NOTES TO THE FINANCIAL STATEMENTS

1. REPORTING ENTITY

1.1 DOMICILE AND LEGAL FORM

Sunshine Holdings PLC (the Company) is a public limited liability Company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The registered office and principle place of business of the Company is located at No. 60, Dharmapala Mawatha, Colombo 03.

Total staff strength of the Company and the Group on 31 March 2020 was as follow:

Group 2,663 (31 March 2019 – 9,680)

Company 20 (31 March 2019 – 18)

1.2 CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of Sunshine Holdings PLC as at and for the year ended 31 March 2020 comprise the financial information of Company and its subsidiaries (together referred to as "the Group" and encompass the Company and its subsidiaries (together referred to as the "Group").

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

1.3 PARENT ENTITY AND ULTIMATE PARENT ENTITY

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

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

The Group structure is given on page 56.

Entity	Principal business activity
Sunshine Holdings PLC	Managing portfolio of investments
Subsidiaries	
Sunshine Healthcare Lanka Ltd.	Importing and distributing of pharmaceutical products islandwide
Healthguard Pharmacy Ltd.	Engage in buying and selling of pharmaceutical items and healthcare through its chains of pharmacies
Estate Management Services (Pvt) Ltd.	Providing expert management services to Watawala Plantations PLC, Watawala Dairy Limited and Watawala Tea Ceylon Limited.
Watawala plantations PLC	Engage in cultivation, manufacture and sale of crude palm oil
Watawala Dairy Ltd.	Engage in dairy farming
Watawala Tea Ceylon Ltd.	Buying and adding value to tea for local and export markets
Zesta Tea Ceylon (Shenzhen) Co. Limited	Wholesale, retail and import and export of tea leaves, tea set and accessories and raw materials
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 Energy (Pvt) Ltd.	Investing in power generating companies
Waltrim Energy Ltd.	Develop a Hydropower Plant and produce hydro electric energy
Waltrim Hydropower (Pvt) Ltd.	
Elgin Hydropower (Pvt) Ltd.	
Upper Waltrim Hydropower (Pvt) Ltd.	
Sky Solar (Pvt) Ltd.	Produce electricity units using Solar Panels
Associate	
Strategic Business Innovator (Pvt) Ltd.	Providing corporate business advisory services

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

2. BASIS OF ACCOUNTING

2.1 STATEMENT OF COMPLIANCE

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

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

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

The Financial Statements were authorised for issue by the Directors on 27 May 2020.

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 10 to 44 on pages 67 to 158.

This is the first set of the Group's Annual Financial Statements in which SLFRS 16 on "Leases" has been applied. The related changes to significant accounting polices are described in Note 7.

These financial statements include the following components:

- a Consolidated 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 46 and 47).
- a Statement of Financial Position providing information on the financial position of the Group and Company as at the year end; (Refer page 48 and 49).
- 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 50 and 52).
- 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 54 to 55).
- Notes to the Financial Statements comprising accounting policies and other explanatory information. (Refer pages 57 to 159)

2.2 MATERIALITY AND AGGREGATION

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

2.3 GOING CONCERN

The Directors have made an assessment of the Group's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on a going concern basis.

2.4 OFFSETTING

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

2.5 COMPARATIVE INFORMATION

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

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

The Group initially applied SLFRS 16 at 1 April 2019, using the modified retrospective approach. Under this approach, comparative information is not restated.

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. USE OF ESTIMATE AND JUDGEMENTS

In preparing these Consolidated Financial Statements, management has made judgements and estimates that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) JUDGEMENTS

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

- Note 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 2020 that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities in the next financial year is included in the following Notes:

- Note 35 – measurement of defined benefit obligations: key actuarial assumptions;
- Note 14 – recognition of current tax expense;
- Note 27 – recognition of deferred tax assets: availability of future taxable profit against which deductible temporary differences and tax losses carried forward can be utilised;
- Note 22 – determining the fair value of biological assets on the basis of significant unobservable inputs;
- Note 44 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources
- Note 6 – impairment of financial and non-financial assets
- Note 47 – potential impact of COVID-19 on financial reporting.

5. BASIS OF MEASUREMENT

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

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

6. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the following accounting policies to all periods presented in these Consolidated Financial Statements except if mentioned otherwise.

6.1 BASIS OF CONSOLIDATION

Business combinations

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

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.

6.2 FOREIGN CURRENCY

Foreign currency transactions

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

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

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

6.3 IMPAIRMENT OF ASSETS

6.3.1 FINANCIAL INSTRUMENTS AND CONTRACT ASSETS

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract;
- 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.

6.3.2 NON-FINANCIAL ASSETS

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

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

6.4 PROVISIONS

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

7. CHANGES IN SIGNIFICANT ACCOUNTING POLICIES

The Group has initially applied SLFRS 16 on "Leases" from 1 April 2019.

7.1 SLFRS 16 LEASES

The Group applied SLFRS 16 using the modified retrospective approach, under which Right of Use of underlying asset (ROU asset) and lease liability were recognised at equal amounts as at 1 April 2019. Accordingly, the comparative information presented for 2018 is not restated. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SLFRS 16 have not generally been applied to comparative information.

7.1.1 DEFINITION OF A LEASE

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under IFRIC 4 – "Determining whether an Arrangement Contains a Lease". The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in page 125.

On transition to SLFRS 16, the Group elected to apply the practical expedient to KPMG to confirm the assessment of which transactions are leases. The Group applied SLFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under LKAS 17 and IFRIC 4 were not reassessed for whether there is a lease under SLFRS 16. Therefore, the definition of a lease under SLFRS 16 was applied only to contracts entered into or changed on or after 1 April 2019.

7.1.2 AS A LESSEE

As a lessee, the Group leases office premises, warehouses and sales outlets. The Group previously classified these leases as operating leases under LKAS 17 based on its assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SLFRS 16, the Group recognises right-of-use assets and lease liabilities for leases of office premises, warehouses and sales outlets – i.e. these leases are on-balance sheet.

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 leases of office premises , warehouses and sales outlets; the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 April 2019.

The Group used a number of practical expedients when applying SLFRS 16 to leases previously classified as operating leases under LKAS 17. In particular, the Group:

- on its assessment of whether leases are onerous under LKAS 37 on "Provisions, Contingent Liabilities and Contingent Assets" immediately before the date of initial application as an alternative to performing an impairment review;
- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of value assets below Rs. 1 Mn. (i.e. IT equipment);
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term;
- applied a single discount rate to leases with similar characteristics.

7.1.3 LEASES CLASSIFIED AS FINANCE LEASES UNDER LKAS 17

The Group leases a number of items. These leases were classified as finance leases under LKAS 17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 April 2019 were determined at the carrying amount of the lease asset and lease liability under LKAS 17 immediately before that date.

7.2 AS A LESSOR

The Group leases out its investment property, including own property and right-of-use assets. The Group has classified these leases as operating leases.

For lease out under finance leases, Group recognises an asset at an amount equal to the net investment in the lease. Lease payments received from operating leases are recognised as income on straight-line basis.

The Group is not required to make any adjustments on transition to SLFRS 16 for leases in which it acts as a lessor.

The Group has applied SLFRS 15 "Revenue from Contracts with Customers" to allocate consideration in the contract to each lease and non-lease component.

As at 1 April 2019	Group Rs.	Company Rs.
Operating lease commitments at 31 March 2019 as disclosed under LKAS 17 in the Group's Consolidated Financial Statements	240,408,074	31,889,303
Discounted using the incremental borrowing rate at 1 April 2019	174,011,000	26,378,451
Finance lease liabilities recognised as at 31 March 2019	327,766,663	–
– Recognition exemption for leases of low-value assets	–	(15,473,484)
– Recognition exemption for leases with less than 12 months of lease term at transition	(64,699,664)	–
– Extension options reasonably certain to be exercised	29,615,312	27,300,830
Lease liabilities recognised at 1 April 2019	466,693,311	38,205,797

7.3 IFRIC INTERPRETATION 23 UNCERTAINTY OVER INCOME TAX TREATMENT

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of LKAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of LKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company/Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Company/Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Company/ Group operates in a complex environment, it assessed whether the Interpretation had an impact on its Financial Statements.

Upon adoption of the Interpretation, the Company/Group considered whether it has any uncertain tax positions and company determined that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the financial statements of the Company/Group.

7.4 IMPACT ON THE FINANCIAL STATEMENTS

7.4.1 IMPACT ON TRANSITION

On transition to SLFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities. The impact on transition is summarised below:

As at 1 April 2019	Group Rs.	Company Rs.
Right-of-use assets – property, plant and equipment and lease hold right to land	538,871,578	38,205,797
Lease liabilities	466,693,311	38,205,797

Refer Note 34.2 and Note 34.3, 19 and 21.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average rate applied is 14%.

** Impact on statement of changes in equity*

	Retained earnings Group Rs.
Opening balance as at 1 April 2019	5,488,287,477
Impact due to initial application of SLFRS 16	25,835,075
Opening balance under SLFRS 16 application as at 1 April 2019	5,514,122,552

8. STANDARDS ISSUED BUT NOT YET ADOPTED

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these Consolidated Financial Statements.

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

- Amendments to References to Conceptual Framework in SLFRS Standards.
- Definition of a Business (Amendments to SLFRS 3).
- SLFRS 17 – "Insurance Contracts".
- Interest benchmark reforms.
- Definition of a material (Amendments to LKAS 1 and LKAS 8) SLFRS 17 – "Insurance Contracts" establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. SLFRS 17 introduces a new measurement model for insurance contracts and becomes effective in 2023.

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	Marketing pharmaceuticals, nutraceuticals, medical diagnostic equipment and surgical products
Agribusiness	Cultivate oil palm, and dairy
Consumer goods	Sale of tea
Energy	Power generation from renewable energy sources
Investment	Managing portfolio of investments
Management services	Providing management services
Rental business	Renting out of premises

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

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

Information about reportable segments

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

2020	Healthcare Rs.	Agribusiness Rs.	Consumer goods Rs.
External revenues	11,150,105,066	3,839,078,000	5,448,416,504
Inter-segment revenue	–	–	–
Segment revenue	11,150,105,066	3,839,078,000	5,448,416,504
Segment profit/(loss) before tax	750,973,278	934,381,238	425,549,310
Interest income	38,803,564	12,342,715	15,162,232
Interest expense	(146,719,834)	(193,099,811)	(6,917,874)
Depreciation and amortisation	(201,752,178)	(331,780,000)	(127,610,556)
Other material non-cash items			
– Impairment losses on trade and other receivables	(12,924,708)	–	(24,075,800)
Segment assets	6,158,349,660	6,987,543,000	1,700,388,897
Capital expenditure	(124,500,327)	(359,184,999)	(36,215,484)
Segment liabilities	3,555,603,977	2,389,390,000	435,382,831

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

REPORTABLE SEGMENTS				Total
Energy Rs.	Investment Rs.	Management Service Rs.	Rental business Rs.	Rs.
312,762,696	497,330,868	–	24,534,526	21,272,227,660
–	–	–	10,288,235	10,288,235
312,762,696	497,330,868	–	34,822,761	21,282,515,895
33,368,351	312,812,421	197,598,388	200,745,303	2,855,428,289
19,043,543	120,047,566	75,421,300	1,245,118	282,066,037
(78,434,344)	(183,975,056)	(155,676)	(17,020,274)	(626,322,869)
(108,417,960)	(17,965,558)	(2,861,096)	(4,954,540)	(795,341,888)
–	–	–	–	(37,000,508)
2,236,507,706	7,027,287,578	9,029,686,263	1,009,192,172	34,148,955,276
(131,402,820)	(15,245,259)	–	(119,159,259)	(785,708,148)
892,171,302	3,098,127,380	21,247,329	281,541,760	10,673,464,579

REPORTABLE SEGMENTS				Total
Energy Rs.	Investment Rs.	Management Service Rs.	Rental business Rs.	Rs.
355,771,519	514,907,500	–	19,034,815	23,185,737,786
–	–	–	–	–
355,771,519	514,907,500	–	19,034,815	23,185,737,786
162,200,908	240,636,058	708,076,483	(87,987,599)	3,014,222,446
4,459,983	114,918,099	7,074,541	51,816	227,531,530
(47,618,391)	(178,218,809)	(7,396,446)	(20,122,530)	(576,467,912)
(75,324,600)	(5,999,124)	(11,456)	–	(754,343,190)
(2,656,285)	–	(644,467)	(28,657,612)	(70,937,688)
1,945,018,981	5,581,778,780	8,582,062,217	627,074,245	34,262,104,401
(328,907,522)	(18,288,951)	(98,000)	–	(1,387,342,284)
919,647,022	1,778,798,500	5,702,789	229,746,880	11,346,756,286

9.2 OPERATING SEGMENTS

Reconciliations of information on reportable segments to IFRS measures

	2020 Rs.	2019 Rs.
Revenue		
Total revenue for reportable segments	21,282,515,895	23,185,737,786
Elimination of inter-segment revenue	(451,627,629)	(543,749,888)
Elimination of discontinued operations	–	–
Consolidated revenue	20,830,888,266	22,641,987,898
Profit before tax		
Total profit before tax for reportable segments	2,855,428,289	3,014,222,446
Elimination of inter-segment profit	(292,051,364)	(1,132,645,845)
Consolidated profit before tax from operations	2,563,376,925	1,881,576,601
Assets		
Total assets for reportable segments	34,148,955,276	34,262,104,401
Elimination of inter-segment assets	(11,314,491,863)	(12,201,723,371)
Consolidated total assets	22,834,463,413	22,060,381,030
Liabilities		
Total liabilities for reportable segments	10,673,464,579	11,346,756,286
Elimination of inter-segment liabilities	(288,707,634)	(279,210,156)
Consolidated total liabilities	10,384,756,945	11,067,546,130

2020	Reportable segment totals Rs.	Adjustments Rs.	Consolidated totals Rs.
Other material items			
Interest income	282,066,037	(17,575,548)	264,490,489
Interest expense	(626,322,869)	17,575,547	(608,747,322)
Capital expenditure	(785,708,148)	–	(785,708,148)
Depreciation and amortisation	(795,341,888)	–	(795,341,888)
Impairment losses on trade and other receivables	(37,000,508)	–	(37,000,508)

2019	Reportable segment totals Rs.	Adjustments Rs.	Consolidated totals Rs.
Other material items			
Interest income	227,531,530	943,853	228,475,383
Interest expense	(576,467,912)	16,399,630	(560,068,282)
Capital expenditure	(1,387,342,284)	(95,757,764)	(1,483,100,048)
Depreciation and amortisation	(754,343,190)	34,635,953	(719,707,237)
Impairment losses on trade and other receivables	(70,937,688)	52,925,382	(18,012,306)

9.3 GEOGRAPHIC INFORMATION

The agribusiness and consumer goods segments are managed on a worldwide basis, but operate manufacturing facilities and sales offices primarily in Sri Lanka.

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

	2020 Rs.	2019 Rs.
Revenue		
Sri Lanka	21,104,298,089	22,805,132,723
China	61,726,752	189,889,525
Singapore	17,720,577	38,088,613
Philippines	16,604,866	22,176,079
Japan	19,108,520	13,141,577
Other countries	63,057,091	117,309,269
	21,282,515,895	23,185,737,786
Segment assets		
Sri Lanka	34,105,984,591	34,168,873,783
Other countries	42,970,685	93,230,618
	34,148,955,276	34,262,104,401

10. REVENUE

Accounting policy

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

A. REVENUE STREAMS

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

	GROUP		COMPANY	
For the year ended 31 March	**2020 Rs.**	2019 Rs.	**2020 Rs.**	2019 Rs.
Revenue from contracts with customers	20,796,065,505	22,622,953,083	497,330,868	514,907,500
Other revenue				
Rentals from investment property	34,822,761	19,034,815	–	–
	20,830,888,266	22,641,987,898	497,330,868	514,907,500

B. DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

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

For the year ended 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Primary geographic markets				
Local	20,652,670,458	22,261,335,570	497,330,868	514,907,500
Exports	178,217,808	380,652,328	–	–
	20,830,888,266	22,641,987,898	497,330,868	514,907,500
Major product/service lines				
Investments	55,991,474	16,430,382	497,330,868	514,907,500
Healthcare	11,150,105,066	9,314,768,314	–	–
Plantations	3,839,078,000	7,076,483,230	–	–
Consumer Goods	5,448,416,504	5,859,499,638	–	–
Energy	312,762,696	355,771,519	–	–
Rental business	24,534,526	19,034,815	–	–
	20,830,888,266	22,641,987,898	497,330,868	514,907,500
Timing of revenue recognition				
Products transferred at a point in time	20,806,353,740	22,622,953,083	497,330,868	514,907,500
Products and services transferred over time	24,534,526	19,034,815	–	–
Revenue from contracts with customers	20,830,888,266	22,641,987,898	497,330,868	514,907,500
Other revenue	–	–	–	–
External revenue as reported in Note 9	20,830,888,266	22,641,987,898	497,330,868	514,907,500

C. CONTRACT BALANCES

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

D. PERFORMANCE OBLIGATIONS AND REVENUE RECOGNITION POLICIES

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

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

Type of product/service	Nature of timing of satisfaction of performance obligations, including significant payment terms	Revenue recognition under SLFRS 15
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.
Plantations	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.
Consumer Goods	Customers obtain control of the goods sold when the goods are delivered to and have been accepted at their premises. Invoices are generated at that point in time.	Revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control is at a point in time.
Energy	This includes income from generating electricity units and transferred to Ceylon Electricity Board of Sri Lanka.	Revenue is recognised point in time as the electricity units are transferred to Ceylon Electricity Board of Sri Lanka.
Rental business	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	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Dividend income	–	7,088,000	–	–
Gain on sale of property, plant and equipment	44,059,002	78,376,481	2,011,685	–
Amortisation of capital grants	50,555,000	56,823,000	–	–
Profit on sale of trees (Note 11.1)	7,747,000	33,105,000	–	–
Fair value gain on investment properties (Note 23)	116,267,064	–	–	–
Lease rent – bungalow and others	134,129	7,356,000	–	–
Income from investment fund	31,674,000	23,456,000	–	–
Gain on sale of investments	43,749,239	–	–	–
Scrap sales	–	20,026	–	–
Sundry income (Note 11.3)	111,675,737	84,500,489	910,808	72,848
Rent income	25,807,361	55,420,506	–	–
Service income	–	–	306,972,559	283,950,180
Change in fair value of quoted shares	4,422,113	(11,017,276)	4,422,113	(11,017,276)
Change in fair value of livestock (Note 22.3)	12,634,000	(24,493,000)	–	–
Change in fair value of unharvested crop	10,526,000	2,128,000	–	–
Change in fair value of biological assets (Note 11.2)	(6,656,000)	9,479,000	–	–
	452,594,645	322,242,226	314,317,165	273,005,752

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

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

11.3 Sundry income mainly includes commission income received from foreign suppliers for securing contracts with Government to Sunshine Healthcare Lanka Limited amounting to Rs. 77.7 Mn. (2019 – Rs. 75.4 Mn).

