

# THE ART OF SUCCESS



Annual Report 2010/2011



# THE ART OF SUNSHINE SUCCESSION

The concept of this annual report, “The Art of Success”, is inspired by the ancient wisdom of the Martial Arts. These arts have been renowned, over time, for their invincible formula: the winning combination of mind power, strategy and discipline, guiding one on the path to success.

Using this as an analogy, we would like to illustrate how Sunshine Holdings, have become a shining beacon of success in business through great vision, business acumen, strategic thinking and discipline.

Each sector of the business has demonstrated the key values of the Group through its work, and contributed to the Group’s remarkable success.

# A Guided Journey into the Art of Success

## Discipline

The Shaolin tradition provides rigorous discipline for the mind and body, which results in extraordinary skills and abilities. Because of the holistic training that it offers, the Shaolin way is not just a martial art but a lifestyle.

Like the Shaolin Warrior, the Healthcare Sector has risen to highest ranks and become a leader in its field, due to its unmatched discipline, unparalleled experience and commitment.

## In Harmony

Harmony is at the core of our philosophy, our Plantations are no different. Even as water and sunshine nurture plants, our caring hands nurture our Plantations, enabling them to grow and flourish. In turn, our plantations are able to give back to the environment, which sustains it.

Like the Shaolin Monk, at peace with everything around him.

## An Adventurous Spirit

The adventurer in us has pushed us to seek new shores, and explore uncharted land. It has allowed us to understand the nuances of the Travel and Tourism industry.

Our Travel and Tourism sector has grown in leaps and bounds and partners today some of the world's leading companies.

We continue to forge ahead, conquering new territory every day.

## Dynamism

Good armour provides the wearer with an impervious outer shell, protecting and caring for what's within. Our packaging solutions have the same virtues.

It is versatile in design, innovative and imaginative.

We are always finding new ways to package our customers' products successfully and tastefully. Not only are we protecting and shielding, we are adding identity and value to what's inside.

## A Diverse Scope

Our Company has travelled above and beyond the traditional scope of a company, venturing into new terrains.

With the vision of further diversification, we have journeyed into the realm of Clean Power Generation: another new industry to the Group.

## Courage

It is the courageous spirit that has led to the success of the marketing sector. They have forged ahead despite fierce competition and have not let any obstacle getting in the way of their path to success. They are surging ahead with new introduction and innovations, whilst winning the hearts and minds of the Sri Lankan consumer.

A person's arm is extended from the left side of the frame, reaching towards a metallic, perforated surface that occupies the right side. The surface is covered in a grid of circular holes, some of which are illuminated from within, creating a glowing effect. The background is a dark, textured surface. The overall composition suggests a theme of reaching for a goal or vision.

# Great Vision

To rank among the top five Sri Lankan companies in terms of profitability and returns on investment and assets through sound entrepreneurship, innovation and commitment to change, while being a role model corporate citizen and respected employer.

# Strong Beliefs

Ethical Corporate Governance | High Value-Addition | Nation Building | Strategic Diversification | Higher Productivity | Embracing Change | Superior Quality | Social Responsibility | Environmentally Conscious

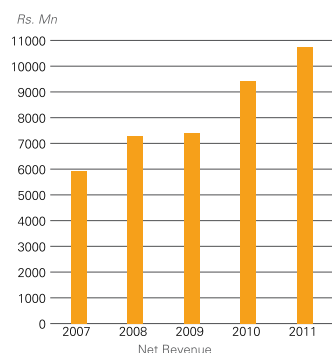


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# Group at a Glance

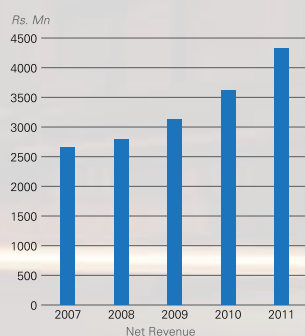


## Group

	Rs. Mn
Group Revenue	10,732
Net Profit	1,004
Profit Attributable to Equity Holders	500
Total Assets	8,489
Employees	13,571

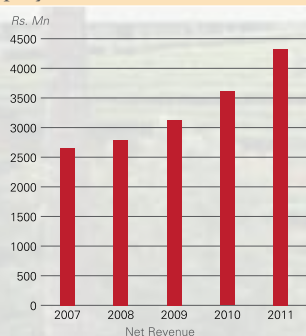
## Healthcare

	Rs. Mn
Revenue	4,329
Net Profit	342
Total Assets	1,959
Employees	777



## Plantations

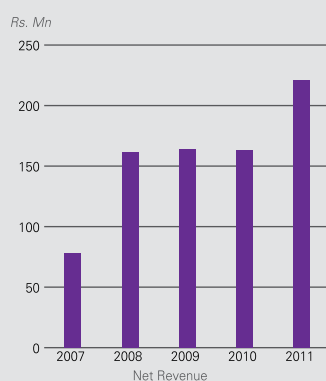
	Rs. Mn
Revenue	6,158
Net Profit	642
Total Assets	5,416
Employees	12,616





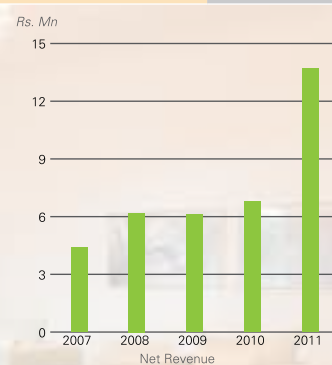
## Packaging

	Rs. Mn
Revenue	221
Net Profit	10
Total Assets	486
Employees	164



## Travel

	Rs. Mn
Revenue	14
Net Profit	1
Total Assets	32
Employees	14



# Operating Highlights

	Group		Company	
	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.

## Results for the year

Revenue	10,732,165,865	9,437,275,477	134,837,248	137,486,763
Gross Profit	2,426,066,850	1,814,375,896	134,837,248	113,136,003
EBIT	1,336,546,737	957,249,732	110,973,985	114,532,406
Profit Before Tax	1,226,236,781	834,067,131	110,973,985	114,346,874
Profit After Tax	1,004,583,220	725,665,946	110,973,985	114,346,874
NP Margin %	9.4	7.7	82.3	83.2
Profit Attributable to Equity Shareholders	500,195,995	395,816,236	110,973,985	114,346,874

## At year end

Stated Capital	679,999,949	679,999,949	679,999,949	679,999,949
Shareholders' Funds	2,324,632,646	1,864,653,039	988,950,448	917,976,462
Minority Interest	2,180,070,230	1,609,021,951	–	–
Capital Expenditure	981,726,759	820,025,461	184,295	–
Total Borrowings	1,500,661,736	1,194,378,162	–	–

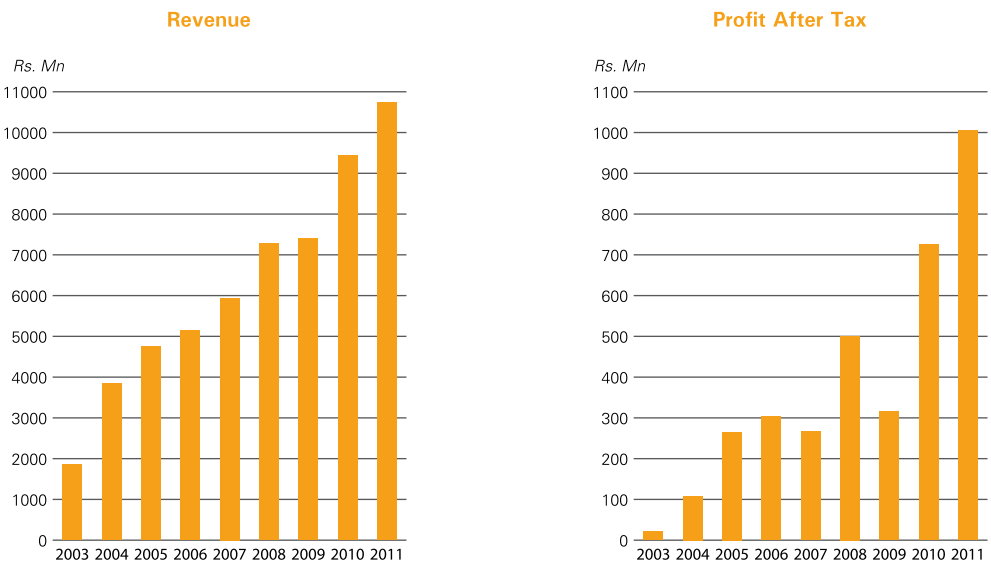
## Per Ordinary Share

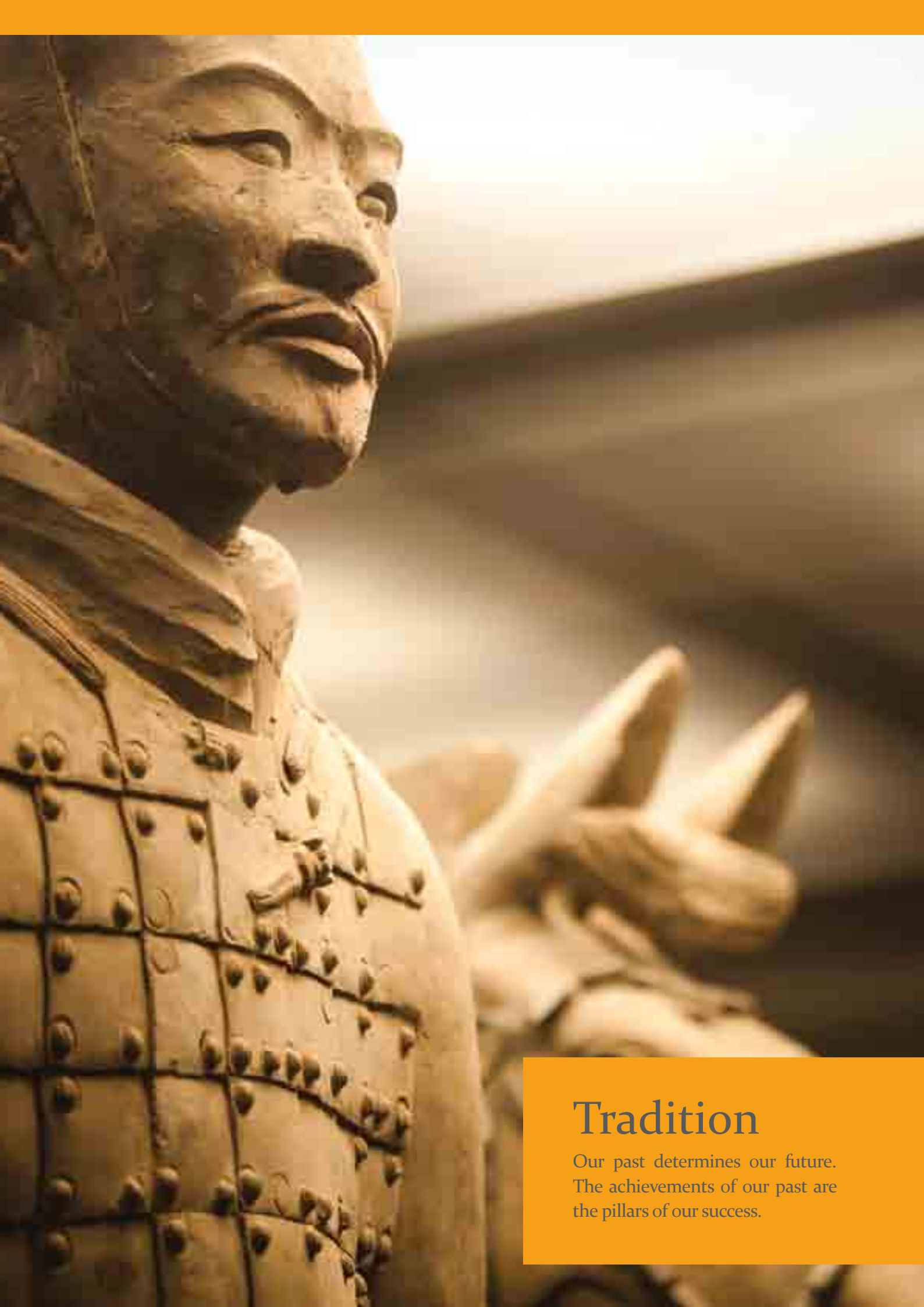
EPS	3.75	2.97	0.83	0.86
Net Asset Value	17.43	13.98	7.42	6.88
Market Value	42.10	325.00	–	–
DPS	0.30	0.30	0.30	0.30

## Ratios

Average Cost of Borrowings %	11.17	12.94	–	–
Debt: Equity Ratio %	33.31	34.38	–	–
ROE %	23.88	24.36	11.64	13.03
ROCE %	25.04	21.19	11.64	13.05
Interest Cover (times)	12	8	–	–
Liquid Assets Ratio	1.57	1.59	9.73	39.98
P/E Ratio	11	13	–	–
Market Capitalization	5,613,333,193	4,333,333,225	–	–
Enterprise Value	6,645,724,469	5,066,673,378	–	–







## Tradition

Our past determines our future.  
The achievements of our past are  
the pillars of our success.

# Milestones

1967	<b>Establishes Lanka Medicals (Imports) Ltd.</b> , the Group's first step in its entrepreneurial journey.
1967 – 1992	<b>Lanka Medicals grows to become one of Sri Lanka's largest importers and marketers</b> of pharmaceuticals, surgicals, diagnostics and nutraceuticals
1992	<b>The company sets up a joint venture with Tata Teas Ltd.</b> , and establishes the Estate Management Services (Pvt) Ltd. (EMSPL), this becomes the beginning of a successful long term association of two formidable entities.
1997	<b>EMSPL purchases Watawala Plantations Company</b> – a CSE listed company which owned 22 plantations, spanning 12,000 hectares of Tea, Rubber and Oil Palm.
2000	<b>Birth of Swiss Biogenics Limited</b> , a newly formed marketing & distribution company for pharmaceuticals, surgicals, diagnostics and nutraceuticals. <b>Watawala Plantations (WPL) enters Sri Lanka's retail market with "Zesta"</b> ; and becomes the first Plantation Company to have its own brand of tea for the local market. The birth of "Zesta" becomes the beginning of several more successful brands of the WPL to capture the local retail market.
2002	<b>The Group ventures into the Travel business</b> , with the acquisition of Sunshine Travels & Tours. Since the newly acquired business offered bright prospects and seemed to hold infinite possibilities, a decision was made to <b>adopt the name "Sunshine"</b> for the holding company, and hence is the name "Sunshine Holdings PLC" for the Group.
2004	Pre-empting a surge in healthcare and equipped with expertise and experience, invests in <b>Healthguard Pharmacy Ltd.</b> , a top of the line value added pharmacy with superior service levels that stocks all brands of pharmaceuticals. The first outlet opens on Dharmapala Mawatha, Colombo 7.
2005	Sunshine Holdings, believing in the merits of vertical integration, <b>acquires a packaging business</b> , which was part of the Amico Group. The company which offers a wide range of metal packaging solutions to a diverse clientele, is re-named <b>"Sunshine Packaging"</b> .
2007	<b>Makes a strategic investment in Telecommunications, partnering TATA Telecom</b> to be an international gateway operator serving the local requirements for international communication.
2010	<b>Ventures into Power Generation with the establishment of the subsidiary Sunshine Energy Limited</b> for the exploration and production of renewable energy. <b>WPL establishes "Watawala Marketing Ltd"</b> to bring in all FMCG marketing activities under a separate entity. <b>The Travel sector ventures into Hospitality</b> with the launch of three boutique bungalows under the brand name 'Mandira' (meaning Home or Mansion in Pali).
2011	<b>Sunshine Travels &amp; Tours enters into a Joint Venture Agreement with world's Leading Hospitality Chain, SilverNeedle Hospitality Company</b> to develop, acquire and manage hotels in different parts of Sri Lanka.

# Message From The Chairman

"2010/2011 was a milestone year for your group as its PAT surpassed one billion."

