilities	(263,849,534)	(420,952,924)
Consolidated total liabilities	16,770,970,862	10,725,592,391

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2023	Reportable segment totals Rs.	Adjustments Rs.	Consolidated totals Rs.
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Other material items

Finance income	526,828,168	(49,022,631)	477,805,538
Finance cost	(1,512,824,103)	49,022,631	(1,463,801,472)
Capital expenditure	(1,916,818,449)	–	(1,916,818,449)
Depreciation and amortisation	(554,602,961)	(469,391,144)	(1,023,994,105)
Impairment losses on trade and other receivables	181,620,986	(302,830,825)	(121,209,838)

2022	Reportable segment totals Rs.	Adjustments Rs.	Consolidated totals Rs.
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Other material items

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

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9.3 Geographic information

Consumer Goods segment is managed on a worldwide basis, but operate manufacturing facilities and sales offices primarily in Sri Lanka.

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

	2023 Rs.	2022 Rs.
Revenue		
Sri Lanka	47,582,768,639	34,507,819,625
China	980,087,543	3,582,000
Singapore	–	3,271,557
Japan	232,297,766	4,851,306
Other countries	6,469,517,658	20,943,721
	55,264,671,607	34,540,468,209
Segment assets		
Sri Lanka	46,473,515,777	36,908,344,443
	46,473,515,777	36,908,344,443

10 Revenue

➔ Accounting policy

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

A. Revenue streams

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

For the year ended 31 March	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Revenue from contracts with customers	51,851,589,833	32,124,917,196	1,381,728,100	1,075,338,436
Other revenue				
Rentals from Investment property	35,164,222	41,291,783	–	–
	51,886,754,055	32,166,208,979	1,381,728,100	1,075,338,436

B. Disaggregation of revenue from contracts with customers

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

For the year ended 31 March	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Primary geographic markets				
Local	44,204,851,087	32,133,560,395	1,381,728,100	1,075,338,436
Exports	7,681,902,968	32,648,584	–	–
	51,886,754,055	32,166,208,979	1,381,728,100	1,075,338,436
Major product/service lines				
Investments	160,128,100	59,512,593	1,381,728,100	1,075,338,436
Healthcare	23,924,434,589	17,501,042,847	–	–
Plantation	8,768,041,000	6,474,661,000	–	–
Consumer	19,010,565,094	8,068,809,062	–	–
Energy	–	20,891,694	–	–
Rent income	23,585,272	41,291,783	–	–
	51,886,754,055	32,166,208,979	1,381,728,100	1,075,338,436
Timing of revenue recognition				
Products transferred at a point in time	51,886,754,055	32,166,208,979	1,381,728,100	1,075,338,436
Products and services transferred over time	–	–	–	–
Revenue from contracts with customers	51,886,754,055	32,166,208,979	1,381,728,100	1,075,338,436
Other revenue	–	–	–	–
External revenue as reported in Note 9.2	51,886,754,055	32,166,208,979	1,381,728,100	1,075,338,436

C. Contract balances

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

D. Performance obligations and revenue recognition policies

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

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

Type of product/ service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
Investments	Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.	Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established. This is now under the scope of SLFRS 9.
Healthcare	Customers obtain control of the goods sold when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time.	Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control is at a point in time.
Plantation	Customers obtain the control of the produce after the customer acknowledgement at the dispatch point.	Revenue is recognised point in time, at the time of dispatch after the customer acknowledgement.
FMCG	Customers obtain control of the goods sold when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time.	Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control is at a point in time.
Rent income	This includes rental income earned from renting out investment property owned by the Subsidiary.	Revenue is recognised over time as the rent income is recognised on a straight line basis over the term of the agreement.

11 Other Income**➔ Accounting policy****Gains and losses on disposal of an item of property, plant and equipment**

Profit or loss is determined by comparing the net sales proceeds with the carrying amounts of property, plant and equipment.

Grants

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

Gains and losses on the disposal of investments

Such gains and losses are recognised in Statement of Profit or Loss.

Dividend income

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

Service income

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

For the year ended 31 March	Note	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Dividend income		–	–	–	–
Gain on sale of property, plant and equipment		25,721,787	51,766,277	–	8,625,000
Estate income		1,137,565			
Amortisation of capital grants		–	50,554,000	–	–
Rebates from telecommunication service providers	11.1	12,020,833	15,518,167	12,020,833	15,518,167
Profit on sale of Trees/Green leaf	11.2	29,730,000	(10,269,000)	–	–
Loss on disposal of investment		(3,691,350)	(1,121,600)	(3,691,350)	(1,121,600)
Fair value gain on investment properties	23	–	241,076,323	–	–
Income from investment fund		5,916,000	41,060,000	–	–
Guaranteed generation reimbursement		–	1,140,442	–	–
Sundry income	11.3	168,944,176	148,298,835	(4,093,676)	1,295,755
Rent income		12,434,000	11,871,789	–	–
Service income		–	–	463,309,097	377,735,179
Change in fair value of quoted shares		35,102,006	(1,386,446)	5,080,482	(1,386,446)
Change in fair value of live stock	22.3	(157,435,000)	(6,013,000)	–	–
Change in fair value of unharvested crop	22.3	14,455,000	19,718,000	–	–
Change in fair value of biological assets		10,486,000	1,328,000	–	–
		154,821,017	563,541,787	472,625,386	400,666,055

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

11.2 The gain/(loss) on fair value of trees and livestock in Watawala Plantations PLC., a subsidiary of the Company, represents the unrealised gain from valuation of live stock and trees/timber at the reporting date.

11.3 Sundry Income mainly includes commission income received from foreign suppliers for securing contracts with the government to Sunshine Healthcare Lanka Limited amounting to Rs. 81 Mn. (2022 – Rs. 114 Mn.).

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12 Operating Profit

➔ Accounting policy

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

Expenses

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

Borrowing costs

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

For the year ended 31 March	Notes	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Staff costs	12.1	3,686,120,005	2,994,984,884	469,027,883	359,649,786
Director fees		38,475,000	37,010,000	14,520,000	14,950,000
Statutory audit fees – KPMG		13,070,000	13,059,739	2,180,000	1,819,193
– Other auditors		3,032,091	–	–	–
Audit related – KPMG		800,000	3,955,669	–	–
Non-audit – KPMG		410,000	5,202,524	–	–
– Other auditors		809,405	2,155,618	–	–
Provision/(Reversal) for trade debtors		181,620,986	57,788,999	–	–
Depreciation					
– Property, plant and equipment		647,911,618	644,686,023	7,868,194	7,540,008
– Immovable Lease Assets		20,142,000	–	–	–
– Biological assets – bearer		196,743,000	180,342,000	–	–
Amortisation of intangible assets		87,055,575	51,985,192	5,269,104	1,317,276
Amortisation – Leasehold right to bare land		12,261,000	11,298,000	–	–
Amortisation – Right to use assets		140,085,388	151,714,296	18,395,405	–
Legal Fees		9,433,532	–	–	–
Donations and Contributions		55,849,376	–	15,000,000	–
CSR Expenses		9,985,547	–	–	–
12.1 Staff costs					
Defined Benefit Plan (Gratuity)		167,992,562	107,148,309	29,602,911	22,509,195
Defined Contribution EPF and ETF		301,694,975	200,038,443	33,224,506	28,716,635
Salaries, Wages and Other staff cost		3,216,432,468	2,685,597,985	406,200,466	308,423,956
		3,686,120,005	2,992,784,737	469,027,883	359,649,786

Directors' emoluments are included in compensation of Key Management Personnel Note 41.1.1.

13 Net Finance Cost

➔ Accounting policy

The Group's finance income and finance costs include:

- Interest income
- Interest expenses
- The foreign currency gain or losses on financial assets and financial liabilities
- Interest income or expenses is recognised using the effective interest method.

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

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

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

For the year ended 31 March	Notes	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Interest income from related companies		–	–	49,022,631	19,460,694
Exchange gain		171,666,068	179,350,529	–	–
Interest income on other deposits/loans		306,139,470	187,098,020	73,183,356	76,874,077
Finance income		477,805,538	366,448,549	122,205,987	96,334,771
Interest on overdrafts and loans		1,383,275,777	256,104,347	24,914,330	2,990,036
Interest on finance Lease		460,000	1,018,000	–	–
Exchange loss		21,839,743	30,311,461	–	–
Finance expense on lease liabilities		58,225,952	88,272,858	2,844,420	900,145
Finance cost		1,463,801,472	375,706,666	27,758,750	3,890,181
Net finance cost		(985,995,934)	(9,258,117)	94,447,237	92,444,590

14 Income Tax Expense

➔ Accounting policy

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

The Group has determined that interest and penalties relating to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under LKAS 37 provisions, contingent liabilities and contingent assets.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax

rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

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

Deferred tax

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

Withholding tax on dividends

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

14.1 Amount recognised in profit or loss

For the year ended 31 March	Notes	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Current tax expense					
Current income tax expense		1,377,313,285	844,628,161	15,552,533	19,401,604
Changes in estimates relating to prior years		(6,030,243)	(74,438,529)	–	81,266
Unclaimable Economic Service Charges (ESC)		(7,418,132)	243,337	–	–
		1,363,864,910	770,432,969	15,552,533	19,482,870
Deferred tax expenses					
Origination and reversal of deferred tax assets	272	(103,121,140)	(120,431,700)	(16,328,765)	(4,030,202)
Origination and reversal of deferred tax liabilities	273	783,042,722	–	1,514,535	–
		679,921,582	(120,431,700)	(14,814,230)	(4,030,201)
Tax expense		2,043,786,492	650,001,269	738,303	15,452,669

14.1.1 Current taxes

Company

In terms of the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto, the Company is liable for income tax at 24% from 1 April 2022 to 30 September 2022 and 30% from 01 October 2022 to 31 March 2023 (2022- 24%) on its taxable income.

	Tax rate		
	2023		2022
For the year ended 31 March	01.04.2022 to 30.09.2022 %	01.10.2022 to 31.03.2023 %	01.04.2021 to 31.03.2022 %
Sunshine Holdings PLC	24	30	24
Sunshine Healthcare Lanka Limited	24	30	24
Watawala Plantations PLC – Profits from cultivation	Exempted	Exempted	Exempted
– Profits from agro processing	14	30	14
– Profits from other activities	24	30	24
Healthguard Pharmacy Limited.	24	30	24
Sunshine Consumer Lanka Ltd. (Formerly known as "Watawala Tea Ceylon Limited")	18	30	18
Sunshine Packaging Lanka Limited.	24	30	24
Norris Canal Properties (Pvt) Ltd.	24	30	24
Akbar Pharmaceuticals (Pvt) Ltd.	–	–	24
Akbar Pharmaceuticals Holdings (Pvt) Ltd.	–	–	24
Lina Manufacturing (Pvt) Ltd.	18	30	18
Lina Spiro (Pvt) Ltd.	18	30	18
Sunshine Wilmar (Pvt) Ltd.	24	30	24
Sunshine Tea (Pvt) Ltd.	14	30	–

Dividend income of the Company is liable for tax at 15% with effect from 1 October 2022 and up to 30 September 2022 was 14%.

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.

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14.2 Amount recognised in OCI

For the year ended 31 March	Notes	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit liability/(asset)	27.2	37,253,601	167,871	(447,728)	12,493,124
Equity investments at FVOCI – net change in fair value	27.2	47,372,663	6,742,000	47,372,663	–
		84,626,264	6,909,871	46,927,936	12,493,124

14.3 Amounts recognised directly in equity

There were no items recognised directly in equity during the year ended 31 March 2023.

14.4 Reconciliation between accounting profit and taxable profit

Group

		2023		2022	
		%	1.04.2022 to 30.09.2022 Rs.	%	1.04.2021 to 31.03.2022 Rs.
Profit before tax			2,830,318,822		5,646,673,351
Tax using the Company's domestic tax rate	27		1,731,522,819	24	1,355,201,604
Effect of the tax rates in subsidiaries	-21		(459,237,227)	-7	(368,919,524)
Tax effect of:					
Non-deductible/Allowable expenses	1		93,918,051	14	797,153,308
Tax-exempt income and Non-taxable income	-33		(679,908,528)	-15	(848,564,493)
Changes in estimates relating to prior years			(7,584,393)	-2	(87,298,945)
Recognition of previously unrecognised tax losses			(1,609,049)	-1	(71,709,389)
Unclaimable Economic Service Charges (ESC)			–		(5,429,593)
	-26		677,101,673	14	770,432,969

Company

	2023			2022	
	%	1.04.2022 to 30.09.2022 Rs.	1.10.2022 to 31.03.2023 Rs.	%	1.04.2021 to 31.03.2022 Rs.
Profit before tax		625,537,395	625,537,395		1,038,284,931
Tax using the Company's domestic tax rate	30	150,128,975	187,661,218	24	249,188,384
Effect of use of different in tax rates	-3	(17,774,322)	-	17	171,395,224
Tax effect of:					
Non-deductible/Allowable expenses	-23	42,690,895	(142,627,964)	-15	(158,749,632)
Tax-exempt income and Non-taxable income	-13	(159,493,015)	(45,033,254)	-17	(173,004,813)
Changes in estimates relating to prior years		-	-	-6	(9,364,074)
Recognition of previously unrecognised tax losses		-	-		(59,982,219)
		15,552,533	-		19,482,870

14.5 Tax losses carried forward

For the year ended 31 March	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Tax loss brought forward	157,566,012	3,493,583,468	-	171,923,941
Reassessment of previous year tax losses	254,739,472	(1,345,399,352)	-	2,990,462
Recognised through acquisition of business combination	-	-	-	-
Tax loss for the year of assessment	-	459,063,880	-	75,011,509
Set-off against the current taxable income	170,157,030	(298,789,119)	-	(249,925,912)
Tax loss carried forward	582,462,514	2,308,458,876	-	-
The tax losses for which no deferred tax asset was recognised expire as follow:				
Expire	-	2,308,458,876	-	-
	-	2,308,458,876	-	-

15 Adjusted Earnings before Interest, Tax, Depreciation and Amortisation (Adjusted EBITDA)

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

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

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Reconciliation of adjusted EBITDA to profit from continuing operations – Group

For the year ended 31 March	2023 Rs.	2022 Rs.
Profit from continuing operations	3,616,851,153	4,996,672,082
Income tax expense	2,043,786,492	650,001,269
Profit before tax	5,660,637,645	5,646,673,351
Adjustment for:		
Net finance costs	985,995,934	9,258,117
Depreciation	787,997,006	825,537,023
Amortisation	87,055,575	214,997,448
Share of loss of equity-accounted investee, net of tax	–	436,572
Adjusted EBITDA	7,521,686,160	6,696,465,979

There is no significant impact to EBITDA due to the economic crisis prevailing in the country.

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	Notes	GROUP		COMPANY	
		2023 Rs.	2022 Restated* Rs.	2023 Rs.	2022 Restated* Rs.
Profit for the year, attributable to the owners of the Company (Rs.)		2,263,929,612	2,720,742,972	1,250,336,487	1,022,832,262
Weighted average number of ordinary shares (basic)	16.1.1	484,755,076	484,755,076	484,755,076	484,755,076
Basic Earnings per Share (Rs.)		4.67	5.61	2.58	2.11

*As per LKAS 33 – "Earnings per Share" EPS of the comparative period (2021/22) has been restated considering the effect of the Share issue to Akbar Brothers (Pvt) Ltd.

16.1.1 Weighted average number of ordinary shares

	2023 Rs.	2022 Rs.
Issued ordinary shares as at 1 April	448,662,309	448,662,309
Effect of the share split	491,973,629	–
Weighted average number of shares	484,755,076	448,662,309

16.2 Diluted earnings per share

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

17 Dividend per Share

➔ Accounting policy

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

The Board of Directors of the Company has declared a final dividend of Rs. 1.15 per share (2022 – final dividend of Rs. 0.50 per share) for the financial year ended 31 March 2023.

	2023 Rs.	2022 Rs.
Dividend declared – Final and Interim (Rs.)	245,986,815	448,662,310
Number of ordinary shares	484,755,076	448,662,309
Dividend per share (Rs.)	0.50	1.00

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

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the company satisfied the solvency test in accordance with Section 57, prior to declaring the final dividend. A statement of solvency duly completed and signed by the Directors on 25 May 2023 and Messrs KPMG will issue the solvency certificate before distributing the dividends.

17.1 Dividend paid during the year

	2023 Rs.	2022 Rs.
Final Dividend of Rs. 0.50 per share out of 2020/21 profit	–	224,331,155
Interim dividend of Rs. 0.50 per share out of 2021/22 profit	–	224,331,155
Final dividend of Rs. 0.50 per share out of 2021/22 profit	245,986,814	–
	245,986,814	448,662,309

18 Financial Assets and Liabilities

Financial Assets

Recognition and initial measurement

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

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

Classification and subsequent measurement of financial assets

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

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

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

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

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

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

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

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

Financial assets – Business model assessment

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

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

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

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

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

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

Financial assets – Subsequent measurement and gains and losses

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

Non-derivative financial liabilities

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

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

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

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

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

Derecognition

(a) Financial assets

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

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

(b) Financial liabilities

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

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

Offsetting

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

Classification of financial assets and financial liabilities

The following table provides a reconciliation between line item in the statement of financial position and categories of financial instruments.

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31 March 2023	GROUP			
	Mandatorily at FVTPL Rs.	FVOCI – equity instruments Rs.	Amortised cost Rs.	Total carrying value Rs.
Financial assets				
Investment in unquoted shares	–	309,911,065	–	309,911,065
Investment in quoted shares	21,011,001	–	–	21,011,001
Investment fund	53,282,796	–	–	53,282,796
Investment in debentures	–	–	104,173,150	104,173,150
Trade and other receivables	–	–	7,892,295,240	7,892,295,240
Financial lease receivable	–	–	48,342,737	48,342,737
Amounts due from related parties	–	–	149,442,584	149,442,584
Short-term investments	–	–	229,870,000	229,870,000
Cash and cash equivalents	–	–	3,110,102,165	3,110,102,165
Total financial assets	74,293,797	309,911,065	11,534,225,876	11,918,430,738
Financial liability				
Loans and borrowings	–	–	4,635,231,843	4,635,231,843
Lease liability	–	–	663,745,405	663,745,405
Bank overdraft	–	–	2,108,468,805	2,108,468,805
Trade and other payables	–	–	6,423,945,204	6,423,945,204
Amounts due to related parties	–	–	55,000,000	55,000,000
Total financial liabilities	–	–	13,886,391,257	13,886,391,257

31 March 2022	GROUP			
	Mandatorily at FVTPL Rs.	FVOCI - equity instruments Rs.	Amortised cost Rs.	Total carrying value Rs.
Financial assets				
Investment in unquoted shares	–	440,308,416	–	440,308,416
Investment in quoted shares	21,365,872	–	–	21,365,872
Investment fund	72,313,000	–	–	72,313,000
Investment in debentures	–	–	207,525,753	207,525,753
Trade and other receivables	–	–	6,105,636,443	6,105,636,443
Amounts due from related parties	–	–	10,655,319	10,655,319
Cash and cash equivalents	–	–	3,264,723,523	3,264,723,523
Total financial assets	93,678,872	440,308,416	9,588,541,038	10,122,528,326
Financial liability				
Loans and borrowings	–	–	2,658,177,062	2,658,177,062
Bank overdraft	–	–	917,513,501	917,513,501
Trade and other payables	–	–	5,633,690,534	5,633,690,534
Amounts due to related parties	–	–	57,537,862	57,537,862
Total financial liabilities	–	–	9,266,918,958	9,266,918,958

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	COMPANY			
	Mandatorily at FVTPL Rs.	FVOCI – equity instruments Rs.	Amortised cost Rs.	Total carrying value Rs.
	–	309,911,065	–	309,911,065
	21,011,001	–	–	21,011,001
	–	–	–	–
	–	–	–	–
	–	–	28,133,470	28,133,470
	–	–	–	–
	–	–	233,868,530	233,868,531
	–	–	–	–
	–	–	814,024,863	814,024,863
	21,011,001	309,911,065	1,076,026,863	1,406,948,930
	–	–	19,457,885	19,457,885
	–	–	–	–
	–	–	–	–
	–	–	34,157,523	34,157,523
	–	–	12,424	12,424
	–	–	53,627,832	53,627,832

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

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

Leasehold assets

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

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

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

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

Subsequent costs

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

De-recognition

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

Depreciation

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

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

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

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

Freehold Assets	Years
Buildings	15-40
Roads and bridges	40
Sanitation, water, and electricity	20
Plant and machinery	13
Furniture and fittings	5-10
Equipment	5-8
Computer equipment	3-5
Computer software	4-6
Motor vehicles	4-0
Electrical equipment	2
Diagnostics and analyser equipment	4
Medical equipment	4
Hydro power plant	20
Fence and security lights	3
Rou assets	2-5

Leasehold Assets	Years
Bare land	53
Roads and bridges	23 /Lease period
Improvements to land	30
Vested other assets	30

Leasehold Assets	Years
Buildings	23/Lease period
Plant and machinery	13
Sanitation, water and electricity	20
Water supply system	20
Mini-hydro power plant	10
Motor vehicles	4-5