12. OPERATING PROFIT

Accounting policy

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

Expenses

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

Borrowing costs

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

For the year ended 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Staff costs (Note 12.1)	2,414,396,816	4,541,157,583	297,465,212	289,521,114
Statutory audit fees – KPMG	9,124,380	6,721,000	1,550,000	1,500,000
– Other auditors	1,690,456	2,161,000	–	–
Audit related – KPMG	2,271,400	1,561,974	970,000	1,465,189
Non-audit – KPMG	4,486,196	32,076	3,476,226	32,076
– Other auditors	1,009,290	2,069,733	1,009,290	1,936,152
Provision/(Reversal) for doubtful debts	37,000,508	(22,673,239)	–	–
Depreciation				
– Property, plant and equipment	555,677,295	508,242,444	17,942,996	5,245,999
– Immovable lease assets	11,433,000	17,158,385	–	–
– Biological assets – bearer	297,574,312	192,050,000	–	–
Amortisation of intangible assets	34,056,660	29,858,361	22,562	753,125
Amortisation – Leasehold right to bare land	9,690,135	7,034,000	–	–

12.1 STAFF COSTS

For the year ended 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Defined benefit plan (Gratuity)	110,473,610	298,038,486	15,108,292	14,409,308
Defined contribution EPF and ETF	206,548,655	393,023,177	26,566,821	24,588,838
Salaries, wages and other staff cost	2,113,499,019	3,853,147,119	256,023,509	250,522,968
	2,414,396,816	4,541,157,583	297,465,212	289,521,114

13. NET FINANCE COST

Accounting policy

The Group's finance income and finance costs include:

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

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

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

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

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

For the year ended 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Interest income from related companies	–	–	17,575,548	16,730,630
Exchange gain	46,085,165	77,551,283	3,055	–
Interest income on other deposits/loans	218,405,324	150,924,100	102,468,963	98,187,469
Finance income	264,490,489	228,475,383	120,047,566	114,918,099
Interest on overdrafts and loans	534,256,783	483,879,972	180,331,879	178,218,809
Finance expense on lease liabilities	74,490,539	76,188,310	3,643,177	–
Finance cost	608,747,322	560,068,282	183,975,056	178,218,809
Net finance cost	(344,256,833)	(331,592,899)	(63,927,490)	(63,300,710)

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.

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

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

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

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

Withholding tax on dividends

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

14.1 AMOUNT RECOGNISED IN PROFIT OR LOSS

For the year ended 31 March	GROUP 2020 Rs.	GROUP 2019 Rs.	COMPANY 2020 Rs.	COMPANY 2019 Rs.
Current tax expense				
Current income tax expense (Note 14.1.1)	541,450,003	473,491,505	–	4,365,938
Changes in estimates relating to prior years	20,447,174	(19,152,020)	(4,365,938)	–
Unclaimable economic service charges (ESC)	1,013,891	18,264,615	–	–
WHT on dividends from subsidiaries	90,537,142	150,245,840	–	–
	653,538,210	622,849,940	(4,365,938)	4,365,938
Deferred tax expenses				
Origination and reversal of deferred tax assets (Note 27.2)	19,485,816	(160,281,957)	(10,846,237)	(23,720,940)
Origination and reversal of deferred tax liabilities (Note 27.3)	57,715,332	273,374,459	7,486,858	104,828
	77,201,148	113,092,502	(3,359,379)	(23,616,112)
Tax expense	730,739,358	735,942,442	(7,725,317)	(19,250,174)

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

14.1.1 CURRENT TAXES

Company

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

Group

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

For the year ended 31 March		Tax Rate 2020 %	Tax Rate 2019 %
Sunshine Healthcare Lanka Limited		28	28
Estate Management Services (Private) Limited	– Interest income	28	28
Watawala Plantations PLC	– Profits from cultivation	14	14
	– Profits from bulk tea exports	14	14
	– Profits from packeted tea exports	14	14
	– Profits from other activities	28	28
Healthguard Pharmacy Limited		28	28
Watawala Tea Ceylon Limited		28	28
Sunshine Packaging Limited		28	28
Sunshine Energy Limited		28	28
Sky Solar (Pvt) Ltd.		28	28
Waltrim Energy Limited		28	28
Waltrim Hydropower (Private) Limited		10	10
Hatton Plantations PLC		14	14
Norris Canal Properties (Pvt) Ltd.		28	–

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

WALTRIM HYDROPOWER (PRIVATE) LIMITED

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

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

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

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

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

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

The exemption period for Elgin Hydropower (Private) Ltd., commenced from financial year 2020/21.

WATAWALA DAIRY LIMITED

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

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

14.2 AMOUNT RECOGNISED IN OCI

For the year ended 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit liability/ (asset) (Note 27.2)	434,921	41,516,040	(634,692)	658,294
Equity investments at FVOCI – net change in fair value (Note 27.3)	11,296,155	(6,277,711)	11,296,156	(6,277,311)
	11,731,076	35,238,329	10,661,464	(5,619,017)

14.3 AMOUNTS RECOGNISED DIRECTLY IN EQUITY

There were no items recognised directly in equity during the year ended 31 March 2020.

14.4 RECONCILIATION OF EFFECTIVE TAX RATE

Group

	%	**2020 Rs.**	%	2019 Rs.
Profit before tax		2,563,376,925		1,881,576,601
Tax using the Company's domestic tax rate	28	717,745,539	28	526,841,448
Effect of the tax rates in subsidiaries	-6	(156,373,504)	7	127,885,700
Tax effect of:				
Non-deductible/Allowable expenses	2	40,063,570	10	194,603,852
Tax-exempt income	-1	(22,350,362)	-19	(364,503,710)
Changes in estimates relating to prior years	1	20,447,174	-1	(19,152,020)
Recognition of previously unrecognised tax losses	-1	(37,545,240)	-1	(11,335,785)
Unclaimable Economic Service Charges (ESC)	0	1,013,891	0	18,264,615
WHT on dividends from subsidiaries	4	90,537,142	2	150,245,840
	25	653,538,210	33	622,849,940

Company

	%	**2020 Rs.**	%	2019 Rs.
Profit before tax from continuing operations		312,812,421		240,636,058
Tax using the Company's domestic tax rate	28	87,587,478	28	67,378,096
Tax effect of:				
Non-deductible expenses and allowable expenses	20	62,264,726	3	53,124,805
Tax-exempt income and non-taxable income	-45	(141,000,822)	-6	(116,136,964)
Recognition of previously unrecognised tax losses	-3	(8,851,382)	–	–
Changes in estimates relating to prior years	-1	(4,365,938)	–	–
	-1	(4,365,938)		4,365,938

14.5 TAX LOSSES CARRIED FORWARD

For the year ended 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Tax loss brought forward	3,182,472,157	2,471,075,043	220,157,655	255,439,994
Reassessment of previous year tax losses	227,649,385	(35,347,455)	151,729,963	(35,282,339)
Tax loss for the year of assessment	592,764,852	843,552,543	88,622,736	–
Set-off against the current taxable income	(271,861,400)	(96,807,974)	(120,234,809)	–
Tax loss carried forward	3,731,024,994	3,182,472,157	340,275,545	220,157,655

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

For the year ended 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Expire	3,731,024,994	3,182,472,157	340,275,545	220,157,655
Never expire	–	–	–	–
	3,731,024,994	3,182,472,157	340,275,545	220,157,655

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

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

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

Reconciliation of adjusted EBITDA to profit from continuing operations – Group

For the year ended 31 March	**2020 Rs.**	2019 Rs.
Profit from continuing operations	1,832,637,567	1,145,634,159
Income tax expense	730,739,358	735,942,442
Profit before tax	2,563,376,925	1,881,576,601
Adjustment for –		
Net finance costs	344,256,833	331,592,899
Depreciation	864,684,606	717,450,829
Amortisation	43,746,795	36,892,361
Share of loss of equity-accounted investee, net of tax	1,413,934	5,161,319
Adjusted EBITDA	3,817,479,093	2,972,674,009

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 2020	GROUP	COMPANY
Profit for the year, attributable to the owners of the Company (Rs.)	1,147,045,944	320,537,738
Weighted average number of ordinary shares (basic)	149,554,103	149,554,103
Basic earnings per share (Rs.)	7.67	2.14

For the year ended 31 March 2019	GROUP	COMPANY
Profit for the year, attributable to the owners of the Company (Rs.)	646,984,059	259,886,232
Weighted average number of ordinary shares (basic)	145,910,189	145,910,189
Basic earnings per share (Rs.)	4.43	1.78

16.1.1 WEIGHTED AVERAGE NUMBER OF SHARES

	2020	2019
Issued ordinary shares as at 1 April	149,554,103	136,492,280
Effect of shares issued via scrip dividends	–	826,761
Effect of shares issued via private placement	–	8,591,149
Weighted average number of shares	149,554,103	145,910,190

16.2 DILUTED EARNINGS PER SHARE

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

17. DIVIDEND PER SHARE

Accounting policy

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

The Board of Directors of the Company has declared a final dividend of Rs. 0.75 per share (2019 – first and final dividend of Rs. 1.25 per share) for the financial year ended 31 March 2020.

	2020	2019
Dividend declared (Rs.)	112,165,577	186,942,629
Number of ordinary shares	149,554,103	149,554,103
Dividend per share (Rs.)	0.75	1.25

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

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the Company satisfied the solvency test in accordance with Section 57, prior to declaring the final dividend. A statement of solvency duly completed and signed by the Directors on 27 May 2020 has been audited by Messrs KPMG.

17.1 DIVIDEND PAID DURING THE YEAR

	2020 Rs.	2019 Rs.
Final dividend of Rs. 0.75 per share (2019 – first and final dividend of Rs. 1.25 per share)	112,165,577	186,942,629

18. FINANCIAL ASSETS AND LIABILITIES

FINANCIAL ASSETS

RECOGNITION AND INITIAL MEASUREMENT

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

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

CLASSIFICATION AND SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS

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

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

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

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

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

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

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

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

FINANCIAL ASSETS – BUSINESS MODEL ASSESSMENT

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

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

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

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

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

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

FINANCIAL ASSETS – SUBSEQUENT MEASUREMENT AND GAINS AND LOSSES

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

NON-DERIVATIVE FINANCIAL LIABILITIES

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

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

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

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

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

DERECOGNITION

A. FINANCIAL ASSETS

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

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

B. FINANCIAL LIABILITIES

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

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

OFFSETTING

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

CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

31 March 2020	Mandatorily at FVTPL Rs.	FVOCI – Equity instruments Rs.	Amortised cost Rs.	Total carrying value Rs.
Financial assets				
Investment in unquoted shares	–	537,522,639	–	537,522,639
Investment in quoted shares	75,890,853	–	–	75,890,853
Investment in unit trust	7,346,627	–	–	7,346,627
Investment fund	343,725,000	–	–	343,725,000
Derivative instruments	234,792,226	–	–	234,792,226
Investment in debentures	–	–	106,419,178	106,419,178
Trade and other receivables	–	–	4,295,571,105	4,295,571,105
Amounts due from related parties	–	–	78,704,645	78,704,645
Cash and cash equivalents	–	–	4,572,232,065	4,572,232,065
Total financial assets	661,754,706	537,522,639	8,484,659,334	9,683,936,679
Financial liability				
Loans and borrowings	–	–	5,283,746,339	5,283,746,339
Bank overdraft	–	–	1,163,836,455	1,163,836,455
Trade and other payables	–	–	1,779,294,948	1,779,294,948
Amounts due to related parties	–	–	27,513,242	27,513,242
Total financial liabilities	–	–	8,254,390,984	8,254,390,984

31 March 2019	Mandatorily at FVTPL Rs.	FVOCI – Equity instruments Rs.	Amortised cost Rs.	Total carrying value Rs.
Financial assets				
Investment in unquoted shares	–	594,319,053	–	594,319,053
Investment in quoted shares	61,297,280	–	–	61,297,280
Investment in unit trust	8,461,934	–	–	8,461,934
Investment fund	312,051,000	–	–	312,051,000
Derivative instruments	203,742,135	–	–	203,742,135
Trade and other receivables	–	–	3,748,583,413	3,748,583,413
Amounts due from related parties	–	–	27,998,528	27,998,528
Cash and cash equivalents	–	–	1,883,372,118	1,883,372,118
Total financial assets	585,552,349	594,319,053	5,029,237,255	6,209,108,657
Financial liability				
Loans and borrowings	–	–	4,412,962,430	4,412,962,430
Bank overdraft	–	–	826,769,498	826,769,498
Trade and other payables	–	–	2,293,649,406	2,293,649,406
Amounts due to related parties	–	–	25,190,848	25,190,848
Total financial liabilities	–	–	7,558,572,182	7,558,572,182

19. PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Recognition and measurement

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

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

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

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

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

Restoration costs

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

Capital work-in-progress

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

Leasehold assets

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

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

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

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

Subsequent costs

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

Accounting policy

Derecognition

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

Depreciation

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

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

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

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

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

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

CALCULATION OF RECOVERABLE AMOUNT

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

PROVISION FOR/REVERSAL OF IMPAIRMENT

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

19.1 RECONCILIATION OF CARRYING AMOUNT

A. GROUP

COST

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

	Balance as at 1 April 2019 Rs.	Recognition of right-of-use asset on initial application of SLFRS 16 Rs.	Additions Rs.	Disposals Rs.	Transfers Rs.	Adjustment related To disposal of a Subsidiary Rs.	**Balance as at 31 March 2020 Rs.**
	192,240,816	–	–	–	(146,867,820)	–	45,372,996
	2,215,383,285	–	50,034,708	(9,349,019)	–	(710,804,000)	1,545,264,974
	1,986,485,371	–	36,530,002	(7,560,000)	–	(927,722,000)	1,087,733,373
	1,971,048,398	–	20,774,129	–	–	–	1,991,822,527
	68,200,000	–	–	–	56,397,500	–	124,597,500
	198,143,997	–	62,634,589	(1,570,302)	–	(35,948,000)	223,260,284
	283,728,647	–	14,705,155	–	–	(113,779,000)	184,654,802
	122,845,867	–	11,372,627	–	(121,737)	(16,846,000)	117,250,757
	899,522,783	–	61,559,000	(80,843,998)	–	(164,673,000)	715,564,785
	28,284,700	–	9,779,176	(9,484,774)	–	–	28,579,102
	341,545,758	–	6,889,322	–	(37,191,179)	–	311,243,901
	371,750,100	–	1,595,000	–	(1,043)	(127,687,000)	245,657,057
	–	364,860,578	–	–	–	–	364,860,578
	48,213,662	–	144,930,682	–	(56,397,500)	(555,000)	136,191,844
	8,727,393,384	364,860,578	420,804,390	(108,808,093)	(184,181,779)	(2,098,014,000)	7,122,054,480
	484,000	–	–	–	–	(479,000)	5,000
	3,340,000	–	–	–	–	(2,205,000)	1,135,000
	3,305,000	–	–	–	–	(2,104,000)	1,201,000
	93,279,000	–	–	–	–	(57,385,000)	35,894,000
	3,838,000	–	–	–	–	(3,749,000)	89,000
	32,506,000	–	–	–	–	(9,298,000)	23,208,000
	1,540,000	–	–	–	–	(498,000)	1,042,000
	27,362,280	–	–	(4,961,000)	–	–	22,401,280
	257,202,000	–	–	–	–	(257,202,000)	–
	422,856,280	–	–	(4,961,000)	–	(332,920,000)	84,975,280
	9,150,249,664	364,860,578	420,804,390	(113,769,093)	(184,181,779)	(2,430,934,000)	7,207,029,760

ACCUMULATED DEPRECIATION

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

- 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 and Hatton Plantations PLC the subsidiaries of the Company, by Gazette Notification on the date of formation of the subsidiary (18 June 1992) and all the investments made in the fixed assets by subsidiary since its formation.
- Investment by the Group on mature and immature plantations are shown separately under biological assets – mature/immature explanations.
- The transfer of immature plantation to mature plantations commences at the time the plantation is ready for commercial harvesting.
- As described in Note 24.4, the Group has disposed the subsidiary namely Hatton Plantations PLC during the year. The net book value of the property, plant and equipment at the time of disposal amounting to Rs. 1,069 Mn. has been derecognised during the year.

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

B. COMPANY

COST

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

ACCUMULATED DEPRECIATION

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

Recognition of right-of-use asset on initial application of SLFRS 16 Rs.	Additions Rs.	Disposals Rs.	Transfers Rs.	**Balance as at 31 March 2020 Rs.**	
					Freehold assets
–	4,527,825			7,463,366	Furniture and fittings
–	3,339,934	–		5,221,387	Equipment
–	877,500	–	(121,737)	6,609,489	Computer equipment
–	6,500,000	(6,500,000)		17,370,000	Motor vehicles
38,205,797				38,205,797	Right-of-use assets
38,205,797	15,245,259	(6,500,000)	(121,737)	74,870,039	

Recognition of right-of-use asset on initial application of SLFRS 16 Rs.	Additions Rs.	Disposals Rs.	Transfers Rs.	Balance as at 31 March 2020 Rs.	
					Freehold assets
–	470,043			2,926,111	Furniture and fittings
–	465,930			2,156,491	Equipment
–	777,555		(121,737)	4,770,823	Computer equipment
–	3,494,203	(10,685)		6,928,965	Motor vehicles
–	12,735,266			12,735,266	Right-of-use assets
–	17,942,997	(10,685)	(121,737)	29,517,656	
			–	45,352,383	

19.2 TITLE RESTRICTION ON PROPERTY, PLANT AND EQUIPMENT

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

19.3 ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT DURING THE YEAR

During the financial year, the Group acquired property, plant and equipment to the aggregate value of Rs. 421 Mn. (2019 – Rs. 858 Mn.). Cash payments amounting to Rs. 421 Mn. (2019 – Rs. 858 Mn.). were made during the year for purchase of property plant and equipment.