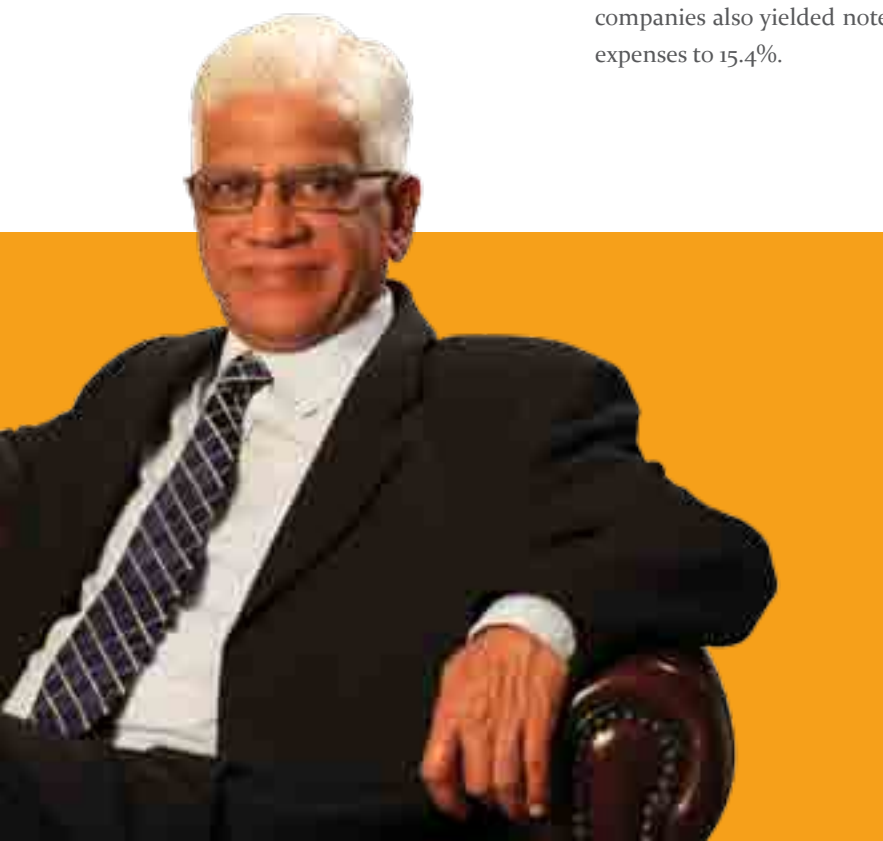
Dear Shareholder,

I take pleasure in welcoming you to the 38<sup>th</sup> Annual General Meeting of the Company and presenting to you the Annual Report and Audited Financial Statements for the year ended 31<sup>st</sup> March 2011.

The economic recovery which commenced in mid 2009 gathered momentum in 2010, and our nation experienced an encouraging economic resurgence. These positive developments point to a prosperous period ahead for the whole country. Sri Lanka's economy grew by 8%, a rate much higher than was expected for year 2010. Inflation and unemployment declined to 6.9% and 4.9% respectively. Another encouraging sign was that the all-island poverty rate halved in 2010, declining to 7.6% from 15.2% in the previous year. Thus, Sri Lanka has achieved one of the Millennium Development Goals much in advance of the deadline of 2015. The fact that the state authorities are adopting a strategic approach to national development is another factor which encourages our bright prognosis.

The year under review was a milestone year for your Group as its Profit After Tax (PAT) surpassed Rupees One billion, for the first time. The Group performed remarkably with a Revenue of Rs. 10.7 billion, which is a 14% growth over the Rs. 9.4 billion recorded in the previous year. Profits attributable to the equity holders of Sunshine Holdings increased by 26%, to reach Rs. 500 million.

The key contributors to the growth in Profits were the Plantations and Healthcare sectors. PAT in these two sectors increased significantly by 50.6% and 50.1% respectively. In addition, our renewed focus on operational efficiency in all Group companies also yielded noteworthy results, helping to curtail increases in Group expenses to 15.4%.





## Healthcare ■

Healthcare remains a priority area for the Government of Sri Lanka and healthcare expenditure has increased continually. Total expenditure on health services during 2010 increased by 3%. The contribution from private healthcare sector has grown at a higher rate compared with that from the public sector and this reflects the expected trend for the future when the private sector is likely to play a dominant role in healthcare.

The Healthcare sector reported a gross profit of Rs. 1.2 billion, a 28.6% increase compared with previous year's gross profit. This strong performance was achieved through efficient monitoring of prices and margins and disciplined cost control, and also helped by an external environment of a stable exchange rate. Turnover in this sector increased by 19.9%, to reach Rs. 4.3 billion. Your company's presence in all segments of healthcare products, namely, Pharmaceuticals, Surgical & Medical Devices, Diagnostics and Nutraceuticals, enabled it to hold its overall market share and retain the number one position in the Cardiovascular, Diabetes and Gastrointestinal products markets. In addition to our key strengths such as marketing and distribution and the ability to reach the retail consumer directly; the introduction of new products in all four segments, was also a key factor of this sector's strong performance.

The ever changing regulatory requirements and the rapid advancements in the fields of pathology and pharmacology, pose significant challenges to this sector, which, however we are confident of surmounting. We also anticipate that the new Drug Policy will be finalized and made public in the next few months.

We foresee significant growth in the Healthcare sector as more private hospitals and clinics are set up and there is greater awareness of the benefits of diagnostics and nutrition facilitated by effective publicity and education. These two factors combined with demographic changes, would lead to extensive use of Medical Diagnostics and Nutraceuticals.

Our Healthguard retail outlets, which introduced a branded concept for pharmaceutical retailing in Sri Lanka, turned around in 2010 to make a profit of Rs. 2.4 million. Fine tuning our business model and streamlining of operations helped to reduce overheads. The company will now focus on full service outlets under a mini mart concept which, in addition to the health care range will offer customers the convenience of a range of other products.

## Plantations ■

The plantations sector, an integral part of Sri Lanka's economy, contributed substantially to GDP by accounting for more than 30% of the country's employment and 16.6% to export revenue. Total tea production in 2010, at 329 million kgs. was the highest ever in the country. Tea export earnings, which is the second highest contributor to Sri Lanka's export income accounted to for US\$ 135 billion in 2010 - an increase of 16% over the previous year's. This increase was mainly due to the combined effect of higher Tea prices fetched by the orthodox Sri Lankan origin tea and an increase in exports of value added teas. Sri Lanka's tea export volumes increased by 8.5% over 2009, mainly due to the increased demand from Russia and other CIS countries. However, it must be noted that the current political unrest

“Key contributors to Group's growth were Healthcare and Plantations sectors with significant increases in PAT”



in the Middle Eastern region, the second largest destination of Ceylon tea, could negatively impact exports in the near term.

Sri Lanka, where rubber plantations cover a total extent of 126,000 hectares, is the 8<sup>th</sup> largest natural rubber producing country in the world. It exports 40% of its rubber production. Sri Lanka's total rubber production increased by 12% over the previous year, and the average price of all varieties of natural rubber remained high in 2010. The significant supply shortage in the international market due to adverse weather conditions in major rubber producing countries and strong demand for natural rubber due to a global economic recovery and high oil prices, contributed to the surge in rubber prices. Sri Lanka's total export value of natural rubber increased at a Compound Annual Growth Rate of 25% during the last four years, while export volumes declined by 8.9% in 2010.

The Group's Plantations sector achieved a healthy 50.6% increase in net profits which reached Rs. 642.5 million in the year under review compared with 426.6 million in the previous year. Rubber and Oil palm continued to be the key contributors to profit, accounting for 22% and 26% respectively.

Your company's own tea crop production of 9.8 kg million in the reporting period is 8.2% higher than previous year's.

We are of the view that current market prices for tea are likely to be maintained in the short run because of the prevailing global short supply of black tea and the international demand for orthodox Ceylon tea. This outcome we believe will lead to a revival of the tea sector.

The erratic weather patterns in the key rubber growing areas of your company prevented it from fully exploiting the market boom for rubber. However, the unprecedented increase in prices of natural rubber, due to a short supply in the local as well as global market contributed to a favourable performance from your Group. The demand for natural rubber is likely to increase further due to the phenomenal growth in the automotive and tyre industries. At the same time, a decline in production due to climate change, shortage of cultivable land, high cost of labour and shortage of tappers are possible supply side challenges, whilst the competition from synthetic rubber could impact demand. However, the price of synthetic rubber could also increase due to the current rise in oil prices thereby reducing the negative impact on the demand for natural rubber.

Since international Palm Oil prices have remained stable we foresee continuing profitability in this sector. The market for Palm Oil is projected to expand because of its use as a vegetable oil and as a raw material in other industries. Factors such as price competitiveness and nutritional value, compared to other vegetable oils (both edible and non-edible), are likely to spur demand in emerging economies such as India and China.

## Packaging ■

Our metal packaging business reported a revenue of Rs. 220.5 million and a 35.5% growth in sales. This was largely attributed to the tea and confectionery caddy sales in both local and export markets. The attractive margins available in the Tea caddies business however, could not be fully exploited during the year due to the decline in exports of branded Teas, as a result of the lagged effects of the global financial crisis in the early part of the year. Stringent control of Operating Costs was achieved to mitigate possible impacts from those adverse market conditions. We foresee a positive year ahead due to projected increase in demand for metal packaging vis a vis other forms of packaging and the demand for branded teas. Timely investment in equipment that reduced energy costs and increased efficiencies should also contribute to improved returns in the years ahead.

## Travel & Tourism ■

The peace dividend coupled with the easing of the recessionary conditions in the global economy helped Sri Lanka achieve record tourist arrivals in 2010 with arrivals reaching 654,476 – a 47% increase over 2009. A minimum room rate for all Five Star hotels introduced in 2009 at US \$ 60 per room has recently been revised to US \$ 135 per room starting in the next financial year and this would, by supporting higher standards in the industry, provide a strong foundation for growth envisaged in Sri Lanka's tourism sector.

Sunshine Travels achieved a revenue increase of 101% on the back of record arrivals and a PAT of Rs. 0.9 million during the year under review. The decline in profits was mainly due to the operational expenses on the new hospitality venture.

As mentioned amongst our plans in last year's annual report, the company ventured into a new product by launching its first three boutique bungalows under the brand name 'Mandira' (meaning Home or Mansion in Pali). The three bungalows located in the tea heartland of Hatton-Watawala focus on the rapidly growing market for alternate stays and provides the guest a "Heritage Living" experience. Encouraged by excellent guest reviews, the Group is taking steps to further expand this range in the next few years.

The Group made another significant initiative this year by entering into a Joint Venture with SilverNeedle Hospitality Company of Singapore to develop and manage several new hotels in different parts of Sri Lanka. SilverNeedle Hospitality - an integrated hospitality company set up by the investment company Nadathur Fareast Pte. Ltd.; is a top tier brand in Asia that brings with it reputed expertise and experience in the hospitality sector. Your Company will build on each other's strengths in its foray into the hospitality sector, at an opportune moment when the country's environment promises much potential for growth in this sector.

"Given the much renewed vigour in tourism, one of Sri Lanka's fastest growing industries, the Group plans to invest and strengthen its portfolio in travel, hospitality and tourism further in the next few years."

“will continue to strengthen its core businesses... while diversifying”

## Energy ■

During the year under review, Sunshine Holdings set up Sunshine Energy Limited as a subsidiary to venture into the exploration and production of renewable energy. The other key shareholder of Sunshine Energy is Mr. M. N. Udeshi, a high net worth personality who has taken a 39% stake in the new company.

## Outlook 2011/2012 ■

Sunshine Holdings PLC will continue to strengthen its core businesses, which penetrates vital sectors of the economy, while diversifying into areas in which its strengths and core competencies will result in synergy, thereby enabling the Group to contribute immensely to society at large.

Our strategy for the Healthcare sector is to strengthen our market share by adding new agencies that will contribute to increase volumes. Our prominent role in this sector is based on the firm belief that it must serve the health of the nation. I am confident that our Group has the resources to handle these challenges with an assurance of success.

In our review of last quarter we indicated that the Group was exploring opportunities available in the energy sector. The tragedy that Japan faces as a result of radiation leaks in the aftermath of the earthquake, has reiterated and made more urgent, the world's search for alternate energy sources. Thus we would continue our efforts to explore ways to make a significant contribution to the national grid.

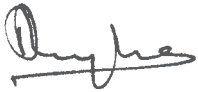
The tourism sector promises great potential as long as we work on the premise that this potential must be tapped in the context of an eco-friendly industry.

## Changes to the Board ■

During the year under review, we welcomed two new members to the Board of Sunshine Holdings. Mr. U. L. Kadurugamuwa a leader in corporate commercial law in Sri Lanka with over 40 years of experience, and Mr. Munir Shaikh who has more than 40 years of experience in the healthcare industry. Since retirement he now continues as the Chairman of the Board of Abbott India and Pakistan.

## Acknowledgements ■

I wish to extend my sincere gratitude to my fellow directors on the Board and to my other colleagues in the Group, who have worked tirelessly to add to shareholder value, to all employees in the Group for their dedicated service and to the shareholders for the support and the confidence they placed in us.



Rienzi T. Wijetilleke  
Chairman

04<sup>th</sup> June 2011

# Group Managing Director's Review

"The overall performance of the Group has been remarkable, with turnover reaching Rs. 10.7 billion - a 14% growth.."

Dear Shareholder,

It is with great pleasure that I share with you, the best ever result posted by Sunshine Group, and that our Profits After Tax (PAT) surpassed a milestone of Rs. One billion, a 38% increase over the previous year.

The performance of Sri Lanka's economy in 2010 was also record breaking as the 8% (GDP) growth, was the highest achieved in the last three decades and the second highest for the last six decades. This rejuvenation we believe reflects the trend for the coming years.

## Corporate Results ■

The overall performance of the Group has been remarkable, with turnover reaching Rs. 10.7 billion - a 14% increase compared with previous year's. This performance was facilitated by the encouraging economic environment, a market turnaround and gains in commodity prices experienced in the second half of the year.

### Group Performance

- Group Profit After Tax increased significantly by 38% to reach Rs. 1 billion
- Group Profit After Tax (PAT) attributable to equity shareholders increased by 26% to Rs. 500 million
- Earnings Per Share (EPS) increased from Rs. 2.97 to Rs. 3.75
- Return on capital Employed was 25.04% compared with 21.19% in the previous year
- Net cash flow from operating activities decreased by 34% to Rs. 707 million
- Return on equity was 23.9% compared with 24.4% in the previous year
- Plantations and Health sectors were the main contributors to Group revenue accounting for 56% and 40% respectively.
- Health and Plantations sectors remained the key contributors to after tax profits contributing 29% and 54%, with a PAT of Rs. 342 million and Rs. 642 million respectively.
- The Health sector once again took top slot in Profits Attributable to Equity Shareholders, with a Profit of Rs. 342 million contributing 68%.
  - Group's Market Capitalisation in the CSE increased by more than 30% over the previous year.





## Healthcare ■

The Healthcare sector, with a Turnover growth of 19.9% and with profits growing by 50.1% was the largest contributor to group's PAT. (The segments which contributed to this growth were Generics which grew by 15%, Prescription Pharmaceuticals with a growth of 12%, Nutrition/Nutraceuticals with an increase of 53% and Diagnostics with a 9% growth.) Higher margins achieved as a result of lower cost resulted in Gross Profit increasing by 28.6% and Earnings Before Interest & Tax (EBIT) increasing by 50.6%. The sector's concerted efforts which led to a 46% reduction in finance costs, more effective cost control, and efficient working capital management contributed to significant savings during the year.

## Retail ■

Healthguard pharmacies - our forward integration in the pharmaceutical business, which established new benchmarks in pharmaceutical retailing in Sri Lanka since their launch in 2004, turned around during the year under review. The sector achieved a profit of Rs. 11.5 million compared to a profit of Rs. 2.4 million in 2010. Our commitment to high product quality and safety has enabled the Healthguard brand to earn the all important ingredient of consumers' trust - an imperative in the supply of healthcare products. The emphasis we place on service delivery at our outlets has also been a key factor in propelling Healthguard to become a leading brand.