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

Impairment of financial assets

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

Calculation of recoverable amount

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

Provision for/reversal of impairment

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

19.1 Reconciliation of carrying amount

A. Group

Cost

	Balance as at 1 April 2021	Additions	Disposals	Transfers	Acquisition through business combination
	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold assets					
Land	851,537,996	–	–	–	–
Buildings	2,008,804,564	89,072,300	–	–	–
Plant and machinery	1,686,797,640	254,946,724	(25,987,988)	80,442,699	–
Tools	186,955,120	–	–	90,870,000	(277,825,120)
Furniture and fittings	254,512,015	11,158,581	(27,340,244)	–	(730,369)
Equipment	213,702,819	70,074,549	(52,773,326)	(40,444)	–
Computer equipment	139,956,579	9,767,474	–	–	(640,161)
Motor vehicles	713,943,131	34,576,000	(54,368,556)	–	–
Electrical equipment	92,453,742	22,443,501	(64,140)	972,655	–
Medical equipment	397,021,793	27,010,876	–	356,444	–
Other	245,706,057	11,000,000	–	–	–
ROUA (Note 34.3.1)	640,699,162	159,519,986	(23,062,211)	–	–
Capital work in progress	189,206,694	229,783,637	–	(176,324,597)	(3,968,000)
	7,621,297,312	919,353,628	(183,596,465)	(3,723,243)	(283,163,650)
Leasehold assets					
Roads and bridges	5,000	–	–	–	–
Improvements to land	1,135,000	–	–	–	–
Vested other assets	1,201,000	–	–	–	–
Buildings	35,894,000	–	–	–	–
Water supply system	89,000	–	–	–	–
Machinery	23,208,000	–	–	–	–
Mini-hydro power plant	1,042,000	–	–	–	–
Motor vehicles	2,061,280	–	(2,061,280)	–	–
Mature plantations	64,635,280	–	(2,061,280)	–	–
Total cost	7,685,932,592	919,353,628	(185,657,745)	(3,723,243)	(283,163,650)

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Balance as at 31 March 2022 Rs.	Balance as at 1 April 2022 Rs.	Additions Rs.	Acquisition through business combination Rs.	Disposals Rs.	Transfers Rs.	Balance as at 31 March 2023 Rs.
851,537,996	851,537,996	166,042,000	–	–	–	1,017,579,996
2,097,876,864	2,097,876,864	539,692,378	823,928,776	–	416,197,525	3,877,695,543
1,996,199,075	1,996,199,075	234,279,345	586,307,435	(24,793,736)	98,307,664	2,890,299,783
–	–	–	–	–	–	–
237,599,983	237,599,983	26,315,811	47,061,731	(15,730,693)	4,391,835	299,638,667
230,963,598	230,963,598	15,105,520	–	(11,224,445)	10,454,314	245,298,988
149,083,892	149,083,892	21,074,697	36,469,723	693,241	446,000	207,767,553
694,150,575	694,150,575	14,949,900	15,865,600	(16,947,858)	–	708,018,217
115,805,758	115,805,758	32,834,351	14,290,933	–	2,964,135	165,895,177
424,389,113	424,389,113	100,761,153	–	(821,497)	3,839,081	528,167,850
256,706,057	256,706,057	75,336,000	–	–	–	332,042,057
777,156,937	777,156,937	128,326,033	24,823,200	–	–	930,306,170
238,697,734	238,697,734	110,415,356	232,761,047	(11,613,081)	(499,235,625)	71,025,431
8,070,167,582	8,070,167,582	1,465,132,544	1,781,508,445	(80,438,069)	37,364,929	11,273,735,432
5,000	5,000	–	–	–	–	5,000
1,135,000	1,135,000	–	–	–	–	1,135,000
1,201,000	1,201,000	–	–	–	–	1,201,000
35,894,000	35,894,000	–	–	–	–	35,894,000
89,000	89,000	–	–	–	–	89,000
23,208,000	23,208,000	–	–	–	–	23,208,000
1,042,000	1,042,000	–	–	–	–	1,042,000
–	–	–	–	–	–	–
62,574,000	62,574,000	–	–	–	–	62,574,000
8,132,741,582	8,132,741,582	1,465,132,544	1,781,508,445	(80,438,069)	37,364,929	11,336,309,432

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Accumulated depreciation

	Balance as at 1 April 2021	Charge for the Year	Disposals	Transfers	Assets disposal through
	Rs.	Rs.	Rs.	Rs.	Rs.
Freehold assets					
Buildings	316,439,624	119,228,008	–	–	–
Plant and machinery	843,039,147	143,137,323	(25,987,988)	–	–
Tools	14,132,615	6,004,808	–	–	(20,137,423)
Furniture and fittings	161,932,551	26,952,562	(27,340,243)	–	(91,793)
Equipment	132,372,799	25,800,461	(52,203,063)	(4,207)	–
Computer equipment	109,922,343	11,927,512	–	–	(121,332)
Motor vehicles	534,722,580	78,466,412	(46,193,556)	–	–
Electrical equipment	69,191,062	22,505,626	(64,140)	–	–
Medical equipment	310,756,268	50,700,015	–	–	–
Other	57,892,251	8,249,000	–	–	–
ROUA (Note 34.3.1)	277,660,077	151,714,296	(16,630,109)	–	–
	2,828,061,317	644,686,023	(168,419,099)	(4,207)	(20,350,548)
Leasehold assets					
Roads and bridges	5,000	–	–	–	–
Improvements to land	1,087,000	38,000	–	–	–
Vested other assets	382,000	11,000	–	–	–
Buildings	35,894,000	–	–	–	–
Water supply system	89,000	–	–	–	–
Machinery	23,208,000	–	–	–	–
Mini-hydro power plant	1,042,000	–	–	–	–
Motor vehicles	2,053,441	–	(2,061,280)	–	–
Mature plantations	63,760,441	49,000	(2,061,280)	–	–
Total accumulated depreciation	2,891,821,758	644,735,023	(170,480,379)	(4,207)	(20,350,548)

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Balance as at 31 March 2022 Rs.	Balance as at 1 April 2022 Rs.	Charge for the Year Rs.	Acquisition through business combination Rs.	Disposals Rs.	Transfers Rs.	Balance as at 31 March 2023 Rs.
435,667,632	435,667,632	177,616,141	58,667,183	–	–	671,950,956
960,188,482	960,188,482	204,651,402	358,127,587	(22,620,814)	4,526,586	1,504,873,243
–	–	–	–	–	–	–
161,453,077	161,453,077	16,279,019	28,464,290	(11,891,204)	–	194,305,182
105,965,990	105,965,990	28,051,740	–	(3,459,411)	–	130,558,319
121,728,523	121,728,523	16,633,063	30,633,091	(171,730)	–	168,822,947
566,995,436	566,995,436	71,478,945	15,865,600	(15,933,861)	–	638,406,120
91,632,548	91,632,548	26,680,475	14,290,933	–	–	132,603,956
361,456,283	361,456,283	39,551,833	–	(305,845)	–	400,702,271
66,141,251	66,141,251	66,189,000	–	–	–	132,330,251
412,744,264	412,744,264	140,085,388	10,839,382	–	–	563,669,034
3,283,973,486	3,283,973,486	787,217,006	516,888,066	(54,382,865)	4,526,586	4,538,222,279
5,000	5,000	–	–	–	–	5,000
1,125,000	1,125,000	10,000	–	–	–	1,135,000
393,000	393,000	770,000	–	–	–	1,163,000
35,894,000	35,894,000	–	–	–	–	35,894,000
89,000	89,000	–	–	–	–	89,000
23,208,000	23,208,000	–	–	–	–	23,208,000
1,042,000	1,042,000	–	–	–	–	1,042,000
(7,839)	(7,839)	–	–	–	–	(7,839)
61,748,161	61,748,161	780,000	–	–	–	62,528,161
3,345,721,647	3,345,721,647	787,997,006	516,888,066	(54,382,865)	4,526,586	4,600,750,439

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Carrying value

	Balance as at 31 March 2023 Rs.	Balance as at 31 March 2022 Rs.
Freehold assets		
Land	1,017,579,996	851,537,996
Buildings	3,205,744,587	1,662,209,232
Plant and machinery	1,385,426,540	1,036,010,593
Tools	–	–
Furniture and fittings	105,333,485	76,146,906
Equipment	114,740,669	124,997,608
Computer equipment	38,944,606	27,355,369
Motor vehicles	69,612,097	127,155,139
Electrical equipment	33,291,221	24,173,210
Medical equipment	127,465,579	62,932,830
Other	199,711,806	190,564,806
ROUA (Note 34.3.1)	366,637,136	364,412,673
Capital work in progress	71,025,431	238,697,734
	6,735,513,153	4,786,194,096
Leasehold assets		
Improvements to land	–	10,000
Vested other assets	38,000	808,000
Motor vehicles	7,839	7,839
	45,839	825,839
Total carrying value	6,735,558,992	4,787,019,935

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- 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 Plantations 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 Plantations PLC.
- The assets shown above includes assets vested in the Watawala Plantations PLC by Gazetted notification on the date of formation of the subsidiary (18 June 1992) and all the investments made in the fixed assets by the subsidiary since its formation.
- Investment by the Group on mature and immature plantations are shown separately under biological assets - mature/ immature plantations.
- The transfer of immature plantation to mature plantations commences at the time the plantation is ready for commercial harvesting.
- As described in Note 24.2.1, the Group has acquired the Subsidiaries namely Sunshine Tea (Pvt) Limited during the year. The net book value of the property, plant and equipment acquired through business combination amounted to Rs. 824 Mn.
- Land and building classified as investment properties in the respective entity level and classified as PPE at consolidated level are carried at revalued amounts.

B. Company

Cost

	Balance as at 1 April 2021 Rs.	Additions Rs.	Additions Rs.	Balance as at 31 March 2022 Rs.	Balance as at 01 April 2022 Rs.	Additions Rs.	Balance as at 31 March 2023 Rs.
Freehold assets							
Furniture and fittings	7,695,766	638,576	–	8,334,342	8,334,342	–	8,334,342
Equipment	5,837,402	621,700	(40,444)	6,418,658	6,418,658	198,889	6,617,547
Computer equipment	10,363,779	1,957,845	–	12,321,624	12,321,624	1,133,111	13,454,735
Motor vehicles	17,370,000	8,175,000	(8,175,000)	17,370,000	17,370,000	–	17,370,000
Right-of-use assets	45,654,379	–	–	45,654,379	45,654,379	36,790,811	82,445,190
	86,921,326	11,393,121	(8,215,444)	90,099,003	90,099,003	38,122,811	128,221,814

Accumulated depreciation

	Balance as at 1 April 2021 Rs.	Charge for the year Rs.	Additions Rs.	Balance as at 31 March 2022 Rs.	Balance as at 01 April 2022 Rs.	Charge for the year Rs.	Balance as at 31 March 2023 Rs.
Freehold assets							
Furniture and fittings	4,029,170	1,077,690	–	5,106,860	5,106,860	1,110,583	6,217,443
Equipment	3,133,542	1,076,758	(4,207)	4,206,093	4,206,093	1,036,161	5,242,254
Computer equipment	5,679,506	1,899,663	–	7,579,169	7,579,169	2,247,449	9,826,618
Motor vehicles	10,402,965	3,485,897	–	13,888,862	13,888,862	3,474,001	17,362,863
Right-of-use assets	30,608,991	15,045,388	–	45,654,379	45,654,379	18,395,405	64,049,784
	53,854,174	22,585,396	(4,207)	76,435,363	76,435,363	26,263,600	102,698,963

Carrying value

	Balance as at 31 March 2023 Rs.	Balance as at 31 March 2022 Rs.
Freehold assets		
Furniture and fittings	2,116,899	3,227,482
Equipment	1,375,293	2,212,565
Computer equipment	3,628,117	4,742,455
Motor vehicles	7,137	3,481,138
Right-of-use assets	18,395,405	–
	25,522,851	13,663,640

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19.2 Title restriction on property, plant and equipment

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

19.3 Acquisition of property, plant and equipment during the year

During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 1,465 Mn. (2022- Rs. 919 Mn.).

19.4 Capitalisation of borrowing costs

There is no capitalisation of borrowing cost relating to the acquisition of property, plant and equipment by the Group during the year (2022 - Nil).

19.5 Amount of contractual commitments for the acquisition of property, plant and equipment

The commitments for the acquisition of property, plant and equipment as at the reporting date has been disclosed in Note 42. (2022: Nil)

19.6 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 2023. 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.

19.7 Property, plant and equipment pledged as security

Assets pledged as at 31 March 2023 are disclosed in Note 34.5.

19.8 Temporarily idle property, plant and equipment

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

19.9 Compensation from third parties for items of property, plant and equipment

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

20 Intangible Assets

➔ Accounting policy

Recognition and measurement

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

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

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

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

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:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale.
- its intention to complete the intangible asset and use or sell it.
- its ability to use or sell the intangible asset.
- 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.
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

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

Brand name

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

Computer software

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

Costs associated with maintaining computer software programs are recognised as expense incurred.

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

Subsequent expenditure

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

Amortisation

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

Software license	2-6 years
Software development cost	2-5 years
Brand	20 years
Development cost	10 years

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

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

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20.1 Reconciliation of carrying amount – Group

	GROUP				
	Software Rs.	Brand Rs.	Development cost Rs.	Capital work- in-progress Rs.	Total Rs.
Cost					
Balance as at 1 April 2021	248,957,584	59,150,002	–	47,840,756	355,948,342
Acquisition through business combination (Note 24.2)	26,345,511	–	–	–	26,345,511
Acquisitions	27,750,215	14,000,000	45,680,271	96,640,207	184,070,693
Reclassification	98,977,562	–	81,370,651	–	–
Disposal/write-off	(17,852,647)	–	–	(119,659,296)	(137,511,943)
Balance at 31 March 2022	384,178,225	73,150,002	127,050,922	24,821,667	609,200,816
Balance as at 1 April 2022	384,178,225	73,150,002	127,050,922	24,821,667	609,200,816
Acquisition through business combination (Note 24.2)	32,668,153	–	–	–	32,668,153
Acquisitions	36,767,308	–	–	11,319,000	48,086,308
Disposal/write-off	(110,001)	–	–	–	(110,001)
Transfer	1,800,000	–	–	(9,276,667)	(7,476,667)
Balance at 31 March 2023	455,303,685	73,150,002	127,050,922	26,864,000	682,368,609

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	GROUP				
	Software Rs.	Brand Rs.	Development cost Rs.	Capital work- in-progress Rs.	Total Rs.
Accumulated amortisation					
Balance as at 1 April 2021	149,516,155	21,364,419	17,381,075	–	188,261,649
Acquisition through business combination (Note 24.2)	878,184	–	–	–	878,184
Amortisation	29,206,477	22,286,154	492,562	–	51,985,193
Reclassification	–	–	–	–	–
Transfers/Disposals	(17,852,647)	–	–	–	(17,852,647)
Balance at 31 March 2022	161,748,169	43,650,573	17,873,637	–	223,272,379
Balance as at 1 April 2022	161,748,169	43,650,573	17,873,637	–	223,272,379
Acquisition through business combination (Note 24.2)	23,026,548	–	–	–	23,026,548
Amortisation	75,207,891	2,958,500	8,889,184	–	87,055,575
Reclassification	–	–	–	–	–
Transfers/Disposals	(94,721)	–	–	–	(94,721)
Balance at 31 March 2023	259,887,887	46,609,073	26,762,821	–	333,259,781
Carrying value as at 31 March 2022	222,430,056	29,499,429	109,177,285	24,821,667	385,928,437
Carrying value as at 31 March 2023	195,415,798	26,540,929	100,288,101	26,864,000	349,108,828

20.1.1 Brand acquisition

The Group has recognised the brand "HEALTHGUARD" upon the acquisition of Healthguard Pharmacy Limited, on 19th 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.

20.1.2 Reconciliation of carrying amount – Company

	COMPANY			
	Software Rs.	Capital work- in-progress Rs.	2023 Rs.	2022 Rs.
Cost				
Balance as at 1 April	29,358,011	–	29,358,011	10,568,160
Acquisitions	–	–	–	18,789,851
Transfers	–	–	–	–
Balance as at 31 March	29,358,011	–	29,358,011	29,358,011
Accumulated amortisation and impairment losses				
Balance as at 1 April	4,329,776	–	4,329,776	3,012,500
Amortisation	5,269,104	–	5,269,104	1,317,276
Balance as at 31 March	9,598,880	–	9,598,880	4,329,776
Carrying value as at 31 March	19,759,131	–	19,759,131	25,028,235

Assessment of impairment of intangible assets

The Board of Directors has assessed the potential impairment loss of intangible assets as at 31 March 2023. Based on the assessment, no impairment provision is required to be made in the Financial Statements as at the reporting date.

Title restriction on intangible assets

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

Intangible assets pledged as security

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

Acquisition of intangible assets during the year

During the financial year, the Group acquired intangible assets to the aggregate value of Rs. 210 Mn. (2022 – Rs. 309 Mn.).

Amount of contractual commitments for the acquisition of intangible assets

The contractual commitments for the acquisition of intangible assets as at the reporting date has been disclosed in Note 42.

Fully amortised intangible assets in use

Intangible assets include fully amortised computer software which are in use in the normal business activities to the gross carrying value of Rs. 45.1 Mn. (2022 – Rs. 2.2 Mn.).

21 Leasehold Land

Leasehold right to land of JEDB/SLSPC estates

	GROUP	
	2023 Rs.	2022 Rs.
Cost/Revaluation		
Balance as at 1 April	449,869,000	441,429,000
Adjustment to right-of-use asset on application of SLFRS 16	–	8,440,000
Remeasurement of lease liabilities	20,142,000	–
Balance at 31 March	470,011,000	449,869,000
Accumulated amortisation		
Balance as at 1 April	213,874,000	202,576,000
Amortisation	12,261,000	11,298,000
Balance at 31 March	226,135,000	213,874,000
Carrying amount	243,876,000	235,995,000

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

The leasehold rights to land is recorded in accordance with the Statement of Recommended Practice for the Right-to-Use of land on lease which was approved by the Council of the Institute of Chartered Accountants of Sri Lanka on 19 December 2012. Corresponding liability is shown as a lease payable to JEDB/SLSPC.

22 Biological Assets

➔ Accounting policy

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

Livestock

A biological asset is a living animal or plant. Livestock are measured at their fair value less estimated costs to sell with any change therein recognised in Statement of Profit

or Loss. Estimated cost to sell includes all costs that would be necessary to sell the assets such as transport cost, commission etc.

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

Mature and immature plantations

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

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

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

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

Where infilling results in an increase in the economic life of a relevant field beyond its previously assessed standard of performance, the costs are capitalised and depreciated

over the remaining useful life at rates applicable to mature plantations. Infilling costs that are not capitalised are charged to the Statement of Profit or Loss in the year in which they are incurred.

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

	Freehold	Leasehold
Tea	33 Years	30 Years
Rubber	20 Years	20 Years
Palm Oil	20 Years	20 Years
Cinnamon	30 Years	10 years
Caliandra	15 Years	
Grass	5 Years	
Coconut	33 Years	

Timber plantation

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

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

	GROUP	
	2023 Rs.	2022 Rs.
Biological assets – Bearer (22.1)	2,652,400,000	2,770,633,000
Biological assets – Consumables (22.2)	44,269,000	33,783,000
Biological assets – Livestock (22.3)	893,067,000	943,201,000
	3,589,736,000	3,747,617,000
Non-current – Biological assets consumable	3,503,610,000	3,675,946,000
Current – Biological assets produce on bearer plant	86,126,000	71,671,000
	3,589,736,000	3,747,617,000

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22.1 Biological assets – Bearer

	Nurseries Rs.	Immature plantations Rs.	Mature plantations Rs.	Total 2023 Rs.	Total 2022 Rs.
Cost					
Balance as at 1 April	11,928,000	204,492,000	3,936,173,000	4,152,593,000	4,035,462,000
Fair value of growing crops	–	–	–	–	19,918,000
Additions	–	55,100,00	95,832,000	150,932,000	169,818,000
Transfers	(755,000)	(118,653,000)	118,653,000	(755,000)	(735,000)
Balance as at 31 March	11,173,000	140,939,000	4,150,658,000	4,302,770,000	4,223,753,000
Accumulated depreciation					
Balance as at 1 April	–	–	1,453,627,000	1,453,627,000	1,272,778,000
Charged for the year	–	–	196,743,000	196,743,000	180,342,000
Balance as at 31 March	–	–	1,650,370,000	1,650,370,000	1,453,120,000
Carrying value					
As at 31 March 2023	11,173,000	140,939,000	2,500,288,000	2,652,400,000	–
As at 31 March 2022	11,928,000	204,492,000	2,482,546,000	–	2,770,633,000

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

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

22.2 Biological assets – Consumables

	Nurseries Rs.	Immature plantations Rs.	Mature plantations Rs.	Total 2023 Rs.	Total 2022 Rs.
Cost					
Balance as at 1 April	–	–	33,783,000	33,783,000	32,857,000
(Loss)/ gain arising from changes in fair value less costs to sell	–	–	10,486,000	10,486,000	1,328,000
Decrease due to harvest	–	–	–	–	(402,000)
Balance as at 31 March	–	–	44,269,000	44,269,000	33,783,000

- Expected rate of return p.a. 24.5 [2022 – 20.83%]
- Maturity for harvesting – 25 years [2022 – 25 years]

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

22.2.1 Measurement of fair values

The valuation of consumable biological assets was carried by Mr Weerasinghe Chadrasena, an independent Incorporated Valuation Surveyor, using Discounted Cash Flows (DCF) methods. The Valuation Report dated 31 March 2023 has been prepared based on the physically verified timber statistics provided by the Group.