19.4 CAPITALISATION OF BORROWING COSTS

There is no capitalisation of borrowing cost relating to the acquisition of property, plant and equipment by the Group during the year (2019 – 92 Mn.).

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

The Group had no contractual commitments for the acquisition of property, plant and equipment as at the reporting date. (2019: Nil) .

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

Location	Extent		Number of Building	Revalued amount		Total revalued amount	Value carried at cost		
	Land (Perches)	Building (Square feet)		Land Rs.	Building Rs.	Rs.	Land Rs.	Building Rs.	Total Rs.
No. 130/6, Sri Wickrama Mawatha, Colombo 15	117	31,105	1	74,587,500	69,501,500	144,089,000	33,393,196	38,435,509	71,615,609
No. 60/46, Sri Wickrama Road, Colombo 15	25.6	–	–	17,408,000	–	17,408,000	11,979,800	–	11,979,800
				91,995,500	69,501,500	161,497,000	45,372,996	38,435,509	83,595,409

The land and buildings were revalued as at 31 March 2020, by Mr S Sivaskantha, B.Sc Est, Mgt & Val (SL), Diploma in Valuation, a professional valuer in Sri Lanka. The fair value is determined based on an open market value using existing use basis.

19.7 MEASUREMENT OF FAIR VALUES

FAIR VALUE HIERARCHY

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

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

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

VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

The table below sets out the significant unobservable inputs used in measuring land and building categorised as Level 3 in the fair value hierarchy as at 31 March 2020.

Location and address of the property	Significant unobservable inputs	Range of estimates for unobservable inputs	Estimated fair value would increases or decreases
No. 130/6, Sri Wickrama Mawatha, Colombo 15	Land – Price per perch	Rs. 637,500 – Rs. 850,000	Price per perch for land increases, decreases
	Building – Price per square feet	Rs. 2,000 – Rs. 5,000	Price per square feet for building increases, decreases
No. 60/46, Sri Wickrama Road, Colombo 15	Land – Price per perch	Rs. 680,000 – Rs. 850,000	Price per perch for land increases, decreases

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

19.8 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

The Board of Directors has assessed the potential impairment loss of property, plant and equipment as at 31 March 2020. Based on the assessment, no impairment provision is required to be made in the financial statements as at the reporting date in respect of property, plant and equipment.

19.9 PROPERTY, PLANT AND EQUIPMENT PLEDGED AS SECURITY

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

19.10 TEMPORARILY IDLE PROPERTY, PLANT AND EQUIPMENT

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

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

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

20. INTANGIBLE ASSETS

Accounting policy

Recognition and measurement

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

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

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

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

Goodwill

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

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

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

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

Research and development costs

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

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

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

Accounting policy

Brand name

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

Computer software

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

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

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

Subsequent expenditure

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

Project development cost

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

Amortisation

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

Software licence	02-06 years
Software development cost	02-05 years
Brand	20 years

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

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

20.1 RECONCILIATION OF CARRYING AMOUNT

	GROUP		
	Software Rs.	Brand Rs.	Total Rs.
Cost			
Balance as at 1 April 2018	164,326,198	59,150,000	223,476,198
Acquisitions	68,676,718	–	68,676,718
Balance as at 31 March 2019	233,002,916	59,150,000	292,152,916
Balance as at 1 April 2019	233,002,916	59,150,000	292,152,916
Acquisitions	13,632,499	–	13,632,499
Transfers/Disposals	(7,411,080)	–	(7,411,080)
Balance as at 31 March 2020	239,224,335	59,150,000	298,374,335

	GROUP		
	Software Rs.	Brand Rs.	Total Rs.
Accumulated amortisation			
Balance as at 1 April 2018	58,049,496	11,830,000	69,879,496
Amortisation	26,900,861	2,957,500	29,858,361
Balance as at 31 March 2019	84,950,357	14,787,500	99,737,857
Balance as at 1 April 2019	84,950,357	14,787,500	99,737,857
Amortisation	34,057,021	2,957,500	37,014,521
Transfers/Disposals	(4,320,764)	–	(4,320,764)
Balance as at 31 March 2020	114,686,614	17,745,000	132,431,614
Carrying value as at 31 March 2019	148,052,559	44,362,500	192,415,059
Carrying value as at 31 March 2020	124,537,721	41,405,000	165,942,721

20.1.1 BRAND ACQUISITION

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

	COMPANY	
	2020 Rs.	2019 Rs.
Software		
Cost		
Balance as at 1 April	3,012,500	3,012,500
Balance as at 31 March	3,012,500	3,012,500
Accumulated amortisation		
Balance as at 1 April	2,985,253	2,232,128
Amortisation	22,562	753,125
Balance as at 31 March	3,007,815	2,985,253
Carrying value as at 31 March	4,685	27,247

ASSESSMENT OF IMPAIRMENT OF INTANGIBLE ASSETS

The Board of Directors has assessed the potential impairment loss of intangible assets as at 31 March 2020. 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. 14 Mn. (2019 – Rs. 69 Mn.). Cash payments amounting to Rs. 14 Mn. (2019 – Rs. 69 Mn.) were made during the year.

AMOUNT OF CONTRACTUAL COMMITMENTS FOR THE ACQUISITION OF INTANGIBLE ASSETS

There are no contractual commitments for the acquisition of intangible assets as at the reporting date.

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. 23 Mn. (2019 – Rs. 18 Mn.).

21. LEASEHOLD LAND

LEASEHOLD RIGHT TO LAND OF JEDB/SLSPC ESTATES

	GROUP	
	2020 Rs.	2019 Rs.
Cost/Revaluation		
Balance as at 1 April	372,840,000	372,840,000
Adjustment to right-of-use asset on application of SLFRS 16	174,011,000	–
Adjustment related to disposal of a subsidiary	(112,956,000)	–
Balance at 31 March	433,895,000	372,840,000
Accumulated amortisation		
Balance as at 1 April	188,877,000	181,843,000
Amortisation	10,283,000	7,034,000
Adjustment related to disposal of a subsidiary	(6,704,000)	–
Balance as at 31 March	192,456,000	188,877,000
Carrying amount	241,439,000	183,963,000

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 Watawla Plantations PLC in terms of a ruling obtained from the Urgent Issue Task Force (UITF) of The Institute of Chartered Accountants of Sri Lanka. The bare land are revalued at the value established for this land by valuation specialists, D R Wickramasinghe, just prior to the formation of the subsidiary.

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

As described in Note 24.4, the Group has disposed the subsidiary namely Hatton Plantations PLC during the year. The net book value of the lease hold land at the time of disposal amounting to Rs. 106 Mn. has been derecognised during the year.

22. BIOLOGICAL ASSETS

Accounting policy

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

Livestock

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

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

Mature and immature plantations

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

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

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

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

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

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

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

TIMBER PLANTATION

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

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

	GROUP	
	2020 Rs.	2019 Rs.
Biological assets – Bearer (22.1)	2,763,947,000	3,338,804,000
Biological assets – Consumables (22.2)	31,657,000	738,496,000
Biological assets – Livestock (22.3)	695,538,000	662,620,000
	3,491,142,000	4,739,920,000
Non-current	3,449,345,000	4,694,037,000
Current	41,797,000	45,883,000
	3,491,142,000	4,739,920,000

22.1 BIOLOGICAL ASSETS – BEARER

	Nursaries Rs.	Immature plantations Rs.	Mature plantations Rs.	**Total 2020 Rs.**	Total 2019 Rs.
Cost					
Balance as at 1 April	18,558,000	577,933,000	4,068,002,000	4,664,493,000	4,357,848,000
Fair value of growing crops	–	–	10,526,000	10,526,000	(3,151,000)
Additions	3,427,000	207,963,000	–	211,390,000	335,629,000
Impairment losses and write-downs	–	–	–	–	(2,317,000)
Disposal	–	–	–	–	(23,516,000)
Adjustment related to disposal of a subsidiary	(2,162,000)	(40,706,000)	(964,046,000)	(1,006,914,000)	–
Balance as at 31 March	19,823,000	745,190,000	3,114,482,000	3,879,495,000	4,664,493,000
Accumulated depreciation					
Balance as at 1 April	–	–	1,325,689,000	1,325,689,000	1,157,155,000
Charged for the year	–	–	167,161,000	167,161,000	192,050,000
Disposals for the year	–	–	–	–	(23,516,000)
Adjustment related to disposal of a subsidiary	–	–	(377,302,000)	(377,302,000)	–
Balance as at 31 March	–	–	1,115,548,000	1,115,548,000	1,325,689,000
Carrying value					
As at 31 March 2020	19,823,000	745,190,000	1,998,934,000	2,763,947,000	–
As at 31 March 2019	18,558,000	577,933,000	2,742,313,000	–	3,338,804,000

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.

DISPOSAL OF SUBSIDIARY

As described in Note 24.4, the Group has disposed the subsidiary namely Hatton Plantations PLC during the year. The net book value of the biological assets – bearer at the time of disposal amounting to Rs. 630 Mn. has been derecognised during the year.

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

22.2 BIOLOGICAL ASSETS – CONSUMABLES

	Nursaries Rs.	Immature plantations Rs.	Mature plantations Rs.	**Total 2020 Rs.**	Total 2019 Rs.
Cost					
Balance as at 1 April	1,420,000	150,538,000	586,538,000	738,496,000	717,321,000
(Loss)/gain arising from changes in fair value less costs to sell	–	–	(6,656,000)	(6,656,000)	9,480,000
Additions	438,000	–	–	438,000	28,764,000
Decrease due to harvest	–	–	(273,000)	(273,000)	(17,062,000)
Disposal	–	–	–	–	(7,000)
Adjustment related to disposal of a subsidiary	(1,858,000)	(125,806,000)	(572,684,000)	(700,348,000)	–
Transfers	–	(24,732,000)	24,732,000	–	–
Balance as at 31 March	–	–	31,657,000	31,657,000	738,496,000

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

- Expected rate of return p.a. 14% (2019 – 13.5%)
- Maturity for harvesting – 25 years (2019 – 25 years)
- Number of trees valued – 7,574 (2019 – 74,372)

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

DISPOSAL OF SUBSIDIARY

As described in Note 24.4, the Group has disposed the subsidiary namely Hatton Plantations PLC during the year. The net book value of the biological assets – consumables at the time of disposal amounting to Rs. 700 Mn. has been derecognised during the year.

SENSITIVITY ANALYSIS

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

SENSITIVITY VARIATION SALES PRICE (USING 10% ESTIMATED VARIATION)

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

	2020 Rs.	2019 Rs.
Value stand as now	31,657,000	586,538,000
Value stand as at 10% (2019: 5% to 10%) positive variance	34,823,000	616,545,239
Value stand as at 10% (2019: 5% to 10%) negative variance	28,492,000	556,528,883

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:

	2020 Rs.	2019 Rs.
Value stand as now	31,657,000	586,536,561
Value stand as at 1% positive variance	31,974,000	591,448,576
Value stand as at 1% negative variance	31,341,000	581,761,742

22.3 BIOLOGICAL ASSETS – LIVESTOCK

	GROUP	
	2020 Rs.	2019 Rs.
Balance as at 1 April	662,620,000	539,602,000
Additions	24,120,000	159,205,000
Disposals during the year	(3,836,000)	(11,694,000)
Gain/(loss) arising from changes in fair value less costs to sell	12,634,000	(24,493,000)
Balance as at 31 March	695,538,000	662,620,000

SENSITIVITY ANALYSIS

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

SENSITIVITY VARIATION SALES PRICE (USING 10% ESTIMATED VARIATION)

Simulations made for 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:

	2020 Rs.	2019 Rs.
Value stand as now	695,538,000	662,620,000
Value stand as at 10% positive variance	927,623,000	906,710,576
Value stand as at 10% negative variance	463,452,000	418,530,296

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:

	2020 Rs.	2019 Rs.
Value stand as now	695,538,000	662,620,000
Value stand as at 10% positive variance	862,149,000	844,913,000
Value stand as at 10% negative variance	528,926,000	480,328,000

SENSITIVITY VARIATION DISCOUNT RATE (USING 1.0% VARIATION)

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

	2020 Rs.	2019 Rs.
Value stand as now	695,538,000	662,620,000
Value stand as at 1% positive variance	709,754,000	679,968,000
Value stand as at 1% negative variance	684,788,000	646,085,000

SENSITIVITY VARIATION ON YIELD (USING 1.0% 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:

	2020 Rs.	2019 Rs.
Value stand as now	695,538,000	662,620,000
Value stand as at 1% positive variance	709,166,000	709,166,000
Value stand as at 1% negative variance	616,513,000	616,513,000

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

The amendment became effective for the period beginning on or after 1 January 2016. The growing crops on bearer plants should be fair valued and recognised in the Financial Statements.

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

Tea-Three days crop (50% of 6 days cycle), Oil palm-five days crop (50% of 10 days cycle) and Rubber-One day's crop.

Produce that grows on mature bearer plantations are measured at fair value less cost to sell. The value of the unharvested green leaves is measured using the bought leaf formula recommended by the Sri Lanka Tea Board and the value of unharvested fresh fruit bunches(FFB) of oil palm is measured using the actual price used to purchase FFB from outgrowers. The rubber crop is fair valued using RSS prices.

	GROUP	
	2020 Rs.	2019 Rs.
Balance as at 1 April	45,883,000	49,034,000
Change during the year	(4,086,000)	(3,151,000)
Balance as at 31 March	41,797,000	45,883,000

MEASUREMENT OF FAIR VALUES

A. FAIR VALUE HIERARCHY

The fair value measurements for the timber have been categorised as Level 3 fair values based on the inputs to the valuation techniques used. The fair value measurements of 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	
	2020 Rs.	2019 Rs.
Gain included in "other income"		
Change in fair value (unrealised)	(6,656,000)	9,479,000

C. VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement	Profit/(loss) Rs.	
				Increase	Decrease
Biological Assets	Fair value less cost to sell	Consumable	The estimated fair value increase/ (decrease) if:		
		– Expected selling price	– the estimated future selling prices were higher/(lower) – 10%	3,166,000	(3,195,000)
		– Expected rate of return p.a. 14%	– the expected rate of return were lower/(higher) – 1%	317,000	(316,000)
		Livestock	The estimated fair value increase/ (decrease) if:		
		– Expected selling price	– the estimated future selling prices were higher/(lower) – 10%	232,085,000	(232,086,000)
		– Estimated future cost	– the estimated future cost were lower/(higher) – 1%	166,611,000	(166,612,000)
		– Risk adjusted discount rate – 19.36%	– the risk adjusted discount rate were lower/(higher) – 1%	14,216,000	(10,750,000)
		– Yield	– the risk yield were higher/(lower) – 1%	(24,966,000)	(709,754,000)

RISK MANAGEMENT STRATEGY RELATED TO AGRICULTURAL ACTIVITIES

REGULATORY AND ENVIRONMENTAL RISKS

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

SUPPLY AND DEMAND RISK

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

CLIMATE AND OTHER RISKS

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

23. INVESTMENT PROPERTY

Accounting policy

Recognition and measurement

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

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

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

23.1 RECONCILIATION OF CARRYING AMOUNT

	GROUP		
	Land Rs.	Building Rs.	Total Rs.
Balance as at 1 April 2018	202,150,000	125,055,000	327,205,000
Balance as at 31 March 2019	202,150,000	125,055,000	327,205,000
Balance as at 1 April 2019 (Note 23.1.1)	202,150,000	125,055,000	327,205,000
Transfer from property, plant and equipment (Note 23.1.2)	146,867,820	–	146,867,820
Additions	119,159,260	–	119,159,260
Fair value	112,965,470	3,301,594	116,267,064
Balance as at 31 March 2020	581,142,550	128,356,594	709,499,144

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

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

23.1.2 DETAILS OF LAND AND BUILDING UNDER INVESTMENT PROPERTY

Location	Extent			Revalued amount			
	Land (Perches)	Building (Square feet)	Number of Buildings	Land Rs.	Building Rs.	Carrying value after revaluation Rs.	Carrying value if carried at cost Rs.
No. 75A, Kandawala Road, Ratmalana	195.50	42,367.5	2	208,600,000	128,356,594	336,956,594	200,112,693
No. 107/11, Pasbatel Road, Mattakkuliya	108.43	–	–	64,515,850	–	64,515,850	104,828,000
No. 60/52, Sri Wickrama Mawatha, Mattakkuliya	137.86	–	–	82,026,700	–	82,026,700	66,846,080
No. 75, Norris Canal Road, Colombo 10	28.50	–	–	226,000,000	–	226,000,000	94,353,000
		–	–	581,142,550	128,356,594	709,499,144	466,139,773

The land and buildings were revalued as at 31 March 2020, by Mr S Sivaskantha, B.Sc Est, Mgt & Val (SL), Diploma in Valuation, a professional valuer in Sri Lanka. The fair value is determined based on an open market value using existing use basis.