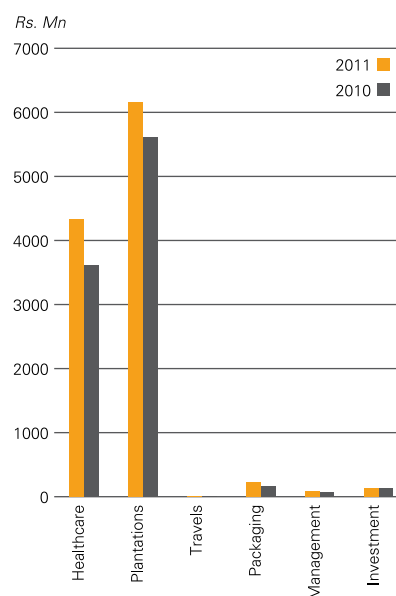
Since fine tuning its business model for Healthguard your company is now focused on setting up outlets under a "mini mart" concept, which, in addition to the healthcare products, will offer customers the convenience of a variety of other products under one roof. The company currently has 15 outlets of which 8 are "mini marts" as at year end.

## Plantations ■

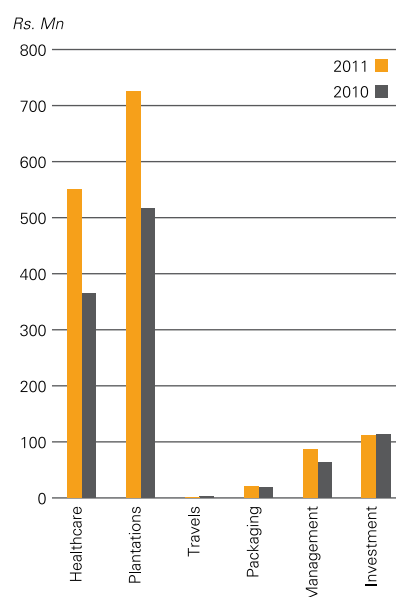
Watawala Plantations achieved a healthy 50.6% increase in net profits which reached Rs. 642 million in the year under review compared with 426 million in the previous year. Rubber, Oil palm and FMCG continued to be the key contributors to profit. Total revenue for the sector increased by 9.7% to Rs. 6.1 billion on the back of improved commodity prices, increased volumes in Tea and FMCG business.

"Healthcare and Plantations were the key contributors to profits."

Revenue



EBIT - Group



“Group ventured into the hospitality sector with two significant initiatives during the year...”

## FMCG ■

Watawala Plantations revamped its marketing activities during the year, bringing in all FMCG business under a new subsidiary - “Watawala Marketing Ltd” (WML) since 1<sup>st</sup> April 2010. WML initiated marketing operations in March and its successful re-launch of one of the most popular consumer brands – “Zesta” helped this business perform well amidst severe competition. Your company’s top three brands namely, “Zesta”, “Watawala Kahata” and “Ran Thé” accounted for 30% share of Sri Lanka’s branded tea market during the year. The re-launch of Zesta – a brand created and introduced by your company over ten years ago, involved a new pack that better suits the present times. The packaging, together with increased availability of the product, contributed to an increased demand.

## Packaging ■

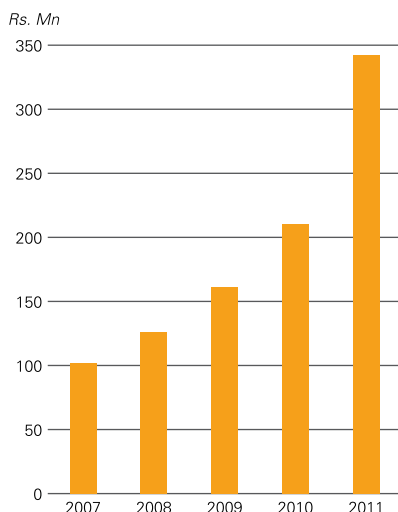
Sunshine Packaging (SPL) achieved a revenue of Rs. 220.5 million during the year whilst sales increased by 35.5%. This was largely attributed to the tea and confectionery caddie sales in both local and export markets. The attractive margins available in the Tea caddies business however, could not be fully exploited during the year due to the decline in exports of branded Teas. SPL made a profit of Rs. 10.1 million compared with a profit of Rs. 36.5 million in the previous year. The infusion of new technology into the business and the growth prospects in the market for metal packaging, has positioned Sunshine Packaging well for the future.

## Travel & Tourism ■

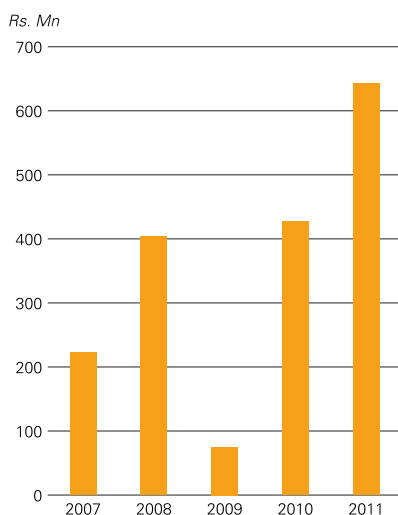
The year was a significant one for the Group’s Tourism sector as it ventured into the hospitality industry with the launch of its first three boutique bungalows under the brand name ‘Mandira’ (meaning Home or Mansion in Pali). The three bungalows, namely Strathdon, Dickoya and Craig Appin located in the tea heartland of Hatton-Watawala focus on the rapidly growing market for alternate stays and provides the guest a “Heritage Living” experience. Encouraged by excellent guest reviews and the success of this venture thus far, your company is taking steps to expand this range during the next few years.

Profits in the tourism sector, whose contribution in the context of the Group’s revenue remains small, declined by 29% mainly due to new operational expenses on the Mandira venture. However, performance picked up sharply in the latter part of the year as tourist arrivals to Sri Lanka saw a sharp increase and our company’s revenue increased by 101% over the previous year. PAT during the year under review was Rs. 0.9 million. The resurgence of the leisure sector resulted in a 79% increase in inbound sales and 30% increase in Airline ticketing volumes.

Healthcare - PAT



Plantations - PAT



## Energy ■

During the year under review, Sunshine Holdings set up Sunshine Energy Limited as a subsidiary, to venture into the production of renewable energy. Sunshine Power a subsidiary of Sunshine Energy obtained a license for power generation and commenced construction of a Hydro generation plant with a capacity to generate 1.6 megawatts of power. Power generation at this plant is expected to begin in 2012. Additionally, two other subsidiaries, namely, Elgin-Hydro Power (Pvt) Ltd. and Upper Waltrim Hydro Power (Pvt) Ltd. were established to generate a further 2.6 megawatts and 3.0 megawatts respectively. The Group will continue to actively seek other investments in renewable energy.

## CSR and Sustainable Business ■

Sustainable development is a win-win proposition defined as development that meets the needs of the present without compromising the ability of future generations, to meet their needs. It is a concept which recommends and facilitates the integration of CSR into one's business model and enlightens us that sustainable profit goes hand in hand with the sustainability of the environment and all its stakeholders. Your company has been focusing on these principles and policies since its inception, taking on a leadership role in areas such as education and medical assistance to the needy. Ensuring the sustainability of the earth is a necessity for the sustainability of our agriculture businesses and hence environmental best practices are integrated into our business strategy. The new state of the art factory opened on our Waltrim estate in 2010, is one of the world's greenest tea factories which has facilitated energy saving via its design.

Our CSR efforts included reaching out at times of need such as the donation of our teas valued at Rs. 3.5 million to those affected by the floods of 2010. The businesses we are in, and will enter into, are those which we feel can make a difference to society. These CSR and Sustainability initiatives carried out during the year under review are presented in detail elsewhere in this report.

“...company's top three brands... accounted for 30% of Sri Lanka's branded tea market share.”

“The Group will continue to expand its portfolio and diversify into new businesses in which it can exploit its strengths and which we know can make a difference to society”

## Way Forward ■

Your group entered into a Joint Venture agreement with SilverNeedle Hospitality of Singapore, to develop and manage several new hotels in Sri Lanka. With a planned investment of approximately US\$ 50 million to be invested in a phased manner, your Group partnering SilverNeedle plans to acquire and manage hotel assets in different parts of the country. SilverNeedle Hospitality - an integrated hospitality company set up by the investment company Nadathur Fareast Pte. Ltd.; is a top-tier brand in Asia that brings with it reputed expertise and experience in the hospitality sector. It currently manages three, four and five star properties across the Asia-Pacific, and plans to have over 10,000 rooms in its network across the region within the next five years. Reaching the latter goal would make it not only one of Asia's largest players but a leading global player as well. We look forward to building on each other's strengths at a time when the country's potential for growth in the hospitality and tourism sector is at a peak.

We anticipate further growth in the Healthcare sector in the near to medium term due to changing demographics and epidemiological patterns, the increase in private hospitals and clinics, and enhanced use of medical diagnostics and nutraceuticals following greater health awareness.

As the global short supply of tea is likely to continue, your company foresees tea prices remaining at their current high until year end, and this would help to eliminate losses in the tea business. With the incorporation of Watawala Tea – Australia PTY during the year, your company now looks to expanding its operations in Australia and New Zealand, and will begin by expanding the marketing and distribution of its flagship tea brand Zesta.

Our FMCG segment is poised to move into the next financial year with impressive results due to the renewed vigour in brand building for some of the key brands.

The Packaging Business expects tea exports, its main customer segment, to recover, and thus, fuel a recovery of the packaging business. Timely investments in more energy efficient machinery that also produce higher output would also contribute to the improved performance expected from this sector.

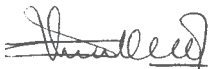
With our foray into the hospitality sector, the Group is involved in another thrust area of the economy at a time when the potential for growth in this sector is very large. Our Tourism and hospitality sector will expand the “Mandira” Range of boutique bungalows by developing more of the Group’s tea plantation bungalows to cater to this demand. Development of hotel properties will begin under the Joint Venture with SilverNeedle Hospitality and these will be based on a model of sustainable tourism, in the context of increasing demand for eco-tourism.

Sunshine Energy will actively pursue sources of renewable energy, whilst its Hydro power projects will begin generating power and hence facilitating greater efficiencies within the sector, as well as contributing to the national grid, during the next financial year.

“Our subsidiary Watawala Plantations was the winner of the Gold award for Business Excellence in the Agriculture and Plantations Sector category at the National Business Excellence Awards”

## Acknowledgements ■

I would like to express my sincere appreciation to the Board Directors for their constant support and the confidence placed in me, and to each and every one of our 13,571 employees for their unwavering dedication and passion that helped the Group achieve a record breaking performance. I also extend my gratitude to our shareholders, customers, business associates and other stakeholders for their continuous support and inspiration and the confidence they have placed in us.



V. Govindasamy

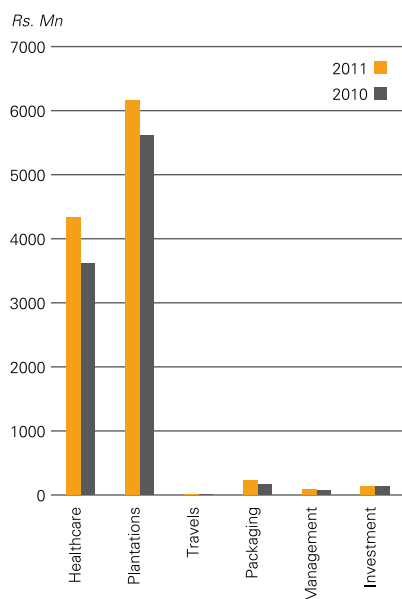
Group Managing Director

04<sup>th</sup> June 2011

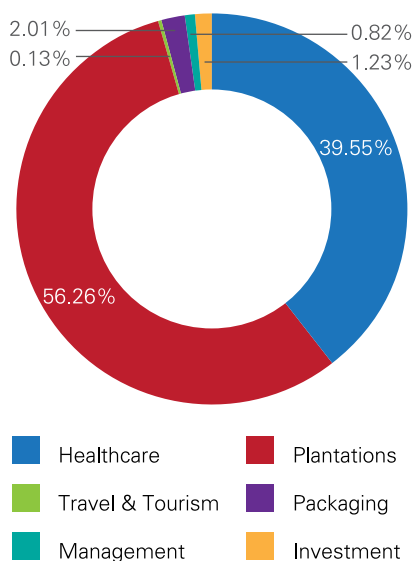


# Group Financial Review

Net Revenue - Group



Revenue 2011



## Revenue ■

The Group's performance during the year ended 31st March 2011, reached a milestone with Profit After Tax (PAT) reaching Rs. 1 billion, and Turnover, increasing by 13.7%, to Rs. 10.7 billion. The main contributors to this increase were the Plantations and Healthcare sectors which contributed 56% and 39.5% respectively, to Group revenue, and 54% and 29% to PAT.

The Plantations sector achieved a significant Revenue growth of 9.3% on the back of improved commodity prices and volume increases in Tea & FMCG. The Plantations sector's PAT increased by 51% over the previous year; from Rs. 426.6 million to Rs. 642.5 million. Rubber and Oil Palm continued to be the main contributors to Profit in the Plantations sector, accounting for 42% and 28% respectively. The Net Profit Margin increased from 7.7% to 9.4%. Higher rubber prices and higher levels of tea production accounted for this increase.

The Healthcare sector turned in an impressive performance by making the largest contribution to Group profits, with Turnover and Profits increasing by 19.9% and 50.1% respectively. This rate of growth exceeded the 14% growth achieved in the Pharmaceutical industry. Earnings Before Interest and Tax (EBIT) increased by 50.6%. A concerted effort from the sub-sectors which led to a 46% reduction in finance costs, more effective cost control and efficient working capital management helped to generate significant savings during the year.

All other sectors of the Group achieved their Revenue targets, while the Packaging sector exceeded the target, with revenue increasing by 35.5% to Rs. 220.5 million from Rs.162.7 million in the previous year.

## Group Operating Costs & Earnings Before Interest & Tax (EBIT) ■

The Group's Operating Profit or Earnings Before Interest & Tax (EBIT) increased by 39.6% during the year. The EBIT for the financial year under review was Rs. 1.3 billion. A 3.4% Increase in GP margin and a 0.4% reduction in Operating expenses as a percentage of Revenue, were the main reasons for the increase in EBIT.

The Group's Operating Profit margin also increased from 10.14% in the previous year to 12.45% during the year under review.

The key contribution of 48.6% to EBIT came from the Plantations sector, which grew by 40.7% as a result of high NSAs and an increased market share for FMCG. Gross Profit in the Plantations sector increased by 4%. The Health sector also contributed 36.8% to Group EBIT by introducing new lines of products to the market. The contribution from the Packaging sector declined from 1.7% to 1.4% due to a substantial reduction in the sale of printed sheets.

Total Operating Costs of the Group amounted to Rs. 9.6 billion for the year, which amounts to 91% of the Group Net Revenue. This is in comparison to Rs. 8.7 billion amounting to 91.9% of the Net Revenue, recorded in the previous year. Direct operating expenses amounted to 86.9% of Total Operating Costs.

## Finance Costs ■

Finance Costs of the Group have declined significantly, from Rs. 123.1 million to Rs. 110.3 million, due to reduced interest rates and improved working capital management by the Group. This decline was particularly noteworthy in the Healthcare sector with a 46.6% drop in Finance costs.

The Group's Average Cost of Funds declined from 12.94% to 11.37% while interest cover increased 8 to 12 times.

## Taxation ■

The Group's provision for taxation for the financial year 2010/11 was Rs. 221.6 million which was a noticeable increase of 104.5% (2009/10 re-stated – Rs. 108.4 million). The income tax charge for the year was Rs. 231.1 million which is a 33.9% increase over the previous financial year.