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

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

(b) Level 3 fair values

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

	GROUP	
	2023 Rs.	2022 Rs.
Gain included in "other income"		
Change in fair value (unrealised)	10,486,000	1,328,000

(c) Valuation techniques and significant unobservable inputs

Following table shows the valuation techniques used in measuring Level 3 fair value of consumable biological assets as well as the significant unobservable inputs used for the valuation as at 31 March 2023.

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Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Standing timber Standing timber older than 4 years	Discounted cash flows The valuation model considers present value of future net cash flows expected to be generated by the plantation from the timber content of managed timber plantation on a tree-per-tree basis. Expected cash flows are discounted using a risk-adjusted discount rate of 24.5% (2022: 20.83%). Following factors have been considered in determining the risk premium; – The illiquid nature of The plantations prior to maturity – A lack of market evidence as to the value of biological assets through their life cycle – Risk relations to diseases and fire affecting the biological assets – Adoption of conservative valuation approach	Determination of timber content Timber trees in inter-crop areas and pure crop areas have been identified field-wise and spices were identified and harvestable trees were separated, according to their average girth and estimated age. Timber trees that have not come up to a harvestable size are valued working out the period that would take for those trees to grow up to a harvestable size. Determination of price of timber Trees have been valued as per the current timber prices per cubic metre based on the industry average prices logs sawn timber at the popular timber traders in Sri Lanka. In this exercise, following factors have been taken into consideration a. Cost of obtaining approval of felling. b. Cost of felling and cutting into logs. c. Cost of transportation. d. Sawing cost. e. Cost of sale. f. Exclusion of trees located in restricted area specialised in the circular No. 2019/01 dated on 6 November 2019 issued by the Ministry of Plantation Industries. Price range per cu.ft. is Rs. 350/- to Rs. 1,000/- (2022– Rs. 150/- to Rs. 750/-) Risk-adjusted discount rate. 2023 – 24.5% (2022 - 20.83%).	The estimated fair value at the time of harvesting each specific species is sensitive to the following variables: – the estimated timber content (The higher the volume, the higher the fair value) – the estimated selling related costs (Lower the selling related costs, the higher the fair value) – the estimated maturity age (Lower the rotation period, the higher the fair value) – the estimated maturity age – the risk-adjusted discount rate. (The higher the discount rate, the lesser the fair value)

22.2.2 Sensitivity analysis

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

Sensitivity variation sales price (using 1.0% estimated variation)

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

	2023 Rs.	2022 Rs.
Value stand as now	44,269,000	33,783,000
Value stand as at 10% (2022: 10%) positive variance	48,695,900	37,161,300
Value stand as at 10% (2022: 10%) negative variance	39,842,100	30,404,700

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:

	2023 Rs.	2022 Rs.
Value stand as now	44,269,000	33,783,000
Value stand as at 1% positive variance	42,573,000	37,161,300
Value stand as at 1% negative variance	46,084,000	30,404,700

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22.3 Biological assets – Livestock

	GROUP	
	2023 Rs.	2022 Rs.
Balance as at 1 April	943,201,000	749,340,000
Additions	165,176,000	225,695,000
Disposals during the year	(57,870,000)	(25,821,000)
Gain/(loss) arising from changes in fair value less costs to sell	(157,440,000)	(6,013,000)
Balance as at 31 March	893,067,000	943,201,000

As at 31 March 2023 livestock comprised 1,760 cattle (2022 – 1,811 cattle).

22.3.1 Valuation techniques and significant unobservable inputs

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Livestock Livestock comprises cattle	Discounted cash flows The valuation model considers present value of future net cash flows expected to be generated by the cattle based on lactation-wise annual milking averages and costs incurred. Expected cash flows are discounted using a risk-adjusted discount rate of 26.15% (2022: 26.34%).	Determination of selling price Selling price has been determined based on the market prices Determination of cost per cow Cost per cow has been determined based on the adjusted cost during the year. Determination of discount factor Risk adjusted discount rate of 26.15% has been use for the valuation Determination of yield Yield has been determined based on the actual milk production in each lactation. Risk-adjusted discount rate. 2023 - 26.15% (2022 - 26.34%).	The estimated fair value would increase/ (decrease): – the estimated milking prices were higher/ (lower) – the estimated yield per cow were higher/ (lower) – the risk-adjusted discount rate were higher/(lower)

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22.3.2 Sensitivity analysis

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

Sensitivity variation sales price (using 10% estimated variation)

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

	2023 Rs.	2022 Rs.
Value stand as now	893,067,000	943,201,000
Value stand as at 10% (2021: 10%) positive variance	1,348,413,000	1,037,521,100
Value stand as at 10% (2021: 10%) negative variance	437,727,000	848,880,900

Sensitivity variation cost (using 10% variation)

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

	2023 Rs.	2022 Rs.
Value stand as now	893,067,000	943,201,000
Value stand as at 10% positive variance	515,627,000	1,037,521,100
Value stand as at 10% negative variance	1,270,514,000	848,880,900

Sensitivity variation discount rate (using 1.0% variation)

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

	2023 Rs.	2022 Rs.
Value stand as now	893,067,000	943,201,000
Value stand as at 1% positive variance	875,783,000	952,633,010
Value stand as at 1% negative variance	910,936,000	933,768,990

Sensitivity Variation on yield (using 1.0% variation)

	2023 Rs.	2022 Rs.
Value stand as now	893,067,000	943,201,000
Value stand as at 1% positive variance	963,615,000	952,633,010
Value stand as at 1% negative variance	823,025,000	933,768,990

LKAS 41 – Amended-Valuation of growing crops on bearer plants

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

	GROUP	
	2023 Rs.	2022 Rs.
Balance as at 1 April	71,671,000	52,688,000
Write off during the year	–	(735,000)
Change during the year	14,455,000	19,718,000
Balance as at 31 March	86,126,000	71,671,000

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

Tea – Three days crop (50% of 6 days cycle),

Oil palm – Five days crop (50% of 10 days cycle)

Produce that grows on mature bearer plantations are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the Tea commissioner's formula for bought leaf and the value of unharvested fresh fruit bunches (FFB) of Oil Palm is measured using the actual price used to purchase FFB from out growers.

Risk management strategy related to agricultural activities**Regulatory and environmental risks**

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

Supply and demand risk

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

Climate and other risks

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

23 Investment Property

➔ Accounting policy

Recognition and measurement

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

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognized 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 recognized 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 2021	641,142,550	128,356,594	769,499,144
Additions	19,518,058	19,518,058	–
Fair value	200,279,892	40,796,431	241,076,323
Balance as at 31 March 2022	841,422,442	188,671,083	1,030,093,525
Balance as at 1 April 2022	841,422,442	188,671,083	1,030,093,525
Transfer to property, plant and equipment	(246,704,500)	(169,153,025)	(415,857,525)
Additions	13,292,864	–	13,292,864
Balance as at 31 March 2023	608,010,806	19,518,058	627,528,864

23.2 Details of land and building under investment property

Location	Extent		No of Buildings	Revalued amount		Carrying Value after revaluation Rs.	Carrying Value if carried at cost Rs.
	Land (Perches)	Building (Square feet)		Land	Building		
	Rs.	Rs.	Rs.	Rs.	Rs.		
No. 75 A, Kandawala Road, Rathmalana	195.50	42,367.50	1	221,700,000	148,550,000	370,250,000	327,205,000
No. 130/6, Sri Wickrema Mawatha, Mattakkuliya	117.00	31,105.00	1	129,257,925	90,104,525	219,362,450	71,615,609
60/46, Sri Wickrema Mawatha, Mattakkuliya	25.60	–	–	30,700,000	–	30,700,000	11,979,800
No. 107/11, Pasbatel Road, Mattakkuliya	108.43	–	–	221,661,000	–	221,661,000	171,674,080
No. 60/52, Sri Wickrema Mawatha, Mattakkuliya	137.86	–	–	–	–	–	–
No. 75, Norris Canal Road, Colombo 10	28.25	–	–	268,375,000	–	268,375,000	226,000,000
Budanapitiya Road, Hengawa and Modera, Kurunagala	1,672.00	3,082.00	3	39,180,000	27,354,939	66,534,939	37,072,058
Rukgaha Thothupola Road, Aluthgama, Bandaragama	160.00	–	–	28,000,000	–	28,000,000	16,960,000

Lands and buildings were revalued as at 31 March 2023, by Mr S Sivaskantha, B.Sc.Est, Mgt and 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.

23.3 Measurement of fair values

23.3.1 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 categorized as a Level 3 fair value based on the inputs to the valuation techniques used.

23.3.2 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 2023.

Location and address of the property	Method of valuation	Significant unobservable inputs	Range of estimates for unobservable inputs	Estimated fair value would increase or decrease
No. 75A, Kandawala Road, Rathmalana.	Direct Comparison Approach	Land – Price per perch	Rs. 1,050,000-Rs. 1,100,000	Price per perch for land increases
		Building – Price per square feet	Rs. 3,000-Rs. 4,000	Price per square feet for Building increases, decreases
No. 107/11, Pasbatal Road, Mattakkuliya	Direct Comparison Approach	Land – Price per perch	Rs. 850,000-Rs. 900,000	Price per perch for land increases
No. 60/52, Sri Wickrema Mawatha, Mattakkuliya	Direct Comparison Approach	Land – Price per perch	Rs. 850,000-Rs. 900,000	Price per perch for land increases
		Building – Price per square feet	Rs. 5,500-Rs. 6,000	Price per square feet for Building increases, decreases
No. 75, Norris Canal Road, Colombo 10	Direct Comparison Approach	Land – Price per perch	Rs. 7,500,000-Rs. 9,500,000	Price per perch for land increases
Budanapitiya Road, Hengawa and Modera, Kurunagala	Direct Comparison Approach	Land – Price per perch	Rs. 23,438/- per perch	Price per perch for land increases
Rukgaha Thothupola Road, Aluthgama, Bandaragama	Direct Comparison Approach	Land – Price per perch	Rs. 175,000/- per perch	Price per perch for land increases

23.3.3 Method of valuation

Direct Comparison Approach

When the rental value of a specific property is unavailable, but there are evidence of the selling price for comparable properties in the area, this approach can be applied. In such instances, the capitalised value of the property is determined by directly comparing it to the capitalised value of similar properties in the vicinity.

23.3.4 Income from investment property

	GROUP	
	2023 Rs.	2022 Rs.
Rent income from Investment Property	35,164,222	31,015,940
Direct Operating Expenses (including maintenance) generating rent income	(2,708,751)	(3,045,435)
Net Profit from Investment Property carried at Fair Value	32,455,471	27,970,505

23.4 Acquisition through business combination

The Group has acquired the Subsidiaries namely Sunshine Tea (Pvt) Limited during the year 2022/23. At the time of acquisition, the company didn't own any investment property.

24 Investment in Subsidiaries

➔ Accounting policy

Recognition and measurement

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

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

Goodwill

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

Goodwill arising from business combinations is included in intangible assets (Refer Note 20) whereas goodwill on acquisition of associate is included in investment in associates.

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

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Company	2023				
	Holding %	Number. of Shares	Cost Rs.	Impairment Rs.	Carrying value Rs.
Unquoted					
Sunshine Healthcare Lanka Limited	100	11,032,713	3,027,470,026	–	3,027,470,026
Sunshine Consumer Lanka Ltd	100	35,500,002	741,595,042	–	741,595,042
Sunshine Packaging Lanka Limited	100	91,479,334	696,500,000	(177,581,884)	518,918,116
Sunshine Wilmar (Pvt) Ltd.	50	395,000,000	1,520,750,002	–	1,520,750,001
Sunshine Tea (Pvt) Ltd.	100	3,500,000	1,440,000,000	–	1,440,000,000
			7,426,315,070	(177,581,884)	7,248,733,185

24.1 Group's indirect holdings

	2023 %	2022 %
Watawala Plantations PLC	38.42	37.12
Sunshine Consumer Lanka Limited	100.00	100.00
Watawala Dairy Limited	34.54	33.00
Zesta Tea Ceylon (Shenzhen) Co. Limited	100.00	100.00
Sunshine Healthcare Lanka (Pvt) Ltd.	100.00	72.00
Healthguard Pharmacy Limited	100.00	72.00
Norris Canal Properties (Pvt) Ltd.	100.00	100.00
Sunshine Wilmar (Pvt) Ltd.	50.00	50.00
Daintee Limited	0.00	100.00
Akbar Pharmaceuticals Holdings (Pvt) Ltd.	0.00	62.86
Lina Manufacturing (Pvt) Ltd.	90.62	62.86
Lina Spiro (Pvt) Ltd.	46.22	32.06
Sunshine Tea (Pvt) Ltd.	100.00	0.00
Sunshine Packaging Lanka Limited	100.00	100.00

2022					
Holding %	Number of Shares	Cost Rs.	Impairment Rs.	Carrying value Rs.	
72	7,943,554	428,790,826	–	428,790,826	
100	35,500,002	741,595,042	–	741,595,042	
100	91,479,334	696,500,000	(177,581,884)	518,918,116	
50	395,000,000	1,520,750,002	–	1,520,750,001	
–	–	–	–	–	
		3,387,635,870	(177,581,884)	3,210,053,985	

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24.2 Acquisition of Subsidiaries

24.2.1 Acquisition of Sunshine Tea (Pvt) Ltd.

On 1 April 2022, Sunshine Holdings PLC, acquired 100% of the issued share capital of Sunshine Tea (Pvt) Ltd, obtaining control of Sunshine Tea (Pvt) Ltd. Sunshine Tea (Pvt) Ltd is engaged in tea export and qualifies as a business as defined in SLFRS 3. Sunshine Tea (Pvt) Ltd. was acquired to enable Sunshine Group to expand its operations in FMCG sector.

	Sunshine Tea (Pvt) Ltd. Rs.
Property, plant and equipment	1,264,620,379
Intangible assets	9,641,605
Deferred taxation	5,877,872
Inventories	1,269,489,660
Trade and other receivables	925,245,072
Current tax asset	3,874,119
Amounts due from related parties	32,533,714
Cash and cash equivalents	391,472,619
Total assets	3,902,755,040
Interest bearing borrowings	(1,341,135,382)
Employee benefits	(41,984,797)
Deferred taxation	(52,950,087)
Trade and other payables	(786,027,134)
Amount due to related parties	(8,189,934)
Current tax payable	(20,734,977)
Bank overdrafts	(426,485,394)
Total liabilities	(2,677,507,705)
Amount of the subsidiary's net assets (100%)	1,225,247,335
Fair value of the purchase consideration	1,440,000,000
Non-controlling interest as at the date of acquisition	–
Goodwill arises on acquisition/Goodwill as at 1 April 2022	214,752,665
Impairment of goodwill during the year	–
Carrying value of goodwill as at 31 March 2023	214,752,665

24.2.2 Acquisition of NCI from Akbar Brothers (Pvt) Ltd.

On 31 May 2022, Sunshine Holdings PLC has acquired 28% stake of Sunshine Healthcare Lanka Limited from Akbar Brothers (Pvt) Ltd. by a share swap from SUN for the purchase consideration of Rs. 2,599 Mn. As a result of this transactions Group's effective shareholding of the SHL has increase from 72% to 100%.

Net Assets acquired	7,019,008,952
Adjustment to NCI	1,965,322,506
Impact to the retained earnings (As control already existed)	736,115,310

24.2.3 Acquisition of NCI of WATA

On 31 July 2022, SWPL has acquired 2.59% stake of WATA from public float for the purchase consideration of Rs. 462 Mn. As a result of this transactions Group's effective shareholding of the WATA has increased from 37.12% to 38.42%.

Watawala Plantations PLC has acquired a lease hold right of a 500-acre land possessed by Moragoda Agro Service(Pvt) Ltd. and the consideration of Rs. 88.5 Mn. for the said land has been accounted as an acquisition of leasehold right in the consolidated Financial Statements for the year ended in 31st of March 2023.

Moragoda Agro Service (Pvt) Ltd. is operation in the said leasehold land and the same land has been provided by Mahaweli Authority of Sri Lanka.

The Management was unable to determine the leave term of this arrangement as at the reporting date, due to formal lease agreement was not finalised over the Land at that time of finalisation of financial statements for the year ended 31 March 2023. Accordingly, the asset has been tested for impairment as at the reporting date and a full provision for impairment has been recognised over the leasehold right over land owned by Mahawali Authority of Sri Lanka as at the reporting date.

Moragoda Agro Services (Private) Limited

Recoverable value of Moragoda Agro Services (Private) Limited was calculated with reference to its net assets value held as at 31 March 2023.

Watawala Plantations PLC has invested in Moragoda Agro Services (Private) Limited on 18th April 2022. Accordingly, the group has assessed the control over Moragoda Agro Services (Private) Limited and the results of the financial information of the same has been included in the consolidated financial statements as at 31 March 2023.

24.3 Amalgamation of a Subsidiary

Akbar Pharmaceutical Holdings (Private) Limited was amalgamated with Lina Manufacturing (Pvt) Ltd. with effect from 16 March 2023. Accordingly, on the 16 March 2023 the book value of Akbar Pharmaceutical Holdings (Private) Limited was amalgamated with Lina Manufacturing (Pvt) Ltd. and Akbar Pharmaceutical Holdings (Private) Limited

company name has been discontinued with all operations being transferred under the name of Lina Manufacturing (Pvt) Limited. As a result of this transaction 3.32% of NCI percentage was acquired (NCI changed from 12.70% to 9.38%).

Daintee Limited was amalgamated with Sunshine Consumer Lanka Ltd. on 1 April 2022 and Sunshine Consumer Lanka Ltd. continues as the surviving entity.

The Amalgamation of Akbar Pharmaceutical Holdings (Private) Limited with Lina Manufacturing (Pvt) Ltd., and the amalgamation of Sunshine Consumer Lanka Limited and Daintee Limited have been recognised as common control combination in accordance with the Statement of Recommended Practice (SORP) for Merger Accounting for Common Control Business Combinations issued by CA Sri Lanka. Accordingly, There was no impact in the Consolidated Financial Statements.

24.4 Assessment of Impairment of Subsidiaries

The Board of Directors has assessed the potential impairment loss of investment in subsidiaries as at 31 March 2023. Based on the assessment, except for Sunshine Packaging Lanka Limited, no impairment provision was required to be made in the financial statements as at the reporting date.

The Board of Directors of Sunshine Packaging Lanka Limited, fully owned subsidiary of Sunshine Holdings PLC, decided to discontinue the manufacture and sell metal cans and allied products for the food canning industry with effect from 31 August 2017. Subsequent to the discontinuation of the business operation, the Company is engaged in renting out premises and earn rental income. However, considering the net asset position and future cash flows of the subsidiary the Board has decided to make a provision for probable impairment of investment of Rs. 177.6 Mn. during the prior years.

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

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24.5 Goodwill

On 1 April 2022, Sunshine Holdings PLC, acquired 100% of the ordinary voting shares of Sunshine Tea (Private) Limited ("SST"). The consideration for this purchase was satisfied for a consideration of Rs. 1,440 Mn.

The aggregate effects of acquisition of subsidiaries are as follows:

Note	Total Rs.	Sunshine Healthcare Lanka Limited Rs.	Sunshine Consumer Lanka Limited Rs.	Sunshine Tea (Pvt) Ltd. Rs.
Opening balance as at 1 April 2022	1,526,648,376	1,331,207,919	195,440,457	–
Acquisition during the year 24.2.1	214,752,665	–	–	214,752,665
Impairment during the year*	(354,294,888)	(354,294,888)	–	–
Closing balance as at 31 March 2023	1,387,106,153	976,913,031	195,440,457	214,752,665

*The Board of Directors has assessed the potential impairment loss of the goodwill identified on consolidation and has made a provision amounting to Rs. 354 Mn. The Board of Directors are certain that no further provision is required for the identified goodwill. The recoverability of Goodwill was based on fair value less cost of disposal, estimated using discounted cash flows. The key assumptions used in the estimation are set out below.

Revenue growth rate (Current year and future financial years)**	(14%)-12%
Borrowing rate	19.35%
Risk free rate	18.35%
Terminal growth rate	3.00%

** Budgeted Revenue was based on expectations of future outcomes taking in to account past experience, adjusted for anticipated revenue growth.

24.5.1 Acquisition of NCI

On 31 May 2022, Sunshine Holdings PLC has acquired 28% stake of Sunshine Healthcare Lanka Limited from Akbar Brothers (Pvt) Ltd. by a share swap from SUN for the purchase consideration of Rs. 2,599 Mn. As a result of this transactions Group's effective shareholding of the SHL has increase from 72% to 100%.

On 31 July 2022, SWPL has acquired 2.59% stake of WATA from public float for the purchase consideration of Rs. 462 Mn. As a result of this transactions Group's effective shareholding of the WATA has increased from 37.12% to 38.42%.

On 7 September 2022, Watawala Dairy Limited has issued shares to Watawala Plantations PLC which has resulted increasing Group's ownership in Watawala Dairy Limited from 88.89% to 89.92% will accordingly capitalise such sum of Sri Lanka Rupees Three Hundred and Sixty-Five Million Ten and Twenty-Four Cents (Rs. 365,000,010.24/-) by the issue to the Company of Thirty One Million. Nine Hundred Sixty-One Thousand Four Hundred and Seventy-Two (31,961,472) fully paid ordinary shares at a price Rupees Eleven and Forty-Two cents (Rs. 11.42) per share.