23.2 MEASUREMENT OF FAIR VALUES

FAIR VALUE HIERARCHY

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

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

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

VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

The table below sets out the significant unobservable inputs used in measuring land and building categorised as Level 3 in the fair value hierarchy as at 31 March 2020:

Location and address of the property	Method of valuation	Significant unobservable inputs	Range of estimates for unobservable inputs	Estimated fair value would increases or decreases
No. 75A, Kandawala Road, Ratmalana.	Market Based Valuation	Land – Price per perch	Rs. 1,050,000 – Rs. 1,350,000	Price per perch for land increases, decreases
		Building – Price per square feet	Rs. 5,000 – Rs. 5,750	Price per square feet for Building increases, decreases
No. 107/11, Pasbatel Road, Mattakkuliya	Market Based Valuation	Land – Price per perch	Rs. 595,000 – Rs. 850,000	Price per perch for land increases, decreases
No. 60/52, Sri Wickrama Mawatha, Mattakkuliya	Market Based Valuation	Land – Price per perch	Rs. 595,000 – Rs. 850,000	Price per perch for land increases, decreases
No. 75, Norris Canal Road, Colombo 10	Market Based Valuation	Land – Price per perch	Rs. 8,000,000 – Rs. 8,500,000	Price per perch for land increases, decreases

Significant assumptions used by the valuer:

Yield/discount rate 25% per annum

23.3 INCOME FROM INVESTMENT PROPERTY SITUATED AT NO 75.A, KANDAWALA ROAD, RATMALANA AND NO. 75, NORRIS CANAL ROAD, COLOMBO 10

	GROUP	
	2020 Rs.	2019 Rs.
Rent income from investment property (Note 10)	24,534,526	19,034,815
Direct operating expenses (including maintenance) generating rent income	(4,695,527)	(2,886,603)
Net profit from investment property carried at fair value	19,838,999	16,148,212

24. INVESTMENT IN SUBSIDIARIES

Accounting policy

Recognition and measurement

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

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

COMPANY	2020				
	Holding %	Number of shares	Cost Rs.	Impairment Rs.	Carrying value Rs.
Unquoted					
Sunshine Healthcare Lanka Limited	100	8,274,535	446,657,088	–	446,657,088
Estate Management Services (Private) Limited	60	19,340,618	1,864,918,516	–	1,864,918,516
Sunshine Energy (Pvt) Ltd.	70	42,125,000	557,908,231	–	557,908,231
Sunshine Packaging Lanka Limited (Note 24.1)	100	91,479,334	696,500,000	(177,581,884)	518,918,116
Elgin Hydropower (Private) Limited	–	1	10	–	10
Upper Waltrim Hydropower (Private) Ltd.	–	1	10	–	10
			3,565,983,855	(177,581,884)	3,388,401,971

24.1 The Board of Directors of Sunshine Packaging Lanka Limited, fully owned subsidiary of Sunshine Holdings PLC, decided to discontinue the manufacture and sell metal cans and allied products for the food canning industry with effect from 31 August 2017. Subsequent to discontinue the operation, the Company is engaged in renting out premises and earn rental income. However, considering the net asset position and future cash flows of the subsidiary the Board has decided to make a further provision for probable impairment of investment during last year amounting to Rs. 87.8 Mn. Further, the Group has made an additional investment of Rs. 75 Mn. during the year.

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

24.3 GROUP'S INDIRECT HOLDINGS

	2020 %	2019 %
Watawala Plantations PLC	44.54	44.54
Watawala Tea Ceylon Limited	60.00	60.00
Watawala Tea Australia Pty Limited	–	44.54
Hatton Plantations PLC	–	45.39
Watawala Dairy Limited	44.54	30.40
Zesta Tea Ceylon (Shenzhen) Co. Limited	60.00	60.00
Healthguard Pharmacy Limited	100.00	100.00
Waltrim Energy Ltd.	42.41	60.59
Waltrim Hydropower (Pvt) Ltd.	42.41	60.20
Elgin Hydropower (Private) Limited	42.41	60.59
Upper Waltrim Hydropower (Pvt) Ltd.	42.41	60.59
Sky Solar (Pvt) Ltd.	70.00	100.00
Norris Canal Properties (Pvt) Ltd.	100.00	–

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

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

24.4 DISPOSAL OF SUBSIDIARY

Estate Management Services (Pvt) Ltd, a subsidiary of the Company, has disposed 51% of ordinary shares in issue in Hatton Plantations PLC at Rs. 8.30 per share on 28 May 2019. The remaining interest of 24.65% initially transferred to Assets Held for Sale as there is a contractual obligation with the buyer to sell the balance stake. Out of the remaining stake, 12.37% sold on 27 July 2019 by accepting partly on the mandatory offer made by the buyer and the balance stake of 12.28% sold on 26 December 2019. Accordingly, the Group has fully disposed shares held in Hatton Plantations PLC as of 31 March 2020.

The gain on disposal of the subsidiary is recorded as part of profit for the period in the income statement. Considering the nature of transaction and transitional arrangement of establishing the subsidiary as explained above, the gain on sale of subsidiary has been reported separately and not as part of operating profits.

2019					COMPANY
Holding %	Number of shares	Cost Rs.	Impairment Rs.	Carrying value Rs.	
					Unquoted
100	8,274,535	446,657,088	–	446,657,088	Sunshine Healthcare Lanka Limited
60	19,340,618	1,864,918,516	–	1,864,918,516	Estate Management Services (Private) Limited
100	42,125,000	557,908,231	–	557,908,231	Sunshine Energy (Pvt) Ltd.
100	77,056,250	621,500,000	(177,581,884)	443,918,116	Sunshine Packaging Lanka Limited (Note 24.1)
–	1	10	–	10	Elgin Hydropower (Private) Limited
–	1	10	–	10	Upper Waltrim Hydropower (Private) Limited
		3,490,983,855	(177,581,884)	3,313,401,971	

THE AGGREGATE EFFECTS OF ACQUISITION AND DISPOSAL OF SUBSIDIARIES ARE AS FOLLOWS:

	Carrying amount Rs.
Total assets	3,348,872,000
Total liabilities	(1,846,387,000)
Carrying amount of the former subsidiary's net assets (100%)	1,502,485,000
Fair value of the consideration received	1,477,356,546
Fair value of retained non-controlling investment (24.35%)	365,855,341
Gain associated with the loss of control attributable to the former controlling interest	340,726,887

EFFECT ON THE DISPOSAL ON THE FINANCIAL POSITION

	Carrying amount Rs.
Property and equipment – Net book value	1,068,713,000
Leasehold right to land – Net book value	106,252,000
Biological assets – Bearer	629,612,000
Biological assets – Consumables	700,348,000
Other long term investments – Unit Energy Lanka (Private) Limited	16,453,000
Other long term investments – Waltrim Hydro Power (Private) Limited	8,233,000
Harvested crop	419,186,000
Inventories – Input materials	50,464,000
Trade and other receivables	158,451,000
Cash and cash equivalents	191,160,000
Loans and borrowings	(118,845,000)
SLSPC/JEDB Lease creditors	(315,425,000)
Interest in suspense	122,868,000
Provision for employees' end of service indemnity	(1,000,284,000)
Deferred income	(127,588,000)
Deferred tax	(52,089,000)
Current tax liability	(7,435,000)
Trade and other payables	(347,589,000)
Net assets	1,502,485,000
Consideration received, satisfied in cash	1,477,356,546
Cash and cash equivalents disposed of	(191,160,000)
Net cash inflows	1,286,196,546

THE AGGREGATE CASH INFLOWS ARISING FROM THE DISPOSAL ARE AS FOLLOW:

	Carrying amount Rs.
Net identifiable assets disposed (as above)	1,502,485,000
Fair value at retained non-controlling investment (24.35%)	(365,855,341)
Gain on disposal	340,726,887
Cash proceeds from disposal	1,477,356,546
Less: Cash and cash equivalents in subsidiaries disposed	(191,160,000)
Net cash inflow on disposal	1,286,196,546

25. EQUITY ACCOUNTED IN INVESTEE

Accounting policy

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

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

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

25.1 ASSOCIATE – COMPANY

	Holding %	Number of shares	**2020 Rs.**	2019 Rs.
Strategic Business Innovator (Pvt) Ltd.				
Cost				
Balance as at March	20	900,000	9,000,000	9,000,000
Provision for impairment				
Provision made during the year			(7,648,541)	–
Balance as at 31 March			(7,648,541)	–
Carrying amount as at 31 March			1,351,459	9,000,000

25.2 ASSOCIATE – GROUP

	2020 Rs.	2019 Rs.
Interests in associate	1,384,362	2,798,296
Balance as at 31 March	1,384,362	2,798,296

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

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

VALUE OF THE EQUITY ACCOUNTED ASSOCIATE

	2020 Rs.	2019 Rs.
Balance as at 1 April	2,798,296	7,959,614
Acquisitions during the year	–	–
Current year's share of total comprehensive income		
Included in profit or loss	(1,413,934)	(5,161,318)
Balance as at 31 March	1,384,362	2,798,296

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

	2020 Rs.	2019 Rs.
Percentage ownership interest (%)	20	20
Financial position of equity accounted associate		
Non-current assets	6,731,789	12,613,467
Current assets	232,937	1,448,439
Non-current liabilities	–	–
Current liabilities	(42,910)	(70,420)
Net assets (100%)	6,921,816	13,991,486
Group's share of net assets (20%)	1,384,362	2,798,296
Elimination of unrealised profit on downstream sales	–	–
Carrying amount of interest in associate	1,384,362	2,798,296
Revenue	773,243	3,043,763
Profit for the year, net of tax (100%)	(7,069,668)	(25,806,593)
Group's share of net profit (20%)	(1,413,933)	(5,161,319)
Other comprehensive income (100%)	–	–
Total comprehensive income (100%)	(7,069,668)	(25,806,593)
Total comprehensive income (20%)	(1,413,934)	(5,161,319)
Elimination of unrealised profit on downstream sales	–	–
Group's share of total comprehensive income (20%)	(1,413,934)	(5,161,318)

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

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

26. OTHER INVESTMENTS, INCLUDING DERIVATIVES

See accounting policies in Note 18.

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

The Group's financial instruments are summarised as follows:

For the year ended 31 March	Notes	GROUP		COMPANY	
		2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Fair value through profit or loss – FVTPL	26.1	426,962,480	381,810,214	83,237,480	69,759,214
Fair value through other comprehensive income – FVOCI	26.2	537,522,639	594,319,053	537,522,639	577,866,053
Derivative instruments	26.3	234,792,226	203,742,135	234,792,226	203,742,135
Amortised cost	26.4	106,419,178	–	106,419,178	–
		1,305,696,523	1,179,871,402	961,971,523	851,367,402
Non-current investments		1,070,904,297	976,129,267	727,179,297	647,625,267
Current investments		234,792,226	203,742,135	234,792,226	203,742,135
		1,305,696,523	1,179,871,402	961,971,523	851,367,402

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

26.1 FAIR VALUE THROUGH PROFIT OR LOSS – FVTPL

For the year ended 31 March	Notes	GROUP		COMPANY	
		2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Investment in quoted shares	26.1.1	75,890,853	61,297,280	75,890,853	61,297,280
Investment in unit trust	26.1.2	7,346,627	8,461,934	7,346,627	8,461,934
Investment fund	26.1.3	343,725,000	312,051,000	–	–
		426,962,480	381,810,214	83,237,480	69,759,214

26.1.1 INVESTMENT IN QUOTED SHARES

Group and Company	2020			2019		
	Number of shares	**Cost Rs.**	**Fair Value Rs.**	Number of shares	Cost Rs.	Fair value Rs.
Dialog Axiata PLC	413,581	4,512,610	4,880,256	568,581	–	5,174,087
John Keells Holdings PLC	25,848	3,853,708	3,773,808	–	–	–
Commercial Bank of Ceylon PLC	52,966	6,256,471	4,528,593	50,935	6,065,408	5,027,285
Hatton National Bank PLC – Non-voting	31,738	4,908,521	3,998,988	17,929	2,983,094	2,635,563
Hatton National Bank PLC	21,690	2,980,773	3,190,599	–	–	–
Ceylon Cold Stores PLC	3,450	1,966,500	2,656,500	–	–	–
Hayleys Fabric PLC	79,850	758,575	974,170	274,850	2,903,195	2,336,225
Distilleries Company of Sri Lanka PLC	320,000	4,602,500	5,408,000	230,000	3,335,000	3,335,000
Hemas Holdings PLC	83,971	7,479,089	5,835,985	83,971	7,479,089	6,297,825
Tokyo Cement PLC	134,000	2,412,000	3,845,800	–	–	–
Ceylon Hotels Corporation PLC	234,662	5,779,655	2,229,289	234,662	5,779,655	2,158,890
Aitken Spence Hotels Holdings PLC	18,000	1,456,128	370,800	18,000	1,456,128	426,600
Ceylinco Insurance PLC	6,976	4,726,182	5,720,320	10,000	6,774,917	9,004,000
People's Leasing and Finance PLC	300,000	4,987,297	4,410,000	300,000	5,010,000	4,020,000
Chevron Lubricants Lanka PLC	59,000	8,684,000	4,183,100	49,000	8,085,000	3,067,400
Sampath Bank PLC	38,575	8,770,604	6,152,713	26,967	6,768,826	4,856,757
Access Engineering PLC	115,750	2,050,350	2,118,225	137,000	3,527,429	1,781,000
Central Finance Company PLC	59,511	5,867,862	5,665,447	56,864	5,622,150	4,805,008
Cargills Ceylon PLC	18,286	3,217,600	3,474,340	18,286	3,217,600	3,657,200
LVL Energy Fund Limited	343,600	3,436,000	2,473,920	343,600	3,436,000	2,714,440
Total		88,706,425	75,890,853		78,695,871	61,297,280
Fair value adjustment		(12,815,572)			(17,398,591)	
Fair value		75,890,853			61,297,280	

26.1.2 INVESTMENT IN UNIT TRUSTS

Group and Company	2020			2019		
	Number of units	**Cost Rs.**	**Market value Rs.**	Number of units	Cost Rs.	Market value Rs.
Investment in unit trusts	523,467	7,082,049	7,346,627	481,147	8,036,452	8,461,934
Total cost		7,082,049			8,036,452	
Fair value adjustment		264,578			425,482	
Market value		7,346,627			8,461,934	

26.1.3 INVESTMENT FUND

For the year ended 31 March	GROUP	
	2020 Rs.	2019 Rs.
Balance as at 1 April	312,051,000	288,595,000
Gain on increase in net asset value during the year	31,674,000	23,456,000
Carrying value as at 31 March	343,725,000	312,051,000

The fund managed by Guardian Fund Management Limited, comprises mainly listed debentures and fixed term deposits. The average yield for the year was 12.31% (2019 – 12.80%).

The carrying value of the investment fund represents the following:

For the year ended 31 March	GROUP	
	2020 Rs.	2019 Rs.
Quoted shares	20,269,000	20,947,635
Debentures	183,966,000	183,742,753
Fixed deposits	119,956,000	78,539,243
Unit trusts	13,861,000	24,551,849
Cash at bank	3,266,000	343,445
Sales proceeds receivables	–	3,493,125
Interest receivables	927,000	1,439,700
Dividend receivables	219,000	26,005
Purchase awaiting settlements	–	(678,009)
Debenture WHT payables	–	(354,746)
Income tax recoverable on FD	1,261,000	
	343,725,000	312,051,000

26.2 FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME – FVOCI

For the year ended 31 March	Note	GROUP		COMPANY	
		2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Investment in unquoted shares	26.2.1	537,522,639	594,319,053	537,522,639	577,866,053
		537,522,639	594,319,053	537,522,639	577,866,053

26.2.1 INVESTMENT IN UNQUOTED SHARES

For the year ended 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
TATA Communication Lanka Limited	328,732,056	449,990,321	328,732,056	449,990,321
Lanka Commodity Brokers Limited	208,790,583	127,875,732	208,790,583	127,875,732
Unit Energy Lanka (Pvt) Ltd.	–	16,453,000	–	–
	537,522,639	594,319,053	537,522,639	577,866,053

Group and Company	Unit Energy Lanka (Pvt) Ltd. Rs.	Lanka Commodity Brokers Limited Rs.	TATA Communication Lanka Limited Rs.	Total Rs.
Cost as of 1 April 2018	10,763,000	117,692,727	75,000,000	203,455,727
Balance as at 31 March 2019	10,763,000	117,692,727	75,000,000	203,455,727
Cost as of 1 April 2019	10,763,000	117,692,727	75,000,000	203,455,727
Adjustment related to disposal of subsidiary	(10,763,000)	–	–	(10,763,000)
Balance as at 31 March 2020	–	117,692,727	75,000,000	192,692,727
Fair value				
Balance as at 1 April 2018	–	8,859,561	353,894,797	362,754,358
Increase in fair valuation during the year	5,690,000	1,323,444	21,095,524	28,108,968
Balance as at 31 March 2019	5,690,000	10,183,005	374,990,321	390,863,326
Balance as at 1 April 2019	5,690,000	10,183,005	374,990,321	390,863,326
Increase in fair valuation during the year		80,914,851	(121,258,265)	(40,343,414)
Adjustment related to disposal of subsidiary	(5,690,000)	–	–	(5,690,000)
Balance as at 31 March 2020	–	91,097,856	253,732,056	344,829,912
Carrying value of investment as at 31 March 2019	16,453,000	127,875,732	449,990,321	594,319,053
Carrying value of investment as at 31 March 2020	–	208,790,583	328,732,056	537,522,639

In the year 2016, Watawala Plantations PLC, a subsidiary of the Company has received Rs. 10,763,000 worth of investment from Unit Energy Lanka (Pvt) Limited against their land rights. In September 2017, this investment was vested from Watawala Plantations PLC to Hatton Plantations PLC (between two subsidiaries). This investment represents 5% of investment in Unit Energy Lanka (Private) Limited. The Group has changed the measurement of the investment to the fair value method during 2019.

DISPOSAL OF SUBSIDIARY

As described in Note 24.4, the Group has disposed the subsidiary namely Hatton Plantations PLC during the year. Accordingly, the carrying amount of the investment in Unit Energy Lanka (Private) Limited. at the time of disposal amounting to Rs. 16 Mn. has been derecognised during the year.

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.

	Percentage of Holding	**Fair value at 31 March 2020 Rs.**	**Dividend income recognised during 2020 Rs.**
Lanka Commodity Brokers Limited	15.55	208,790,583	4,623,671
TATA Communication Lanka Limited	10	328,732,056	45,689,874
		537,522,639	50,313,545

No strategic investments were disposed during the year 2020, and there were no transfer of any cumulative gain or loss within equity relating to these investments.