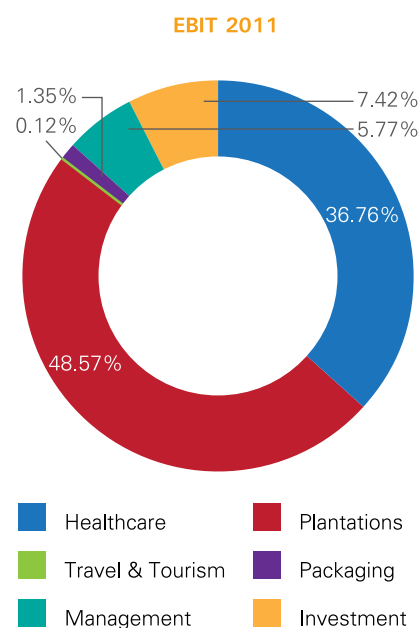
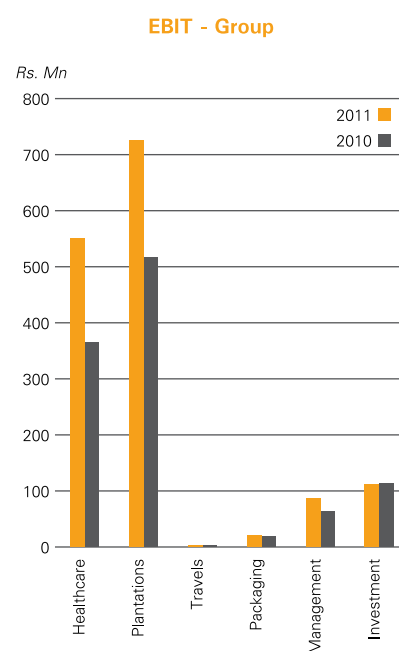
The increase in income tax was mainly driven by the improved performance of the Healthcare sector companies which came to be taxed at 35%. The taxes paid by the Healthcare sector increased from Rs. 115.4 million to Rs. 195.8 million during the year under review. The Group's effective tax rate for the financial year was 16.58% compared to 11.32% (re-stated) in the previous year. The Group has continuously maintained a low effective tax rate as a result of its investments in the Agricultural sector which attract reduced tax rates.

## Profitability ■

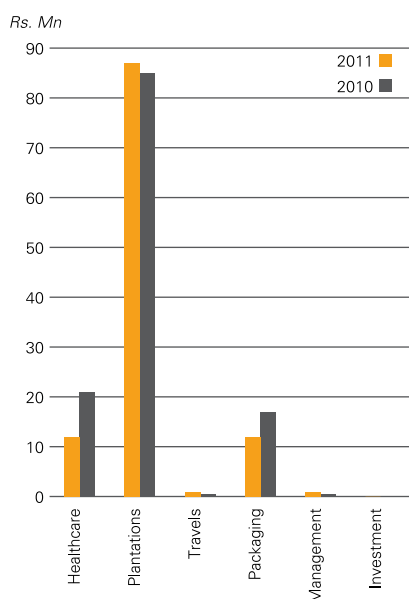
The performance of the Group during the year was the best reported in its history. The consolidated net profit was Rs. 1 billion of which Rs. 0.5 billion was attributable to the equity holders. The net profit was a 38.4% increase over the previous financial year while the attributable profits increased by 26.4%.

## Earnings per Share ■

The Group reported Earnings per Share of Rs. 3.75 for the financial year under review, which was a healthy 26.3% growth relative to the previous financial year. The Company also announced a share split of 10 shares for every existing ordinary share in issue at the end of the March 2010.



## Finance Cost - Group



## Dividend per Share ■

The Board is recommending a first and final dividend payment of Rs. 0.30 thus making the total dividend Rs. 39.9 million for the financial year. The Dividend Per Share was Rs. 0.30 in the previous financial year

## Net Assets per Share ■

The Net Assets per Share of the Group at the end of the financial year 2010/11 was Rs. 17.43. This was a 26.5% increase over the Net Assets Per Share of Rs. 13.78 at the end of the previous financial year.

## Liquidity ■

Working Capital of the Group as at the end of the financial year, increased to Rs. 1.2 billion, compared with Rs. 1 billion at the end of the previous financial year. The increase was a noteworthy 19.4% and was also reflected in the Group's current ratio which remains at Rs.1.56 times at the end of the financial year.

## Capital Structure ■

The Group's capital structure improved with total equity increasing by 34.3%. The Debt to Equity ratio was 33% compared with 34% in the previous year, but net borrowing increased substantially from Rs. 1,194 million to Rs. 1,501 million; and this increase was mainly due to an increase in short term borrowings made at year end. ROCE increased to 25.04%, from 21.29% in the previous year.

## Cash flow ■

The Group reported a net decrease in cash & cash equivalent Rs. 263 million at year end. The net cash generated from operations was Rs. 707 million compared to Rs. 1,081 million reported in the previous year. The decrease is mainly due to cash being tied in inventory and receivables. The Group retired debt amounting to Rs. 747 million during the year, and net cash proceeds received from new borrowings amounted to Rs. 760 million.

## Investments ■

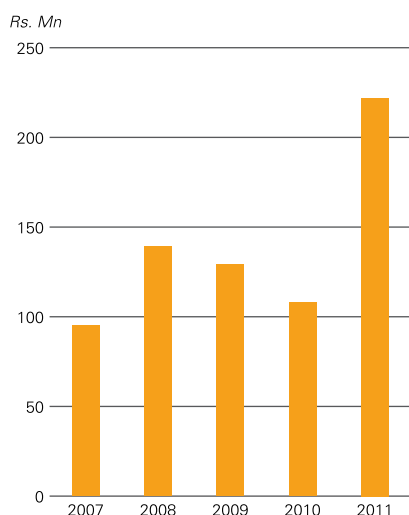
During the year, the company invested Rs. 50 million to increase ownership in its subsidiary Sunshine Packaging Limited. Watawala Plantations PLC incorporated a fully-owned subsidiary "Watawala Marketing Ltd". on 1st April 2010 to which it transferred all its assets and liabilities valued at Rs. 355 million.

Swiss Biogenics Limited also acquired an additional 32% shareholding in Healthguard Pharmacy Limited at a value of Rs. 65 million, thus increasing its shareholding in the company to 51%.

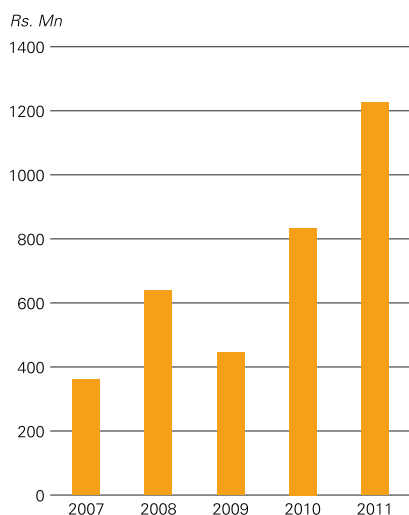
## Minority Interest Share Holders ■

Profits Attributable to Minority Share holders increased by 53% and amounted to Rs. 504 million. The main reason for the increase was that the profit earned by minority share holders in the Plantations sector accounted for 72.59% of the Group's core profit; thus resulting in higher Minority Shares profit at the Group level.

## Income Tax



## Profit Before Tax



## Return on Equity ■

The Group recorded a return on equity of 23.9% for the financial year under review compared to 24.36% reported in the previous year. The net profit margin improved to 9.36% from 7.69% in the previous year. The significant improvement in the profitability of the Plantations and Healthcare sectors, coupled with efficiency improvement initiatives undertaken by the Group were the main contributing factors to the increase in profitability.

## Market Price per Share and Market Capitalization ■

The market price of the company's share at year end was Rs. 42.10 compared with Rs. 32.50 (adjusted for the share split) at the end of the previous financial year. The growth in the share price during the financial year was 29.5% which shows investor confidence in the company and the Group. The lowest price at which the share traded during the year under review was Rs. 42.00 whilst the highest traded price was Rs. 57.00. The total value of the shares traded during the year amounted to Rs. 299 million. Market Capitalization of Sunshine Holdings PLC at financial year end was Rs. 5.6 billion a 18.4% increase over the previous year.

## Price Earnings Ratio ■

The Price Earnings ratio of the company at financial year end was 11 times compared to 13 times at the end of the previous year.

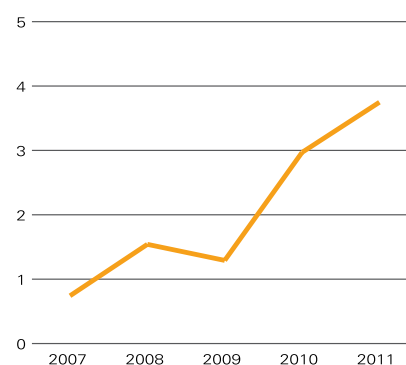
## Capital Expenditure ■

The Group invested a total of Rs. 982 million on non-current assets during the financial year under review which is a 19.7% growth over the previous financial year. The total value of the property, plant and equipment held by the Group was Rs. 4.8 billion while the total non-current assets amounted to Rs. 5.1 billion at the end of the financial year.

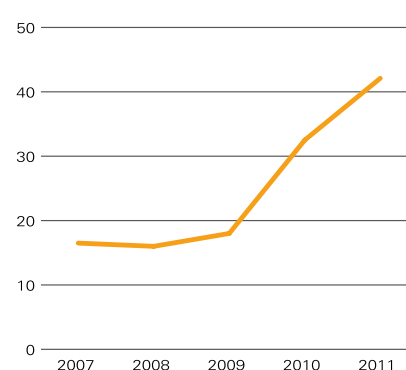
## Financial Reporting ■

The Group is committed to adopting International Financial Reporting Standards (IFRS) by the year 2012.

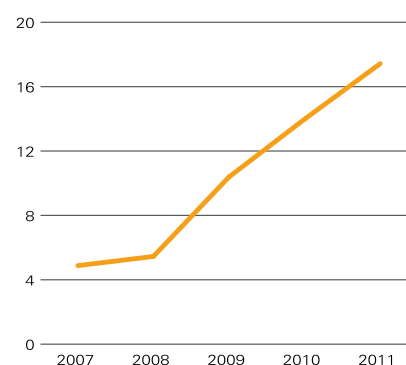
EPS\*



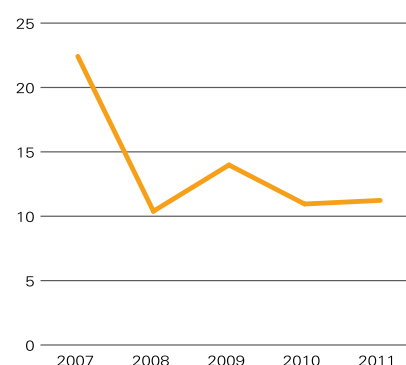
Market Price\*



Net Assets Per Share\*

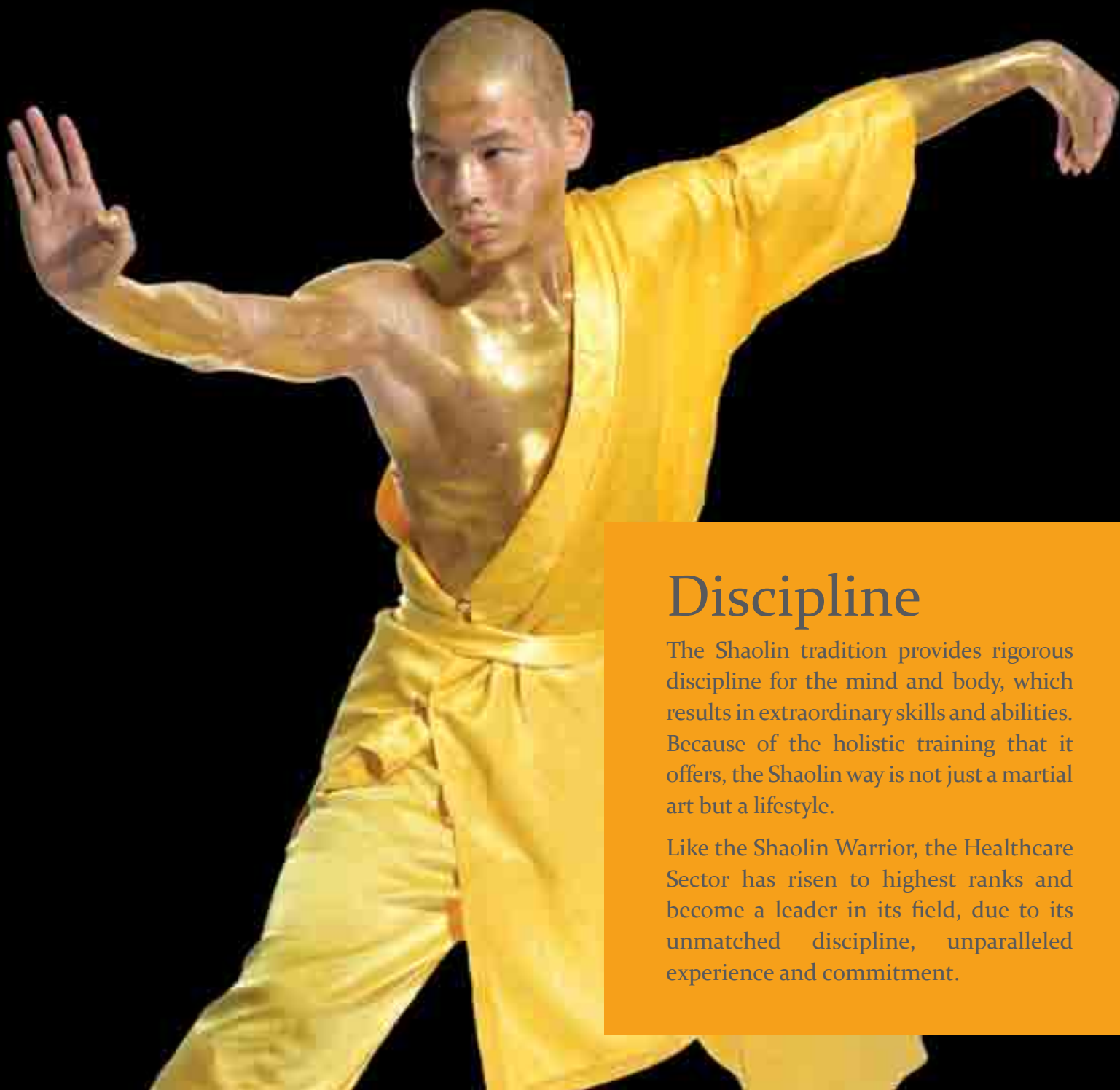


P/E Ratio\*



\* The figures for the previous years have been restated taking into consideration the subdivision of shares.

# THE ART OF Healthcare



## Discipline

The Shaolin tradition provides rigorous discipline for the mind and body, which results in extraordinary skills and abilities. Because of the holistic training that it offers, the Shaolin way is not just a martial art but a lifestyle.

Like the Shaolin Warrior, the Healthcare Sector has risen to highest ranks and become a leader in its field, due to its unmatched discipline, unparalleled experience and commitment.



# Healthcare

Your Company is currently the market leader in many therapeutic segments, like Diagnostics, Cardiovascular, Diabetes, Dermatology, pain management, Gastro Intestinal medication, and Anesthesiology. We are also taking steps to introduce products in other major therapeutic segments like Oncology, Nutrition, Gynecology and Surgery. Being a key player in the main categories of the healthcare market like pharmaceuticals, surgicals, diagnostics, medical devices and nutraceuticals has helped us to hold overall market share with steady growth in turnover and profitability.

During the year under review, gross profit in the Healthcare segment reached Rs. 1,175 million, a 28.6% increase over previous year's, whilst Turnover increased by 19.9% to reach Rs. 4.2 billion. This strong performance was achieved through efficient monitoring of prices and margins and disciplined cost control, helped by an external environment of a stable exchange rate. A strong retail network and marketing capabilities also continued to be key factors in our performance.

Healthcare remains a priority area for the Government of Sri Lanka and healthcare expenditure has increased continuously. Total expenditure on health services during 2010 increased by 3% (The private healthcare sector has grown at an annual rate of 18% to 20%). Increase in purchasing power has also contributed to an increase in the number of people that seek private institutions for their healthcare requirements, thus providing greater opportunity for your company in the next few years.