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 recognized 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

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

25.1.1 Disposal gain

	2022 Rs.
Disposal proceeds	900,000
Net value of disposed investment	(855,435)
Gain on disposal of associate	44,565

The Group had a stake of 20% (900,000 shares) in Strategic Business Innovator (Pvt) Ltd. Strategic Business Innovator (Pvt) Ltd is the only Associate which the group owns. The associate was formed through the partnership of Sunshine Holdings PLC and SBI Ven Holdings Pte. Ltd. (Head Office: Singapore), a subsidiary company of SBI Holdings (Japan). The SBI Group is a key player in the Japanese securities industry and has keen interests in the financial services sector in Japan. Group disposed the investment on 10 January 2022.

Value of the Equity accounted associate

	2022 Rs.
Balance as at 1 April	1,292,006
Net value of disposed investment	(855,435)
Included in profit or loss	(436,571)
Balance as at 31 March	–

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26 Other Investments, Including Derivatives

Refer to the accounting policies in Note 18.

Derivative Financial Instruments

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

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

The Group's financial instruments are summarised as follows:

For the year ended 31 March		GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Note					
Fair value through profit or loss – FVTPL	26.1	928,443,804	93,678,872	21,011,001	21,365,872
Fair value through other comprehensive income – FVOCI	26.2	309,911,065	440,308,416	309,911,065	440,308,416
Investments measured at amortised cost	26.3	364,681,575	925,252,356	359,811,575	410,338,356
		1,603,036,444	1,459,239,644	690,733,641	872,012,644
Non-current investments		519,016,640	741,513,041	465,733,640	669,200,042
Current investments		1,084,019,804	717,726,603	225,000,000	202,812,603
		1,603,036,444	1,459,239,644	690,733,641	872,012,644

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

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26.1 Fair value through profit or loss – FVTPL

For the year ended 31 March		GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Note					
Investment in quoted shares	26.1.1	21,011,001	21,365,872	21,011,001	21,365,872
Investment Fund	26.1.2	53,283,000	72,313,000	–	–
Investment in Treasury Bonds	26.1.3	854,149,803	–	–	–
		928,443,804	93,678,872	21,011,001	21,365,872

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26.1.1 Investment in quoted shares

Group and Company	2023			2022		
	Number of shares	Cost Rs.	Market value Rs.	Number of shares	Cost Rs.	Market value Rs.
John Keells Holdings PLC	10,848	1,605,708	1,518,720	10,848	1,605,708	1,572,960
Commercial Bank of Ceylon PLC	62,281	5,481,973	3,961,072	60,000	5,481,973	3,762,000
Ceylon Hotels Corporation PLC	–	–	–	234,662	5,779,655	2,135,424
Aitken Spence Hotels Holdings PLC	18,000	1,456,128	1,078,200	18,000	1,456,128	639,000
Peoples Leasing and Finance PLC	376,335	5,402,924	2,973,046	347,825	5,402,924	2,817,383
Chevron Lubricants Lanka PLC	59,000	8,684,000	5,404,400	59,000	8,684,000	5,138,900
Sampath Bank PLC	115,725	8,770,604	6,075,562	115,725	8,770,604	5,300,205
Total	–	31,401,337	21,011,001	–	37,180,992	21,365,872
Fair value adjustment	–	(10,390,336)	–	–	(15,815,120)	–
Market value	–	21,011,001	–	–	21,365,872	–

26.1.2 Investment fund

For the year ended 31 March	GROUP	
	2023 Rs.	2022 Rs.
Balance as at 1 April	72,313,000	149,686,000
Investments/(disposals) made during the year	(23,687,000)	(87,800,000)
Gain on increase in net asset value during the year	4,657,000	10,427,000
Carrying value as of 31 March	53,283,000	72,313,000

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

26.1.3 Investment in Treasury Bonds

For the year ended 31 March	GROUP	
	2023 Rs.	2022 Rs.
Cost of investment	814,319,112	–
Unrealised gain/(loss) from marked to market valuation	30,021,523	–
	844,340,635	–
Interest receivable	9,809,168	–
	854,149,803	–

The carrying value of the investment fund represents the following:

For the year ended 31 March	GROUP	
	2023 Rs.	2022 Rs.
Corporate Bonds	37,015,000	50,235,000
Fixed deposits	12,407,000	16,838,000
Cash at bank	3,861,000	5,240,000
	53,283,000	72,313,000

26.2 Fair value through other comprehensive income – FVOCI

For the year ended 31 March	Notes	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Investment in unquoted shares	26.2.1	309,911,065	440,308,416	309,911,065	440,308,416
		309,911,065	440,308,416	309,911,065	440,308,416

26.2.1 Investment in unquoted shares

For the year ended 31 March	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
TATA Communication Lanka Limited	192,052,238	258,917,686	192,052,238	258,917,686
Lanka Commodity Brokers Limited	117,858,827	181,390,730	117,858,827	181,390,730
	309,911,065	440,308,416	309,911,065	440,308,416

Group and Company

Cost	Lanka Commodity Brokers Limited Rs.	TATA Communication Lanka Limited Rs.	Total Rs.
Cost as of 1 April 2021	117,692,727	75,000,000	192,692,727
Balance as at 31 March 2022	117,692,727	75,000,000	192,692,727
Balance as at 31 March 2023	117,692,727	75,000,000	192,692,727
Fair value			
Balance as at 31 March 2022	63,698,003	183,917,686	247,615,689
(Decrease)/increase in fair valuation during the year	(63,531,903)	(66,865,448)	(130,397,351)
Balance as at 31 March 2023	166,100	117,052,238	117,218,338
Carrying value of investment as at 31 March 2022	181,390,730	258,917,686	440,308,416
Carrying value of investment as at 31 March 2023	117,858,827	192,052,238	309,911,065

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.

Cost	% Holding	Fair value at 31 March 2023 Rs.	Dividend income recognised during 2022 Rs.
Lanka Commodity Brokers Limited	15.55	117,858,827	22,698,023
TATA Communication Lanka Limited	10.00	192,052,238	136,007,066
		309,911,065	158,705,089

No Strategic investments were disposed during 2023, and there were no transfer of any cumulative gain or loss within equity relating to these investments.

26.3 Investments measured at amortised cost

For the year ended 31 March	Note	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Debentures	26.3.1	104,173,150	207,525,753	104,173,150	207,525,753
Investments in deposits		260,508,425	717,726,603	255,638,425	202,812,603
		364,681,575	925,252,356	359,811,575	410,338,356

26.3.1 Debentures

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

For the year ended 31 March	GROUP/COMPANY	
	2023 Rs.	2022 Rs.
Investment made	100,000,000	200,000,000
Interest accrued	—	7,525,753
Interest received	4,173,150	—
Balance as at 31 March	104,173,150	207,525,753

For the year ended 31 March 2023	Credit rating	Maturity date	Number of debentures	Carrying value	Interest rate
Investment in debentures					
National Development Bank	A+	24 November 2026	1,000,000	100,000,000	11.9%

For the year ended 31 March 2022	Credit rating	Maturity date	Number of debentures	Carrying value	Interest rate
Investment in debentures					
National Savings Bank	AA+	10 September 2024	1,000,000	100,000,000	11.0%
National Development Bank	A+	24 November 2026	1,000,000	100,000,000	11.9%

26.3.2 Other short-term investments

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

27 Deferred Taxation

27.1 Composition of net and gross deferred tax asset/(liability)

For the year ended 31 March	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Composition of net deferred tax asset/(liability)				
Net deferred tax asset	320,098,700	59,582,503	121,248,838	59,506,672
Net deferred tax liability	(1,404,405,895)	(501,523,157)	–	–
	(1,084,307,195)	(441,940,654)	121,248,838	59,506,672
Composition of gross deferred tax asset/(liability)				
Gross deferred tax asset	484,470,603	290,845,326	122,763,372	59,506,672
Gross deferred tax liability	(1,568,777,798)	(732,785,980)	(1,514,535)	–
	(1,084,307,195)	(441,940,654)	121,248,838	59,506,672

27.2 Deferred tax asset (gross)

For the year ended 31 March	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1 April	290,845,326	170,206,877	59,506,672	43,064,186
Charge/(reversal) for the year recognised in profit or loss	103,121,140	120,431,700	16,328,765	4,030,202
Charge/(reversal) for the year recognised in other comprehensive income	84,626,264	167,871	46,927,936	12,412,284
Adjustment related to disposal of a Subsidiary	–	38,878	–	–
Acquisition through business combination	5,877,873	–	–	–
Balance as at 31 March	484,470,603	290,845,326	122,763,372	59,506,672

27.3 Deferred tax liability (gross)

For the year ended 31 March	Note	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1 April		(732,785,980)	(759,872,687)	–	–
Charge/(reversal) for the year recognised in profit or loss		(783,042,722)	–	(1,514,535)	–
Charge/(reversal) for the year recognised in other comprehensive income		–	6,742,000	–	–
Adjustment related to disposal of a Subsidiary		–	20,344,707	–	–
Acquisition through business combination		(52,949,096)	–	–	–
Balance as at 31 March		(1,568,777,798)	(732,785,980)	(1,514,535)	–
Net deferred tax asset/(liability)	271	(1,084,307,195)	(441,940,654)	121,248,836	59,506,671

27.4 Reconciliation of deferred tax liabilities and deferred tax assets

	GROUP			
	2023		2022	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Property, plant and equipment	(1,513,961,516)	(560,527,226)	(2,291,271,347)	(392,199,625)
Lease creditor – ROU	(239,350,140)	(72,806,756)	(355,063,645)	(79,062,182)
Biological assets – Bearer	(2,635,243,290)	(790,572,987)	(2,392,378,000)	(262,150,000)
Biological assets – Consumable	–	–	(15,675,000)	(3,135,000)
Retirement benefit obligation	793,972,490	238,191,747	615,747,923	116,312,319
Debtors provision	170,209,190	51,062,757	87,153,651	19,078,488
Inventory provision	40,390,176	12,117,053	32,599,527	5,867,915
Revaluation surplus of property, plant and equipment	(119,838,198)	(35,951,459)	(172,077,020)	(17,207,702)
Fair value gain on investment property	(39,467,942)	(11,840,383)	(21,748,502)	306,208
Capital gain on land	–	–	93,737,276	(36,670,534)
Capital grants	39,084,500	11,725,350	41,442,000	4,351,000
Lease liabilities	313,835,145	93,684,126	399,599,776	86,104,440
Fair value gain on investments at FVOCI	267,954,988	80,386,496	7,946,920	1,430,109
Tax losses carried forward	(92,879,200)	(99,775,914)	572,150,019	115,033,910
	(3,015,293,798)	(1,084,307,195)	(3,397,836,422)	(441,940,654)

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	COMPANY			
	2023		2022	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Property, plant and equipment	(3,378,927)	(1,013,678)	(10,880,126)	(654,535)
Lease creditor – ROU	(1,669,523)	(500,857)	–	–
Retirement benefit obligation	141,256,252	42,376,876	113,114,058	27,147,374
Fair value gain on investments at FVOCI	267,954,988	80,386,496	137,557,637	33,013,833
	414,259,690	121,248,837	239,791,569	59,506,672

27.5 Reconciliation of deferred tax liabilities and deferred tax assets included under asset held for sale and liability held for sale

	2023		2022	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Unrecognised deferred tax assets on tax losses:				
Sunshine Holdings PLC	–	–	171,923,941	41,261,746
Sunshine Packaging Lanka (Pvt) Ltd.	67,630,159	20,289,048	365,859,633	87,806,312
Lina Spiro (Pvt) Ltd.	–	–	118,560,782	21,340,941
Watawala Dairy Ltd.	–	–	1,024,273,454	204,854,691
	67,630,159	20,289,048	1,680,617,809	355,263,689

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

With the introduction of the Inland Revenue Act No. 24 of 2017 which became effective from 1 April 2018, the Company will have taxable income from the year ended 31 March 2020. As such, the Company will be eligible to claim its brought forward tax losses against its future taxable income within a period of 6 years.

Accordingly, during the year ended 31 March 2023, the Group recognised a deferred tax asset amounting to Rs. 320 Mn. (2022 – Rs. 115 Mn.) arising from brought forward tax losses as at 31 March 2023 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. 20 Mn. (2022 – Rs. 355 Mn.).

Deferred tax liability arising from revaluation gain

Deferred tax recognised in profit and loss for Sunshine Packaging Lanka Limited amounted to Rs. 63 Mn. (2022 – Rs. 26 Mn.) includes deferred tax recognised on revaluation surplus of Rs. 35 Mn. (2022 – Rs. 18 Mn.) relating the revaluation of the Buildings at the rate of 24% (2022 – 24%) and on the capital gain on land amounting to Rs. 51.6 Mn. (2022 – Rs. 2.8 Mn.) at the tax rate of 30% (2022 – 10%) as at reporting date.

Deferred tax recognised in profit and loss for Norris Canal Properties (Pvt) Ltd. amounted to Rs. 34.8 Mn. includes deferred tax on revaluation surplus of Rs. 174 Mn. relating the revaluation of the Land as at reporting date at the tax rate of 30% (2022 – 10%).

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

Having discussed internally and based on market practices, Sunshine Packaging Lanka Limited and Norris Canal Properties (Pvt) Ltd. is of the view that the freehold land used in the business falls under the category "Investment Assets" and accordingly Sunshine Packaging Lanka Limited and Norris Canal Properties (Pvt) Ltd. will be liable for capital gain tax at a rate of 10% on the revaluation surplus in excess of the deemed cost of investment assets as at 30 September 2017. In the event it is deemed that freehold land be considered as "Capital Assets used in the business", Sunshine Packaging Lanka Limited would have to make an additional deferred tax charge in the statement of profit or loss for the year ended 31 March 2023 with a consequential increase in the deferred tax liability on the Statement of Financial Position.

27.6 Recoverability of deferred tax assets

During the year ended 31 March 2023, the Group has recognised a deferred tax asset amounting to Rs. 320 Mn. (2022 – Rs. 259 Mn.), arising from tax losses as at 31 March 2023 after assessing the availability of future taxable profits for utilization based on the 5 years profit projection approved by the Board. The Board of Directors of Company/Group had revised the business plan and approved by incorporating the potential implications of prevailing economic condition on business operations. Based on the profit projections, the Board is confident on the availability future taxable profits against which deferred tax asset of Rs. 320 Mn. could be utilised. The deferred tax asset recognised will be tested for impairment on an annual basis and deferred tax asset recognised may be written off, if required.

27.7 Acquisition through business combination

As described in Note 24.2.1, the Group has acquired the Subsidiary Sunshine Tea (Pvt) Limited during the year. The deferred tax asset and deferred tax liability balances of Rs. 5.8 Mn. and Rs. 52.9 Mn. respectively has been acquired through business combination during the year.

27.8 Impact due to corporate income tax rate change

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

As per the Inland Revenue (Amendment) Act, No. 45 of 2022 (certified on 19th December 2022), standard rate of income tax is increased from 24% to 30% with effect from 01st October 2022. The increase in income tax rate to 30% in mid year has resulted in two tax rates being applicable for the Year of Assessment 2022/23. The Company / Group has computed the current tax payable on a pro rata basis or Actual basis for the Year of Assessment 2022/23. The tax position of the Company and its subsidiary is disclosed in Note 14 to the Financial Statements on page 110.

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

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As at 31 March	Note	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Medical items		1,342,258,102	3,499,298,038	–	–
Harvested crop		120,784,000	46,468,000	–	–
Input materials and consumables		7,066,952,288	1,313,713,151	–	–
Finished goods		772,928,254	350,157,006	–	–
Work in progress		242,088,491	58,683,074	–	–
Goods in transit		443,558,043	1,311,699,269	–	–
Machinery spares		138,576,224	14,869,515	1,882,767	–
		10,127,145,402	6,594,888,053	1,882,767	–
Less: Provision for impairment of inventories	28.1	(266,024,725)	(111,268,698)	–	–
		9,861,120,677	6,483,619,355	1,882,767	–

28.1 Provision for impairment of inventories

As at 31 March	Note	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1 April		111,268,698	132,885,104	–	–
Acquisition through business combination		14,496,685	–	–	–
Charge during the year		234,777,655	955,211	–	–
Reversal during the year		(23,362,575)	–	–	–
Written-off during the year		(71,155,738)	(22,571,617)	–	–
Balance as at 31 March		266,024,725	111,268,698	–	–

The Board of Directors has assessed the potential impairment loss of inventory as at 31 March 2023 by considering the potential impact of current economic condition on net realisable value based on the implications on subsequent selling prices and cost to complete in addition to the normal assessment process.

29 Current Tax Assets/Liabilities

As at 31 March	Note	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Current tax assets		139,070,077	56,763,982	74,195,226	14,318,672
Current tax liabilities		(555,159,303)	(295,699,941)	–	(27,225,520)
		(416,089,226)	(238,935,959)	74,195,226	(12,906,848)
Balance as at 1 April		238,935,959	325,108,306	12,906,848	46,973,761
Acquisition through business combinations		16,860,860			
Current income tax expense		1,328,392,943	844,628,161	15,552,533	19,401,604
Changes in estimate relating to prior years		(1,688,486)	(74,438,529)	1,047,332	81,268
Write-off of tax receivables			243,337		
Set off against WHT/ESC		(7,418,132)	13,589,604		
Payment during the year		(1,158,993,918)	(870,194,920)	(103,701,939)	(53,549,785)
Balance as at 31 March		416,089,226	238,935,959	(74,195,226)	12,906,848

29.1 Surcharge tax

As per the Surcharge Tax Act No. 14 of 2022, the Company paid surcharge tax of Rs. 60.9 Mn. out of the taxable income pertaining to the year of assessment 2020/21. Further, the Group paid Rs. 653.4 Mn. as surcharge tax. According to the said Act, the surcharge tax shall be deemed to be an expenditure in the Financial Statements relating to the year of assessment 2020/21. Since the Act supersedes the requirements of the Sri Lanka Accounting Standards, the surcharge tax expense has been accounted as recommended by the SoAT on Accounting for Surcharge Tax issued by The Institute of Chartered Accountants of Sri Lanka. Accordingly, the Company has recognised the total liability to the surcharge tax as an adjustment to the opening retained earnings as at 1 April 2022.

The impact of the surcharge tax under the Surcharge Tax Act on the comparative year would have been as given below:

	GROUP	COMPANY
Taxable income for the year ended 31 March 2021	11,061,418,416	3,694,810,276
Surcharge tax levied under Surcharge Act	(653,411,142)	(60,923,875)
Comparable profit for the year 2021/2022	10,408,007,274	3,633,886,401

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30 Trade and Other Receivables

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

As at 31 March	Note	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade receivables		6,242,038,910	4,180,479,640	–	–
Less: Provision for impairment	30.1	(175,819,482)	(90,581,040)	–	–
		6,066,219,428	4,089,898,600	–	–
Staff loan recoverable		46,934,659	25,189,837	7,000	1,000
Receivable from principals		547,509,194	657,296,086	–	–
Other receivables		162,230,105	289,085,431	13,437,420	74,431,424
Withholding tax recoverable		8,333,491	43,927,060	20,398	43,927,060
ESC recoverable		–	11,271,641	–	3,847,332
VAT recoverable		244,575,806	254,655,237	–	–
Advances and deposits		816,492,555	734,312,551	14,668,652	14,522,765
		1,826,075,810	2,015,737,843	28,133,470	136,729,581
		7,892,295,238	6,105,636,443	28,133,470	136,729,581

The Sunshine Healthcare Lanka Ltd. and Lina Manufacturing (Pvt) Ltd. have received Treasury Bonds in lieu of settling the Government debts amounting to Rs. 916,714,453/- on 10 March 2023. Details of Treasury Bonds are given below:

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Maturity date	15.09.2027
Coupon rate (%)	20
Yield (%)	29.37
Face value (Rs.)	1,053,043,000
Settlement value	916,714,453

30.1 Provision for impairment of trade receivables

As at 31 March	GROUP	
	2023 Rs.	2022 Rs.
Balance as at 1 April	90,581,040	66,194,016
Acquisition through business combination	317,774,423	13,543,851
(Reversal)/Charge during the year	(181,620,986)	57,788,999
Written-off during the year*	(50,914,994)	(137,526,866)
Balance as at 31 March	175,819,482	90,581,040

* Trade receivables with the contractual amount of Rs. 50.9 Mn. written off during 2023 are still subject to enforcement activity.

30.2 Credit and market risks, and impairment losses

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

31 Amounts Due from Related Parties

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

As at 31 March	Note	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Sunshine Healthcare Lanka Ltd.		–	–	210,000	9,339,283
Akbar Brothers (Pvt) Ltd.		–	594,500	–	–
Watawala Plantations PLC		–	–	817,993	7,144,200
Sunshine Consumer Lanka Ltd.		–	–	–	6,604,624
Daintee Limited		–	–	–	1,735,185
Sunshine Packaging Lanka Ltd.		–	–	231,185,199	217,284,425
Sunshine Tea (Pvt) Ltd.		–	9,714,574	970,190	20,183
Lamurep Properties Ltd.		–	346,245	–	203,165
Pyramid Lanka (Private) Limited		149,147,000	–	–	–
Lina Manufacturing (Pvt) Ltd.		–	–	685,149	–
Sunshine Foundation		295,584	–	–	–
		149,442,584	10,655,319	233,868,531	242,331,065

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

Credit and market risks, and impairment losses

Information about the Group's exposure to credit and market risks, and impairment losses for amount due from related parties is included in Note 40.