26.3 DERIVATIVE INSTRUMENTS

For the year ended 31 March	COMPANY/GROUP	
	2020 Rs.	2019 Rs.
Interest rate and exchange rate swaps	234,792,226	203,742,135
	234,792,226	203,742,135

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

26.4 AMORTISED COST

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

	GROUP/COMPANY	
	2020 Rs.	2019 Rs.
Investment made	100,000,000	–
Interest accrued	6,419,178	–
Balance as at 31 March	106,419,178	–

For the year ended 31 March	Credit rating	Maturity date	Number of debentures	Carrying value	Interest
National Savings Bank	AA+	10 September 22	1,000,000	106,419,178	11%

26.5 COVID-19 IMPACT ON INVESTMENT VALUATION

Due to the outbreak of COVID-19, the Colombo Stock Exchange was not operating in March and accordingly the active market price was considered to be the markets values prevailed as at 31 March 2020 for the valuation of quoted equity investments. This approach is in line with the guidance issued by CA Sri Lanka in April 2020.

27. DEFERRED TAXATION

Accounting policy

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

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

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

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

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

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

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

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

For the year ended 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Composition of net differed tax asset/(liability)				
Net deferred tax asset	65,787,835	57,495,834	32,017,938	17,997,095
Net deferred tax liability	(533,907,412)	(512,234,939)	–	–
	(468,119,577)	(454,739,105)	32,017,938	17,997,095

For the year ended 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Composition of gross deferred tax asset/(liability)				
Gross deferred tax asset	286,009,995	464,590,290	34,590,779	24,379,234
Gross deferred tax liability	(754,129,572)	(919,329,395)	(2,572,841)	(6,382,139)
	(468,119,577)	(454,739,105)	32,017,938	17,997,095

27.2 DEFERRED TAX ASSET (GROSS)

For the year ended 31 March	Note	GROUP		COMPANY	
		2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Balance as at 1 April		464,590,290	262,791,893	24,379,234	–
Charge/(reversal) for the year recognised in profit or loss		(19,485,216)	160,282,357	10,846,237	23,720,940
Charge/(reversal) for the year recognised in other comprehensive income		434,921	41,516,040	(634,692)	658,294
Adjustment related to disposal of a subsidiary	27.6	(159,530,000)	–	–	–
Balance as at 31 March		286,009,995	464,590,290	34,590,779	24,379,234

27.3 DEFERRED TAX LIABILITY (GROSS)

For the year ended 31 March	Notes	GROUP		COMPANY	
		2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Balance as at 1 April		919,329,395	639,677,225	6,382,139	–
Charge/(reversal) for the year recognised in profit or loss		57,715,332	273,374,459	7,486,858	104,828
Charge/(reversal) for the year recognised in other comprehensive income		(11,296,155)	6,277,711	(11,296,156)	6,277,311
Adjustment related to disposal of a Subsidiary	27.6	(211,619,000)	–	–	–
Balance as at 31 March		754,129,572	919,329,395	2,572,841	6,382,139
Net deferred tax asset/(liability)	27.1	(468,119,577)	(454,739,105)	32,017,938	17,997,095

27.4 RECONCILIATION OF DEFERRED TAX LIABILITIES AND DEFERRED TAX ASSETS

Group	2020		2019	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Property, plant and equipment	(1,698,799,571)	(356,166,476)	(2,393,236,360)	(449,213,016)
Lease creditor – ROU	44,909,627	10,190,216	–	–
Biological assets – Bearer	(2,614,188,000)	(365,986,000)	(3,136,967,000)	(439,175,460)
Biological assets – Consumable	–	–	(86,280,000)	(12,079,000)
Retirement benefit obligation	524,878,926	112,527,572	1,468,354,003	239,686,835
Fair value gain on investment property	(79,041,767)	(22,131,695)	(44,674,182)	(12,508,771)
Capital gain on land	(159,801,070)	(15,980,107)	–	–
Capital grants	46,157,000	6,462,000	176,104,000	24,654,100
Trade receivable impairment provision	24,103,403	6,748,953	14,571,045	4,079,893
Fair value gain on investments at FVOCI	17,924,447	5,018,845	(22,418,968)	(6,277,311)
Tax losses carried forward	769,767,190	151,197,115	870,337,011	196,093,625
	(3,124,089,815)	(468,119,577)	(3,154,210,450)	(454,739,105)

Group	2020		2019	
	Temporary difference Rs.	Tax effect Rs.	Temporary difference Rs.	Tax effect Rs.
Unrecognised deferred tax assets on tax losses:				
Sunshine Holdings PLC	340,275,545	95,277,152	220,157,655	61,644,143
Sunshine Packaging (Pvt) Ltd.	387,540,463	108,511,330	435,533,559	121,949,397
Sunshine Energy (Pvt) Ltd.	–	–	–	–
Waltrim Energy Ltd.	30,619,403	–	–	–
Waltrim Hydropower (Pvt) Ltd.	71,290,796	14,258,159	112,065,568	22,413,114
Upper Waltrim Hydropower (Pvt) Ltd.	332,474,314	–	130,796,897	36,623,131
Elgin Hydropower (Private) Limited	8,464,114	1,184,976	–	–
Sky Solar (Pvt) Ltd.	19,852,134	5,161,555	–	–
Watawala Dairy Ltd.	1,770,741,035	–	–	–
	2,961,257,804	224,393,172	898,553,679	242,629,785

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

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

Accordingly, during the year ended 31 March 2020, the Group recognised a deferred tax asset amounting to Rs. 151 Mn. (2019 – Rs. 196 Mn.) arising from brought forward tax losses as at 31 March 2020 after assessing the availability of future taxable profits for utilisation based on the five 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 be written off if required. Accordingly, unrecognised deferred tax asset as at reporting date was Rs. 236 Mn. (2019 – Rs. 243 Mn.).

DEFERRED TAX LIABILITY ARISING FROM REVALUATION GAIN

Deferred tax recognised in profit or loss for Sunshine Packaging Lanka Limited amounted to Rs. 42,143,017 (2019 – Rs. 12,508,771) includes deferred tax on revaluation surplus of Rs. 47,975,776 (2019 – Rs. 44,674,182) relating the revaluation of the buildings and the capital gain on land amounting to Rs. 200,113,200 (2019 – Nil) as at reporting date.

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

Having discussed internally and based on market practices, Sunshine Packaging Lanka Limited and Norris Canal Properties (Pvt) Limited is of the view that the freehold land used in the business falls under the category "Investment Assets" and accordingly Sunshine Packaging Lanka Limited, Norris Canal Properties (Pvt) Limited will be liable for capital gain tax at a rate of 10% on the revaluation surplus in excess of the deemed cost of investment assets as at 30 September 2017. 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 2020 amounting to Rs. 28,764,193 (2019 – Rs. 23,077,075) with a consequential increase in the deferred tax liability on the Statement of Financial Position.

27.5 RECOVERABILITY OF DEFERRED TAX ASSETS

During the year ended 31 March 2020, the Group has recognised a deferred tax asset amounting to Rs. 151,197,115 arising from tax losses as at 31 March 2020 after assessing the availability of future taxable profits for utilisation based on the five years profit projection approved by the Board. The Board of Directors of Company/Group had revised the business plan and approved incorporating the potential implications of COVID-19 outbreak on business operations. Based on the profit projections, the Board is confident on the availability future taxable profits against which deferred tax asset of Rs. 151,197,115 could be utilised. The deferred tax asset recognised will be tested for impairment on an annual basis and deferred tax asset recognised may be written off, if required.

27.6 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 proposed changes by the government, the standard tax rate of 28% applicable to the Company/Group is proposed to be reduced at 24%. However as these changes have not been considered to be substantially enacted as at the reporting date. Accordingly, the prevailing income tax rate of 28% has been used for the deferred tax computation as at 31 March 2020.

27.7 DISPOSAL OF SUBSIDIARY

As described in Note 24.4, the Group has disposed the subsidiary namely Hatton Plantations PLC during the year. Accordingly, the deferred tax assets and deferred tax liability balances at the time of disposal amounting to Rs. 160 Mn. and Rs. 22 Mn. respectively have been derecognised during the year.

Company	**2020**		2019	
	Temporary difference Rs.	**Tax effect Rs.**	Temporary difference Rs.	Tax effect Rs.
Property, plant and equipment	(27,113,163)	(7,591,686)	(374,387)	(104,828)
Lease creditor – ROU	26,826,174	7,511,329	–	–
Retirement benefit obligation	96,712,325	27,079,450	87,068,694	24,379,234
Fair value gain on investments at FVOCI	17,924,447	5,018,845	(22,418,968)	(6,277,311)
	114,349,783	32,017,938	64,275,339	17,997,095

28. INVENTORIES

Accounting policy

Recognition and measurement

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

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

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

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

As at 31 March	Notes	GROUP 2020 Rs.	GROUP 2019 Rs.
Medical items		2,114,900,811	2,296,046,794
Harvested crop	28.1	39,160,000	408,179,000
Input materials and consumables		690,416,909	676,679,916
Finished goods		84,136,764	169,486,134
Work in progress		51,900,877	64,432,005
Goods in transit		225,435,937	312,750,384
Machinery spares		10,695,494	11,039,612
		3,216,646,792	3,938,613,845
Less: Provision for impairment of inventories	28.2	(39,435,606)	(32,203,640)
		3,177,211,186	3,906,410,205

28.1. HARVESTED CROP

As described in Note 24.4, the Group has disposed the subsidiary namely Hatton Plantations PLC during the year. The value of the Harvested crop at the time of disposal amounted to Rs. 420 Mn.

28.2 PROVISION FOR IMPAIRMENT OF INVENTORIES

As at 31 March	GROUP 2020 Rs.	GROUP 2019 Rs.
Balance as at 1 April	32,203,640	28,130,146
Charge during the year	11,736,627	4,073,494
Reversal during the year	(1,509,821)	–
Written-off during the year	(2,994,840)	–
Balance as at 31 March	39,435,606	32,203,640

The Board of Directors has assessed the potential impairment loss of inventory as at 31 March 2020 by considering the potential impact of COVID-19 on net realisable value based on the implications on subsequent selling prices and cost to complete in additional to the normal assessment process.

29. CURRENT TAX ASSETS/LIABILITIES

As at 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Current tax assets	9,893,358	9,893,358	3,158,748	3,158,748
Current tax liabilities	(223,047,621)	(232,129,915)	–	(4,365,938)
	(213,154,263)	(222,236,557)	3,158,748	(1,207,190)
Balance as at 1 April	222,236,557	159,142,694	1,207,190	(3,158,748)
Adjustment related disposal of a subsidiary	(7,435,000)	–	–	–
Current income tax expense	541,540,003	473,491,505	–	4,365,938
Changes in estimate relating to prior years	20,537,174	(19,152,020)	(4,365,938)	–
WHT on dividends from subsidiaries	90,537,142	150,245,840	–	–
WHT on scrip dividend	2,174,225			
Payment during the year	(506,422,256)	(462,423,561)	–	–
Set off against WHT/ESC	(149,923,582)	(79,067,901)	–	–
Balance as at 31 March	213,154,263	222,236,557	(3,158,748)	1,207,190

30. TRADE AND OTHER RECEIVABLES

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

As at 31 March	Notes	GROUP		COMPANY	
		2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Trade receivables		3,137,435,477	2,373,492,991	–	–
Less: Provision for impairment	30.1	(56,815,760)	(33,821,437)	–	–
		3,080,619,717	2,339,671,554	–	–
Staff loan recoverable		23,266,138	64,729,763	–	54,796
Receivable from principals		495,762,799	559,007,668	–	–
Other receivables		142,558,381	177,469,159	33,214,124	10,145,865
Withholding tax recoverable		59,340,868	46,213,296	46,139,066	41,552,687
ESC recoverable		75,382,505	69,481,426	14,177,151	10,329,820
VAT recoverable		143,345,978	156,934,203	–	–
Advances and deposits		290,198,308	358,087,879	2,238,543	572,249
		1,229,854,977	1,431,923,394	95,768,884	62,655,417
Less: Provision for impairment	30.2	(14,903,589)	(23,011,535)	–	–
		1,214,951,388	1,408,911,859	95,768,884	62,655,417
		4,295,571,105	3,748,583,413	95,768,884	62,655,417

30.1 PROVISION FOR IMPAIRMENT OF TRADE RECEIVABLES

As at 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Balance as at 1 April	33,821,437	56,494,676	–	–
Charge during the year	37,000,508	(22,673,239)	–	–
Written-off during the year	(14,006,185)	–	–	–
Balance as at 31 March	56,815,760	33,821,437	–	–

30.2 PROVISION FOR IMPAIRMENT OF OTHER RECEIVABLES

As at 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Balance as at 1 April	23,011,535	–	–	–
(Write off)/Charge during the year	(8,107,946)	23,011,535	–	–
Balance as at 31 March	14,903,589	23,011,535	–	–

A provision made for the impairment of other receivables during 2019 include provisions made against irrecoverable ESC receivables and other receivables of Rs. 15 Mn. and Rs. 8 Mn. respectively. Further, irrecoverable VAT receivable amounting to Rs. 26 Mn. and irrecoverable ESC receivables of Rs. 2 Mn. had been written-off during 2019.

B. CREDIT AND MARKET RISKS, AND IMPAIRMENT LOSSES

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

COVID-19 IMPACT ON IMPAIRMENT PROVISION

The Board of Directors has assessed the potential impairment loss of trade debtors as at 31 March 2020 by considering the potential impact of COVID-19 on recoverability when assessing the specific debtors.

31. AMOUNTS DUE FROM RELATED PARTIES

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

As at 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Sunshine Packaging Lanka Ltd.	–	–	221,822,187	205,371,140
Waltrim Energy Limited	–	–	9,002,202	–
Elgin Hydropower (Pvt) Ltd.	–	–	5,760,796	–
Upper Waltrim Hydropower (Pvt) Ltd.	–	–	1,369,387	–
Sunshine Tea (Pvt) Ltd.	5,236,645	6,057,068	5,565	–
Waltrim Hydropower (Pvt) Ltd.	–	–	1,179,934	–
Sunshine Energy (Pvt) Ltd.	–	–	946,655	–
Norris Canal Properties (Pvt) Ltd.	–	23,460	–	23,460
Pyramid Lanka (Private) Limited	73,468,000	21,918,000	690,644	–
Sky Solar (Pvt) Ltd.	–	–	–	20,332,676
	78,704,645	27,998,528	240,777,370	225,727,276

CREDIT AND MARKET RISKS, AND IMPAIRMENT LOSSES

Information about the Group's exposure to credit and market risks, and impairment losses for amount due from related parties is included in Note 40.

32. CASH AND CASH EQUIVALENTS

Accounting policy

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

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

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

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

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

As at 31 March	Note	GROUP		COMPANY	
		2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Cash at bank		3,606,837,907	459,256,342	1,543,672,487	51,809,138
Fixed deposits		954,421,031	1,410,019,091	694,772,340	1,030,122,310
Call deposits		–	20	–	–
USD saving deposits		–	–	–	–
TR/Import margins		212,220	6,263,259	–	–
Cash in hand		10,760,907	7,833,406	37,791	178,539
		4,572,232,065	1,883,372,118	2,238,482,618	1,082,109,987
Bank overdraft	32.1	(1,163,836,455)	(826,769,498)	(52,500,020)	–
Cash and cash equivalents in the Statement of Cash Flows		3,408,395,610	1,056,602,620	2,185,982,598	1,082,109,987

32.1 BANK OVERDRAFTS

As at	**31 March 2020 Rs.**	31 March 2019 Rs.	Security
Sunshine Holdings PLC			
Hatton National Bank PLC	24,890,545	–	N/a
Nations Trust Bank	27,609,474	–	N/a
	52,500,020	–	
Estate Management Services (Pvt) Ltd.			
Commercial Bank of Ceylon PLC	237,420	–	N/a
	237,420	–	

As at	31 March 2020 Rs.	31 March 2019 Rs.	Security
Watawala Plantations PLC			
Hatton National Bank PLC	36,476,000	–	Corporate Guarantee (Rs. 25 Mn.) from Watawala Plantations PLC
Seylan Bank PLC	4,315,000	–	Corporate Guarantee (Rs. 25 Mn.) from Watawala Plantations PLC
Nations Trust Bank	–	–	Corporate Guarantee (Rs. 25 Mn.) from Watawala Plantations PLC
MCB Bank Limited	56,868,000	–	N/a
Commercial Bank of Ceylon	140,000	–	N/a
	97,799,000	–	
Watawala Dairy Limited			
Hatton National Bank PLC	46,527,000	43,026,309	Corporate Guarantee (Rs. 25 Mn.) from Watawala Plantations PLC
Seylan Bank PLC	24,163,000	24,835,483	Corporate Guarantee (Rs. 25 Mn.) from Watawala Plantations PLC
Nations Trust Bank	43,483,000	42,891,208	Corporate Guarantee (Rs. 25 Mn.) from Watawala Plantations PLC
	114,173,000	110,753,000	
Sunshine Healthcare Lanka Limited			
MCB Bank Limited	188,601,046	142,045,948	Unsecured
Sampath Bank PLC	7,367,717	3,851,844	Unsecured
Nations Trust Bank PLC	89,704,384	101,212,374	A. Primary concurrent mortgage over stocks and book Debts for Rs. 100 Mn. B. Bank Overdraft agreement for Rs. 100 Mn. Trade finance agreement (held) Overall Counter Indemnity (held) Foreign exchange agreement (held) Board Resolution (held)
Commercial Bank of Ceylon	89,978,656	96,470,486	Unsecured
Hatton National Bank PLC	193,662,768	172,524,148	Unsecured
Seylan Bank PLC	36,244,190	20,476,138	Unsecured
Standard Chartered Bank Ltd.	73,519,923	13,143,876	A. Concurrent mortgage over stocks and book debts for Rs. 350 Mn. located at No. 130/6, Sri Wickrama Mawatha, Colombo 15
National Development Bank PLC	97,005,601	–	A. Primary concurrent Mortgage Bond over stocks and book debts for Rs. 200 Mn.
	776,084,285	549,724,814	
Watawala Tea Ceylon Ltd.			
Hatton National Bank PLC	3,511,218	–	Unsecured
Commercial Bank of Ceylon PLC	4,544,047	80,313,744	Unsecured
MCB Bank Limited	9,687,729	31,130,986	Unsecured
Standard Chartered Bank Ltd.	19,806,879	–	Unsecured
	37,549,873	111,444,730	

As at	31 March 2020 Rs.	31 March 2019 Rs.	Security
Healthguard Pharmacy Ltd.			
Hatton National Bank PLC	–	31,464,807	Unsecured
Nation Trust Bank	14,982,811	–	A. Primary Mortgage Bond over stocks for Rs. 50,000,000
Commercial Bank of Ceylon	–	178,644	A. Floating Primary Mortgage Bond No. FCC/09/46 dated 12 October 2009 for Rs. 5,000,000 B. Insurance Policy bearing No. FAR201,6-09 for Rs. 410,350,000
Standard Chartered Bank	12,233,023	–	Unsecured
	27,215,834	31,643,451	
Sunshine Packaging Lanka Ltd.			
Hatton National Bank PLC	17,949,576	16,361,483	N/a
	17,949,576	16,361,483	
Waltrim Energy Ltd.			
Nation Trust Bank	9,819,814	–	Corporate guarantee by Sunshine Energy (Pvt) Ltd.
	9,819,814	–	
Waltrim Hydropower (Pvt) Ltd.			
Hatton National Bank PLC	327,104	6,842,020	N/a
	327,104	6,842,020	
Upper Waltrim Hydropower (Pvt) Ltd.			
DFCC Bank PLC	2,178,764	–	N/a
	2,178,764	–	
Elgin Hydropower (Private) Ltd.			
DFCC Bank PLC	9,048,733	–	N/a
	9,048,733	–	
Sky Solar (Pvt) Ltd.			
NDB Bank PLC	18,953,033	–	N/a
	18,953,033	–	
Total	1,163,836,455	826,769,498	

33. CAPITAL AND RESERVES

Accounting policy

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

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

33.1 STATED CAPITAL

As at 31 March	Notes	Number of shares		Value	
		2020	2019	**2020 Rs.**	2019 Rs.
Balance at the beginning		149,554,103	136,492,280	1,641,715,247	798,504,357
Scrip dividend	33.1.A	–	1,138,746	–	68,210,885
Private placement	33.1.B	–	11,923,077	–	775,000,005
Balance as at 31 March		149,554,103	149,554,103	1,641,715,247	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.