## Outlook ■

Non communicable diseases would continue to rise due to factors such as changing life styles, urbanization and the aging population. Sri Lanka has the fastest ageing population in South Asia today, and those 60 years and above are estimated to constitute 21.9% of the population by 2031 as per the World Bank's Ageing study, 2008. An increasing demand for preventive as well as therapeutic care for these non communicable diseases, and the ensuing expansion in the Healthcare sector, will find your company well positioned for further growth. It is also of significance that the government recently identified Sri Lanka's potential to be developed as a destination for health tourism considering certain competitive advantages the country has.

The ever changing regulatory requirements and the rapid advancements in the fields of pathology and pharmacology are significant challenges to this sector which your company is confident of surmounting. We anticipate that the new Drug Policy will be finalized and made public in the next few months and that the regulatory framework for private healthcare and pharmaceutical sectors would be strengthened in the interest of consumer protection and industry standards.

**Zydus  
Cadila**

**glenmark**  
A new way for a new world

**Abbott**  
A Promise for Life

**3M**

**ETHICON**  
a Johnson & Johnson company

**novo nordisk**

**SIEMENS**

**GE Healthcare**

## Healthguard ■

The Healthguard Pharmacy retail Chain, established as our forward integration in the pharmaceutical business, set new benchmarks in pharmaceutical retailing in Sri Lanka since their launch in 2006. The sector achieved a profit of Rs.10 million. Fine tuning our business model and streamlining operations helped achieve this turnaround. Our commitment to high product quality and safety has enabled the Healthguard brand to earn the all important ingredient of consumer trust - an imperative in the supply of healthcare products. The emphasis we place on service delivery at our outlets has also been a key factor in propelling Healthguard to become a leading brand since its launch five years ago. Since fine tuning its business model for Healthguard your company is now focused on setting up full-service outlets under a “mini mart” concept, which, in addition to health care products will offer customers the convenience of a variety of other products under one roof. 2 mini marts were opened during the year whilst the existing outlets are to be converted into mini marts in the next financial year.



“Being a key player in the main categories of the healthcare market ... has helped us to hold overall market share with steady growth in turnover and profitability”





A man in a grey robe with white cuffs, hands clasped in prayer, standing in a forest. The background is a dense forest with tall trees and sunlight filtering through the leaves.

# THE ART OF Growing

## In Harmony

Harmony is at the core of our philosophy, our Plantations are no different. Even as water and sunshine nurture plants, our caring hands nurture our Plantations, enabling them to grow and flourish. In turn, our plantations are able to give back to the environment, which sustains it.

Like the Shaolin Monk, at peace with everything around him.

# Plantations

Watawala Plantations achieved increase in revenue on the back of improved commodity prices, increased volumes in Tea and FMCG's. The increase was 9.7% over the previous year, amounting to a total revenue of Rs. 6.2 billion. PAT rose to Rs. 642 million, which was a 50.6% increase over the 426 million reported in the previous year.

## Tea ■

Total tea production of the company increased by 8.2% to 9.8 million Kgs compared with 9.0 million Kgs in the previous year. Conducive weather for cropping, and enhanced agricultural practices contributed to this increase.

Your company's continued focus on product quality paid dividend as the Company Average Sales price continued to increase, and was at Rs. 365 per Kg compared with Rs. 354/52 in the previous year.

Tea Land productivity of our estates recorded a marginal increase of 3% to 1,344 kg/ha compared with 1,304 kg/ha in the previous period. However, the yield of 1,451 kg/ha recorded five years ago, in 2005/2006, was 8% higher than the yields in the reporting period. Your company expects to bridge this gap in the near future. The land productivity in the Low Country region of Udugama continued to be higher and is now in the region of 1,782 kg/ha which is about 34% higher than the yields recorded in the up-country regions and is about 2% higher than the yields recorded the previous year.

Quality, safety, efficient energy management and other environmental issues were amongst your company's priority areas in its tea processing and manufacturing operations, and will continue to be so in the next few years.

## Rubber ■

Total marketable crop of rubber increased, marginally, by 2% to 0.67 kg million from 0.66 kg million in the previous year. The unprecedented increase in prices of natural rubber, with record levels in the Sri Lankan market, due to a short supply in the local as well as global market contributed to a favourable performance by the company. The erratic weather pattern in your company's rubber growing areas with about 174 wet days, adversely impacted tapping and related operations. Thus crop outs prevented the company from fully exploiting the high prices in the markets for natural rubber.

The demand for natural rubber is likely to increase further due to the phenomenal growth in the automotive and tyre industries. At the same time, a decline in production due to climate change, shortage of cultivable land, high cost of labour and shortage of tappers are supply side challenges while the competition from synthetic rubber due to its lower prices would impact demand. The market share of Synthetic and natural rubber for the last several years has hovered around 60:40 respectively for the last several years. Economic forces have influenced this ratio in the recent past. Your company will endeavour to meet these challenges in an acceptable manner.



“...top three brands, namely “Zesta”, “Watawala Kahata” and “Ran Thé” accounted for 30% of Sri Lanka’s branded tea market”

“PAT in the Plantations sector rose to Rs. 642 million, which was a 50.6% increase over the previous year”

A 7% increase in your company's rubber land productivity with yield rising to 645 kg/hectare from 604 kg/ha contributed significantly to result in enhanced cropping. However your company's rubber yields are still much lower than the national rubber yields. A concerted effort is therefore, being made to adopt site specific agricultural technologies in order to boost land productivity that would ensure consistent and enhanced output and ensure profitability in this sub-sector.

## Oil Palm ■

The Oil Palm business, despite a 17% reduction in crop output, performed well and this was primarily a result of obtaining consistently higher NSA's. The higher prices fetched by Palm Oil, of Rs. 131 per kg compared with Rs. 117 the previous year, added Rs. 702 million to the Company's earnings. Palm oil crop output saw a reduction globally as well as locally, and WP's crop reduction resulted in profits declining to Rs. 165 million during the reporting period, from Rs. 282 million in the previous year.

Company's land productivity has remained static. Your company is addressing this issue by adopting effective processing technologies. Measures which are being adopted now, such as the overhauling of the entire factory operations with an investment of more than Rs. 175 million., is expected to yield dividends in the years to come and strengthen the company's position in Sri Lanka's Palm Oil industry.



“the tea cup” cafe & boutique at Hatton.



Zesta tea boutique at the Colombo Taj





Newly opened "the tea cup" cafe & boutique at Bagatale Road, Colombo 3.

A full-page background image showing the silhouette of a person riding a horse, viewed from behind. The person is holding a long pole or stick. The sky is bright and cloudy, with the sun visible as a bright spot. The overall mood is adventurous and serene.

# THE ART OF Leisure

## An Adventurous Spirit

The adventurer in us has pushed us to seek new shores, and explore uncharted land. It has allowed us to understand the nuances of the Travel and Tourism industry.

Our Travel and Tourism sector has grown in leaps and bounds and partners today some of the world's leading companies.

We continue to forge ahead, conquering new territory every day.

## Travel & Tourism

Sri Lanka's tourism industry rebounded strongly in 2010 due to the post-conflict peaceful environment. All three businesses that we operate in, namely travel, tourism and hospitality, experienced significant growth during the year under review.

Our tourism division which handles all inbound FIT and Group tours grew sharply with a 77% growth in sales. Our effort to provide an exceptional experience with customized solutions to meet individual requirements of clients, was a contributing factor to this success.

A minimum room rate policy for all Colombo star rated hotels introduced in November 2009 at US \$ 60, and further revised in January 2011 to US \$ 135 would provide a strong foundation for growth by uplifting industry standards. The Sri Lanka Tourism Development Authority initiated programme to fast track infrastructure development in some of the most popular tourist destinations such as Pasikudah, Arugambay, Nilaveli etc. would also boost the hospitality and tourism industry.





The year was a significant one for the Group as it ventured into the hospitality sector with two key initiatives through its subsidiary Sunshine Travels.

The first was a launch of a new product in the boutique hotel and the alternate stay market. The company opened three boutique bungalows, "Mandira Strathdon Bungalow", "Mandira Dickoya Bungalow" and "Mandira Craig Appin Bungalow" in August 2009, in the tea heartland of Hatton-Watawala.

Established under the brand name Mandira (Meaning Home or Mansion in Pali) these bungalows offer guests an opportunity to experience a style of heritage living of the colonial era. Each Bungalow consists of four elegantly styled rooms. The brand seeks to blend style & elegance with comfort, and to create an ambience that allows a guest to relax without a sense of being overwhelmed by excessive luxury.

The unique locations, attractive room rates, authentic cuisine and personalized service have been key success factors of the brand during its launch year and guests consider the high standard of amenities combined with attractive room rates true value for money. Excursions, and other outdoor activities such as hiking make the bungalows an ideal location for a stay of at least three nights. Spurred by excellent guest reviews and encouraging results thus far, the group is taking steps to expand the Mandira range in the next few years.





Mandira Dickoya Bungalow



Mandira Strathdon Bungalow



Mandira Craig-Appin Bungalow



# THE ART OF Packaging

## Dynamism

Good armour provides the wearer with an impervious outer shell, protecting and caring for what's within. Our packaging solutions have the same virtues.

It is versatile in design, innovative and imaginative.

We are always finding new ways to package our customers' products successfully and tastefully. Not only are we protecting and shielding, we are adding identity and value to what's inside.



# Packaging

Sunshine Packaging (SPL) as a pioneer in the manufacture and printing of metal packaging in Sri Lanka has become a benchmark for its exceptionally high standard of printing and fabrication of metal cans. The use of high quality raw material and state of the art machinery, are key contributing factors to this achievement. The expansion of our clientele during the year also reflected the company's commitment to the product quality and on-time delivery. The Group's investments in this business, driven by the aim of vertical integration for its tea and palm oil, offers much potential for returns in the near to long term future.

During the year under review, SPL's revenue was Rs. 220.5 million whilst sales increased by 35.5%. This was largely attributed to the tea and confectionery caddie sales in both local and export markets.

Cost of sales reduced during the year as a result of optimal utilization of machinery supported by a new state of the art coating machine; better utilization of raw material, new work practices and a reduction in the percentage of waste. Supported by these factors, the company launched a new product line to cater to the needs of Sri Lanka's leading biscuit manufacturers. We are encouraged by the Silver Award received by its "Classic Tea Range Gift Pack" at the Lanka Star Packaging awards last year.

## Outlook ■

Metal packaging is an environmentally friendly form of packing, especially compared to the non-recyclable alternative of plastic packs, and is hence seeing an increase in demand. As environmental awareness and concerns augment, an increasing shift from plastic to greener material will contribute to continuing demand growth in the future. Your company is well poised to benefit from this trend.

In the next financial year SPL intends to diversify its portfolio into other forms of packaging and related products, and to invest in state of the art machinery which would contribute to streamlining operations.

Exports currently make up 10% of SPL's sales, and the remainder is sold locally. The company has targeted to increase its exports to constitute 40% of sales in the next three years. Main competition for our exports comes from India and China vis a vis whom price competitiveness is not an option for SPL. Hence, higher product quality, on time delivery, and the flexibility to supply small quantities will continue to be the key competitive advantages that SPL would leverage on.

The environment friendliness of our heavy machinery -dependent operations, where all raw material used is recycled in keeping with our group's ethos, also augurs well for the sustainability of our business.



"a shift ... to greener material will contribute to continuing demand growth in the future. Your company is well poised to benefit from this trend"

The background of the entire page is a photograph of a person in silhouette, wearing a long, flowing robe and aiming a bow. The person is positioned in the lower half of the frame, facing right. The background is a sky at sunset or sunrise, with a warm orange glow on the horizon and a darker blue above. The overall mood is one of focus and precision.

# THE ART OF Power

## A Diverse Scope

Our Company has travelled above and beyond the traditional scope of a company, venturing into new terrains.

With the vision of further diversification, we have journeyed into the realm of Clean Power Generation: another new industry to the Group.

## Power

During the year under review, Sunshine Holdings PLC set up Sunshine Energy Limited as a subsidiary to venture into the exploration and production of renewable energy. Sunshine Energy Ltd., established as a subsidiary, to be raised Rs. 660 million in equity while the balance of the required capital is to be raised via long term funding through the banking sector.

Sunshine Power (Pvt) Ltd., a subsidiary of Sunshine Energy Ltd. obtained license for energy generation and commenced construction of a Hydro Power Plant with capacity to generate 1.6 megawatts of power. Power generation at this plant is expected to begin in 2012. Two other subsidiaries, namely Elgin-Hydro Power (Pvt) Ltd. and Upper Waltrim Hydro Power (Pvt) Ltd. were established by Sunshine Energy Ltd. to generate additional hydro power in varying capacities.

Rising oil prices and the recent nuclear crisis in Japan have re-emphasized and made more urgent, the need for alternate sources of energy. Sri Lanka's dependence on thermal power has continued to be a strain on the country's finances. Hence it is most encouraging that the share of hydro power increased in 2010, accounting for 52.6% of total electricity generated in the country, made possible by the conducive weather conditions. Your company will actively pursue sources of renewable energy during the next few years whilst accelerating its planned investments in hydro power.

“During the year Sunshine Power obtained license for energy generation and commenced construction of a Hydro power plant...”



Purchasing of a turbine from Austria to produce power generation.



# THE ART OF Marketing



## Courage

It is the courageous spirit that has led to the success of the marketing sector. They have forged ahead despite fierce competition and have not let any obstacle getting in the way of their path to success. They are surging ahead with new introductions and innovations, whilst winning the hearts and minds of the Sri Lankan consumer.

## FMCG

Watawala Plantations revamped its marketing activities during the year, bringing in all FMCG business of the company under a new subsidiary - “Watawala Marketing Ltd” (WML) since 1<sup>st</sup> April 2010. WML was able to achieve a turnover of Rs. 1.5 billion which is a growth of 6.5% over last years. Stringent financial discipline and effective supply chain management contributed to increasing the profitability of WML to Rs. 234 million.

### Zesta/Watawala Kahata Teas ■

WML initiated marketing operations in March and the successful re-launch of its flagship brand –“Zesta” helped this business perform well amidst severe competition. Since the introduction of “Watawala Kahata” the company’s most popular brand of tea, WML has become the second largest branded tea company in Sri Lanka. Its top three brands, namely “Zesta”, “Watawala Kahata” and “Ran Thé” accounted for 30% of Sri Lanka’s branded tea market during the year.

The re-launch of Zesta – a brand created and introduced by your company over ten years ago, involved a new pack that better suits the present times. The packaging, together with increased availability of the product, contributed to an increased demand.

“Watawala Kahata” nominated as one of the most preferred hot beverage brands, by “Peoples Choice Awards” for the year 2010/11, recorded substantial growth during the year. Several mega consumer promotions followed by tactical, general and modern trade promotions and a sampling scheme in Anuradhapura during the Poson festival, contributed to this substantial volume growth.

“Ran Thé” was introduced with the brand proposition of quality at a very reasonable price, and with the rural market in mind as the potential for branded tea in this market was found to be high. Marketing initiatives during the year helped the “Ran Thé” brand achieve substantial volume growth over the previous year and prompted increased distribution and brand availability.

### Oliate / Zest Bottled Water ■

“Oliate”, our own brand of Palm Oil from our oil palm gardens in Nakiyadeniya, has been well received by consumers due to its superior quality and reasonable pricing. The product recorded significant increases in volume over the previous year and consumer demand exceeded the production



capacities at our mills. This very encouraging trend seems reflective of the years to come and Oliate is poised to be a key brand in the market.

Given the growing markets for bottled water the company will strengthen the distribution of its bottle water brand “Zest”.

### Gift Boutiques & Specialty Tea ■

Following on the success of the “Tea Cup” in Hatton, your company opened its second “Tea Cup in Colombo” on the same business model of a Café cum Gift Boutique for Specialty Teas; and this concept has proved to be a worthwhile investment for the company. We were also able to establish some significant strategic alliances which helped drive sales revenue. One such alliance is with Arpico Supermarkets to open gift outlets in their supermarkets and thus expand distribution of gift items to the retail consumer.

The Gift Boutiques and Specialty Tea Business achieved a 60% increase in revenue compared to the previous year. With several major initiatives on the agenda for the future, your company is confident that this Business would be a key business unit of WML.