32 Cash and Cash Equivalents

➔ Accounting policy

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

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

Statement of Cash Flows

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

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

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

As at 31 March	Note	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Cash at bank		1,514,519,471	3,066,315,036	61,969,151	1,015,432,249
Fixed deposits		1,546,441,486	192,840,890	752,000,000	192,841,490
TR/ Import Margins		32,095,307	–	–	–
Cash in hand		17,045,901	5,567,597	55,712	21,280
		3,110,102,165	3,264,723,523	814,024,863	1,208,295,019
Bank overdraft	32.1	(2,108,468,805)	(917,513,501)	–	–
Cash and cash equivalents in the Statement of Cash Flows		1,001,633,360	2,347,210,022	814,024,863	1,208,295,019

32.1 Bank overdrafts

As at 31 March	31 March 2023 Rs.	31 March 2022 Rs.	Security
Watawala Plantations PLC			
Hatton National Bank PLC	20,471,435	–	Unsecured
Standard Chartered Bank	38,974,567	–	Unsecured
	59,446,002	–	
Sunshine Healthcare Lanka Limited			
MCB Bank Limited	40,861,346	46,801,840	Unsecured
Nations Trust Bank PLC	–	80,678,192	Unsecured
Nations Development Bank	87,649,754	–	Primary Concurrent Mortgage Bond over stocks and book debts for Rs. 200,000,000.00
DFCC Bank PLC	–	2,064,446	Unsecured
Sampath Bank PLC	11,996,021	–	Unsecured
Commercial Bank of Ceylon	288,673,528	41,529,774	Unsecured
Hatton National Bank PLC	147,952,487	70,849,013	Unsecured
Seylan Bank PLC	–	15,826,271	Unsecured
Standard Chartered Bank PLC	169,298,159	122,985,604	Unsecured
Cargills Bank	11,259,468	80,647,007	Unsecured
	757,690,763	461,382,147	

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As at 31 March	31 March 2023 Rs.	31 March 2022 Rs.	Security
Sunshine Consumer Lanka (Pvt) Limited			
Hatton National Bank PLC	282,806,954	80,863,911	Unsecured
Commercial Bank of Ceylon PLC	40,986,049	38,727,265	Unsecured
Nations Trust Bank PLC	46,108	1,674,308	Unsecured
Standard Chartered Bank Ltd	86,468,620	95,879,272	Unsecured
DFCC Bank PLC	183,025,826	36,582,356	Unsecured
Nations Development Bank	41,042,524	–	Unsecured
	634,376,081	253,727,113	
Healthguard Pharmacy Limited			
Nation Trust Bank	–	20,652,804	Primary Mortgage Bond over stocks for Rs. 50,000,000.00
Standard Chartered Bank	–	6,466,444	Unsecured
	–	27,119,248	
Lina Manufacturing (Pvt) Ltd			
Hatton National Bank PLC	–	78,886,478	Akbar Pharmaceutical (Pvt) Ltd. given Corporate Guarantee of 350 million
	–	78,886,478	
Lina Spiro (Pvt) Ltd.			
Commercial Bank of Ceylon PLC	–	96,398,515	Corporate Guarantee of Rs. 350,000,000/- to be signed by Akbar Pharmaceuticals (Pvt) Ltd.
	–	96,398,515	
Sunshine Tea Limited			
Hatton National Bank PLC	124,164,510	–	Mortgage Bond – Inventory and Debtors
Seylan Bank PLC	38,122,979	–	Unsecured
Nations Trust Bank	112,842,000	–	Mortgage Bond – Inventory and Debtors
Sampath Bank PLC	94,272,421	–	Mortgage Bond – Inventory and Debtors
Standard Chartered Bank	97,837,216	–	Mortgage Bond – Inventory and Debtors
Bank of Ceylon	5,732,733	–	Mortgage Bond – Inventory and Debtors
Cargills Bank PLC	25,043,072	–	Unsecured
Indian Overseas Bank	138,369,500	–	Mortgage Bond – Inventory and Debtors
NDB Bank	20,571,527	–	Mortgage Bond – Inventory and Debtors
	656,955,959	–	
	2,108,468,805	917,513,501	

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33 Capital and Reserves

➔ Accounting policy

Ordinary shares

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

Repurchase and reissue of ordinary shares (treasury shares)

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

33.1 Stated capital

	2023		2022	
	Number of shares Rs.	Value Rs.	Number of shares Rs.	Value Rs.
Balance at the beginning	448,662,309	1,641,715,247	448,662,309	1,641,715,247
Issue of shares	43,311,320	2,598,679,200	–	–
Balance at the end of the year	491,973,629	4,240,394,447	448,662,309	1,641,715,247

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

On 31 May 2022, Sunshine Holdings PLC has acquired 28% stake of Sunshine Healthcare Lanka Limited from Akbar Brothers (Pvt) Ltd. by a share swap from SUN for the purchase consideration of Rs. 2,599 Mn. As a result of this transactions Group's effective shareholding of the SHL has increase from 72% to 100%.

33.2 Nature and purpose of reserves

Reserve on exchange gain or loss

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

Fair value reserve

The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities designated at FVOCI; and
 - the cumulative net change in fair value of debt securities at FVOCI until the assets are derecognised or reclassified.
- This amount is reduced by the amount of loss allowance.

General reserve

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

33.3 Non-controlling interests

See accounting policies in Note 6.1.

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

31 March 2023	Lina Manufacturing (Pvt) Ltd. Rs.	Lina Spiro (Pvt) Ltd. Rs.	Watawala Plantation PLC Rs.	Watawala Dairy Limited Rs.	Sunshine Wilmar (Pvt) Ltd. Rs.	Inter group elimination Rs.	Total Rs.
NCI percentage (%)	9	54	62	66	50	–	–
Non-current assets	595,547,142	398,607,824	6,212,407,000	2,385,429,482	3,481,838,295	–	–
Current assets	988,223,126	275,048,933	2,389,730,000	622,173,803	239,961,984	–	–
Non-current liabilities	164,794,077	67,258,980	(1,343,405,000)	(121,977,760)	–	–	–
Current liabilities	626,754,941	359,379,921	(706,802,000)	(677,089,866)	181,789,919	–	–
Net assets	792,221,250	247,017,858	6,551,930,000	2,208,535,658	3,540,010,361	–	–
Net assets attributable to NCI	74,310,353	132,895,608	4,035,988,880	1,446,590,856	1,770,005,181	(4,011,180,855)	3,448,610,022
Revenue	1,010,994,102	146,068,283	7,573,816,000	1,194,789,041	2,144,738,602	–	–
Profit	23,753,257	(111,708,713)	2,335,639,000	(320,857,104)	1,825,862,265	–	–
OCI	(395,457)	212,506	(69,352,000)	(12,799,114)	–	–	–
Total comprehensive income	23,357,800	(111,496,207)	2,266,287,000	(333,656,218)	1,825,862,265	–	–
Profit allocated to NCI	2,228,056	(60,099,288)	1,438,753,624	(210,161,403)	912,931,133	(730,730,580)	1,352,921,541
OCI allocated to NCI	(37,094)	114,328	(42,720,832)	(8,383,420)	–	(434,324)	(50,592,693)
Cash flows from operating activities	(92,003,604)	(276,992,992)	2,713,273,000	(517,041,243)	1,914,896,073	–	–
Cash flows from investment activities	(13,612,470)	(7,271,472)	(338,381,000)	(97,782,652)	(436,921,546)	–	–
Cash flows from financing activities	34,852,001	178,200,980	(2,934,233,000)	544,477,575	(1,339,700,000)	–	–
Net increase/(decrease) in cash and cash equivalents	(70,764,073)	(106,063,484)	(559,341,000)	(70,346,320)	138,274,526	–	–

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31 March 2022	Sunshine Healthcare Lanka Ltd. Rs.	HealthGuard Pharmacy (Pvt) Ltd. Rs.	Akbar Pharmaceuticals (Pvt) Ltd. Rs.	Akbar Pharmaceuticals Holdings Ltd. Rs.	Lina Manufacturing (Pvt) Ltd. Rs.	Lina Spiro (Pvt) Ltd. Rs.	Watawala Plantation PLC Rs.	Waltrim Energy Limited Rs.
NCI percentage (%)	28%	28%	0%	371%	371%	6794%	63%	0%
Non-current assets	2,133,149,708	353,379,414	–	374,000,000	459,479,337	434,953,248	6,074,691,000	–
Current assets	8,544,788,320	3,013,199,356	–	61,988,176	415,009,445	158,598,674	2,414,478,000	–
Non-current liabilities	(169,355,309)	(207,793,886)	–	–	(138,208,266)	(94,028,751)	753,133,000	–
Current liabilities	(137,815,073)	(2,598,896,677)	–	(52,894,065)	(167,770,185)	(347,009,106)	604,072,000	–
Net assets	10,370,767,646	559,888,207	–	383,094,111	568,510,331	152,514,065	9,846,374,000	–
Net assets attributable to NCI	2,903,814,941	156,768,698	–	142,296,477	211,167,477	103,623,302	6,191,399,971	–
Revenue	15,042,296,186	11,359,515,510	–	–	614,669,998	301,705	5,782,074,000	–
Profit	960,577,523	281,475,391	–	(95,864,049)	29,428,081	(120,945,448)	3,429,782,000	–
OCI	23,002,364	(2,447,575)	–	–	(1,010,022)	90,841	49,611,000	–
Total comprehensive income	983,579,887	279,027,816	–	(95,864,049)	28,418,059	(120,854,607)	3,479,393,000	–
Profit allocated to NCI	268,961,706	78,813,109	–	(35,607,742)	10,930,767	(82,174,498)	2,156,646,922	–
OCI allocated to NCI	6,440,662	(685,321)	–	–	(375,163)	61,721	31,195,397	–
Cash flows from operating activities	861,420,470	(435,960,136)	–	1,090,397	262,851,350	(38,833,032)	3,734,534,000	–
Cash flows from investment activities	(26,812,184)	(27,509,237)	–	(194,000,000)	(24,643,476)	(61,094,198)	(727,328,000)	–
Cash flows from financing activities	(800,225,343)	428,240,006	–	204,000,000	(71,553,589)	187,035,979	(1,984,066,000)	–
Net increase/(decrease) in cash and cash equivalents	34,382,944	(35,229,366)	–	11,090,397	166,654,285	87,108,749	1,023,140,000	–

33.3.1 Changes of non-controlling interest

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

	Acquisition of NCI in Sunshine Healthcare Lanka Limited Rs.	Acquisition of 2.59% of Watawala Plantation PLC shares Rs.	Transactions with NCI Rs.	Capital Infusion in Watawala Plantation PLC Rs.	Dividend paid to owners for 2021/22 Rs.	Total Rs.
Carrying amount of NCI acquired/foregone						
Consideration paid/ received to/from NCI	(1,965,322,506)	(170,746,657)	196,000,000	14,777,626	(1,370,681,596)	(3,295,973,134)
Decrease/increase in equity attributable to owners of the Company	(1,965,322,506)	(170,746,657)	196,000,000	14,777,626	(1,370,681,596)	(3,295,973,134)

Elgin Hydropower (Pvt) Ltd. Rs.	Waltrim Hydropower (Pvt) Ltd. Rs.	Upper Waltrim Hydropower (Pvt) Ltd. Rs.	Watawala Dairy Limited Rs.	Sunshine Energy (Pvt) Ltd. Rs.	Sky Solar (Pvt) Ltd. Rs.	Sunshine Wilmar (Pvt) Ltd. Rs.	Inter group elimination Rs.	Total Rs.
0%	0%	0%	67%	0%	0%	50%	–	–
–	–	–	2,498,967,722	–	–	3,018,740,860	–	–
–	–	–	132,230,421	–	–	95,875,520	–	–
–	–	–	308,732,443	–	–	–	–	–
–	–	–	145,273,836	–	–	62,268,285	–	–
–	–	–	3,085,204,422	–	–	3,176,884,666	–	–
–	–	–	2,067,211,358	–	–	1,588,442,333	(7914,488,293)	5,450,236,264
–	–	–	693,987,296	–	–	1,358,433,387	–	–
–	–	–	27,696,741	–	–	1,173,554,781	–	–
–	–	–	3,689,937	–	–	–	–	–
–	–	–	31,386,678	–	–	1,173,554,781	–	–
–	–	–	18,557,933	–	–	586,777,391	(726,976,477)	2,275,929,110
–	–	–	2,472,407	–	–	–	–	–
–	–	–	56,310,736	–	–	(177,393,764)	–	–
–	–	–	(278,529,255)	–	–	8,821,686	–	–
–	–	–	243,810,632	–	–	190,687,637	–	–
–	–	–	21,592,113	–	–	22,115,559	–	–

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34 Loans and Borrowings

➔ Accounting policy

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 capitalization when substantially all the activities necessary to prepare the qualifying asset for its intended use are completed. Capitalisation of borrowing costs shall be suspended, if it suspends active development of a qualifying asset.

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

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

Leases

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

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

a. As a lessee

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date.

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

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

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

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

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

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

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

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

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

Short-term leases and leases of low-value assets

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

b. As a lessor

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

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

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of

the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

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

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

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

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

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

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As at 31 March	Notes	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Amount repayable after one year					
Loans	34.1	1,391,782,908	1,226,434,883	–	–
SLSPC/JEDB Lease Creditors	34.2	272,394,000	254,050,000	–	–
Lease liabilities (2019: finance lease obligations)	34.3	246,828,975	182,858,964	3,469,652	–
		1,911,005,883	1,663,343,847	3,469,652	–
Amount repayable within one year					
Loans	34.1	3,243,448,936	793,837,293	–	–
SLSPC/JEDB Lease Creditors	34.2	1,637,000	2,363,000	–	–
Lease liabilities (2019: finance lease obligations)	34.3	142,885,430	198,632,922	16,305,999	–
		3,387,971,366	994,833,215	16,305,999	–
		5,298,977,248	2,658,177,062	19,775,651	–

34.1 Loans

As at 31 March	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1 April	2,020,289,394	3,423,605,969	–	990,439,477
Loans obtained during the year	13,702,041,420	4,695,295,602	881,000,000	–
Acquisition through Business Combination	1,338,727,574	–	–	–
Fair value adjustment	39,614,603	(222,469,740)	–	(222,469,740)
Accrued Interest	2,381,811	17,174,194	–	–
Less: Repayment during the year	(12,467,822,958)	(5,893,316,632)	(881,000,000)	(767,969,737)
Balance as at 31 March	4,635,231,844	2,020,289,394	–	–
Amount repayable within one year	3,243,448,936	793,837,293	–	–
Amount repayable after one year	1,391,782,908	1,226,434,883	–	–
Balance as at 31 March	4,635,231,844	2,020,289,394	–	–

34.2 SLSPC/JEDB Lease creditors

As at 31 March	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1 April	256,413,000	250,294,000	–	–
Additions during the year	20,173,000	8,440,000	–	–
Interest charges	40,937,000	38,919,000	–	–
Repayment during the year	(43,492,000)	(41,240,000)	–	–
Balance as at 31 March	274,031,000	256,413,000	–	–
Net Lease Obligation	274,031,000	256,413,000	–	–
Amount repayable within one year	1,637,000	2,363,000	–	–
Amount repayable after one year	272,394,000	254,050,000	–	–
	274,031,000	256,413,000	–	–

The annual lease series of payments payable by the Company with effect from 18 June 1996 in respect of these estates is Rs. 20.32 Mn. (basic lease series of payments) plus an amount to reflect inflation during the previous year determined by multiplying Rs. 20.32 Mn. by gross domestic product (GDP) deflator of the preceding year. However as per the agreement entered into with the Ministry of Plantations the application of GDP deflator has been suspended for five years commencing from 18 June 2003, resulting in a fixed lease payment of Rs. 29.04 Mn. In September 2010, as per the cabinet decision the regional plantation companies were requested to revert back to the original method of calculating lease rentals by applying the GDP deflator of the preceding year. The gross liability to the lessor represents the total basic lease series payable by the Company for the remaining term of the lease. The net liability to the lessor is the present value of annual basic lease series of payments over the remaining tenure of the lease. The discount rate used is 4% p.a.

34.3 Lease liabilities

As at 31 March	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance as at 1 April	381,546,090	366,537,753	–	16,369,056
Recognised/Derecognised during the year	113,499,486	131,754,746	36,790,811	–
Interest charges	58,177,514	53,013,446	2,844,420	900,144
Transferred to accruals	–	(461,250)	–	–
Transferred to other income	(4,605,009)	(13,759,816)	–	–
Repayment during the year	(158,903,676)	(155,538,789)	(19,859,580)	(17,269,200)
Balance as at 31 March	389,714,405	381,546,090	19,775,651	–
Interest in suspense	–	(54,193)	–	–
Net Lease Obligation	389,714,405	381,491,897	19,775,651	–
Amount repayable within one year	142,885,430	198,632,922	16,305,999	–
Amount repayable after one year	246,828,975	182,858,964	3,469,652	–
	389,714,405	381,491,897	19,775,651	–

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

Leases as lessee

The Group leases warehouses, office building and outlets. The leases typically run for a period of 5 years, with an option to renew the lease after that date. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

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

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34.3.1 Right-of-use assets

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

Notes	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Balance at 1 April	600,407,673	601,892,085	–	45,654,399
Additions to right-of-use assets during the year (Note 19.1)	128,326,033	159,519,986	36,790,811	–
Remeasurement of Leasehold right to land (Note 21)	20,142,000	–	–	–
Additions to leasehold land right to land (Note 21)	–	8,440,000	–	–
Acquisition through Business Combination	24,823,200	–	–	–
Disposal/ written off	–	(6,432,102)	–	–
Depreciation and amortisation for the year' (Note 19.1 and Note 21)	(152,346,388)	(163,012,296)	(18,395,405)	(45,654,399)
Balance at 31 March	621,352,518	600,407,673	18,395,405	–

34.3.2 Amounts recognised in profit or loss

Notes	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
For the year ended 31 March				
Interest on lease liabilities	58,177,514	53,013,446	2,844,420	900,144
Interest charges on SLSPC/JEDB Lease Creditors	40,937,000	38,919,000	–	–
Depreciation of right-of-use assets	140,085,388	151,714,296	18,395,405	45,654,399
Amortisation of Leasehold right to land of JEDB/SLSPC estates	12,261,000	11,298,000	–	–
	251,460,902	254,944,742	21,239,825	46,554,543

34.3.3 Amounts recognised in statement of cash flows

The Company/ Group has classified:

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

The Company/Group has not restated the comparative information.

For the year ended 31 March	Notes	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Total cash outflow for leases		(158,903,676)	(155,538,789)	(19,859,580)	(17,269,200)
		(158,903,676)	(155,538,789)	(19,859,580)	(17,269,200)

34.3.4 Leases as lessor

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

Finance lease

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

During 2023 (2022 – Nil), the Group has no gain on derecognition of the right-of-use asset.

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34.4 Term loans

Company/Lender	Year	2023		
		Repayable within one year	Repayable after one year	Balance as at 31 March 2023
1. Watawala Plantations PLC				
Nation Trust Bank	2020		–	–
		–	–	–
		–	–	–
2. Watawala Dairy Limited				
Hatton National Bank PLC	2017			
	2020			
		–	–	–
State Bank of India	2018			
		–	–	–
		–	–	–
3. Sunshine Healthcare Lanka Limited				
Hatton National Bank PLC	2023	300,000,000		300,000,000
	2023	950,000,000		950,000,000
		1,250,000,000	–	1,250,000,000
Nations Trust Bank	2023	1,000,000,000		1,000,000,000
		1,000,000,000	–	1,000,000,000
Sampath Bank	2021			
		–	–	–
		2,250,000,000	–	2,250,000,000

2022			Purpose	Repayment terms	Security
Repayable within one year	Repayable after one year	Balance as at 31 March 2022			
45,500,000	–	45,500,000	Re-financing	8 equal quarterly instalments	Unsecured
45,500,000	–	45,500,000			
45,500,000	–	45,500,000			
3,301,000	1,830,000	5,131,000	Purchase of lorry	60 equal monthly instalments commencing from November 2017	Ownership of lorry
6,944,000	–	6,944,000	Working capital financing	18 months instalments after 6 months Grace period Monthly	Un secured
10,245,000	1,830,000	12,075,000			
90,000,000	225,000,000	315,000,000	Construction of dairy farm	12 bi annual instalment after 2 Year grace period	Project assets and corporate guarantee from Watawala Plantations PLC
90,000,000	225,000,000	315,000,000			
100,245,000	226,830,000	327,075,000			
			– Working Capital Requirement	Repayable within 6 months period	
			Working Capital Requirement	Repayable within 6 months period	
5,020,178		5,020,178	Working capital financing	Loans to be settled with sale proceeds	
5,020,178	–	5,020,178			
			– Working Capital Requirement	monthly instalments within 12 months	
–	–	–			
38,792,031	–	38,792,031	Working capital financing	90 days from the date of grant	Unsecured
38,792,031	–	38,792,031			
43,812,209	–	43,812,209			

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Company/Lender	Year	2023		Balance as at 31 March 2023
		Repayable within one year	Repayable after one year	
4. Lina Manufacturing (Pvt) Ltd.				
Hatton National Bank PLC	2023	50,000,000	–	50,000,000
		50,000,000	–	50,000,000
	2021			
		–	–	–
		50,000,000	–	50,000,000
5. Lina Spiro (Pvt) Ltd.				
Commercial Bank of Ceylon PLC	2021			
Commercial Bank of Ceylon PLC	2023	16,124,919	38,772,893	54,897,812
		16,124,919	38,772,893	54,897,812
6. Healthguard Pharmacy Ltd.				
Nations Trust Bank				
Hatton National Bank PLC	2023	25,000,000	–	25,000,000
		25,000,000	–	25,000,000
7. Sunshine Consumer Lanka Ltd. (Formerly known as "Watawala Tea Ceyon Limited")				
International Finance Corporation				
	2021	90,918,180	931,783,310	1,022,701,490
		90,918,180	931,783,310	1,022,701,490
8. Sunshine Tea (Pvt) Ltd.				
Peoples Bank	2022	16,666,667	23,611,111	40,277,778
Indian Bank	2022	50,000,000	100,000,000	150,000,000
Indian Overseas Bank	2023	36,029,296	54,043,944	90,073,240
Indian Bank	2022	16,666,667	266,666,665	283,333,332
		16,666,667	23,611,111	40,277,778
TOTAL		2,448,709,766	994,167,314	3,442,877,080

There is no violations on Loan Covenants during the year.