ISSUE OF ORDINARY SHARES

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

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

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 2020	Estate Management Services (Pvt) Ltd. Rs.	Watawala Plantations PLC Rs.	Watawala Tea Ceylon Ltd. Rs.	Waltrim Energy Ltd. Rs.	Watawala Dairy Ltd. Rs.
NCI percentage (%)	40	55	40	42	55
Non-current assets	7,370,241,153	5,776,728,000	227,202,217	834,645,067	2,368,957,749
Current assets	1,659,445,110	5,776,728,000	1,473,186,680	119,170,649	90,602,376
Non-current liabilities	–	(1,120,599,000)	(60,295,800)	–	(90,602,376)
Current liabilities	(21,247,329)	(520,669,000)	(375,087,030)	(86,540,800)	(479,984,133)
Net assets	9,008,438,934	9,912,188,000	1,265,006,066	867,274,916	1,888,973,616
Net assets attributable to NCI	3,603,375,574	5,496,902,977	506,002,427	367,837,310	1,047,549,208
Revenue	–	2,743,634,000	5,448,416,504	–	584,087,228
Profit	177,641,541	985,081,000	297,035,929	78,798	(165,655,234)
Other comprehensive income	254,437,964	(20,265,000)	7,378,774		(193,811)
Total comprehensive income	432,079,505	964,816,000	304,414,703	78,798	(165,849,045)
Profit allocated to NCI	71,056,617	546,286,519	118,814,372	33,421	(91,865,767)
OCI allocated to NCI	101,775,186	(11,238,158)	2,951,510	–	(107,480)
Cash flows from operating activities	(41,980,897)	1,058,975,000	309,300,049	(42,409,163)	(134,633,954)
Cash flows from investment activities	1,672,852,089	(769,667,000)	(453,225)	171,995	(39,511,409)
Cash flows from financing activities	(2,984,016)	(401,023,000)	(135,459,974)	20,000,000	167,193,583
Net increase/(decrease) in cash and cash equivalents	1,627,887,176	(111,715,000)	173,386,851	(22,237,168)	(6,951,780)

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.

Waltrim Hydropower (Pvt) Ltd. Rs.	Upper Waltrim Hydropower (Pvt) Ltd. Rs.	Elgin Hydropower (Pvt) Ltd. Rs.	Sunshine Energy (Pvt) Ltd. Rs.	Sky Solar (Pvt) Ltd. Rs.	Intra-group elimination Rs.	Total Rs.
42	42	42	30	30		
381,925,524	565,332,599	712,797,825	614,305,751	190,647,813		
79,635,270	74,889,011	39,711,213	300,819,090	10,006,009		
(13,151,313)	(253,652,677)	(321,377,186)	–	(8,962,220)		
(87,128,055)	(112,134,525)	(180,871,746)	(5,640,942)	(61,908,673)		
361,281,426	274,434,408	250,260,106	909,483,899	129,782,929		
153,230,291	116,395,865	106,142,819	272,845,170	38,934,879	(7,673,650,407)	4,035,566,113
82,120,494	125,038,062	82,137,700	–	23,466,439		
6,784,742	(3,957,672)	(23,795,137)	11,953,830	971,488		
(322,598)	(358,756)	(493,459)	–	–		
6,462,144	(4,316,428)	(24,288,596)	11,953,830	971,488		
2,877,613	(1,678,567)	(10,092,231)	3,586,149	291,446	46,282,053	685,591,623
(136,823)	(152,159)	(209,291)	–	–	(96,121,209)	(3,238,425)
(8,636,182)	90,757,851	84,679,024	(96,571,490)	26,616,781		
(220,561)	(9,426,450)	(32,969,688)	(141,771,406)	(79,133,105)		
21,403,497	(91,588,803)	(67,906,124)	339,301,465	36,397,500		
12,546,754	(10,257,402)	(16,196,788)	100,958,569	(16,118,824)		

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

34. LOANS AND BORROWINGS

Accounting policy

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

Borrowing costs

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

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

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

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

Waltrim Energy Ltd. Rs.	Watawala Dairy Ltd. Rs.	Waltrim Hydropower (Pvt) Ltd. Rs.	Upper Waltrim Hydropower (Pvt) Ltd. Rs.	Elgin Hydropower (Pvt) Ltd. Rs.	Intra-group elimination Rs.	Total Rs.
39.37	70	40	39.37	39		
823,924,538	2,418,872,815	406,451,172	580,426,734	713,380,656		
43,837,960	101,856,833	25,030,356	59,190,835	25,458,326		
–	(1,223,595,435)	(14,453,405)	(286,440,853)	(361,000,000)		
(566,380)	(531,822,023)	(62,208,841)	(74,425,880)	(103,290,279)		
867,196,118	765,312,190	354,819,282	278,750,836	274,548,703		
341,415,112	532,657,285	141,040,665	109,744,204	108,089,824	(4,635,910,683)	3,476,651,011
–	493,300,743	114,542,463	225,505,848	11,006,848		
47,979,887	(234,624,000)	28,928,672	59,003,542	(3,857,622)		
–	(4,449,943)	(70,560)	100,354	–		
47,979,887	(239,073,943)	28,858,112	59,103,896	(3,857,622)		
18,889,682	(163,298,304)	11,499,147	23,229,694	(1,518,746)	(230,618,800)	498,650,100
–	(3,097,160)	(28,048)	39,509	–	3,414,041	(131,053,969)
36,410,412	(60,386,091)	91,045,159	193,442,277	23,102,403		
(101,649,838)	(347,744,494)	(3,621,838)	(4,723,636)	(201,872,417)		
69,712,195	311,309,249	(85,887,837)	(167,682,774)	174,201,893		
4,472,769	(96,821,337)	1,535,484	21,035,867	(4,568,121)		

LEASES

The Group has applied SLFRS 16 for the first time on 1 April 2019 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4. The details of accounting policies under LKAS 17 and IFRIC 4 are disclosed separately.

POLICY APPLICABLE FROM 1 APRIL 2019

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.

POLICY APPLICABLE PRIOR TO 1 APRIL 2019

DETERMINING WHETHER AN ARRANGEMENT CONTAINS A LEASE

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

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

LEASED ASSETS

Leases of property, plant and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

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

LEASE PAYMENTS

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease. Contingent rents, if any, are recognised as revenue in the period in which they are earned.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

For the year ended 31 March	Notes	GROUP 2020 Rs.	GROUP 2019 Rs.	COMPANY 2020 Rs.	COMPANY 2019 Rs.
Amount repayable after one year					
Loans	34.1	1,957,813,973	2,983,653,296	924,929,118	1,235,793,320
SLSPC/JEDB lease creditors	34.2	242,897,000	314,640,000	–	–
Lease liabilities (2019: finance lease obligations)	34.3	111,135,671	1,628,286	14,071,702	–
		2,311,846,644	3,299,921,582	939,000,820	1,235,793,320
Amount repayable within one year					
Loans	34.1	2,856,478,741	1,101,542,471	1,973,519,306	429,114,709
SLSPC/JEDB lease creditors	34.2	1,078,000	7,270,000	–	–
Lease liabilities (2019: finance lease obligations)	34.3	114,342,954	4,228,377	12,754,472	–
		2,971,899,695	1,113,040,848	1,986,273,778	429,114,709
		5,283,746,339	4,412,962,430	2,925,274,598	1,664,908,029

34.1 LOANS

For the year ended 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Balance as at 1 April	4,085,195,767	4,043,984,840	1,664,908,029	1,400,000,000
Add: Loans obtained during the year	3,575,138,157	3,173,460,541	1,580,000,000	1,550,112,500
Fair value adjustment	51,050,091	203,742,135	51,050,091	203,742,135
Add: Accrued interest	32,578,055	36,053,394	32,439,698	36,053,394
Less: Repayment during the year	(2,810,824,356)	(3,372,045,143)	(429,949,394)	(1,525,000,000)
Less: Adjustment related disposal of a subsidiary (Note 24.2)	(118,845,000)	–	–	–
Balance as at 31 March	4,814,292,714	4,085,195,767	2,898,448,424	1,664,908,029
Total amount repayable within one year	2,856,478,741	1,101,542,471	1,973,519,306	429,114,709
Total amount repayable after one year	1,957,813,973	2,983,653,296	924,929,118	1,235,793,320

34.2 SLSPC/JEDB LEASE CREDITORS

For the year ended 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Balance as at 1 April	516,423,000	536,743,000	–	–
Recognition of lease creditor on initial application of SLFRS 16 (Note 7.4)	116,012,000	–	–	–
Adjustment of interest in suspense (Note 34.2.1)	(70,755,000)	–	–	–
Interest charges	35,511,000	–	–	–
Repayment during the year	(37,791,000)	(20,320,000)	–	–
Less: Adjustment related disposal of a subsidiary (34.2.2)	(315,425,000)		–	–
Balance as at 31 March	243,975,000	516,423,000	–	–
Transfer	–	–	–	–
Interest in suspense	–	(194,513,000)	–	–
Net lease obligation	243,975,000	321,910,000	–	–
Amount repayable within one year	1,078,000	7,270,000	–	–
Amount repayable after one year	242,897,000	314,640,000	–	–

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.

The Group has applied SLFRS 16 with a date of initial application of 1 April 2019. As a result the Group has changed its accounting policy for leases as detailed in Note 7 of accounting policies detailed in this Financial Statements.

34.2.1 The interest in suspense as at 1 April 2019 amounting to Rs. 71 Mn. has been set-off with the gross lease liability when recognising the lease liability on lease hold land right.

34.2.2 As described in Note 24.4, the Group has disposed the subsidiary namely Hatton Plantations PLC during the year. The lease creditor balance as at the date of disposal amounting to Rs. 315 Mn. has been derecognised during the year.

34.3 LEASE LIABILITIES

	GROUP		COMPANY	
For the year ended 31 March	**2020 Rs.**	2019 Rs.	**2020 Rs.**	2019 Rs.
Balance as at 1 April	6,448,680	12,798,114	–	–
Recognition of lease creditor on initial application of SLFRS 16 (Note 7.4)	350,681,311	–	38,205,797	–
Derecognition during the year	(9,137,103)	–	–	–
Interest charges	31,469,147	–	3,643,177	–
Repayment during the year	(153,856,668)	(6,349,434)	(15,022,800)	–
Balance as at 31 March	225,605,367	6,448,680	26,826,174	–
Interest in suspense	(126,742)	(592,017)	–	–
Net lease obligation	225,478,625	5,856,663	26,826,174	–
Amount repayable within one year	114,342,954	4,228,377	12,754,472	–
Amount repayable after one year	111,135,671	1,628,286	14,071,702	–
Lease liabilities previously classified as finance leases under LKAS 17	8,474,824	5,586,663	–	–
Lease liabilities arising from recognition of right-of-use assets under SLFRS 16	460,978,801	–	26,826,174	–

LEASE LIABILITY – SLFRS 16

As explained in Note 7 to the Financial Statements, the Group/Company has initially applied SLFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under LKAS 17 and IFRIC 4.

When measuring lease liabilities for leases that were classified as operating leases, the Company/Group discounted lease payments using its incremental borrowing rate at 1 April 2019. The weighted average rate applied is 14%.

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

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

LEASES AS LESSEE

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

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

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

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

34.3.1 RIGHT-OF-USE ASSETS

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

For the year ended 31 March	Note	GROUP		COMPANY	
		Building and lease hold land Rs.	Total Rs.	Building Rs.	Total Rs.
Balance at 1 April 2019		911,711,578	911,711,578	38,205,797	38,205,797
Depreciation for the year	19.1	(117,048,253)	(117,048,253)	(12,735,266)	(12,735,266)
Balance at 31 March 2020		794,663,325	794,663,325	25,470,531	25,470,531

34.3.2 AMOUNTS RECOGNISED IN PROFIT OR LOSS

For the year ended 31 March 2020 – Leases under SLFRS 16	GROUP	COMPANY
	2020 Rs.	**2020 Rs.**
Interest on lease liabilities	31,469,147	3,643,177
Interest charges on SLSPC/JEDB lease creditors	35,511,000	–
Depreciation of right-of-use assets	127,331,253	12,735,266
Amortisation of Leasehold right to land of JEDB/SLSPC estates	10,283,000	–
	204,594,400	16,378,443

For the year ended 31 March 2019 – Operating leases under LKAS 17	GROUP	COMPANY
	2019 Rs.	2019 Rs.
Lease expense	61,770,210	15,022,800
	61,770,210	15,022,800

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.

	GROUP	COMPANY
	2020 Rs.	**2020 Rs.**
Total cash outflow for leases	(156,136,668)	(15,022,800)
	(156,136,668)	(15,022,800)

34.3.4 FUTURE COMMITMENTS ON OPERATING LEASES – LEASES AS LESSEE UNDER LKAS 17

The following table set out the future lease commitments on operating leases as a lessee, showing the undiscounted lease payments to be paid after the reporting date.

	GROUP	COMPANY
	2019 Rs.	2019 Rs.
Less than one year	64,699,664	15,473,484
Between one and five years	175,708,410	16,415,819
Total operating lease commitments	240,408,074	31,889,303

34.3.5 LEASES AS LESSOR

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

FINANCE LEASE

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

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

34.4 TERM LOANS

Company/Lender	Year	2020 Repayable within one year Rs.	2020 Repayable after one year Rs.	2020 Balance as at 31 March 2020 Rs.	Repayable within one year Rs.
Sunshine Holdings PLC					
Standard Chartered Bank Ltd.	2018	439,152,728	924,929,118	1,364,081,846	429,114,709
	2020	1,534,366,578	–	1,534,366,578	–
		1,973,519,306	924,929,118	2,898,448,424	429,114,709
		1,973,519,306	924,929,118	2,898,448,424	429,114,709
Watawala Plantations PLC					
Hatton National Bank PLC	2014	31,249,000	31,248,002	62,497,002	31,250,000
		31,249,000	31,248,002	62,497,002	31,250,000
Tea Board	2019	5,073,000	–	5,073,000	2,640,000
Peoples' Bank	2019	62,400,000	177,200,000	239,600,000	–
		67,473,000	177,200,000	244,673,000	2,640,000
		98,722,000	208,448,002	307,170,002	33,890,000
Hatton Plantations PLC					
Seylan Bank PLC	2015	–	–	–	62,000,000
		–	–	–	62,000,000
Tea Board	2017				10,020,000
	2018				24,257,000
		–	–	–	34,277,000
		–	–	–	96,277,000
Watawala Dairy Limited					
Hatton National Bank PLC	2017	–	0	–	60,000,000
	2017	2,264,000	4,298,000	6,562,000	393,000
		2,264,000	4,298,000	6,562,000	60,393,000
State Bank of India	2018	90,000,000	360,000,000	450,000,000	45,000,000
		90,000,000	360,000,000	450,000,000	45,000,000
Peoples' Bank	2018	–	–	–	5,200,000
		–	–	–	5,200,000
		92,264,000	364,298,000	456,562,000	110,593,000