# Profile of the Board of Directors

## 01. Rienzie T. Wijetilleke | Chairman

Mr. Rienzie T. Wijetilleke has been a Director/Chairman of the company since June 2006. He recently retired as the Chairman of Hatton National Bank PLC. In November 2010 he celebrated 50 years as a practicing banker.

He is a fellow of the Chartered Institute of Bankers United Kingdom and a fellow of the Institute of Bankers Sri Lanka and a companion of the Chartered Management Institute United Kingdom. Mr. Wijetilleke is also a director of several other public listed companies. He is also a former Chairman and Director of the Colombo Stock Exchange.

Rienzie T. Wijetilleke possesses deep insights into building organizations that reflect sound ethics and principles, sturdy bottom lines and sustainable growth. His exceptional track record and impeccable credentials earned over the years in Sri Lanka's corporate sector make him a valuable asset to an organization such as Sunshine Holdings, which truly reflects the immense potential in the country. Undoubtedly, Mr. Wijetilleke's wealth of experience will inspire outstanding success.

## 02. Govindasamy Sathasivam | Director

Mr. G. Sathasivam began his career in the pharmaceutical sector and during 40 years of dedicated success in service and innovation, he built Swiss Biogenics into a leader in Sri Lanka's pharmaceutical industry. Not content to rest on his laurels, he drove the Group's diversification into uncharted territories – moulding Sunshine Holdings into the pride of nation.





Sathasivam's business acumen is recognized both in Sri Lanka and abroad. A testimonial of the vote of confidence in his abilities is his close relationship with the Tata Group – an Indian and global corporate giant involved in a multitude of sectors. With its confidence in the good stewardship of Sathasivam, the Tata Group initially joined hands with Sunshine Holdings to acquire a single regional plantation company in Sri Lanka. The fact that the Tata Group has subsequently moved into launching several joint ventures with Sunshine Holdings further underscores the recognition given to the management of Sunshine Holdings and the emphatic faith in its erstwhile Founder.

### 03. V. Govindasamy | Group Managing Director

Mr. V. Govindasamy pioneered the Group's diversification into newer but key economic sectors such as software development, telecommunications, hydropower, construction and financial service. In recognition of his achievements, the Tata Group invited V. Govindasamy to sit on several key committees in the House of Tata – a truly rare honour for a person in the corporate sector globally.

His international experience coupled with his innate managerial capability and innovative qualities enabled him to transform the plantation business, achieving perceptible improvement in quality, production standards and penetration into new markets. Under his managerial direction, the company established several new brands and consolidated and expanded its market share in both domestic and international markets.

He holds a Bachelor of Science in Electrical Engineering and a MBA from the University of Hartford, USA, He is a Fellow Member of the Institute of Certified Professional Managers of Sri Lanka.

### 04. Munir Shaikh | Director

Mr. Munir Shaikh was Managing Director of Abbott Pakistan from 1970 to 1977. He was the Regional Manager Caribbean and West Indies for Abbott based in Puerto Rico from 1977 to end 2008 and posted to Abbott's headquarters in Chicago as Director Business Development from 1978 to 1982. He was the Regional Director for



Pacific and Far East based in Chicago from 1983 to 1988 and then promoted as the Vice President Pacific Asia and Africa based in Singapore. Mr. Shaikh is now retired from Abbott a major health care company after 40 years of service but continues as the Chairman of the Board of Abbott India and Pakistan.

**05. U. L. Kadurugamuwa | Director**

Mr. U. L. Kadurugamuwa has more than 40 years of experience as a corporate commercial lawyer. He is presently inter alia, on the Boards of Taj Lanka Hotels PLC and Central Finance PLC, both long standing clients of the firm. He has from time to time served on many other boards of Directors of companies. He is also a Director of Corporate Services Ltd, as associate of F. J. & G. de Saram.

**06. N. B. Weerasekera | Director**

Nissanka Weerasekera is Regional Managing Partner for South and Central Asia for Aureos South Asia Fund LLC. He is a Fellow Member of the Chartered Institute of Management Accountants, UK. He graduated from the University of Peradeniya in Physics and holds a Masters Degree in Economics from the University of Colombo

**07. Sarath Piyaratna | Director**

He is a Director of Nations Trust Bank PLC and he was Former Deputy CEO of HSBC Sri Lanka. He graduated from Madras Christian College, University of Madras and holds a Masters Degree in Economics from the School of Economics, Delhi University.

**08. A. Hollingsworth | Director**

He is a founder and Managing Director of Mann Made Enterprises Ltd. He also held Senior Management position with Union Bank of Switzerland and he was a Director.

**09. B. A. Hulangamuwa | Director**

He is also a Director of Watawala Plantations PLC and Secretaries and Financial Services (Pvt.) Ltd. He is a Fellow Member of the Institute of Chartered Accountants of Sri Lanka and a Certified Fraud Examiner (USA) and holds a Masters Degree in Business Administration from University of Colombo.

**10. Shyam Sathasivam | Director**

He is a Director of Swiss Biogenics Ltd and Sunshine Packaging Ltd since 2006. He graduated from London School of Economics & Political Science, UK and holds a Masters in Business Administration from Kellogg School of Management, USA.

**11. Samanthi Haddegoda | Jt. Company Secretary**

She is a Director of Secretaries and Financial Services (Pvt.) Ltd. She holds a Degree in Bachelor of Laws and an Attorney-at-Laws & Notary Public.

# Profile of the Board of Directors of Subsidiary Companies

## R. K. Krishnakumar

Director Watawala Plantations PLC and Estate Management Services (Pvt) Ltd.

Presently he is the Vice Chairman of Tata Son's Ltd. He is also the Vice Chairman of Tata Global Beverages Ltd. and the Indian Hotels Company Ltd. He holds a Masters Degree from the Presidency College, University of Madras and a product of Tata Administrative Services. He sits on the Boards of numerous Tata Group companies. Mr. Krishnakumar is associated with the Tea industry for over 40 years.

## P. T. Siganporia

Director Watawala Plantations PLC and Estate Management Services (Pvt) Ltd.

Mr. Siganporia is currently the Managing Director of Tata Tea Ltd. He is also on the boards of a number of Tetley Group Companies. He holds a Bachelor's Degree from Loyola College, Madras and obtained PGDBM in Marketing from XLRI, Jamshedpur. He joined the Tata Administrative Services in 1974.

## D. S. Ratnasingham

Director Watawala Plantations PLC

Mr. Ratnasingham graduated from the University of Madras. He began his career at Harrison's & Crossfield Export Division in the year 1978 and continued until 1992. He joined Kahawatte Plantations in 1992 and was appointed at Watawala Plantations in 1996.

## K. Venkataramanan

Director Watawala Plantations PLC

Mr. K. Venkataramanan is the current Vice President – Finance of Tata Global Beverages Limited. He was associated with various business activities of Tata Tea and has over 20 years experience in finance. He is a Degree holder and a Fellow Member of the Institute of Chartered Accountant of India.

## D. V. Seevaratnam (Dr.)

Director Watawala Plantations PLC

Has traversed the plantation industry for over 35 years, beginning his career as a Trainee Assistant Manager in a Sterling Company and rising to the position of Chief Executive Officer. Prior to privatization in 1991, he has also held senior positions, of Director – Janatha Estates Development Board – Hatton and Cluster Director. He Currently serves as a Director on the Tea Research Board and the National Institute of Plantation Management. He is also the Chairman of the Ceylon Planters Provident Society. Dr. Seevaratnam is a fellow member of the National Institute of Plantation Management, Sri Lanka and also a Fellow Member of the Australian Institute of Management.

V. Wickramaratne

CEO Watawala Marketing Ltd

He counts over 33 years experience in Sales, Marketing & General Management and has served in three leading Multinational companies in Sri Lanka. He joined Watawala Plantations PLC as Head of Sales & Marketing in 2001 and was instrumental in spearheading key strategic business initiatives and setting up the FMCG business unit at Watawala Plantations PLC.

WDPL Vithanage

Director Swiss Biogenics Ltd and Sunshine Packaging Ltd.

He is a Fellow of the Institute of Chartered Accountants of Sri Lanka. He counts 20 years post qualification experience in Sri Lanka and overseas.

Bernard Joseph

Director Swiss Biogenics Ltd

He is a First Class Graduate in Zoology with further post Graduate qualifications in Marketing & Sales including a MBA in Marketing. He has vast experience in the sales & marketing of pharmaceuticals, surgicals, diagnostics and nutraceuticals both in Sri Lanka and abroad.

S. Nadarajah

Director Swiss Biogenics Ltd

He counts over 32 years experience with the Group and held several key positions with the company.

K. Sathasivam

Director Swiss Biogenics Ltd

She has been a Director in pharmaceutical company since inception.

A. Vaithylingam

Director Sunshine Packaging Ltd

He is a graduate from one of the leading Universities in India. He holds the position of Director Operations in Sunshine Packaging and has several years of experience in managing plantations, exports, shipping/logistics and purchasing.

N. S. Perera

Director Sunshine Packaging Ltd

He started his career in tea in 1985, as a tea broker. Sidath joined Harrisons Colombo Limited in 1985 and in 1992 joined Kahawatta Plantations. He took over an overseas assignment in tea and coffee in Papua New Guinea in 1996 and returned to the island in 2002, where he re-joined Watawala Plantations.

The Group has three Executive Committees and following are the Members.

#### Group Executive Committees

V. Govindasamy	Group Managing Director
B. A. Hulangamuwa	Director - Sunshine Holdings PLC
WDPL Vithanage	Chief Financial Officer
Mahesh Jayasinghe	Head of Group Human Resource
Padman Mendis	Head of Group IT
S. G. Sathasivam	Associate Director - Swiss Biogenics Ltd.
D. A. N. Seevaratnam	Chief Executive Officer - Watawala Plantations PLC
D. S. Ratnasingham	Managing Director - Sunshine Tea (Pvt.) Ltd.
V. Wickramaratne	Chief Executive Officer - Watawala Marketing Ltd.
Bernard Joseph	Chief Operating Officer - Swiss Biogenics Ltd.
Anand Vaithyalingam	Director Operations - Sunshine Packaging Ltd.
Infyaz M. Alli	Director Operations - Sunshine Travels & Tours Ltd.
U. Dissanayake	Director Operations - Healthguard Pharmacy Ltd.

#### Executive Committee Members

##### Watawala Plantations PLC

V. Govindasamy	Managing Director
D. V. Seevaratnam	Director/Chief Executive Officer
D. S. Ratnasingham	Director
V. Wickremaratne	Chief Executive Officer - Watawala Marketing Ltd.
N. A. L. Cooray	Chief Financial Officer
R. St. P. Almeida	General Manager - Plantations
Y. De Silva	General Manager - South
B. Pananwala	Deputy General Manager - Plantations

##### Swiss Biogenics Ltd

Shyam Sathasivam	Associate Director
Bernard Joseph	Chief Operating Officer
WDPL Vithanage	Chief Financial Officer
A. Bernard Silva	Head of Human Resources
Selvadurai Niranjan	Deputy General Manager - Commercial Operations
Shantha Bandara	Head of Supply Chain
Priyantha de Silva	National Sales Manager

# Annual Report of the Board of Directors on the Affairs of the Company

The Board of Directors of Sunshine Holdings PLC (“the Company”) has pleasure in presenting their Report on affairs of the company together with the Audited Consolidated Financial Statements of the Company and its subsidiaries (“the Group”) for the financial year ended 31<sup>st</sup> March 2011.

The details set out herein provide the pertinent information required by the Companies Act No.7 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices.

## General ■

Sunshine Holdings PLC was incorporated on 16<sup>th</sup> June 1973 as a limited liability company engaged in travel business under the name of Sunshine Travels Ltd and subsequently converted to a public limited liability company.

## Principal Activities ■

The principal activities of the Company during the year under review were investments in subsidiaries and in shares of quoted companies.

The principal activities of the Subsidiaries are given on pages 26 to 43.

There have been no significant changes in the nature of the activities of the Company or of the Group during the financial year.

## Powerful Vision & Powerful Beliefs ■

The company’s Powerful Vision & Powerful Beliefs are given on the inner front cover of this report. The business activities of the company are conducted with the highest level of ethical standards in achieving its Vision and Beliefs.

## Review of Business ■

The statement of Accounts was approved by the Board of Directors on 04<sup>th</sup> June 2011. A review of the Group’s business and its performance during the year, with comments on financial results and future strategic developments, is contained in the Chairman’s statement. The Directors, to their knowledge and belief, confirm that the Group has not engaged in any activities that contravene laws and regulations.

## Financial Statements ■

The Financial Statements which include the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity, and the Notes to the Financial Statements of the Company and the Group for the financial year ended 31<sup>st</sup> March 2011 are set out on pages 83 to 115.



## Auditors' Report ■

The Report of the Independent Chartered Accountants on the Financial Statements is given on page 83.

## Significant Accounting Policies ■

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 88 to 92. There were no changes in the accounting policies adopted in the previous year for the Company and the Group, other than the ones stated.

## Donations ■

There were no donations made by the Company during the year 2010/11.

## Directors ■

The Directors of the Company as at 31<sup>st</sup> March 2011 were:

Mr. R. T. Wijetilleke – Chairman

Mr. G. Sathasivam

Mr. V. Govindasamy – Group Managing Director

Mr. S. G. Sathasivam

Mr. S. Piyaratna

Mr. A. Hollingsworth

Mr. N. B. Weerasekera

Mr. S. Munir

Mr. U. L. Kadurugamuwa

Mr. B. A. Hulangamuwa

The biographical details of the Directors are given on pages 44 to 46. In accordance with the Company's Article of Association, Mr. S. Munir, Mr. U. L. Kadurugamuwa, Mr. S. G. Sathasivam and Mr. N. B. Weerasekera shall retire by rotation and be eligible for re-election.

## Directors Interest In Contracts And Proposed Contracts ■

Except as stated in Note 28 to these Financial Statements, during and at the end of the financial year 2011, none of the directors were directly interested in contracts or proposed contracts connected with the Company's business.

## Directors And Key Management Remuneration ■

The Directors and the Key management remuneration, in respect of the Company and the Group for the financial year 2011, are given in Note 29 of the Financial Statements.

## Directors' Shareholding ■

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

	2011	2010
Mr. R. T. Wijetilleke	1,000	1,000
Mr. G. Sathasivam	–	–
Mr. V. Govindasamy	3,330	3,330
Mr. S. G. Sathasivam	1,000	1,000
Mr. S. Piyaratna	1,000	1,000
Mr. N. B. Weerasekera	–	–
Mr. Alan Hollingsworth	–	–
Mr. B. A. Hulangamuwa	3,330	3,330

None of the Directors other than those disclosed above hold any shares in the Company.

## Related Party Transactions ■

Related party transaction in respect of the Group and the Company, for the financial year ended 31<sup>st</sup> March 2011 are given in Note 28 of the Financial Statements, on page 110 of the Annual Report.

## Directors' Responsibility For Financial Reporting ■

The Directors are responsible for the preparation of Financial Statements of the Company and the Group to reflect a true and fair view of the state of its affairs. The Directors are of the view that these Financial Statements have been prepared in conformity with the requirements of the Sri Lanka Accounting Standards, the Companies Act No.07 of 2007 and the Listing Rules of the Colombo Stock Exchange.

## Board Committees ■

The following non-executive Directors of the Board serve as members of the Board Audit Committee and Nominating and Remuneration Committee:

### Audit Committee ■

Mr. S. Piyaratna  
Mr. B. A. Hulangamuwa

### Nominating & Remuneration Committee ■

Mr. R. T. Wijetilleke  
Mr. G. Sathasivam

## Auditors ■

A resolution to re-appoint Messrs. KPMG Ford, Rhodes, Thornton & Company, Chartered Accountants, as Auditors of the Company will be proposed at the forthcoming Annual General Meeting.

The Auditors Messrs. KPMG Ford, Rhodes, Thornton & Company were paid Rs. 0.55 million for the year ended 31<sup>st</sup> March 2011 (2010 – Rs. 0.45 million) as audit fees.