2022			Purpose	Repayment terms	Security
Repayable within one year	Repayable after one year	Balance as at 31 March 2022			
–	–	–	To finance two months working capital requirements of the business.	180 days	Unsecured
–	–	–			
2,965,600	–	2,965,600	To finance two months working capital requirements of the business.	6 months grace period and 12 months equal instalments	Corporate Guarantee by Akbar Pharmaceutical (Pvt) Ltd.
2,965,600	–	2,965,600			
2,965,600	–	2,965,600			
13,316,635	64,499,677	77,816,312	To fund capital expenditure on the construction of the factory building and to fund related expenses on equipment and machinery to be imported	5 year - Monthly instalments	Corporate Guarantee provided by Akbar Pharmaceutical (Pvt) Ltd.
			To fund capital expenditure on the construction of the factory building and to fund related expenses on equipment and machinery to be imported	In 60 equal monthly instalments after the grace period, plus interest	Corporate Guarantee provided by Akbar Pharmaceutical (Pvt) Ltd.
13,316,635	64,499,677	77,816,312			
502,936,395	–	502,936,395	Working capital financing	Within 3 months	Unsecured
			Working Capital Requirement	Repayable within 3 months	
502,936,395	–	502,936,395			
			Acquisition of Daintee Limited	11 equal capital instalments starting from December 2023	As per the loan agreement
34,537,191	985,630,466	1,020,167,657			
34,537,191	985,630,466	1,020,167,657			
			Working Capital Requirement	1,388,888.88 Installement every Month	
			Working Capital Requirement	50,000,000 Every Year – 04 Years	
			Working Capital Requirement	30 Months	
			Expanding the its factory and warehousing complex		
743,313,030	1,276,960,142	2,020,273,173			

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34.5 Asset pledge as securities

Sunshine Consumer Lanka Limited has obtained a loan amounting to USD 5,000,000 (LKR equivalent to Rs. 1,000,200,000) on 12 October 2021 from International Finance Corporation for the purpose of financing the acquisition of Daintee Limited. Following assets have been pledged as securities as at 31 March 2023 for the purpose of obtaining loan.

Immovable property

Name of the owner	Location	Description of the property	Owned/ leased
Sunshine Packaging Lanka Limited	Mattakkuliya	Lot D in Plan No. 2753 dated 17/10/2002 made by J G Kammanankada LS (Warehouse)	Owned
Sunshine Packaging Lanka Limited	Mattakkuliya	Lot 1A in Plan No. 4219 dated 19 December 2010 made by A R Silva LS (Car park)	Owned
Sunshine Packaging Lanka Limited	Mattakkuliya	Lot A in Plan No. 9508 dated 13 March 2013 made by Gamini B Dodanwala, Licensed Surveyor (resurvey of Lot 1 in Plan No. 2317 dated 28/04/1996 made by Gamini B. Dodanwala LS)	Owned
Sunshine Packaging Lanka Limited	Mattakkuliya	Lot 2 in Plan No. 2317 dated 28/04/1996 made by Gamini B Dodanwala LS	Owned
Norris Canal Properties (Private) Limited	Maradana	Lot 1 depicted in Plan No. 2117 dated 1st November 1980 made by Sri D. Liyanasuriya LS	Owned
Sunshine Packaging Lanka Limited	Ratmalana	Lot A in Plan No. 9079 in Plan No. K V M W Samaranayake LS	Owned
Sunshine Consumer Lanka Limited	Moratuwa	Lot 3 and lot 1 (reservation for a road 20 feet wide) on plan no. 637 dated 15/02/1983 made by T.S. Siriwardena, LS	Owned
Sunshine Consumer Lanka Limited	Moratuwa	Lot 2 on Plan No. 637 dated 15/02/1983 made by T S Siriwardena, LS	Owned
Sunshine Consumer Lanka Limited	Moratuwa	Lots 1/B, 2/B, 3/B and 4B on Plan No. 990 dated 15/02/1989 made by G P Abeynayaka LS	Owned
Sunshine Consumer Lanka Limited	Moratuwa	Land Parcel No. 26 on Cadastral Map No. 520208 in extent 0.2688 Hectares	Owned

Movable Property

Name of the owner	Description of the property
Sunshine Consumer Lanka Limited	Plant and Machinery, Factory Equipment, Lab Equipment, Garage Equipment, Boiler

35 Employee Benefits

➔ Accounting policy

Defined contribution plans

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

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

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

Defined benefit plans

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

- Actuarial gains and losses in the period in which they occur have been recognised in the Statement of Other Comprehensive Income.

- The Gratuity liability is not externally funded.

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

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

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

Actuarial gains and losses

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

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

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

Short-term benefits

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

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Employees' Provident Fund				
Employers' contribution	241,588,329	157,750,924	26,880,937	23,489,826
Employees' contribution	174,633,397	133,672,269	19,370,808	15,659,884
Employees' Trust Fund	60,106,646	42,287,519	6,343,569	5,226,809

	Note	GROUP		COMPANY	
		2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
As at 31 March					
Present value of defined benefit obligations	35.1	883,411,984	615,771,635	141,256,252	113,135,769

35.1 Defined Benefit Obligations (PVDBO)

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Liability for defined benefit obligation at 1 April	615,771,635	713,774,478	113,135,769	106,078,437
Staff transfers	(4,353,615)	1,422,873	–	21,712
Acquisition through business combination	41,984,797	–	–	–
	653,402,817	715,197,351	113,135,769	106,100,149
Included in profit or loss				
Current service cost and Interest cost	167,992,562	107,148,309	29,602,911	20,309,048
	167,992,562	107,148,309	29,602,911	20,309,048
Included in OCI				
Actuarial (gains)/losses on PVDBO	129,252,040	(132,572,210)	(1,482,428)	(13,070,842)
	129,252,040	(132,572,210)	(1,482,428)	(13,070,842)
Benefits paid	(67,235,435)	(74,001,816)	–	(202,586)
Liability for defined benefit obligation at 31 March	883,411,984	615,771,635	141,256,252	113,135,769

The details of the actuaries involved in carrying out the valuation as at 31 March 2023 are as follows:

Company	Date of valuation	Valuation method	Details of the actuary
Watawala Plantations PLC Sunshine Consumer Lanka Ltd.	31 March 2023	Projected Unit Credit Method	Mr M Poopalanathan, AIA, Messrs. Actuarial and Management Consultants (Private) Limited
Sunshine Healthcare Lanka Ltd.	31 March 2023	Projected Unit Credit Method	Mr M Poopalanathan, AIA, Messrs. Actuarial and Management Consultants (Private) Limited

35.2 Actuarial assumptions

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

	Interest rate		Salary increment rate		Staff turnover rate	
	2023 %	2022 %	2023 %	2022 %	2023 %	2022 %
Sunshine Holding PLC – Company	19.5	15.5	16.5	13.5	30.0	17.0
Watawala Plantations PLC						
– estate workers (every three years)	18.5	15.0	5.7	5.7		
– estate staff (every three years)	18.5	15.0	10.0	25.0		
– estate management and head office staff (every year)	18.5	15.0	17.2	10.0		
Sunshine Consumer Lanka Ltd.	18.0	15.0	20.0	12.0	16.0	12%-20
Sunshine Healthcare Lanka Limited	17.8	15.5	17.0	14.0	13.6-14	12.0
Healthguard Pharmacy Ltd.	19.5	15.5	16.5-17	14.0	6-26	18.0
Akbar Pharmaceutical (Pvt) Ltd.	–	15.5	–	14.0	–	18.0
Lina Manufacturing (Pvt) Ltd.	19.5	15.5	18.5	14.0	21	20.0
Lina Spiro (Pvt) Ltd.	19.5	15.5	18.5	14.0	21	20.0
Sunshine Tea (Pvt) Ltd.	18.0	–	16.0	–	15.0	–

** The retirement age for the group is 60 years. The weighted average duration of the defined benefit obligation of the Group vary in the range of 2.5-8.2 years.

As per the guidelines issued by The Institute of Chartered Accountants of Sri Lanka, the discount rates have been adjusted to convert the coupon bearing yield to a zero coupon yield to match the characteristics of the gratuity payment liability and the resulting yield to maturity for the purpose of valuing employee benefit obligations as per LKAS 19.

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	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
1% increase in discount rate	(555,272,717)	(60,910,255)	(1,569,779)	(4,328,162)
1% decrease in discount rate	635,894,740	68,368,903	1,474,933	4,079,766
1% increase in salary increment rate	638,925,145	68,656,424	1,500,504	4,118,272
1% decrease in salary increment rate	(551,985,813)	(60,589,089)	(1,471,242)	(4,434,963)

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

35.3 Minimum retirement age of workers

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

36 Deferred Income and Capital Grants

➔ Accounting policy

Government grants

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

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

As at 31 March	GROUP	
	2023 Rs.	2022 Rs.
Balance as at 1 April	41,442,000	91,996,000
Received during the year	–	
Amortised during the year	(2,358,000)	(50,554,000)
Balance as at 31 March	39,084,000	41,442,000

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

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

37 Trade and Other Payables

➔ Accounting policy

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

Provisions

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

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

Warranties

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

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As at 31 March	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Trade payables	4,109,898,212	4,017,709,779	–	–
Sales representatives security deposits	–	5,950,918	–	–
Advance for customers	329,458,064	–	–	–
Tax and other statutory payables	36,536,787	2,016,570	10,236,897	2,016,570
Accrued expenses and other payables	1,948,052,141	1,612,249,967	23,920,625	36,770,611
	6,423,945,204	5,637,927,234	34,157,522	38,787,181

The Group's liabilities in foreign currency were valued at USD/LKR 32729 (2022 – USD/LKR 299).

38 Amounts Due to Related Parties

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

As at 31 March	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Sunshine Tea (Pvt) Ltd.	–	32,542,112	–	–
Sunshine Consumer Lanka Ltd.	–	–	12,424	–
Lamurep Properties Ltd.	–	1,014,750	–	–
Sunshine Consumer Lanka Ltd.	–	–	–	8,398
Celogen Lanka Private Limited	55,000,000	–	–	–
Pyramid Lanka (Private) Limited	–	23,981,000	–	–
	55,000,000	57,537,862	12,424	8,398

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

39 Fair Value Measurement

➔ Accounting policy

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

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimize 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.

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31 March 2023	Classification	Carrying amount Rs.	GROUP	
			Fair value	
			Level 1	Level 2
			Rs.	Rs.
Financial Assets measured at Fair value				
Investment in unquoted shares*	Fair value through OCI	309,911,065	–	–
Investment in quoted shares	Fair value through P&L	21,011,001	21,011,001	–
Investment in Treasury Bonds	Fair value through P&L	854,149,802	854,149,802	–
Investment Fund	Fair value through P&L	53,283,000	–	53,283,000
		1,238,354,868	875,160,803	53,283,000
Financial Assets not measured at Fair value				
Trade and other receivables**	Amortised cost	7,892,295,240	–	7,892,295,240
Investment in Debentures	Amortised cost	104,173,150	–	104,173,150
Short-term investments	Amortised cost	229,870,000	–	229,870,000
Amounts due from related parties**	Amortised cost	149,442,584	–	149,442,584
Cash and cash equivalents**	Amortised cost	3,110,102,165	–	3,110,102,165
		11,485,883,139	–	11,485,883,139
Financial Liabilities not measured at Fair value				
Loans and borrowing***	Other financial liabilities	5,298,977,248	–	5,298,977,248
Bank overdraft**	Other financial liabilities	2,108,468,805	–	2,108,468,805
Trade and other payables**	Other financial liabilities	6,423,945,204	–	6,423,945,204
Amounts due to related parties**	Other financial liabilities	55,000,000	–	55,000,000
		13,886,391,257	–	13,886,391,257

			COMPANY				
			Carrying amount	Fair value			
				Level 1	Level 2	Level 3	Total
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	
309,911,065	309,911,065	309,911,065	–	–	309,911,065	309,911,065	
–	21,011,001	21,011,001	21,011,001	–	–	21,011,001	
	854,149,802	–	–	–	–	–	
–	53,283,000	–	–	–	–	–	
309,911,065	1,238,354,868	330,922,066	21,011,001	–	309,911,065	330,922,066	
–	7,892,295,240	28,133,470	–	28,133,470	–	28,133,470	
–	104,173,150	104,173,150	–	104,173,150	–	104,173,150	
–	229,870,000	225,000,000	–	225,000,000	–	–	
–	149,442,584	233,868,531	–	233,868,531	–	233,868,531	
–	3,110,102,165	814,024,863	–	814,024,863	–	814,024,863	
–	11,485,883,139	1,405,200,014	–	1,405,200,014	–	1,180,200,014	
–	5,298,977,248	19,775,651	–	19,775,651	–	19,775,651	
–	2,108,468,805	–	–	–	–	–	
–	6,423,945,204	34,157,523	–	34,157,523	–	34,157,523	
–	55,000,000	12,424	–	12,424	–	12,424	
–	13,886,391,257	53,945,598	–	53,945,598	–	53,945,598	

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31 March 2022	Classification	Carrying amount Rs.	GROUP	
			Fair value	
			Level 1 Rs.	Level 2 Rs.
Financial Assets measured at Fair value				
Investment in unquoted shares	Fair value through OCI	440,308,416	–	–
Investment in quoted shares	Fair value through P&L	21,365,872	21,365,872	–
Derivative instruments	Fair value through P&L	–	–	–
Investment fund	Fair value through P&L	72,313,000	–	72,313,000
		533,987,288	21,365,872	72,313,000
Financial Assets not measured at Fair value				
Trade and other receivables**	Amortised cost	5,061,469,954	–	5,061,469,954
Investment in debentures	Amortised cost	925,252,356	–	925,252,356
Short term investments	Amortised cost	–	–	–
Amounts due from related parties**	Amortised cost	10,655,319	–	10,655,319
Cash and cash equivalents**	Amortised cost	3,264,723,523	–	3,264,723,523
		9,262,101,152	–	9,262,101,152
Financial Liabilities not measured at Fair value				
Loans and borrowing***	Other financial liabilities	2,658,177,062	–	2,658,177,062
Bank overdraft**	Other financial liabilities	917,513,501		917,513,501
Trade and other payables**	Other financial liabilities	4,023,660,697	–	4,023,660,697
Amounts due to related parties**	Other financial liabilities	57,537,862	–	57,537,862
		7,656,889,122	–	7,656,889,122

* Free cashflow valuation method has been applied in unquoted share valuation based on the Beta factor of similar public quoted company. The key assumptions used in the Valuation are set out below.

Terminal growth	2.5%-3%
Market risk premium	5.0%
Risk free rate of return	21.5%
EBIT growth	2%-3%
Tax rate	30.0%

** 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.

Fair value		Carrying amount	COMPANY			
			Fair value			
Level 3	Total		Level 1	Level 2	Level 3	Total
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
440,308,416	440,308,416	440,308,416	–	–	440,308,416	440,308,416
–	21,365,872	21,365,872	21,365,872	–	–	21,365,872
–	–	–	–	–	–	–
–	72,313,000	–	–	–	–	–
440,308,416	533,987,288	461,674,288	21,365,872	–	440,308,416	461,674,288
–	5,061,469,954	136,729,581	–	136,729,581	–	136,729,581
–	925,252,356	410,338,356	–	207,525,753	–	207,525,753
–	–	–	–	–	–	–
–	10,655,319	242,331,065	–	242,331,065	–	242,331,065
–	3,264,723,523	1,208,295,019	–	1,208,295,019	–	1,208,295,019
–	9,262,101,152	1,997,694,022	–	1,794,881,419	–	1,794,881,419
2,658,177,062	–	–	–	–	–	–
–	917,513,501	–	–	–	–	–
4,023,660,697	38,787,181	–	38,787,181	–	38,787,181	38,787,181
57,537,862	8,398	–	8,398	–	8,398	8,398
–	7,656,889,122	38,795,579	–	38,795,579	–	38,795,579

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40 Financial Risk Management

The Group has exposure to the following risks arising from Financial Instruments:

1. Credit risk (Note 40.2)
2. Liquidity risk (Note 40.3)
3. Market risk (Note 40.4)
4. Operational risk (Note 40.5)

40.1 Risk Management Framework

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

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

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

40.2 Credit risk

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

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

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

As at 31 March 2023	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Impairment loss on trade receivables and contract assets arising from contracts with customers	175,819,482	90,581,040	–	–
	175,819,482	90,581,040	–	–

Expected credit loss assessment for individual customers

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

As at 31 March 2023	GROUP			
	Weighted average loss rate (%)	Gross carrying amount Rs.	Loss allowance Rs.	Credit impaired
Less than 30 days	0.5	4,543,931,252	21,107,650	No
More than 30 days but less than 60 days	1.5	993,170,105	15,150,974	No
More than 60 days but less than 90 days	3.6	159,650,107	5,772,189	No
More than 90 days	26.0	126,139,363	32,814,451	Yes
		5,822,890,827	74,845,264	

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

Trade receivables and contract assets

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

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

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

The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to the credit risk as at 31 March 2023 is as follow:

	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Other investments	1,603,036,442	1,459,239,644	690,733,640	461,674,288
Trade and other receivables	7,892,295,240	4,281,151,733	28,133,470	74,432,424
Amount due from related parties	149,442,584	10,655,319	233,868,531	242,331,065
Cash and cash equivalents	3,110,102,165	3,264,723,523	814,024,863	1,208,295,019
	12,754,876,431	9,015,770,219	1,766,760,504	1,986,732,796

Amount due from related parties

The Group's amounts due from related parties mainly consists of the balances from affiliates. The Company's amount due from related parties mainly consists of the loan due from a fully owned subsidiary namely Sunshine Packaging Lanka Ltd amounted to Rs. 193 Mn. (2022: Rs. 217 Mn.).

Cash and cash equivalents

The Group held cash and cash equivalents of Rs. 3,110 Mn. at 31 March 2023 (2022: Rs. 3,264 Mn.). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+ (2022: AA- to AA+), based on the ratings given by the rating agencies.

40.3 Liquidity risk

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

Group

As at 31 March 2023	Contractual cash flows				
	Carrying amount Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.	Total Rs.
Bank overdrafts	2,108,468,808	1,497,141,611	182,211,048	429,116,149	2,108,468,808
Loans and borrowings	5,298,977,247	666,441,194	2,644,508,196	1,911,005,882	5,298,977,247
Trade and other payables	6,423,945,204	6,423,945,204	–	–	6,423,945,204
Amount due to related parties	55,000,000	55,000,000	–	–	55,000,000
	13,886,391,259	8,642,528,009	2,826,719,244	2,340,122,031	13,809,369,284

Company

As at 31 March 2023	Contractual cash flows				
	Carrying amount Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.	Total Rs.
Trade and other payables	34,157,523	34,157,523	–	–	34,157,523
Amount due to related parties	12,424	8,398	–	–	12,424
	34,169,947	34,165,921	–	–	34,169,947

Group

As at 31 March 2022	Contractual cash flows				Total Rs.
	Carrying amount Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.	
Bank overdrafts	917,513,501	917,513,501			917,513,501
Loans and borrowings	2,658,177,062	398,100,147	596,733,069	1,663,343,846	2,658,177,062
Trade and other payables	5,637,927,234	5,637,927,234	–	–	5,637,927,234
Amount due to related parties	57,537,862	57,537,862	–	–	57,537,862
	9,271,155,659	7,011,078,744	596,733,069	1,663,343,846	9,271,155,659

Company

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

40.4 Market risk

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

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

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates (IBORs) with alternative rates. As a result of these uncertainties, significant accounting judgement is involved in determining whether certain hedge accounting relationships that hedge the variability of foreign exchange and interest rate risk due to expected changes in IBORs continue to qualify for hedge accounting as at 31 March 2023. IBOR continues to be used as a reference rate in financial markets and is used in the valuation of instruments with maturities that exceed the expected end date for IBOR.