2019				
Repayable after one year Rs.	Balance as at 31 March 2019 Rs.	Purpose	Repayment terms	Security
1,235,793,320	1,664,908,029	Acquisition of TATA	One year grace period followed by initial payment of USD 1,140,000 and 15 equal quarterly repayments of USD 534,000 each.	Corporate guarantee for USD 9,150,000 from Sunshine Healthcare Lanka Limited together with supporting Board resolution.
–	–	To acquire 50% stake in new entity	60 days	Cash lien of Rs. 2 Bn.
1,235,793,320	1,664,908,029			
1,235,793,320	1,664,908,029			
62,500,000	93,750,000	To finance re-planting of plantation	96 equal monthly instalments commencing from April 2014	N/a
62,500,000	93,750,000			
882,000	3,522,000	For working capital financing	10 equal monthly instalments commencing from December 2019	N/a
–	–	To finance the import of cattle for Watawala Dairy Ltd.	To be paid in 48 equal annual instalments of Rs. 5.2 Mn. after 12 months grace period	Corporate guarantee from Watawala Plantations PLC
882,000	3,522,000			
63,382,000	97,272,000			
46,370,000	108,370,000	Working capital/factory development	60 equal monthly instalments commencing from December 2015	N/a
46,370,000	108,370,000			
3,347,000	13,367,000	Working capital financing	36 equal monthly instalments commencing from August 2017	N/a
824,000	25,081,000	Working capital financing	36 equal monthly instalments commencing from October 2016	N/a
4,171,000	38,448,000			
50,541,000	146,818,000			
300,000,000	360,000,000	Construction of dairy farm	12 biannual instalment after 18 months grace period	Project assets and corporate guarantee from Watawala Plantations PLC
8,141,000	8,534,000	Purchase of lorry	60 equal monthly instalments commencing from November 2017	Ownership of lorry
308,141,000	368,534,000			
495,000,000	540,000,000	Construction of dairy farm	12 biannual instalment after two year grace period	Project assets and corporate guarantee from Watawala Plantations PLC
495,000,000	540,000,000			
244,800,000	250,000,000	To finance the import of cattles for Watawala Dairy Ltd.	48 monthly instalments after 12 months grace period	
244,800,000	250,000,000			
1,047,941,000	1,158,534,000			

Company/Lender	Year	2020 Repayable within one year Rs.	2020 Repayable after one year Rs.	2020 Balance as at 31 March 2020 Rs.	Repayable within one year Rs.
Sunshine Healthcare Lanka Limited					
National Development Bank PLC		120,000,000	–	120,000,000	–
		12,668,086	–	12,668,086	–
		132,668,086	–	132,668,086	–
Hatton National Bank PLC		190,476,964	–	190,476,964	54,993,259
		190,476,964	–	190,476,964	54,993,259
MCB Bank Ltd.		76,895,350	–	76,895,350	237,694,868
		76,895,350	–	76,895,350	237,694,868
Standard Chartered Bank Ltd.		35,335,671	–	35,335,671	–
		35,335,671	–	35,335,671	–
Seylan Bank PLC		57,459,000	–	57,459,000	–
		57,459,000	–	57,459,000	–
		492,835,071	–	492,835,071	292,688,127
Waltrim Hydropower (Pvt) Ltd.					
Hatton National Bank PLC	2011	–	–	–	37,975,627
MCB Bank Ltd.		70,000,000	–	70,000,000	–
		70,000,000	0	70,000,000	37,975,627
Upper Waltrim Hydropower (Private) Limited					
DFCC Bank PLC	2017	70,000,008	139,999,968	209,999,976	70,000,008
		70,000,008	139,999,968	209,999,976	70,000,008
Elgin Hydropower (Pvt) Limited					
DFCC Bank PLC	2017	39,000,000	320,138,885	359,138,885	26,000,000
		39,000,000	320,138,885	359,138,885	26,000,000
Sky Solar (Pvt) Ltd.					
Hatton National Bank PLC	2019	–	–	–	5,004,000
		–	–	–	5,004,000
Waltrim Energy (Pvt) Ltd.					
Nations Trust Bank PLC	2019	20,138,356	–	20,138,356	–
		20,138,356	–	20,138,356	–

There are no violations on loan covenants during the year.

2019				
Repayable after one year Rs.	Balance as at 31 March 2019 Rs.	Purpose	Repayment terms	Security
–	–	Working capital financing	Within 120 days	Primary concurrent mortgage bond over stocks and book debts for Rs. 200 Mn.
–	–			
–	–			
–	54,993,259	Working capital financing	Loans to be settled with sales proceeds	A. Documents of tittle/Duly accepted usance drafts B. Indemnity of the Company
–	54,993,259			
–	237,694,868	Working capital financing	Within 150 days	Concurrent mortgage over stocks and trade and book debts for Rs. 150 Mn.
–	237,694,868			
–	–	Working capital financing	90 dates from the date of grant	Unsecured
–	–			
–	–	Working capital financing	145 days (inclusive of usance period)	Unsecured
–	–			
–	292,688,127			
–	37,975,627		Eight years inclusive of an initial grace period of 24 months from the date of first disbursement.	Primary on current mortgage bond for Rs. 290 Mn. over the sublease right over the project property and structure to be constructed/machinery to be installed therein
–	–	For the working capital requirements	Upon the grant of Rs. 100 Mn. Term loan by mortgaging the Hydropower assets	Fixed deposit of Rs. 100 Mn. of Sunshine Energy (Pvt) Ltd.
0	37,975,627			
209,999,976	279,999,984	For the construction of the Elgin Hydropower plant	Eight years inclusive of an initial grace period of 24 months from the date of first disbursement.	Corporate Guarantee of the Sunshine Holdings PLC
209,999,976	279,999,984			
361,000,000	387,000,000	For the construction of the Elgin Hydropower plant	72 equal instalments after a grace period of 12 months from the date of first disbursement.	Machineries – Rs. 260 Mn. Share mortgage – Rs. 130 Mn.
361,000,000	387,000,000			
14,996,000	20,000,000			N/a
14,996,000	20,000,000			
–	–	For the working capital requirements	Within three months Short-term revolving loan	Corporate guarantee from Sunshine Energy (Pvt) Ltd.
–	–			

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 using Projected Unit Credit (PUC) method as recommended by LKAS 19 – "Employee Benefits".

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

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

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

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

Actuarial gains and losses

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

Short-term benefits

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

	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Employees' Provident Fund				
Employers' contribution	140,577,504	318,126,629	21,714,292	20,072,533
Employees' contribution	100,838,575	212,084,419	14,476,195	13,381,689
Employees' Trust Fund	42,791,970	74,896,548	4,852,529	4,516,305

As at 31 March	Note	GROUP		COMPANY	
		2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Present value of defined benefit obligations	35.1	559,458,926	1,499,417,004	96,712,325	87,068,695

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

	Note	GROUP		COMPANY	
		2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Liability for defined benefit obligation at 1 April		1,499,417,004	1,062,640,865	87,068,695	78,399,096
Staff transfers		–	3,051,198	233,410	–
Adjustment related to disposal of a subsidiary	35.2	(1,000,284,000)	–	–	–
		499,138,004	1,065,692,063	87,302,105	78,399,096
Included in profit or loss					
Current service cost		56,341,464	127,084,280	6,072,338	5,947,204
Interest cost		54,132,146	167,903,008	8,802,544	8,462,105
		110,473,610	294,987,288	14,874,882	14,409,309
Included in OCI					
Actuarial (gains)/losses on PVDBO		7,926,899	291,058,626	(2,266,758)	2,351,050
		7,926,899	291,058,626	(2,266,758)	2,351,050
Benefits paid		(58,074,587)	(152,320,973)	(3,197,904)	(8,090,760)
Liability for defined benefit obligation at 31 March		559,458,926	1,499,417,004	96,712,325	87,068,695

35.2. DISPOSAL OF A SUBSIDIARY

As described in Note 24.4, the Group has disposed the Subsidiary namely Hatton Plantations PLC during the year. Accordingly, the Provision for employees' end of service indemnity at the time of disposal amounting Rs. 1000 Mn. has been derecognised during the year.

ACTUARIAL ASSUMPTIONS

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

	Interest rate		Salary increment rate		Staff turnover rate	
	2020 %	2019 %	**2020 %**	2019 %	**2020 %**	2019 %
Sunshine Holding PLC – Company	10.5	12	8.6	11	15	16
Watawala Plantations PLC	10.5	10.0	–	–	10	10
– estate workers (every three years)			25.0	25		
– estate staff (every three years)			25.0	25		
– estate management and head office staff (every year)			7.5	7.5		
Watawala Tea Ceylon Limited	10.5	11.5	8.8	16.5	18	18
Sunshine Packaging Lanka Limited	–	–	–	–	–	–
Waltrim Hydropower (Pvt) Ltd.	10.5	11	10.7	10	68	20.0
Upper Waltrim Hydropower (Pvt) Ltd.	10.5	11	10.0	9	28	13.0
Elgin Hydro Power (Pvt) Ltd.	10.5	–	10.4	–	0	–
Sunshine Healthcare Lanka Limited	10.5	11	9.5	10	23	20
Healthguard Pharmacy Ltd.	10.5	11	7.9	9	21	26

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

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

SENSITIVITY ANALYSIS

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

As at 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
1% increase in discount rate	532,750,974	1,477,185,890	95,034,372	85,571,151
1% decrease in discount rate	590,522,684	1,526,151,647	98,495,388	88,655,573
1% increase in salary increment rate	579,089,010	1,517,315,035	98,510,486	88,655,573
1% decrease in salary increment rate	541,995,330	1,484,479,374	94,990,535	85,544,713

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.

36. DEFERRED INCOME AND CAPITAL GRANTS

Accounting policy

Government grants

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

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

	GROUP	
	2020 Rs.	2019 Rs.
Balance as at 1 April	320,693,000	377,516,000
Received during the year	–	–
Adjustment related to disposal during the year (Note 36.1)	(127,588,000)	–
Amortised during the year	(50,555,000)	(56,823,000)
Balance as at 31 March	142,550,000	320,693,000

36.1 DISPOSAL OF SUBSIDIARY

As described in Note 24.4, the Group has disposed the subsidiary namely Hatton Plantations PLC during the year. Accordingly, the deferred income at the time of disposal amounting Rs. 128 Mn. has been derecognised during the year.

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

Funds had 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.

37. TRADE AND OTHER PAYABLES

Accounting policy

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

Provisions

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

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

Warranties

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

	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Trade payables	1,760,858,181	2,258,060,140	–	–
Sales representatives security deposits	14,476,077	14,398,933	–	–
Retention payable to contractors	3,960,690	21,190,333	–	–
NBT payable	1,745,401	9,896,560	1,745,401	9,896,560
Advance for customers	–	6,502,606	–	–
Accrued expenses and other payables (Note 37.1)	669,656,601	928,099,924	19,243,933	12,559,282
	2,450,696,950	3,238,148,496	20,989,334	22,455,842

37.1 Accrued expenses and other payables include bonus payable of Rs. 149 Mn. (2019 Rs. 85 Mn.), advertising and promotion payable of Rs. 90 Mn. (2019 Rs. 34 Mn.) and other accrued expenses and payable of Rs. 431 Mn. (2019 Rs. 109 Mn.).

38. AMOUNTS DUE TO RELATED PARTIES

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

	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Sunshine Tea (Pvt) Ltd.	21,921,252	2,940,848	–	–
Lamurep Properties Ltd.	3,591,990	–	2,628,990	–
Duxton Asset Management Limited	–	22,250,000	–	–
Sunshine Foundation	2,000,000	–	–	–
Watawala Tea Ceyon Ltd.	–	–	22,118	–
	27,513,242	25,190,848	2,651,108	–

39. FAIR VALUE MEASUREMENT

Accounting policy

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

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

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

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

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

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

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

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

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

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

This category includes instruments valued using;

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

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

31 March 2020	GROUP					
			Fair value			
	Classification	Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets measured at fair value						
Investment in unquoted shares	Fair value through OCI	537,522,639	–	–	537,522,639	537,522,639
Investment in quoted shares	Fair value through P&L	75,890,853	75,890,853	–	–	75,890,853
Investment in unit trust	Fair value through P&L	7,346,627	7,346,627	–	–	7,346,627
Derivative instruments	Fair value through P&L	234,792,226	–	234,792,226	–	234,792,226
Investment fund	Fair value through P&L	343,725,000	–	343,725,000	–	343,725,000
		1,199,277,345	83,237,480	578,517,226	537,522,639	1,199,277,345
Financial assets not measured at fair value						
Trade and other receivables**	Amortised cost	3,727,303,446	–	–	3,727,303,446	3,727,303,446
Investment in debentures	Amortised cost	106,419,178			106,419,178	106,419,178
Amounts due from related parties**	Amortised cost	78,704,645	–	–	78,704,645	78,704,645
Cash and cash equivalents**	Amortised cost	4,572,232,065	4,572,232,065	–	–	4,572,232,065
		8,484,659,334	4,572,232,065	–	3,912,427,269	8,484,659,334
Financial liabilities not measured at fair value						
Loans and borrowings***	Other financial liabilities	5,283,746,339	–	–	5,283,746,339	5,283,746,339
Bank overdraft**	Other financial liabilities	1,163,836,455	1,163,836,455	–	–	1,163,836,455
Trade and other payables**	Other financial liabilities	1,779,294,948	–	–	1,779,294,948	1,779,294,948
Amounts due to related parties**	Other financial liabilities	27,513,242	–	–	27,513,242	27,513,242
		8,254,390,984	1,163,836,455	–	7,090,554,529	8,254,390,984

	COMPANY				
		Fair value			
	Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
	537,522,639	–	–	537,522,639	537,522,639
	75,890,853	75,890,853	–	–	75,890,853
	7,346,627	7,346,627	–	–	7,346,627
	203,742,135	–	203,742,135	–	203,742,135
	–	–	–	–	–
	824,502,254	83,237,480	203,742,135	537,522,639	824,502,254
	33,214,124	–	–	33,214,124	33,214,124
	106,419,178			106,419,178	106,419,178
	240,777,370	–	–	240,777,370	240,777,370
	2,238,482,618	2,238,482,618	–	–	2,238,482,618
	2,618,893,290	2,238,482,618	–	380,410,672	2,618,893,290
	2,925,274,598	–	2,925,274,598	–	2,925,274,598
	52,500,020	–	52,500,020	–	52,500,020
	–	–	–	–	–
	2,651,108	–	2,651,108	–	2,651,108
	2,980,425,726	–	2,980,425,726	–	2,980,425,726

31 March 2019	GROUP					
			Fair value			
	Classification	Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
Financial assets measured at fair value						
Investment in unquoted shares	Fair value through OCI	594,319,053	–	–	594,319,053	594,319,053
Investment in quoted shares	Fair value through P&L	61,297,280	61,297,280	–	–	61,297,280
Investment in unit trust	Fair value through P&L	8,461,934	8,461,934			8,461,934
Derivative instruments	Fair value through P&L	203,742,135	–	203,742,135	–	203,742,135
Investment fund	Fair value through P&L	312,051,000	–	312,051,000	–	312,051,000
		1,179,871,402	69,759,214	515,793,135	594,319,053	1,179,871,402
Financial assets not measured at fair value						
Trade and other receivables**	Amortised cost	3,117,866,609	–	–	3,117,866,609	3,117,866,609
Amounts due from related parties**	Amortised cost	27,998,528	–	–	27,998,528	27,998,528
Cash and cash equivalents**	Amortised cost	1,883,372,118	1,883,372,118	–	–	1,883,372,118
		5,029,237,255	1,883,372,118	–	3,145,865,137	5,029,237,255
Financial liabilities not measured at fair value						
Loans and borrowings***	Other financial liabilities	4,412,962,430	–	–	4,412,962,430	4,412,962,430
Bank overdraft**	Other financial liabilities	826,769,498	826,769,498	–	–	826,769,498
Trade and other payables**	Other financial liabilities	2,293,649,406	–	–	2,293,649,406	2,293,649,406
Amounts due to related parties**	Other financial liabilities	25,190,848	–	–	25,190,848	25,190,848
		7,558,572,182	826,769,498	–	6,731,802,684	7,558,572,182

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

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

COMPANY				
	Fair value			
Carrying amount Rs.	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total Rs.
577,866,053	–	–	577,866,053	577,866,053
61,297,280	61,297,280	–	–	61,297,280
8,461,934	8,461,934			8,461,934
203,742,135	–	203,742,135	–	203,742,135
–	–	–	–	–
851,367,402	69,759,214	203,742,135	577,866,053	851,367,402
62,655,417	–	–	62,655,417	62,655,417
225,727,276	–	–	225,727,276	225,727,276
1,082,109,987	1,082,109,987	–	–	1,082,109,987
1,370,492,680	1,082,109,987	–	288,382,693	1,370,492,680
1,664,908,029	–	1,664,908,029	–	1,664,908,029
–	–	–	–	–
–	–	–	–	–
2,651,108	–	2,651,108	–	2,651,108
1,667,559,137	–	1,667,559,137	–	1,667,559,137

VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement	Profit/(loss) Rs.	
				Increase	Decrease
Unquoted equity instruments	Discounted cash flows The valuation model considers the present value of expected net cash flows from those investments discounted using a risk adjusted discount rate. The expected cash flows are derived based on the budgeted cash flow forecasts of those investments determined by considering the sensible probability of the forecast EBITDA.	Forecast annual EBIT growth rate: – LCBL 5% – TATA 5%	– the EBITDA growth were higher/(lower) – 1%	18,465,229	29,396,314
		Risk adjusted discount rate: – LCBL 12.7% – TATA 12.69%	– the risk adjusted discount rate were lower/(higher) – 1%	(42,970,151)	13,404,741
Interest rate swaps/Cross currency swaps	Swap models The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.	Not Applicable	Not Applicable		

TRANSFERS BETWEEN LEVEL 1 AND LEVEL 2

There were no transfers between Level 1 and Level 2 during the year ended 31 March 2020.