The Audit Committee reviews the appointment of the Auditor, its effectiveness and its relationship with the Group, including the level of audit and non-audit fees paid to the Auditor.

The report of the Audit Committee is given on pages 79 to 80 of the Annual Report. The Directors are satisfied that, based on written representations made by the independent auditors to the Board, the auditors did not have any relationship or any interest with the Company and the Group that would impair their independence.

## Revenue ■

The revenue of the group was Rs. 10.7 billion. (2010 – Rs. 9.4 billion). A detailed analysis of the Group revenue that identifies the contributions from different segments of the group business is given in Note 27 to the Financial Statements.

## Investments ■

Details of investments and their movements during the year are listed in Notes 12 and 13 to the Financial Statements.

## Compliance with Laws and Regulations ■

The company has not engaged in any activity which is harmful to the environment. Measures taken to protect the environment are given in the Sustainability Report on page 66.

## Results and Appropriations ■

The profit after tax of the Company was 1004 million (2010 – Rs. 726 million) whilst the Group profit attributable to equity holders for the year was Rs. 500 million. (2010 – Rs. 396 million.)

The results for the year under review and Changes in Equity are stated, in the Income Statement and in the statement of Changes in Equity on pages 84 and 86 respectively.

## Property, Plant & Equipment ■

The book value of Property, Plant & Equipment including leasehold land as at the Balance Sheet date amounted to Rs. 5976 million. (2010 – Rs. 5032 million.) and Rs.0.44 million. (2010 – Rs. 0.26 million) for the Company and Group respectively.

There were no Capital expenditure for the Company during the year and not reported in last year. The Group capital expenditure amounted to Rs. 982 million during the year. (2010 – Rs. 820 million)

The movements in Property, Plant & Equipment during the year are set out in Note 10 to the Financial Statement.

## Corporate Governance ■

The Directors placed great emphasis on instituting and maintaining Corporate Governance practices and principles with respect to the management and

operations of the Group, in order to develop and nurture long-term relationships with our key stakeholders.

A detailed account of the Corporate Governance framework and its application and adherence within the Group are set out on pages 56 to 60 of the Annual Report.

## Share Information ■

The details relating to Earnings, Net Assets, Market Value per share and information on share trading is stated on pages 120 to 121 of the Annual Report.

## Stated Capital ■

The stated capital of the Company as at 31<sup>st</sup> March 2011 stood at Rs. 649 million consisting of Ordinary shares. The details of the Stated Capital are contained in the Note 19 to the Financial Statements.

## Reserves ■

The movement in the reserves is shown in the Statement of Changes in Equity on page 86.

## Contingent Liabilities and Capital Commitment ■

The Contingent Liabilities and Commitments made on account of capital expenditure as at 31<sup>st</sup> March 2011 are given in Note 30 and 31 to the Financial Statements.

## Statutory Payments ■

The Directors confirm that to the best of their knowledge all taxes, duties, levies and all statutory payments by the Company and its subsidiaries and all contributions, levies and taxes payable on behalf of and in respect of the employees of the Company and the Group as at the Balance Sheet date are paid, or where relevant provided for.

## Event After Balance Sheet Date ■

No material events that require adjustments to the Financial Statements have taken place, subsequent to the date of the Balance Sheet other than those disclosed, if any, in Note 32 to the Financial Statements.

## Going Concern ■

The Directors reviewed the Group's business plans and are satisfied that the Company and the Group have adequate resources to continue as a going concern for the foreseeable future. As such the Financial Statements are prepared on that basis.

## Annual Reports ■

The Board of the Directors approved the Consolidated Financial Statements on 04<sup>th</sup> June 2011. The appropriate number of copies of this report will be submitted to the Colombo Stock Exchange and to the Sri Lanka Accounting and Auditing Standards Monitoring Board.

## Annual General Meeting ■

The Annual General Meeting will be held on 29<sup>th</sup> July 2011 at 10.00 am at Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07.

The Notice of Meeting relating to the Annual General Meeting is given on page 124.

## Future Developments ■

It remains your Board's intention to develop the Group through organic growth and by selective acquisitions.

## Summary of Financial Information ■

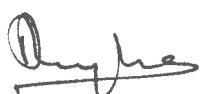
A summary of the published results and of the assets and minority interests of the Group for the last nine financial years as extracted from the Audited Financial Statements and reclassified as appropriate is set out below.

## Dividends ■

For the year ended 31<sup>st</sup> March 2011, the Directors have recommended a payment of a first and final dividend of Rs. 0.30 amounting to Rs. 39,999,999 on 133,333,330 ordinary shares to be approved by the shareholders at the Annual General Meeting to be held on 29<sup>th</sup> July 2011.

As requested by Section 56(2) and 56(3) of the companies Act No.07 of 2007, the Board of Directors signed a certificate stating that in their opinion, the Company, based on the information available as at present, satisfies the Solvency Test immediate after the distribution, in accordance with section 57 of the Companies Act No.07 of 2007.

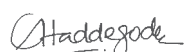
For and behalf of the Board,



**Rienzie T. Wijetilleke.**  
Chairman



**V. Govindasamy**  
Group Managing Director



Secretaries and Financial Services (Pvt.) Ltd.  
Secretaries

04<sup>th</sup> June 2011.



# Corporate Governance

Sunshine Holdings PLC is the holding company of five subsidiaries namely Swiss Biogenics Limited, Watawala Plantations PLC, Sunshine Packaging Limited, Sunshine Energy Limited and Sunshine Travels & Tours Ltd. The Businesses of the subsidiaries are given on pages \_ to \_ of this report. We set below the Corporate Governance practices adopted and practiced by Sunshine Holdings PLC against the background of the code of Best Practice on Corporate Governance issued by the Institute of Chartered Accountants of Sri Lanka and the rules set out in Section 07 of the Colombo Stock Exchange Listing Rules and also complies with Country's Legislative and Regulatory requirements.

## The Board of Directors ■

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

## Board's Responsibility ■

**Strategic Direction:** The Board provides good stewardship, vision and strategic direction to the institution whilst transparency and accountability is maintained. The Board also reviews and monitors the Company's activities.

**Business Performance:** Reviews Business Results on a regular basis and guides the management by giving appropriate direction in achieving forecast results.

**Management of Risks:** With the consultation of the Audit Committee a risk management system was developed and periodically and extensively reviewed. Review of the risk management is depicted in Page 62 of this report. Further, the Audit Committee report is also given in Pages 79 and 80.

**Code of Business Conduct and Ethics:** The Code of Conduct and Ethics are clearly defined from the Board of Directors down to every employee.

**Financial Performance of the Company:** The Board sits once in three months to review the financial performance of the company. The Quarterly Accounts are reviewed by the Audit Committee before recommending to the Board of Directors for adoption and release to the public. Recommending final dividends and payment of interim dividends are considered and recommended by the Board of Directors.

**Investor Rights and Relations:** The Company communicates regularly with its shareholders updating them on the company's position and performance through the quarterly reports.

The Annual Report provided a comprehensive assessment of the Company's performance during the year.

**Audit:** An independent statutory audit is carried out annually and the appointment of auditors for the ensuing year is recommended to the shareholders at the Annual General Meeting. As a sound Corporate Governance practise the Company carries out a limited review half yearly by the external auditors.

**Budgets:** Approval of Annual Budgets, Capital Budgets and New Projects.

Corporate Governance: Monitoring and reviewing Corporate Governance framework.

## Composition and Attendance at Meetings ■

The Board met quarterly to discharge its duties effectively. In addition, special Board Meetings are also held when ever necessary. A total of four (4) meetings were held in the financial year ended 31<sup>st</sup> March 2011. The attendances of Directors at these Meetings were as follows;

Name of Director	Attendance	Percentage of attendance
Mr. R. T. Wijetilleke	05/05	100%
Mr. G. Sathasivam	05/05	100%
Mr. V. Govindasamy	05/05	100%
Mr. S. G. Sathasivam	04/05	80%
Mr. S. Piyyaratna	05/05	100%
Mr. A. Hollingsworth	02/05	40%
Mr. N. B. Weerasekera	04/05	80%
Mr. B. A. Hulangamuwa	05/05	100%
Mr. U. L. Kadurugamuwa	03/05	60%
Mr. S. Munir	02/05	40%

## Financial Acumen ■

The Board comprises of two Senior Chartered Accountants and one of them serves as a member of the Audit Committee.

## Board Balance ■

The Board as at the date of this statement consists of ten (10) members. Seven (7) members are Non-executive Directors (including the chairman) and three (3) are executive Directors. All Non-Executive Directors are independent as defined under the Listing Rules of the Colombo Stock Exchange

## The Non-Executive/Independent Directors are ■

Mr. R. T. Wijetilleke

Mr. S. Piyyaratna

Mr. N. B. Weerasekera

Mr. Alan Hollingsworth

Mr. U. L. Kadurugamuwa

Mr. S. Munir

Mr. B. A. Hulangamuwa

There is a Board balance that complies with the independent Directors criteria set out under Listing Rules of the Colombo Stock Exchange. Together, the Directors with their wide experience in both the public and private sectors and diverse academic backgrounds provide a collective range of skills, expertise and experience, which is vital for the successful direction of the Group. A brief profile of each director is presented on pages 44 to 46.

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

## Supply of Information ■

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

## Re-election of Directors ■

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

## Directors' Remuneration ■

The objectives of the company's policy on Directors remuneration is to attract and retain Directors of the calibre needed to direct the group successfully. In the case of the executive Director, the component parts of the remuneration are structured so as to link rewards to corporate and individual performance. Performance is measured against profits and other targets set from the company's annual budget and plans, and from returns provided to share holders. In case of Non Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the non- executive director concerned.

The Remuneration committee recommend to the Board the frameworks of the executive Director's remuneration and the remuneration package for the executive Director. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of the executive Director. The Director's remuneration is disclosed in Note No. 28 of the Financial Statement.

## Company Secretaries ■

The services and advice of the company secretaries is made available to Directors as necessary. The company secretaries keeps the Board informed of new Laws,

regulations and requirements coming in to effect which are relevant to them as individual Directors and collectively to the Board. A major focus on attention recently has been the Company's Act No. 07 of 2007, with its wide ranging implications, pursuant to which the company adopted a new set of Articles of Association.

## Going Concern ■

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

## Internal Control ■

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

## Communication with Stakeholders ■

Shareholders are provided with quarterly Financial Statements and the Annual Report, which the Group considers as its principle communication with them and other stakeholders. These reports are provided to the Colombo Stock Exchange.

Shareholders may bring up concerns they have, either with the Chairman and Group Managing Director as appropriate. Sunshine Holdings PLC website [www.shl.lk](http://www.shl.lk) and websites of listed companies within the Group serve to provide a wide range of information on the Group. The company has reported a fair assessment of its position via the published audited accounts and quarterly accounts. In preparation of these documents, the company has strictly complied with the requirements of the Companies Act No. 07 of 2007 and in accordance with the Sri Lanka Accounting Standards.

## Board Committee ■

To assist the Board in discharging its duties, various Board Committees are established. The function and terms of reference of the Board Committee are clearly defined and where applicable, comply with the recommendations of the code of best practice on corporate governance.

## Audit Committee ■

The Audit Committee review issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures that an objective and professional relationship is maintained with the external auditors. Its principle function is to assist the Board in maintaining a sound system of internal control. The Committee has full access to the auditors both internal and external who, in turn, have access at all times to the Chairman of the Committee. The Committee meets with the external auditors without any

executives present except for the Group Secretaries, at least once a year. In line with good corporate governance practice, the Executive Director is not a member of the Audit Committee.

The report on the Audit Committee is presented on page 79 and the duties of the Audit Committee are included therein.

## Remuneration Committee ■

The Remuneration Committee is responsible for developing the Group's remuneration policy and determining the remuneration packages of executive employees of the Group. The committee recommends to the Board and its subsidiaries, the remuneration to be paid to each non Executive director for his services as a member of the Board as well as Committee of the Board.

## Corporate Governance Disclosure ■

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

## Major Transaction ■

There are no transactions during the year under review which fall within the definition of Major Transactions in terms of the Companies Act, except disclosure in this report.

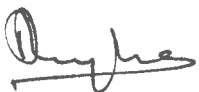


# Report of the Nominating And Remuneration Committee

The Nominating And Remuneration Committee appointed by the Board of Directors comprises two Non-Executive Directors namely Messrs. R. T. Wijetilleke and G. Sathasivam. Other Directors attend Committee Meetings by invitation. Secretaries and Financial Services (Pvt.) Ltd. act as Secretaries for the Nominating and Remuneration Committee. The minutes of the Nominating and Remuneration Committee and a summary of papers approved by the said Committee are circulated and affirmed by the Board of Directors.

As per the Charter of the Nominating And Remuneration Committee of the Company, the Committee is responsible for setting the remuneration policy of the Company and determining remuneration package of all Senior Managers and Directors. The Committee also discusses and advises the Senior Directors and Chief Executive Officer on structuring of remuneration packages for corporate management. This enables the Company to attract, retain and motivate high caliber individuals with the skills and abilities required to lead the organization.

The Committee recommends the appointment of Directors to the Board. The Committee has the authority to seek external independent professional advice on matters within its purview



**R. T. Wijetilleke.**

Chairman - Remuneration Committee.

04<sup>th</sup> June 2010.

# Risk Assessment and Management

Business operations necessarily involve opportunities and risks. Therefore we aim to deliver long term sustainable value to shareholders by identifying the risks, both existing and potential and by taking appropriate action to manage them. The diversity of our product range, economic as well as natural climates we operate in, exposes Sunshine Holdings Group to a wide variety of risks.

## The Risk Management Framework ■

The Group's risk management process involves a review, by the Board of the major risks faced, action taken or contemplated by each sector. The Board of Directors holds responsibility for the control mechanisms and risk management practices and has established an organizational structure with clearly defined lines of accountability and delegated authority. The Board has expanded the responsibilities of the Audit Committee to include the monitoring of all internal controls and risk management functions on behalf of the company.

Furthermore, the Company has set in place an ongoing risk management process of identifying, documenting, evaluating, monitoring and managing significant risks.

Some key risks to which we are exposed due to our business activities, and the related responses are set out below:

Risk Scenario	Corporate Impact	Risk Mitigants
External Market risk of Global prices of Tea/Rubber/Palm Oil	Global market prices may not be within the company's control and hence cause fluctuations in company profitability.	Management of quality and volumes, value addition in keeping with international demand, promotion of tea as a health drink, direct exports, tie-up with overseas packers, follow international standards such as Ethical tea partnerships and Fair trade, promote the product "Tea" as against other beverages, improve quality of crude palm oil to meet edible standards.
Product quality variation	Possibility of loss of good buyers and lower prices at the auctions.	Proper guidance, educating staff, close monitoring of harvesting rounds, implementing quality assurance systems such as HACCP, ISO 9002, obtaining experts' guidance on quality in the manufacture of tea rubber and palm oil.
Profitability risk	Drop in share prices, loss of investor confidence, restricts expansion and new investments.	Company has now diversified from the traditional lines of tea, rubber, palm oil and moved to brand building and exports. It also pursues other avenues available in the traditional business lines and is exploring different cost reduction mechanisms.
Upward movement of interest rates	This will have a direct impact on profitability.	Company looks at all possibilities of reinvesting its own funds and reducing high interest borrowings. It also borrows U.S. \$ wherever profitable and obtains block loans on low interest rates such as loans refinanced by ADB and JBIC.
Inaccurate information and breakdown in financial and other systems	Loss due to human errors, financial loss and incorrect information for decision making.	The company's internal controls are regularly reviewed by the internal audit team and group managers of the relevant clusters/groups.