Currency risk

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

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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 2023	GROUP					COMPANY	
	USD Rs.	Australian Dollar Rs.	LKR Rs.	Other foreign currencies Rs.	Total Rs.	LKR Rs.	Total Rs.
Financial assets							
Other investments (excluding derivatives)	–	–	1,603,036,442	–	1,603,036,442	690,733,640	690,733,640
Trade and other receivables	677,832,772	–	7,195,872,305	18,590,163	7,892,295,240	28,133,470	28,133,470
Amount due from related parties	–	–	149,442,584	–	149,442,584	233,868,531	233,868,531
Cash and cash equivalents	97,713,372	1,352,207	3,007,987,449	3,049,133	3,110,102,161	814,024,863	814,024,863
	775,546,144	1,352,207	11,956,338,784	21,639,296	12,754,876,431	1,766,760,504	1,766,760,504
Financial liabilities							
Loans and borrowings	–	–	(5,298,977,247)	–	(5,298,977,247)	19,775,651	19,775,651
Trade and other payables	(1,633,026,211)	–	(4,740,543,797)	(50,375,196)	(6,423,945,204)	34,157,523	34,157,523
Amount due to related parties	–	–	(55,000,000)	–	(55,000,000)	12,424	12,424
Bank overdrafts	–	–	(2,108,468,805)	–	(2,108,468,805)	–	–
	(1,633,026,211)	–	(12,202,989,849)	(50,375,196)	(13,886,391,256)	53,945,598	53,945,598
Net exposure	(857,480,067)	1,352,207	(246,651,065)	(28,735,900)	(1,131,514,825)	1,820,706,102	1,820,706,102

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As at 31 March 2022	GROUP				COMPANY	
	USD Rs.	Australian Dollar Rs.	LKR Rs.	Total Rs.	LKR Rs.	Total Rs.
Financial assets						
Other investments (excluding derivatives)	–	–	717,726,603	717,726,603	202,812,603	202,812,603
Trade and other receivables	677,832,772	–	5,117,949,733	5,795,782,505	88,955,189	88,955,189
Amount due from related parties	–	–	10,655,319	10,655,319	242,331,065	242,331,065
Cash and cash equivalents	97,713,372	1,352,207	3,165,657,944	3,264,723,523	1,208,295,019	1,208,295,019
	775,546,144	1,352,207	9,011,989,599	9,788,887,950	1,742,393,876	1,742,393,876
Financial liabilities						
Loans and borrowings	–	–	(2,658,177,062)	(2,658,177,062)	–	–
Trade and other payables	(1,633,026,211)	–	(2,390,634,486)	(4,023,660,697)	–	–
Amount due to related parties	–	–	(57,537,862)	(57,537,862)	(8,398)	(8,398)
Bank overdrafts	–	–	(917,513,501)	(917,513,501)	–	–
	(1,633,026,211)	–	(6,023,862,911)	(7,656,889,122)	(8,398)	(8,398)
Net exposure	(857,480,067)	1,352,207	2,988,126,688	2,131,998,828	1,742,385,478	1,742,385,478

Closing rate as 31 March 2023

Euro	Rs. 357.10	Australian Dollar	Rs. 220.20	Japanese Yen	Rs. 2.46
US Dollars	Rs. 327.29	Singapore Dollar	Rs. 246.66		

Sensitivity analysis

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

	GROUP				COMPANY			
	Profit or loss		Equity, net of tax		Profit or loss		Equity, net of tax	
	Strengthening Rs.	Weakening Rs.	Strengthening Rs.	Weakening Rs.	Strengthening Rs.	Weakening Rs.	Strengthening Rs.	Weakening Rs.
As at 31 March 2023								
USD (1% movement)	(7,755,461)	7,755,461	(7,755,461)	7,755,461	–	–	–	–
AUD (1% movement)	(13,522)	13,522	(13,522)	13,522	–	–	–	–
As at 31 March 2022								
USD (1% movement)	(8,574,801)	8,574,801	(8,574,801)	8,574,801	(9,710,042)	9,710,042	(9,710,042)	9,710,042
AUD (1% movement)	13,522	(13,522)	13,522	(13,522)				

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	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Fixed-rate instruments				
Financial liabilities				
Loans and borrowings	5,298,977,298	2,658,177,062	19,775,651	–
	5,298,977,298	2,658,177,062	19,775,651	–
Variable-rate instruments				
Financial liabilities				
Bank overdrafts	2,108,468,805	917,513,501	–	–
	2,108,468,805	917,513,501	–	–

40.5 Operational Risk

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

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

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

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

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

40.6 Capital Management

Overall Group target was to maintain healthier capital base to ensure the sustainability of the Holdings company and its subsidiaries. In order to achieve above target, management monitors the return on capital and dividend payout ratio. Board of Directors ensure the optimum capital structure ensuring the best balance between equity and debt. The Group leverage will be monitored quarterly to ensure the optimum liquidity ratio. The Group leverage ratio will be maintain below 40% , while obtaining borrowing facilities ensuring the optimal returns to the shareholders.

41 Related Party Transactions

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

41.1. Key Management Personnel (KMP)

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

KMP of the Company

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

KMP of the Group

As the Company is the ultimate parent of the subsidiaries listed out on page 94, the Board of Directors of the Company has the authority and responsibility for planning, directing and controlling the activities of the Group directly or indirectly.

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

41.1.1 Compensation of key management personnel

For the year ended 31 March	GROUP		COMPANY	
	2023 Rs.	2022 Rs.	2023 Rs.	2022 Rs.
Director fee	38,475,000	37,010,000	14,520,000	14,950,000
Short-term employee benefits	331,403,089	326,326,454	331,403,089	316,943,574
Post-employment benefits	6,469,351	5,680,574	6,469,351	5,680,574
	376,347,440	369,017,028	352,392,440	337,574,148

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 2023.

41.2 Transactions with group entities

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

Non-recurrent related party transactions

There were no non-recurrent related party transactions which in aggregate value exceeds 10% of the equity or 5% of the total assets whichever is lower of the Company as per 31 March 2023 audited financial statements, which required additional disclosures in the 2022/23 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 2023 audited Financial Statements, which required additional disclosures in the 2022/23 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.

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Transactions with subsidiaries

Company name	Nature of transaction	Transaction amount 2023 Rs.	Transaction amount 2022 Rs.	Amount payable/receivable 2023 Rs.	Amount payable/receivable 2022 Rs.
Sunshine Healthcare Lanka Ltd.	Service income	170,419,978	130,238,915		
	Dividend income	650,000,000	252,000,000	–	9,339,283
Healthguard Pharmacy Ltd.	Service income	67,949,654	38,225,747	210,000	–
Watawala Plantations PLC	Service income	95,151,483	85,730,400	817,993	7,144,200
Sunshine Consumer Lanka Ltd.	Service income	178,225,354	102,991,424		
	Dividend income	–	170,000,000	–	6,596,226
Sunshine Packaging Lanka Ltd.	Interest Income	34,738,693	19,460,494	231,185,199	217,284,425
Sunshine Energy (Pvt) Ltd.	Service income	–	644,371	–	–
Sky Solar (Pvt) Ltd.	Service income	–	5,623,480	–	–
Akbar Pharmaceuticals (Pvt) Ltd.	Service income	–	14,014,595	–	–
Lina Manufacturing (Pvt) Ltd.	Service income	12,320,664	3,574,654	685,149	–
Lina Spiro (Pvt) Ltd.	Service income	–	–		–
Daintee Limited	Service Income	–	26,599,594	–	1,735,184
Sunshine Wilmar (Pvt) Ltd.	Interest Income	14,283,937	583,550,000		
	Dividend income	519,000,000	–	–	–
Sunshine Tea (Pvt) Ltd.	Sale	–	–	970,190	–
		1,742,089,763	1,432,653,676	233,868,531	242,099,318

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Transactions with associates

There were no transactions carried out between the Group with the associate during the year ended 31 March 2023.

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 2023 Rs.	Transaction amount 2022 Rs.	Amount payable/receivable 2023 Rs.	Amount payable/receivable 2022 Rs.
Sunshine Tea (Pvt) Ltd.	Affiliate	Sales				20,183
		Rent paid		1,173,690		
Lamurep Properties Limited	Affiliate	Rent	21,485,580	17,269,200		203,165
			21,485,580	18,442,890	–	223,348

42 Commitments

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

43 Contingencies

➔ Accounting policy

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

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

Use of Judgments and Estimates

Provisions and Contingencies

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

Company

Bank Guarantees:

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

Pending Litigation and claims:

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

Group

Bank Guarantees:

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

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

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44 Events After the Reporting Period

➔ Accounting policy

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

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

Company/Group

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

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44.1. Dividend declaration

The Board of Directors of the Company has declared dividend of Rs. 1.15 per share for the financial year ended 31 March 2023.

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the company satisfied the solvency test in accordance with Section 57, prior to declaring the final dividend. A statement of solvency duly completed and signed by the Directors on 25 May 2022 has been audited by Messrs KPMG.

In accordance with the LKAS 10, Events after the reporting period, the final dividend has not been recognised as a liability in the financial statements as at 31 March 2023.

45 Comparative Information

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

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

46 Directors Assessment on Going Concern

The Board of directors has made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. The assessment took into consideration the unstable economic environment prevailing in the country and its potential implications on the business operations, and performance of the Group. The Board is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern.

Based on this assessment, the Board is of the view that the Group has adequate liquidity position considering the level of business operations, cash flows in hand and the secured facilities available through bank credit facilities. Accordingly, the Group will not have any limitations in meeting the future obligations and ensuring business continuity.

The Board therefore is confident that the economic crisis prevailing in the country is not expected to significantly impact the going concern ability of the Group and the Company, and will continue to monitor any material changes in future economic conditions and the resultant implications on the business operations and amend the business projections accordingly, if required.

47 Director's Responsibility

The Board of Directors is responsible for the preparation and presentation of the Financial Statements in accordance with Sri Lanka Accounting Standards and in compliance with the requirements of the Companies Act No. 07 of 2007.

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Operating results	2023		2022		2021		2020	
	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
Revenue	51,886,754,055	1,381,728,100	32,166,208,978	1,075,338,436	24,339,446,156	850,202,179	20,874,637,494	655,897,433
Gross profit	13,506,232,728	1,381,728,100	10,239,036,426	1,075,338,436	7,737,717,107	850,202,179	6,177,984,141	655,897,433
Profit before interest and tax	7,000,928,467	1,156,627,553	5,632,247,994	945,840,341	3,525,378,493	3,025,600,347	2,909,047,690	1,976,429,222
Profit before tax	5,660,637,644	1,251,074,790	5,646,675,351	1,038,284,931	3,309,138,790	3,024,028,767	2,563,376,924	1,987,767,356
Income tax	(2,043,786,492)	(738,303)	(650,001,269)	(15,452,669)	(771,610,789)	(117,953,217)	(730,739,358)	(12,231,530)
Profit for the year	3,616,851,152	1,250,336,487	4,996,672,082	1,022,832,262	2,537,528,001	2,906,075,550	1,832,637,566	1,975,535,826
Profit or (loss) on discontinued operations, net of tax	-	-	-	-	-	-	-	-
Other comprehensive income	(174,311,883)	(81,986,990)	70,378,455	(39,642,399)	(37,970,332)	(15,381,894)	(36,539,237)	(27,415,193)
Total comprehensive income	3,442,539,270	1,168,349,497	5,067,050,537	983,189,863	2,499,557,669	2,890,693,656	1,797,282,298	1,948,120,633
Profit attributable to owners of parent company	2,263,929,612	1,250,336,487	2,720,742,972	1,022,832,262	1,522,207,103	2,906,075,550	1,147,045,943	1,975,535,826
Equity and liabilities								
Stated capital	4,240,394,447	4,240,394,447	1,641,715,247	1,641,715,247	1,641,715,247	1,641,715,247	1,641,715,247	1,641,715,247
Capital and other reserves	191,802,554	184,270,132	274,560,725	266,257,122	339,686,250	331,382,645	357,607,494	351,106,481
Retained profit	11,348,320,878	4,638,236,073	11,061,418,417	3,694,810,277	8,551,561,683	3,495,157,198	6,414,107,233	3,398,264,201
Shareholders' funds	15,780,517,879	9,062,900,652	12,977,694,389	5,602,782,646	10,532,963,180	5,468,255,090	8,414,140,355	5,391,085,929
Non-controlling interest	3,456,591,979	-	5,450,236,265	-	4,808,856,243	-	4,035,566,113	-
Total equity	19,237,109,858	9,062,900,652	18,427,930,654	5,602,782,646	15,341,819,423	5,468,255,090	12,449,706,468	5,391,085,929
Non-current liabilities	4,240,426,186	144,725,903	2,826,317,338	113,135,769	3,484,909,430	106,078,437	3,547,763,322	1,035,713,145
Current liabilities	12,530,544,678	50,475,946	7,899,275,053	66,021,099	8,056,276,607	1,099,331,371	6,836,993,623	2,083,661,571
Total equity and liabilities	-	9,258,102,501	29,153,523,044	5,781,939,514	26,883,005,460	6,673,664,898	22,834,463,413	8,510,460,645
Assets								
Property, plant and equipment	6,735,558,992	25,522,851	4,787,019,935	13,663,640	4,794,110,834	33,067,152	4,719,959,469	45,406,172
Leasehold right to bare land	243,876,000	-	235,995,000	-	238,853,000	-	241,439,000	-
Biological assets	3,503,610,000	-	3,675,946,000	-	3,492,193,000	-	3,449,345,000	-
Investment property	627,528,864	-	1,030,093,525	3,210,053,985	769,499,144	-	709,499,144	-
Intangible assets	349,108,828	19,759,131	385,928,439	25,028,235	249,057,345	7,555,660	165,942,721	4,685
Investments in subsidiaries	-	7,248,733,185	-	3,210,053,983	-	3,399,509,135	-	3,232,076,136
Other investments	465,733,640	465,733,640	741,513,041	669,200,042	1,004,330,898	647,177,898	1,070,904,297	727,179,297
Investment in gratuity fund	-	-	-	-	-	-	-	-
Investment in associate	-	-	-	-	-	-	-	-
Deferred tax	320,098,700	121,248,838	59,506,672	59,506,672	42,611,982	43,064,185	65,787,835	32,017,938
Current assets	22,322,176,546	74,195,226	16,710,796,827	1,804,486,940	14,714,408,873	2,541,998,861	12,410,201,585	4,472,424,958
Total assets	36,008,080,723	9,258,102,503	29,153,523,044	5,781,939,514	26,883,005,460	6,673,664,898	22,834,463,413	8,510,460,645
Key indicators								
Earnings per share	4.7	2.8	6.1	2.3	3.4	6.5	2.6	4.4
Dividends per share – Cash	1.2	1.2	1.0	1.0	0.8	0.8	0.8	0.8
Dividends per share – Scrip	-	-	-	-	-	-	-	-
Net assets per share	32.1	18.4	26.8	12.5	23.5	12.2	56.3	36.1
Return on equity (ROE) (%)	18.8	13.8	27.1	18.3	16.5	53.1	14.7	36.6
Dividend payout ratio (%)	24.63	-	15.84	-	24.48	-	29.3	-

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2019		2018		2017		2016		2015		2014	
Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
22,641,987,898	514,907,500	21,235,736,058	395,125,164	18,890,754,460	414,779,815	17,422,249,764	265,431,378	16,326,528,096	313,557,464	14,696,587,869	232,691,759
5,699,290,610	514,907,500	5,385,359,251	340,599,522	4,763,049,063	260,872,032	4,092,816,148	249,066,576	3,610,668,850	(45,038,540)	3,510,997,629	232,691,759
2,213,169,500	303,936,768	2,580,028,236	122,912,751	2,072,983,275	107,404,856	1,660,598,576	157,704,853	1,413,268,709	268,518,924	1,595,297,083	1,018,312,994
1,881,576,601	240,636,058	2,422,814,624	148,558,341	2,042,853,510	190,800,831	1,591,244,008	221,176,398	1,309,333,699	221,878,292	1,450,026,167	1,109,880,839
-735,942,442	19,250,174	(618,292,028)	-	(430,088,964)	(342,692)	(373,645,411)	(769,355)	(335,820,583)	(2,023,953)	(324,141,236)	(6,218,055)
1,145,634,159	259,886,232	1,804,522,596	148,558,341	1,612,764,546	190,458,139	1,217,598,597	220,407,043	973,513,116	292,716,801	1,125,884,931	1,103,662,784
-	-	(210,824,830)	-	8,456,167	-	-	-	-	-	-	-
(224,826,836)	14,448,901	68,902,741	35,762,731	94,713,453	6,968,821	92,461,096	(6,992,058)	73,387,932	57,076,838	42,414,470	107,525,886
920,807,323	274,335,133	1,662,600,507	184,321,072	1,715,934,167	197,426,960	1,310,059,693	213,414,985	1,046,901,048	349,793,639	1,168,299,401	1,211,188,670
646,984,059	259,886,232	829,362,966	184,321,072	563,802,278	197,426,960	605,789,388	213,414,985	542,303,854	349,793,639	687,649,273	1,211,188,670
1,641,715,247	1,641,715,247	798,504,357	798,504,357	730,939,657	730,939,657	730,939,657	730,939,657	730,939,657	730,939,657	690,993,533	690,993,533
386,181,165	380,153,740	390,893,754	364,012,083	331,838,036	329,138,894	324,854,614	322,155,472	1,257,725	1,257,725	1,257,725	1,257,725
5,488,287,477	1,781,111,291	5,185,526,425	1,767,356,201	5,186,946,894	1,854,405,044	4,725,795,249	1,805,859,541	4,571,180,685	2,041,726,240	4,156,248,570	1,819,067,811
7,516,183,889	3,802,980,278	6,374,924,536	2,929,872,641	6,249,724,587	2,914,483,595	5,781,589,520	2,858,954,670	5,303,378,067	2,773,923,622	4,848,499,828	2,511,319,069
3,476,651,011	-	3,427,198,621	-	5,340,766,263	-	4,168,557,293	-	3,643,544,084	-	3,422,805,717	-
10,992,834,900	3,802,980,278	9,802,123,157	2,929,872,641	11,590,490,850	2,914,483,595	9,950,146,813	2,858,954,670	8,946,922,151	2,773,923,622	8,271,305,545	2,511,319,069
5,632,266,525	1,322,862,015	5,462,718,020	1,221,729,096	2,839,327,081	51,881,378	2,883,819,594	43,198,526	2,607,517,581	9,980,594	2,747,833,165	8,800,364
5,435,279,605	455,936,489	5,029,411,922	281,795,656	3,502,375,661	15,817,458	3,288,027,254	13,691,515	3,058,199,960	17,293,912	2,480,487,844	11,343,067
22,060,381,030	5,581,778,782	20,294,253,099	4,433,397,393	17,932,193,592	2,982,182,431	16,121,993,661	2,915,844,711	14,612,639,692	2,801,198,128	13,499,626,554	2,531,462,500
5,800,454,817	16,333,639	5,451,893,463	3,290,687	4,952,870,651	5,901,315	4,104,956,315	6,077,792	3,830,814,031	3,031,897	3,679,264,826	2,860,593
183,963,000	-	190,997,000	-	-	-	-	-	-	-	-	-
4,694,037,000	-	4,379,456,000	-	3,629,026,000	-	3,431,155,000	-	3,350,253,000	-	3,139,569,000	-
327,205,000	-	327,205,000	-	-	-	-	-	-	-	-	-
192,415,059	27,247	215,178,822	780,372	168,765,418	1,533,497	137,471,955	2,191,875	110,539,090	-	153,569,864	-
-	3,313,401,971	-	3,017,900,921	-	1,376,748,442	-	1,041,371,979	-	961,371,884	-	961,371,884
976,129,267	647,625,267	653,396,456	642,633,456	636,733,332	625,970,332	1,296,865,044	721,505,044	673,142,764	673,142,764	506,094,835	506,094,835
-	-	288,595,000	-	258,319,000	-	234,369,000	-	220,262,000	-	200,000,000	-
-	-	795,961	9,000,000	-	-	6,275,928	6,111,426	4,292,875	2,719,920	2,845,696	2,719,920
57,495,834	17,997,095	73,661,838	-	75,590,768	-	82,380,722	-	92,863,490	-	91,018,038	-
9,825,882,757	1,577,393,563	8,705,909,905	759,791,957	8,210,888,423	972,028,845	6,828,519,697	1,138,586,595	6,330,472,442	1,160,931,663	5,727,264,295	1,058,415,268
22,060,381,030	5,581,778,782	20,294,253,099	4,433,397,393	17,932,193,592	2,982,182,431	16,121,993,661	2,915,844,711	14,612,639,692	2,801,198,128	13,499,626,554	2,531,462,500
4.4	1.8	6.1	1.1	4.1	1.4	4.3	1.6	3.6	2.2	4.5	8.3
13	13	10	10	15	15	11	11	10	10	10	10
-	-	1	1	1	1	-	-	-	-	-	-
50.3	25.4	46.3	21.5	46.3	21.6	42.8	21.2	39.2	20.5	36.2	18.8
10.4	6.8	18.4	5.1	13.9	6.5	12.2	7.7	10.9	10.6	13.6	43.9
28.22	-	16.45	-	36.32	-	24.19	-	26.24	-	21.25	-

SUNSHINE HOLDINGS PLC

ANNUAL REPORT 2022/23

This is an integrated annual report that covers the operations of Sunshine Holdings PLC and its three core segments and various subsidiaries and partnerships (collectively referred to as the Group) based in Sri Lanka for the period of 1 April 2022 to 31 March 2023.