LEVEL 3 FAIR VALUES

RECONCILIATION OF LEVEL 3 FAIR VALUE

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

	Equity securities	
	Group Rs.	Company Rs.
Balance as at 1 April 2018	566,210,085	555,447,085
Gain included in OCI		
– Net change in fair value (unrealised)	28,108,968	22,418,968
Purchases	–	–
Balance as at 31 March 2019	594,319,053	577,866,053
Balance as at 1 April 2019	594,319,053	577,866,053
Adjustment related disposal of a subsidiary (Note 24.4)	(16,453,000)	–
Gain included in OCI		
– Net change in fair value (unrealised)	(40,343,414)	(40,343,414)
Purchases	–	–
Balance as at 31 March 2020	537,522,639	537,522,639

40. FINANCIAL RISK MANAGEMENT

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

a. Credit risk (Note 40.2)

b. Liquidity risk (Note 40.3)

c. Market risk (Note 40.4)

d. Operational risk (Note 40.5)

40.1 RISK MANAGEMENT FRAMEWORK

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

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

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

40.2 CREDIT RISK

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

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

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

As at 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Impairment loss on trade receivables and contract assets arising from contracts with customers	56,815,760	33,821,437	–	–
	56,815,760	33,821,437	–	–

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 2020	**Group**			
	Weighted average loss rate %	**Gross carrying amount Rs.**	**Loss allowance Rs.**	**Credit impaired**
Less than 30 days	1	1,453,019,608	10,076,110	No
More than 30 days but less than 60 days	1	729,401,433	7,424,397	No
More than 60 days but less than 90 days	2	290,909,259	4,973,919	No
More than 90 days	5	664,105,176	34,341,333	No
		3,137,435,476	56,815,760	

As at 31 March 2019	Group			
	Weighted average loss rate %	Gross carrying amount Rs.	Loss allowance Rs.	Credit impaired
Less than 30 days	0	1,478,767,297	2,568,574	No
More than 30 days but less than 60 days	0	546,021,079	1,944,403	No
More than 60 days but less than 90 days	1	103,112,957	990,141	No
More than 90 days	12	245,591,658	28,318,319	No
		2,373,492,990	33,821,437	

TRADE RECEIVABLES AND CONTRACT ASSETS

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

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

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

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

	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Other investments	1,305,696,523	976,129,267	824,502,254	851,367,402
Trade and other receivables	3,727,303,446	3,117,866,609	33,214,124	10,200,661
Amount due from related parties	78,704,645	27,998,528	240,777,370	225,727,276
Cash and cash equivalents	4,572,232,065	1,883,372,118	2,238,482,618	1,082,109,987
	9,683,936,679	6,005,366,522	3,336,976,366	2,169,405,326

AMOUNT DUE FROM RELATED PARTIES

The Group's amounts due from related parties mainly consists of the balances from affiliates. The Company balance consists of the balances from subsidiaries and affiliates.

CASH AND CASH EQUIVALENTS

The Group held cash and cash equivalents of Rs. 4,572 Mn. at 31 March 2020 (2019: Rs.1,883 Mn.). The cash and cash equivalents are held with bank and financial institution counterparties, which are rated AA- to AA+, based on Fitch ratings.

40.3 LIQUIDITY RISK

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

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

EXPOSURE TO LIQUIDITY RISK

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

As at 31 March 2020	Contractual cash flows				
GROUP	Carrying amount Rs.	Total Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.
Bank overdrafts	1,163,836,455	1,163,836,455	1,163,836,455	–	–
Loans and borrowings	5,283,746,339	5,283,746,339	1,813,828,551	1,158,071,144	2,311,846,644
Trade and other payables	2,450,696,950	2,450,696,950	2,445,489,147	5,207,803	–
Amount due to related parties	27,513,242	27,513,242	27,513,242	–	–
	8,925,792,986	8,925,792,986	5,450,667,395	1,163,278,947	2,311,846,644

As at 31 March 2020	Contractual cash flows				
COMPANY	Carrying amount Rs.	Total Rs.	6 months or less Rs.	6- 12 months Rs.	More than 12 months Rs.
Bank overdrafts	52,500,020	52,500,020	52,500,020	–	–
Loans and borrowings	2,925,274,598	2,925,274,598	986,759,653	999,514,125	939,000,820
Trade and other payables	20,989,334	20,989,334	20,989,334	–	–
Amount due to related parties	2,651,108	2,651,108	2,651,108	–	–
	3,001,415,060	3,001,415,060	1,062,900,115	999,514,125	939,000,820

As at 31 March 2019	Contractual cash flows				
GROUP	Carrying amount Rs.	Total Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.
Bank overdrafts	826,769,498	826,769,498	826,769,498	–	–
Loans and borrowings	4,412,962,430	4,412,962,430	556,520,424	556,520,424	3,299,921,582
Trade and other payables	3,238,148,496	3,238,148,496	3,238,148,496	–	–
Amount due to related parties	25,190,848	25,190,848	25,190,848	–	–
	8,503,071,272	8,503,071,272	4,646,629,266	556,520,424	3,299,921,582

As at 31 March 2019	Contractual cash flows				
COMPANY	Carrying amount Rs.	Total Rs.	6 months or less Rs.	6-12 months Rs.	More than 12 months Rs.
Bank overdrafts	–	–	–	–	–
Loans and borrowings	1,664,908,029	1,664,908,029	214,557,355	214,557,354	1,235,793,320
Trade and other payables	22,455,842	22,455,842	22,455,842	–	–
Amount due to related parties	–	–	–	–	–
	1,687,363,871	1,687,363,871	237,013,197	214,557,354	1,235,793,320

40.4 MARKET RISK

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

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

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

Therefore, the Group believes the current market structure supports the continuation of hedge accounting as at 31 March 2020.

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 Sri Lankan Rupees. The currencies in which these transactions are primarily denominated are Euro, US Dollars, Australian Dollar, Singapore Dollar and Japanese Yen.

EXPOSURE TO CURRENCY RISK

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

As at 31 March 2020	GROUP						
	Euro Rs.	USD Rs.	Australian Dollar Rs.	Singapore Dollar Rs.	Japanese Yen Rs.	LKR Rs.	Total Rs.
Financial assets							
Other investments	–	–	–	–	–	234,792,226	234,792,226
Trade and other receivables	–	499,784,979	–	–	–	3,795,786,126	4,295,571,105
Amount due from related parties	–	–	–	–	–	78,704,645	78,704,645
Cash and cash equivalents	–	63,825,400	578,188	–	–	4,507,828,477	4,572,232,065
	–	563,610,379	578,188	–	–	8,617,111,474	9,181,300,041
Financial liabilities							
Loans and borrowings	–	–	–	–	–	(2,971,899,695)	(2,971,899,695)
Trade and other payables	–	–	–	–	–	(2,450,696,950)	(2,450,696,950)
Amount due to related parties	–	–	–	–	–	(27,513,242)	(27,513,242)
Bank overdrafts	–	–	–	–	–	(1,163,836,455)	(1,163,836,455)
	–	–	–	–	–	(6,613,946,342)	(6,613,946,342)
Net exposure	–	563,610,379	578,188	–	–	2,003,165,132	2,568,718,699

As at 31 March 2019	GROUP						
	Euro Rs.	USD Rs.	Australian Dollar Rs.	Singapore Dollar Rs.	Japanese Yen Rs.	LKR Rs.	Total Rs.
Financial assets							
Other investments	–	–	–	–	–	203,742,135	203,742,135
Trade and other receivables	–	82,748,834	–	–	–	3,665,834,579	3,748,583,413
Amount due from related parties	–	–	–	–	–	27,998,528	27,998,528
Cash and cash equivalents	–	824,674	–	–	–	1,882,547,444	1,883,372,118
	–	83,573,508	–	–	–	5,780,122,686	5,863,696,194
Financial liabilities							
Loans and borrowings	–	–	–	–	–	(1,113,040,848)	(1,113,040,848)
Trade and other payables	–	(1,972,973,536)	–	–	–	(1,265,174,960)	(3,238,148,496)
Amount due to related parties	–	–	–	–	–	(25,190,848)	(25,190,848)
Bank overdrafts	–	–	–	–	–	(826,769,498)	(826,769,498)
	–	(1,972,973,536)	–	–	–	(3,230,176,154)	(5,203,149,690)
Net exposure	–	(1,889,400,028)	–	–	–	2,549,946,532	660,546,504

SENSITIVITY ANALYSIS

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

	GROUP			
	Profit or loss		Equity, net of tax	
	Strengthening Rs.	Weakening Rs.	Strengthening Rs.	Weakening Rs.
As at 31 March 2020				
USD (1% movement)	5,636,104	(5,636,104)	5,636,104	(5,636,104)
As at 31 March 2019				
USD (1% movement)	(18,894,000)	18,894,000	(18,894,000)	18,894,000

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	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Fixed-rate instruments				
Financial liabilities				
Loans and borrowings	5,283,746,339	4,412,962,430	2,925,274,598	1,664,908,029
	5,283,746,339	4,412,962,430	2,925,274,598	1,664,908,029
Variable-rate instruments				
Financial liabilities				
Bank overdrafts	1,163,836,455	826,769,498	52,500,020	–
	1,163,836,455	826,769,498	52,500,020	–

40.5 OPERATIONAL RISK

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

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

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

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

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

41. RELATED PARTY TRANSACTIONS

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

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 56, 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 COMPENSATION OF KEY MANAGEMENT PERSONNEL

For the year ended 31 March	GROUP		COMPANY	
	2020 Rs.	2019 Rs.	**2020 Rs.**	2019 Rs.
Short-term employee benefits	245,964,426	233,308,346	230,973,512	224,974,830
Post-employment benefits	5,139,159	4,750,445	5,139,159	4,750,445
	251,103,585	238,058,791	236,112,670	229,725,275

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 2020.

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 2019 audited financial statements, which required additional disclosures in the 2019/20 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 2019 audited financial statements, which required additional disclosures in the 2019/20 Annual Report under Colombo Stock Exchange Listing Rule 9.3.2 and Code of Best Practices on Related Party Transactions under the Securities and Exchange Commission Directive issued under Section 13 (c) of the Securities and Exchange Commission Act.

Transactions with subsidiaries

Company name	Relationship	Nature of transaction	**Transaction amount 2020 Rs.**	Transaction amount 2019 Rs.	**Amount payable/ receivable 2020 Rs.**	Amount payable/ receivable 2019 Rs.
Sunshine Healthcare Lanka Ltd.	Subsidiary	Service income	113,292,013	94,196,763	–	–
		Dividend income	441,339,394	146,396,385	–	–
		Advance given	(1,000,000)	–	–	–
		Advance settled	1,000,000	–	–	–
		Gratuity transfer	117,715	–	–	–
Watawala Plantations PLC	Subsidiary	Service income	90,162,599	70,476,201	–	–
		Purchases	–	–	–	–
		Gratuity transfer	115,694	–	–	–
Hatton Plantations PLC	Subsidiary	Service income	–	65,161,481	–	–
		Purchases	–	(128,642)	–	–
Watawala Tea Ceylon Ltd.	Subsidiary	Service income	98,682,885	87,224,648	(22,118)	–
		Purchases	(44,785)	–	–	–
		Gratuity transfer	–	–	–	–
Sunshine Packaging Lanka Ltd.	Subsidiary	Interest income	16,449,945	15,833,580	221,822,187	205,371,140
		Loan obtained	–	(34,400,000)	–	–
		Loan settled	–	5,151,000	–	–
		Share issue for capital infusion	(75,000,000)	–	–	–
		Purchases	–	–	–	–
Estate Management Services (Pvt) Ltd.	Subsidiary	Dividend income	–	344,263,036	–	–
Sunshine Energy (Pvt) Ltd.	Subsidiary	Service income	909,407	7,817,697	946,655	–
		Advance given	–	(118,530,000)	–	–
		Advance settled	–	263,129	–	–
		Investment in shares	–	118,267,567	–	–
Waltrim Energy Ltd.	Subsidiary	Service income	7,183,859	8,007,070	9,002,202	–
		Loan obtained	(22,000,000)	–	–	–
		Loan settled	22,000,000	–	–	–
		Interest income	205,124	–	–	–
Upper Waltrim Hydropower (Pvt) Ltd.	Subsidiary	Service income	3,679,185	2	1,369,387	–
Waltrim Hydropower (Pvt) Ltd.	Subsidiary	Service income	2,818,883	–	1,179,934	–

Company name	Relationship	Nature of transaction	**Transaction amount 2020 Rs.**	Transaction amount 2019 Rs.	**Amount payable/ receivable 2020 Rs.**	Amount payable/ receivable 2019 Rs.
Sky Solar (Pvt) Ltd.	Subsidiary	Service income	1,833,266	–	–	20,332,676
		Interest income	920,479	897,050	–	–
		Advances given	(6,968,750)	–	–	–
		Advances settled	6,968,750	–	–	–
		Loan obtained	–	–	–	–
		Loan settled	19,435,625	–	–	–
Elgin Hydropower (Pvt) Ltd.	Subsidiary	Service income	2,826,162	–	5,760,796	–
		Loan obtained	–	(38,935,625)	–	–
		Loan settled	–	(19,500,000)	–	–
Sunshine Holdings International Pte Ltd.	Subsidiary	Advance given	–	(604,693)	–	–
		Advance settled	–	134,797	–	–
Norris Canal Properties (Pvt) Ltd.	Affiliate Company	Advance given	–	23,460	–	23,460
			724,927,451	752,014,906		

Transactions with associates
There were no transactions carried out between the Group with the associate during the year ended 31 March 2020.

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 2020 Rs.**	Transaction amount 2019 Rs.	**Amount payable/ receivable 2020 Rs.**	Amount payable/ receivable 2019 Rs.
Sunshine Tea (Pvt) Ltd.	Affiliate Company	Sales	9,793,457	1,311,742	5,236,645	3,116,220
		Service cost	(206,969,240)	(259,058,859)	–	–
		Shared cost	(9,255,917)	7,074,093	–	–
		Rent paid	–	(5,677,000)	–	–
		Purchases	–	(7,485,347)	–	–
		Transfer of land	63,233,820	–	–	–
Pyramid Lanka (Pvt) Ltd.	Affiliate Company	Sales	2,005,247,000	2,004,233,963	73,468,000	21,918,000
Lamurep Properties Limited	Affiliate Company	Rent	(25,896,996)	(26,650,925)	(3,591,990)	–
		Purchases	–	(2,842,455)	–	–
Duxton Assets Management Limited	Affiliate Company	Consultancy fee	–	(22,250,000)	–	(22,250,000)
Lamurep Investments Ltd.	Affiliate	Service income	16,518	1,476,544	–	–
Sunshine Foundation	Affiliate	Members contribution	(27,400,000)	(25,575,041)	(2,000,000)	–
			1,808,768,642	1,664,556,714		

42. COMMITMENTS

Company

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

Group

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

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 Judgements and Estimates

Provisions and Contingencies

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

Company

There were no guarantees given by the Company to banks and other institutions as at 31 March 2020 (2019 Nil).

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

Group

Watawala Plantations PLC, a subsidiary of the Company, has given a bank guarantee amounting to Rs. 6,400,000 to the Tax Appeals Commission. Further, a corporate guarantee was issued in favour of several banks on behalf of Watawala Dairy Limited. for the loans obtained.

Watawala Dairy Ltd. a subsidiary of the Company, has given a bank guarantee amounting to Rs. 10,000,000 to Ceylon Grain Elebators PLC. As a result of the above transaction, the Group's effective shareholding of the WATA has dropped to 37.12% from 44.54%. Further, effective shareholding of Watawala Tea Ceylon Limited (consumer brands business) has increased from 60% to 100% through EMSPL.

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

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

Sunshine Energy (Pvt) Ltd., a subsidiary of the Company has given a bank guarantee amounting to Rs. 40,000,000.

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

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.

Impact on COVID-19

On 11 March 2020 the World Health Organization declared the COVID-19 as an Global Pandemic Situation. The pandemic has been significantly affected the Sri Lankan economy as well as the business environment. The situation has started well before the financial year end, and has been continuing so far effecting the many aspects of the country.

The Group has considered this as an adjusting event and has evaluated and determined the extent to which the development after the reporting date also in the current reporting period. All relevant and adequate disclosures have been provided under the respective Notes in the Financial Statements where it's relevant.

Company/Group

There have been no events subsequent to the reporting date, which would have any material effect on the Company, other than the impact on COVID-19 and following;

The Board of Directors of the Company has declared a first and final dividend of Rs. 0.75 per share for the financial year ended 31 March 2020.

As required by Section 56 of the Companies Act No. 07 of 2007, the Board of Directors of the company satisfied the solvency test in accordance with Section 57, prior to declaring the final dividend. A statement of solvency duly completed and signed by the Directors on 27 May 2020 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 2020.

On 13 March 2020, Sunshine Holdings PLC (the "Company") and Pyramid Wilmar Plantations (Pvt) Ltd. (PWPL) jointly incorporated a new company named Sunshine Wilmar (Private) Limited (SWPL) with equal shareholding. On 12 May 2020, the share capital of Rs. 1,521 Mn. infused into SWPL by the Company.

On 19 May 2020, Company has acquired the remaining stake of 40% in Estate Management Services (Pvt) Ltd. from PWPL for the purchase consideration of Rs. 2,903 Mn., and company increased the indirect holdings of Watawala Tea Ceylon Limited to 100%.

As a result of the above transactions, the Group's effective shareholding of WATA has dropped to 37.12% from 44.54%. Further, effective shareholding of Watawala Tea Ceylon Limited (consumer brands business) has increased from 60% to 100% through EMSPL.

45. COMPARATIVE INFORMATION

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

As described in Note 7, the Group has selected the option to recognise Right-of-Use asset (ROU asset) and lease liability at equal amounts as at 1 April 2019 with the adjustments required on first-time adoption of SLFRS 16 "Leases". Accordingly, comparative information have not been restated based on adoption of the said accounting standards.

46. DIRECTORS ASSESSMENT ON GOING CONCERN

As described in Note 44, on 11 March 2020 the World Health Organization declared the coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe with over 150 countries. Following this outbreak, Sri Lanka has been in a lockdown position with curfew being imposed since 20 March 2020 and therefore the business operations and activities of the Company/Group were temporary impacted.

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

The operating segments of the Group being healthcare, agribusiness, consumer goods and energy, the potential impact of COVID-19 is expected to be minimal based on the internal assessment carried out by the Management. Even during the lockdown period, the healthcare, agri and energy sectors continued to operate as those businesses are classified under essential services.

The Board carried out an assessment of the potential implications of COVID-19 on profitability and liquidity of each Group entity and at consolidated Group level and incorporated the required adjustments in the revised budget for the year ending 31 March 2021. Based on this assessment the Board is of the view that the Group has adequate liquidity position considering the cash flows in hand and the secured facilities available through bank credit facilities. Accordingly, the Group will not have any limitations in meeting the future obligations and ensuring business continuity.

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

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.