All financial and non-financial information presented in the Report represents the Group's domestic and international operations, unless stated otherwise, across its three sectors: Healthcare, Consumer Goods, and Agribusiness.

This current report differs considerably from the previous year's report in that it covers all business activities of its nine business units in depth, taking into account the Group's operating environment, value chain, and both internal and external stakeholders.

Guiding frameworks

Financial Statements	Narrative report	Sustainability reporting	Corporate governance report
Sri Lanka Financial Reporting Standards	International Integrated Reporting <IR> Framework of the IFRS Foundation	GRI Standards of the Global Reporting Initiative	Listing Requirements of the Colombo Stock Exchange
Companies Act No. 07 of 2007	Guidelines for Presentation of Annual Reports 2022 issued by CA Sri Lanka	Industry standards of the Sustainability Accounting Standards Board (SASB)	Code of Best Practice on Corporate Governance issued by CA Sri Lanka (2017)
Listing Requirements of the Colombo Stock Exchange		Recommendations of the Task Force on Climate Related Financial Disclosures (TCFD)	
Sri Lanka Accounting Standards		Gender Parity Reporting Framework of CA Sri Lanka	
		United Nations Global Compact (UNGC)	
		UNGC CEO Water Mandate	
		National Green Reporting Standards of Sri Lanka	

Stakeholder analysis

We define any individual or a group that could be significantly impacted by our actions, products, or services as stakeholders. We appreciate that our stakeholders' insights and behaviour can have a considerable impact on our capacity to meet our strategic goals.

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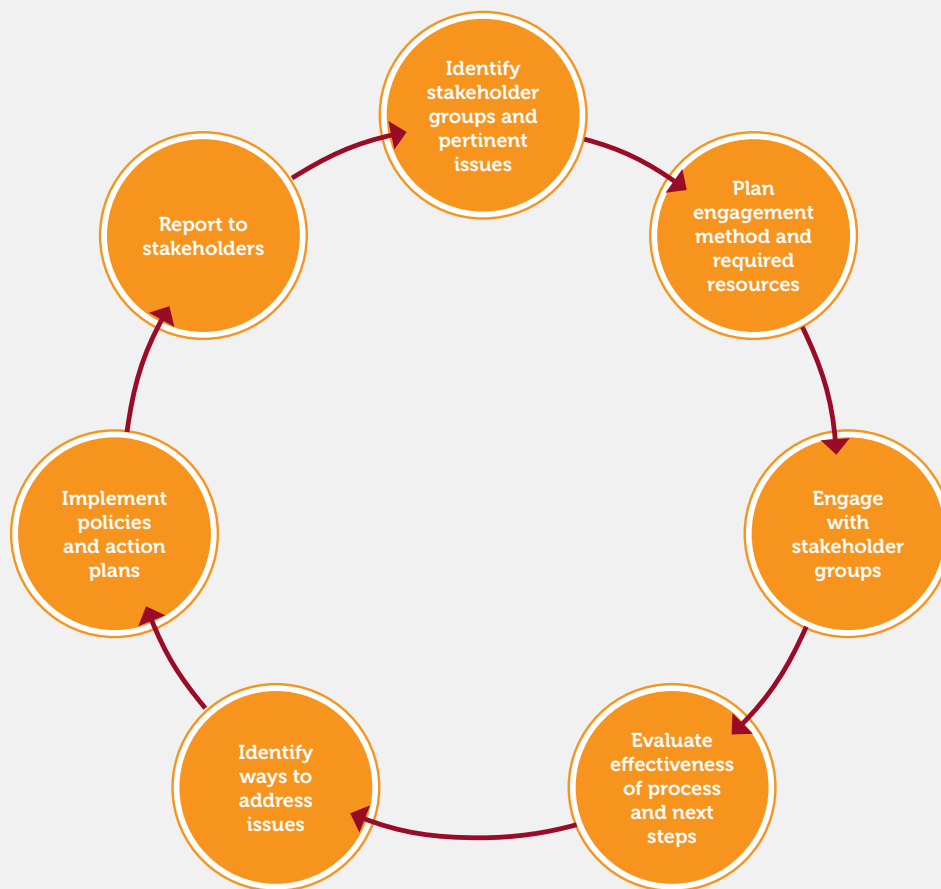
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Our process of engaging stakeholders

Identifying our stakeholders and engaging successfully with key stakeholder groups help us better understand and address their concerns while effectively balancing the distribution of value created.

Every member of Sunshine Holdings shares the responsibility of engaging with stakeholders at every contact point. Such engagement gears us for the future, powers innovation, and gains us vital insights for our strategic planning process.



Key stakeholders	Method	Frequency	Material issues/concerns
Investors	- Investor forums - Annual Report - Annual General Meeting - Extraordinary General Meeting - Press releases	- Quarterly - Biannually - Annually	- Operational viability and returns - Ethical and responsible corporate conduct - Timely disclosures
Employees	- Staff meetings - Performance reviews - Training - Staff circulars - Newsletters - Employee surveys - Awards - Networking events - Intranet	- Daily - Monthly - Quarterly - Biannually - Annually	- Fair labour practices - Industry competitive compensation and benefits - Skills development - Career development

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Key stakeholders	Method	Frequency	Material issues/concerns
Customers	- One-to-one meetings - Correspondence - Direct marketing - Advertising on print and electronic media - Official website - Brochures and leaflets - Press releases	As and when required	- Quality and standards of products and services - Product Information - Customer service - Ethical business practices
Government, statutory and regulatory bodies	- Meetings - Correspondence - Filing disclosures - Audits	As and when required	- Compliance with statutory and regulatory requirements - Uphold good governance and effective risk management practices
Business partners	- Meetings - Correspondence - Site visits - Conferences - Workshops - Roadshows - Training - Annual Report	As and when required	- Corporate reputation and standing - Financial performance - Ethical business practices - Risk management
Society	- Sponsorships - National Campaigns - Awareness programmes - Discussions with policy makers, community leaders and not-for profit organisations - Community projects	As and when required	- Creating business opportunities - Employment - Philanthropy - Environmental best practices - Policy advocacy

Materiality

As a responsible corporate citizen, our strategy centres on creating value: delivering value to stakeholders and, in turn, deriving value from them. To create value in a responsible manner, we endeavour to understand the needs of the stakeholder against the overarching trends that impact our operations as outlined on page 22 under strategy and Future outlook.

Matters that were material to the Company – those that significantly impact our ability to create value over the short, medium and long term – were mapped according to their impact on stakeholders and the Company itself. The materiality of each topic is determined by its relevance, the magnitude of its impact, and the probability of occurrence. These matters were then categorised as risks, opportunities or both.

Following this study, we identified four strategic imperatives, as described on page 22 required to capitalise on opportunities, mitigate risks, and continue our value creation journey.

Management approach

Our material topics are managed through our strategic planning process. We assign responsibility to the relevant business heads and allocate resources as required based on the significance of each material topic towards achieving our strategic imperatives.

Goals and targets, where relevant, are embedded into the KPIs of the Key Management Personnel to ensure that the Organisation achieves its objectives with regard to its material topics. These are reviewed at regular intervals.

Our people are guided by a number of policies designed to foster an environment where activities are conducted in a responsible, transparent, and ethical manner in managing the material topics. These policies are duly adopted by the Board of Directors and are reviewed regularly to ensure that the Company remains abreast of trends in the changing environment.

Where relevant, grievance mechanisms are in place with assigned responsibility to the relevant divisional heads to manage, address, and resolve the same. Internal and external audits are carried out to ensure that the stipulated internal controls, policies and procedures are adhered to. Results of these audits are reported to the Board of Directors and/or to the management committees on a regular basis for corrective action as needed.

Percentage of public holding as at 31 March 2022 was 31.35%	
Total number of shareholders	7,378
Total number of shareholders who hold the public holding %	7,369
Total number of shares issued	491,973,629
Market capitalisation of Rs.	22,138,813,305
Float adjusted market capitalisation of Rs.	6,940,517,971

In terms of the rule 7.13.1 (a) of the Listing Rules of the Colombo Stock Exchange, the Company qualifies under option three of the minimum public holding requirement.

Top 20 shareholders list as at 31 March 2023

Name	Number of shares	Percentage
Lamurep Investments Limited	271,454,139	55.18
Akbar Brothers Pvt Ltd. A/C No. 1	49,241,855	10.01
Deepcar Limited	45,574,076	9.26
SBI Ven Holdings Pte Ltd.	13,752,369	2.8
Ceylon Property Development Limited	10,915,876	2.22
Citibank Newyork S/A Norges Bank Account 2	6,971,908	1.42
Thread Capital (Private) Limited	6,167,304	1.25
Mr Visvanathamoorthy Govindasamy	6,079,500	1.24
Mr Bagwan Wassiamal Kundanmal	2,745,922	0.56
Hatton National Bank PLC/Subramaniam Vasudevan	2,586,609	0.53
Rubber Investment Trust Ltd. A/C No. 01	2,097,307	0.43
Perera and Sons Bakers (Pvt) Limited	1,500,000	0.3
Ceylon Guardian Investment Trust PLC A/C # 02	1,494,277	0.3
Union Assurance PLC – Universal Life Fund	1,481,161	0.3
Amaliya Private Limited	1,148,392	0.23
Gf Capital Global Limited	1,102,154	0.22
CodeGen International (Pvt) Ltd.	1,100,000	0.22
Commercial Bank of Ceylon PLC/Metrocorp (Pvt) Ltd.	1,063,400	0.22
DFCC Bank PLC/LCA Lankeshwara	1,000,000	0.2
Bank of Ceylon No. 1 Account	949,010	0.19

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Director's shareholdings	Number of shares	Percentage (%)
Visavanathamoorthy Govindasamy	6,079,500	1.24
Govindasamy Sathasivam	9,165	0.00
Shyam Govind Sathasivam	3,054	0.00
Sanjeev Shishoo	–	–
Harsha Duminda Abeywickrama	–	–
Asite Drupath Bandara Talwatte	3,054	0.00
Shalini Ratwatte	–	–
Damian Amal Cabraal	–	–
Sudarshan Jain	–	–
Wedage Yasanthi Ruvini Fernando	–	–
Sivakrishnarajah Renganathan	–	–
Tyeabally Akbarally	–	–

Shares not taken into account to compute public holding

	Number of shares	Percentage (%)
Lamurep Investments Limited	271,454,139	55.18
Ceylon Property Development Limited	10,915,876	2.22
Akbar Brothers (Pvt) Ltd. A/C No. 1	49,241,855	10.01
Directors' shareholding	6,094,773	1.24

The number of shareholders as at 31 March 2023

Number of shares held	Residents			Non-residents			Total		
	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%	Number of shareholders	Number of shares	%
1 – 1,000	3,196	1,243,908	0.25	5	817	0.00	4,013	1,244,725	0.25
1,001 – 10,000	2,505	9,293,187	1.89	14	49,212	0.01	2,519	9,342,399	1.90
10,001 – 100,000	704	20,723,034	4.21	10	401,245	0.08	714	21,124,279	4.29
100,001 – 1,000,000	104	31,396,916	6.38	8	2,389,061	0.49	112	33,785,977	6.87
1,000,001 and Over	16	359,075,742	72.99	4	67,400,507	13.70	20	426,476,249	86.69
Total	7,337	421,732,787	85.72	41	70,240,842	14.28	7,378	491,973,629	100.00

Categories of shareholders	31 March 2023			
	Number of shareholders	%	Number of shares	%
Individuals	7,229	97.98	5,433,858	1.10
Institutions	149	2.02	437,635,771	88.96
Total	7,378	100.00	491,973,629	90.06

Name of Company

Sunshine Holdings PLC

Legal Form

Public limited liability company
(Incorporated in 1973 and listed in the
Colombo Stock Exchange)

Date of Incorporation

16 June 1973

Registration Number

PQ13

Accounting Year End

31 March

Principal Activities

Holding company, carrying out investment in subsidiaries

Registered Office

No. 60, Dharmapala Mawatha, Colombo 3

Directors

Mr D A Cabraal (Chairman)
Mr V Govindasamy (Group Managing Director)
Mr A D B Talwatte
Mr G Sathasivam
Mr S G Sathasivam
Mr S Shishoo
Mr S Jain
Mrs Y W R Fernando
Mr Renganathan (Appointed w. e. f. 27 May 2022)
Mr T Akbarally (Appointed w. e. f. 17 August 2022)
Mr M R Mihular (Appointed w. e. f. 6 April 2023)
Ms S Ratwatte (Resigned w. e. f. 31 March 2023)
Mr H D Abeywickrama (Resigned w. e. f. 24 May 2023)

Secretaries

Corporate Services (Private) Limited
No. 216, De Saram Place,
Colombo 10
Phone: +94 11 460 5100

Auditors

KPMG
Chartered Accountants
32A, Sir Mohamed Macan Markar Mawatha,
Colombo 3

Lawyers

F J & G de Saram
(Attorney-at-Law)
No. 216, De Saram Place,
Colombo 10

Nithya Partners
(Attorney-at-Law)
No. 97/A, Galle Road,
Colombo 3

Bankers

Hatton National Bank PLC
DFCC Bank
Indian Bank
National Development Bank PLC
Nations Trust Bank PLC
Standard Chartered Bank
Seylan Bank PLC
Commercial Bank of Ceylon PLC

Credit Ratings

The Company has been affirmed a national long-term rating of "AA+(lka); Outlook Stable" with Fitch Ratings Lanka Limited.

Website

www.sunshineholdings.lk

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Notice is hereby given that the Fiftieth (50th) Annual General Meeting ("AGM") of Sunshine Holdings PLC (the Company) will be held online via a virtual platform on Friday, 23rd June 2023 at 9.00am and the business to be brought before the meeting will be:

1. To receive and consider the Annual Report of the Board of Directors, together with the Audited Financial Statements of the Company and Group, for the financial year ended 31 March 2023 and the report of the auditors thereon.
2. To declare a final cash dividend of Rs. 1.15 per share as recommended by the Board of Directors.
3. To propose the following resolution as an ordinary resolution for the reappointment of Mr G Sathasivam as a Director who has attained the age of seventy six (76) years:

"Ordinary Resolution

IT IS HEREBY RESOLVED THAT the age limit referred to in Section 210 of the Companies Act No. 07 of 2007 ("Companies' Act") shall not apply to Mr G Sathasivam, Director of the Company, who attained the age of Seventy Six (76) years and that he be reappointed as a Director of the Company."

4. To reappoint Mr T Akbarally Director of the Company, who retires in terms of Article 110 of the Articles of Association of the Company.
5. To reappoint Mr M R Mihular Director of the Company, who retires in terms of Article 110 of the Articles of Association of the Company.
6. To reappoint Mr A D B Talwatte, Director of the Company, who retires by rotation in terms of Article 104 of the Articles of Association of the Company.
7. To reappoint Mr S Shishoo, Director of the Company, who retires by rotation in terms of Article 104 of the Articles of Association of the Company.
8. To reappoint Messrs KPMG Chartered Accountants, who are deemed to be reappointed as Auditors of the Company until the conclusion of the next AGM of the Company in terms of Section 158 (1) of the Companies Act, to audit the Financial Statements of the Company for the year ending 31 March 2024 and to authorise the Directors to determine their remuneration thereof.
9. To authorise the Directors to determine the contributions to charities.



By order of the Board
Corporate Services (Private) Limited
Secretaries

30 May 2023
Colombo

Note:

Any shareholder entitled to attend and vote at this Meeting is entitled to appoint a proxy to attend and vote/speak in his/her stead and a form of proxy is sent herewith for this purpose. A proxy need not be a shareholder of the Company. A completed Form of Proxy must be deposited at the registered office of the Company, at No. 60, Dharmapala Mawatha, Colombo 03 or emailed to Kirana.Jayawardena@sunshineholdings.lk or corprateservices@corprateservices.lk not less than 48 hours before the time appointed for the holding of the Meeting.

Meeting Guidelines

The Meeting is to be held in line with the guidelines given by the Colombo Stock Exchange and the health authorities and as per the applicable laws in the manner set out below:

- (i) The shareholders who wish to participate at the Meeting will be able to join the Meeting through audio or audio and visual means via Zoom. In order for us to forward the access information necessary for participation at the Meeting, which shall include the Meeting identification number, access password, and access telephone number, please forward the duly completed registration form including your email address and contact telephone number to the registered address of the Company not less than 48 hours before the time appointed for the holding of the Meeting, so that the login information could be forwarded to the email addresses so provided.
- (ii) If the Company is unable to post this Notice due to any situation beyond its control, then this Notice will be published in one issue of a daily newspaper in the Sinhala, Tamil, and English languages and if the circumstances permit, in one issue of the Gazette. The Notice of Meeting, Form of Proxy and Registration Form will also be published on the website of the Colombo Stock Exchange (<https://www.cse.lk/pages/company-profile/company-profile.component.html?symbol=SUN.N0000>) and the website of the Company (<https://www.sunshineholdings.lk/>).
- (iii) Proxy forms are forwarded to the shareholders together with the Notice of Meeting and Registration form. Proxy forms have been uploaded to the Company's website (<https://www.sunshineholdings.lk/>) and should be duly completed as per the instructions given therein and sent to the registered address of the Company or emailed to Kirana.Jayawardena@sunshineholdings.lk or corprateservices@corprateservices.lk not less than 48 hours before the time appointed for the holding of the meeting and the proxy so appointed shall participate at the Meeting through audio or audio visual means only.
- (iv) The shareholders who are unable to participate at the AGM via Zoom could send their queries, if any, to email address Kirana.Jayawardena@sunshineholdings.lk or corprateservices@corprateservices.lk at any time before the meeting time and the responses to the same will be included in the minutes of the Meeting.
- (v) Voting in respect of the items specified in the agenda to be passed will be registered by using the audio or audio and visual means (Zoom) or a designated ancillary online application. All of such procedures will be explained to the shareholders prior to the commencement of the Meeting.
- (vi) For any questions please contact Mr Kirana Jayawardena of Sunshine Holdings PLC on +94 11 470 2400 during office hours.

FORM OF PROXY

*I/We

of

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

1. Mr D A Cabraal	or failing him,
2. Mr V Govindasamy	or failing him,
3. Mr G Sathasivam	or failing him,
4. Mr S G Sathasivam	or failing him,
5. Mr A D B Talwate	or failing him,
6. Mr S Shishoo	or failing him,
7. Mr S Jain	or failing him,
8. Ms W Y R Fernando	or failing her,
9. Mr S Renganathan	or failing him,
10. Mr T Akbarally	or failing him,
11. Mr M R Mihular	or failing him,

.....of

as my/our proxy to represent me/us and to speak and to vote on my/our behalf at the Annual General Meeting of the Company to be held on the Twenty Third (23rd) day of June 2023 at 9.00am and at any adjournment thereof and at every poll which may be taken in consequence thereof.

	For	Against
1. To receive and consider the Annual Report of the Board of Directors together with the Audited Financial Statements of the Company and the Group for the year ended 31 March 2023 and the report of the Auditors thereon.	☐	☐
2. To declare a final cash dividend of Rs. 1.15 per share as recommended by the Board of Directors.	☐	☐
3. To reappoint Mr G Sathasivam as a Director who attained the age of seventy six (76) years.	☐	☐
4. To reappoint Mr T Akbarally as a Director who retires in terms of Article 110 of the Articles of Association of the Company	☐	☐
5. To reappoint Mr M R Mihular as a Director who retires in terms of Article 110 of the Articles of Association of the Company.	☐	☐
6. To reappoint Mr A D B Talwate as a Director who retires by rotation in terms of Article 104 of the Articles of Association of the Company.	☐	☐
7. To reappoint Mr S Shishoo as a Director who retires by rotation in terms of Article 104 of the Articles of Association of the Company.	☐	☐
8. To reappoint KPMG (Chartered Accountants), who are deemed to be reappointed as Auditors of the Company until the conclusion of the next AGM of the Company in terms of Section 158 (1) of the Companies Act, to audit the Financial Statements of the Company for the year ending 31 March 2024 and to authorise the Directors to determine their remuneration thereof.	☐	☐
9. To authorise the Directors to determine the contributions to charities.	☐	☐

Signed this day of Two Thousand and Twenty Three.

.....
*Signature/s

Note: Please delete the inappropriate words.

Instructions as to Completion

1. Kindly complete the Form of Proxy after filling in legibly your full name and address and sign in the space provided. Please fill in the date of signature.
2. A shareholder entitled to attend and vote at the Meeting is entitled to appoint a proxy who need not be a shareholder, to attend and vote instead of him.
3. In the case of a corporation, the form must be completed under its common seal, which should be affixed and attested in the manner prescribed by the articles of association.
4. If the form of proxy is signed by an Attorney, the relevant Power of Attorney should also accompany to the completed Form of Proxy, in the manner prescribed by the articles of association.
5. The completed Form of Proxy should be deposited at the registered office of the Company, No. 60, Dharmapala Mawatha, Colombo 03 or emailed to kirana.jayawardena@sunshineholdings.lk or coroprateservices@coroprateservices.lk **not less than 48 hours before** the time appointed for the holding of the meeting.



**This Integrated Annual Report is
GHG-neutral**

Produced by Smart Media (Pvt) Limited, a GHG-neutral company that reduces and offsets its direct and indirect greenhouse gas emissions through certified sources.

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Global Standard Annual Report Number®
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www.carbonfund.org



SUNSHINE HOLDINGS PLC

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