Risk Scenario	Corporate Impact	Risk Mitigants
Unfavorable weather patterns.	Loss of produce.	Low and high shade establishment, improving water retention capacities on estates, drought resistant cultivars, folio application to prevent excessive transpiration during dry spell.
Uncontrollable spread of plant disease	This can result in reduction of crops and casualties of amongst plants.	Close supervision and early identification, use of appropriate chemicals, natural and biological control predators, chemical treatment and fumigation.
Soil erosion	Declining soil fertility and reduced yields.	Adoption of practices such as draining to prevent surfs runoff and Sloping Agriculture Land Technology (SALT),
Use of agro chemicals	Loss of potential and traditional buyers, detection of excess of the maximum residual limits in made tea, build up of resistance to chemical spray.	Use alternate chemicals for disease, use only approved chemicals, chemical analysis of tea samples periodically for residual limits; adhere to the recommendations of the Tea Research Institute of Sri Lanka.
Regular increase in the prices of furnace oil and diesel	Increasing cost of production and at times overnight due to sudden fuel price increases.	Shift to driers operated with firewood and develop estate own fuel wood supply such as Caliandra etc.
Work stoppages and go-slow	Loss of produce, overgrown tea bushes, untapped rubber trees, unplucked palm oil bunch which could reduce yields.	As a member of the EFC the company has entered into a collective agreement with the trade unions and also maintains a good rapport with trade unions. It is also committed to motivate and develop the workforce via regular workshops carried out by external personnel.
<b>Retail Marketing/ Pharmaceuticals</b> Loss of market share	Possible loss of profits	Company regularly monitors its market share to keep a breast of competitors and hence any movement receives prompt attention.
Credit risk	Bad debts would result in loss of profits	Company has devised a good credit evaluation policy and also secured its debts by obtaining bank guarantees.
Loss of Business Contacts	Loss of Principals due to mergers and acquisitions	Regular meetings and direct communication and achieving targets, strengthening relationships.
Operational risk	Frauds, theft, human errors and natural disasters, willfully concealing information.	Monthly reviews of operational process, audit committees, internal audit function, performance evaluation and profit improvement plan.
Inconsistent tea prices at the auctions	Inability to maintain steady retail prices	Adopt a good tea buying policy. The company also has the advantage of having it own tea gardens.
Investment Risk	Non achievement of Required Return	Top management evaluates expected return of both existing and new ventures and ensures that effective project management is in place.
Foreign currency risk	Loss of income due to exchange rate fluctuations	Treasury management at each SBU level make necessary bookings on spot rates as well as forward bookings .
Interest rate risk	Increased finance costs and impact on profitability	Potential interest rate risk is analyzed at each SBU level, risks are managed using a variety of mechanisms.
Operational Risk	This includes theft, fraud inadequate process and negligence	Audit Committees of the Group companies evaluate such risks and these processes are subject to periodic review by the management.
Epidemic or Communicable diseases	Negative impact on corporate image as result of lack of poor planning and business practices	Market intelligence and strong rapport with medical profession.
Brand Loyalty	Global mergers resulting in loss of business principals and partners. Loss of market share due to new entrants and change in consumer behavior causing a drop in demand.	Close rapport with Global partners and businesses; Reduce dependence on a single principal and maintaining a balanced portfolio of products and services, strengthening market awareness data assessment capabilities and brand positioning
Human resources – high staff turnover	Heavy staff recruitment cost and loss of quality personnel.	Strengthening the second tier of management staff; developing career enhancement programs and implementation of performance based reward mechanisms.
Health & safety of employees	Occupational hazards at factories	Implementation of Workmen Compensation and an adequate general insurance scheme and company welfare fund.
Inadequate quality of Drug	Risk of drug quality failure due to manufacturing or storage quality	Implementation of a stringent drug registration process involving audit of manufacturing plants; ensuring good quality temperature controlled storage conditions as required.

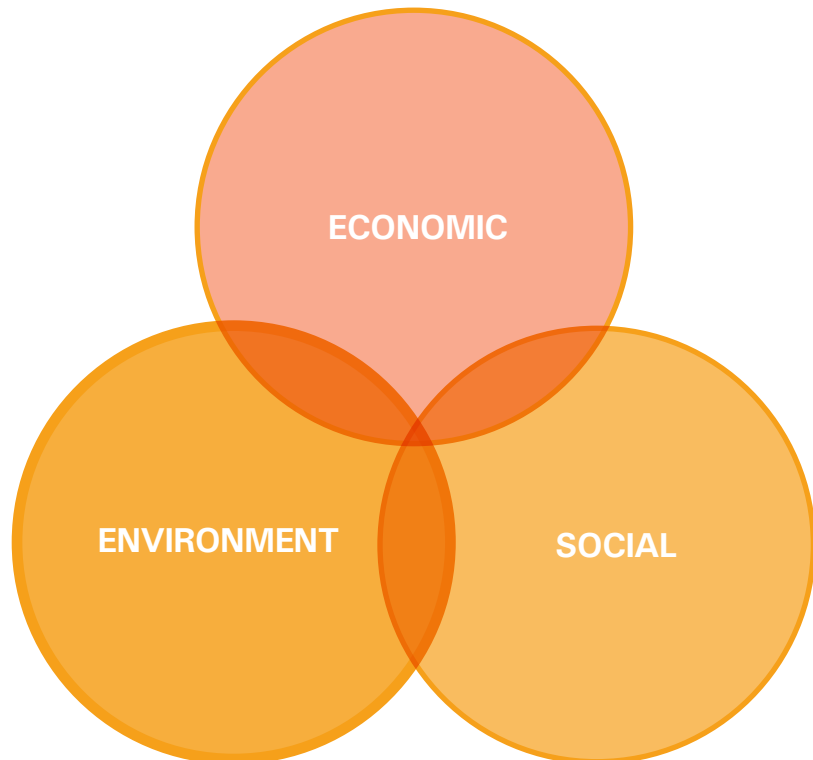
# Sustainability Report

## Our Approach

Businesses cannot function in isolation. At Sunshine Holdings we strongly believe that sustainability of our business success is interdependent with the sustainability of all our stakeholders and the larger environment in which we function.

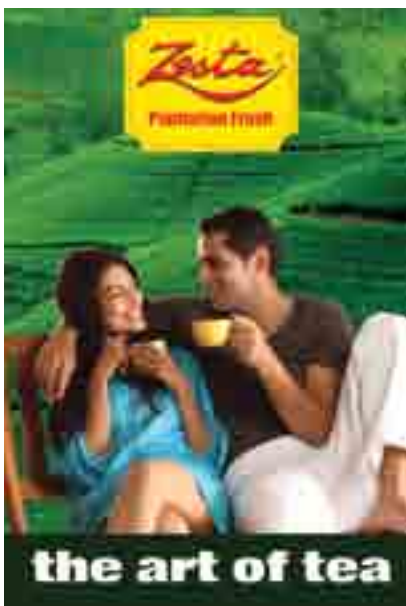
Companies that constitute Sunshine Holdings Group are encouraged to contribute in areas they are engaged in and in ways they know best. And at a corporate level we are in the process of identifying projects which resonate with our core values and businesses. We are also taking steps to adopt the Global Reporting Initiative (GRI) guidelines and aim to publish next year's Sustainability Report as a self-evaluated GRI Report.

The framework that outlines our approach and focus areas for sustainable practices can be illustrated as follows:









## Fairtrade Certification

We all are aware of the benefits of trade based on comparative advantage, such as, the wealth it generates and how it has obliterated geographic boundaries across the globe. However, we also know that wealth thus generated is iniquitously distributed with the richer and the more powerful corporations and nations enjoying greater benefit, often at the expense of the poorer nations. “Fairtrade” is based on the belief that trade should not be about the narrow confines of “how much wealth” but also about how that wealth is generated as well as distributed, i.e. does it contribute to helping people out of poverty, respect human rights, and environmental sustainability. By joining fair-trade we commit to eradicating the unfair practices.

Fairtrade certification enables people to identify products that meet agreed environmental, labour and developmental standards. This certification is awarded by FLO International and a certification body FLO-CERT after an independent auditing of producers to verify that agreed standards are met. Seven of our group’s plantations are Fairtrade certified, with Homadola estate being the only Low Grown estate to be certified, and Abbotsleigh the first and only High Grown CTC factory in Sri Lanka to receive this certification. Our commitment to this certification is an example of our ethos, and a reflection of our belief that profit is not the end in itself but the means to a larger end.

## ETP

All our tea gardens, except for one – Talangaha, have gained membership in the Ethical Tea Partnership (ETP) – an endorsement that the tea we produce has been manufactured in a socially just and environmentally sustainable manner. Talangaha, having now completed the requirements is currently seeking entry.

The ETP is an alliance of tea packers who work together to improve the sustainability of the tea sector with the vision of a thriving industry that is socially just and environmentally sustainable. The companies involved range from major multi-nationals, whose brands are found in most kitchens and supermarkets, to privately owned specialists producing ‘boutique’ blends. Together they cover around 50 brands, which are on sale in over 100 countries. ETP works with many diverse organizations to achieve its objectives.

## Our Quest for Quality ■

Quality to us, is a cornerstone of our success and is a sine qua non for sustainable growth, and we believe in continuously raising the bar for ourselves. Some of the other ways in which we strive to ensure quality in what we do as well as how we do, and some of the accolades for quality received during the year under review, are mentioned in brief, below.

Our subsidiary Watawala Plantations was the winner of the Gold award for Business Excellence in the Agriculture and Plantations Sector category at the National Business Excellence Awards organised by the National Chamber of Commerce held on 25<sup>th</sup> November. We are honoured as this award is a recognition not only of the company's financial performance, but of the sustainability of its growth, its contribution to the economy, of its institutionalized best practices and its commitment to ethics and integrity.

Watawala Plantations also won the Gold award for the third year in succession, for the Best Annual Report in the Plantations Sector, at the Annual Report Awards of the Institute of Chartered Accountants of Sri Lanka. It is an encouraging endorsement of the quality we commit to in reporting and transparency

### Accreditations

Six of our estates, namely Kenilworth, Carolina, Shannon, Dickoya, Abbotsleigh and Homadola are ISO 22000 certified. ISO 22000 has been awarded by Sri Lanka's Standards Institution upon inspection, verification, testing and evaluation of food/product safety along the entire production chain, from harvesting of leaf to dispatch of finished teas. The certification also embodies the principles of HACCP and ISO 9001:2000 quality management systems. The certification gives the company a distinctive competitive advantage to further strengthen its position in the industry.

### National Quality Awards

Dickoya estate won a Merit Award at the National Quality Awards last year. The National Quality Awards evaluates contending organizations of similar size and eligibility criteria on exceptional performance and quality practices.

### Gold award for Talangaha's Specialty Tea

The Group's Talangaha Tea Factory secured a Gold Award amongst all Low Grown tea estates in Sri Lanka for its FBOPF Extra Special Grade in the Ceylon Specialty Tea Competition conducted in Japan in 2009/10.



Gold award for Business Excellence in the Agriculture and Plantations Sector



Mr. J. A. Seneviratne (F.O. Talangaha), Dr. Dan Seneviratne (CEO, WPL), Mr. Manjiv Pillai (Manager, Talangaha), Mr. Yash De Silva (GM-S, WPL), Mr. Vitha Kumaran (WPL), Mr. Renuka Chandra (Asst Manager, Talangaha)





## Social ■

### Empowering The Community

At Sunshine Holdings we believe that communities are an integral element of the success of our businesses. Hence, Corporate Social Responsibility is not a mere “obligation” to us but part of our business of making profits.

Some of the ways in which we extended a hand to local communities ranged from infrastructure development on our estates, to empowerment of women, health education, to responding at times of need during countrywide natural disasters. Some of the projects during the year were continuations or expansion of projects initiated previously while others were new initiatives.



### Empowering The Differently Abled On Estates

The differently abled individuals in any society are compelled to depend on others, not only for a livelihood but often for his /her care and day to day needs, thus also placing considerable psychological burden on the caregivers. These challenges faced by a marginalized group of people and their families are made that much severe by economic deprivation. Estates and surrounding communities are such groups perhaps more severely burdened than elsewhere, by the lack of opportunity, awareness and economic and psycho-social support for the differently able individuals and families. Your Group identifying this critical need, commenced a Vocational Training Centre for estate and neighboring communities on its Kenilworth estate, in 2001.



The centre's key objectives are to provide a hitherto marginalized group of individuals an opportunity to display and develop their talents, provide an opportunity to earn an income, provide recreation, a safe place to spend the day with routine and structure thus offering relief to their care givers, to alleviate feelings of isolation and despondency they may experience due to social isolation, and improve self worth of these individuals via the above.

The company provides a building and other infrastructure, sponsors the trainers, provides an attendance allowance, meals and transport to these individuals who are trained to produce Greeting Cards, Envelopes, environmentally friendly Paper bags and Tea pouches. The company also purchases and arranges the sale of these products, thus facilitating an income for the youth as well as the sustainability of this venture, which will become self-sustained by September this year. The centre currently trains 22 youth. Moreover, we also sponsor regular health checks for these individuals, who are often confined to their homes due to lack of awareness or stigma and hence may rarely receive medical attention. We also work closely with the Sunera Foundation, which facilitates self expression and talent development for them through the arts as well as provide other opportunities for their development.



Our future plans for the centre include identification of individual talents and providing need specific training to develop those skills, providing indoor recreational material, obtaining feedback of family members to improve the benefits offered, obtaining assistance of Business partners, Government agencies such as the IDB and the Education Department for expertise in training the differently abled.



### Fostering Creativity Amongst Children & Youth

Homadola - one of our tea estates, organized an art and handicraft exhibition for the estate's children and youth, to provide an opportunity to unveil their artistic talents and encourage them in creative expression. The exhibition saw the participation of over 100 entries revealing to us some admirable talent. The best entries were awarded cash prizes whilst those who submitted the best handicrafts were selected for training and further skills development.

### Helping To Alleviate Social Ills

The company also began a novel programme on its estates, encouraging spouses to swap roles for a designated period of time with the ultimate aim of addressing some of the social issues that communities face. This has been found to be an effective means to create a better understanding and an appreciation of the roles each one plays. For example, during this role swap, women who finish their field work continue to linger outside of their homes socializing with colleagues till late night while the husband who is now at home, having prepared a meal and perhaps tended to kids, awaits her arrival. This mirroring of behavior helps create empathy for the partner and help him understand how his actions impact the family. The company hopes that this would help reduce some of the social issues such as alcoholism, extremely poor saving habits and gender-based violence that burden most estate and rural families.

### Up lifting Rural Schools

Ihala Homadola Prathamika Vidyalaya in Udugama is located seven kilometers away from the main road in a very remote area that is inaccessible by public transport. 90 children of Tamil estate associates are educated in Sinhala at this school. The company provided timber to construct the roof for a building for Grade 5 classrooms for the school. Additionally, books and educational literature were donated with the assistance of the Room to Read organization. The Company also plans to help the school to construct a building for Grade 9, which we hope would discourage school drop outs and contribute to eliminating child labour on neighbouring estates.

Additionally, Mamanadola Vidyalaya in Nakiyadeniya received 700 cement blocks from the company to restore a building that was damaged by the Tsunami.

### Helping Hand To Build Infrastructure

People living in the Panmure Division in the Watawala region are at present compelled to walk five kms to obtain water they require for their consumption. The management of Strathdon estate of Watawala Plantations with the assistance of the NGO- Berandina Development Services, began construction of a water supply scheme. During the year under review we laid the foundation stone for this project which is expected to be completed during the next financial year, ending a lot of hardship faced by the residents in the area.

Sunshine Packaging constructed two push bicycle stands at a cost of Rs. 45,000, for the Navodya school located close to its factory in Ratmalana. The stand can accommodate 15 bicycles.





## Win-win propositions - sharing our expertise and resources in Healthcare

Our Group's Healthcare sector is guided by the philosophy that the ultimate aim of healthcare business should be a healthier nation. The active role this sector plays as a socially responsible citizen, is hence, a natural extension of its expertise and resources. Our CSR efforts help educate the populace on health related issues whilst also strengthening our relationships with our customers and providing us with valuable information on customer needs. Collaboration between customers and suppliers creates strong and effective partnerships and this is a belief that we at Sunshine hold sacred.

### Health & Medical Camps

The group companies frequently conduct Health and Medical camps for employees, their families and neighborhoods. The camps provide consultation and free medicine, knowledge-sharing and consultations with Ayurvedic doctors for ailments such as Rheumatic Arthritis, upper respiratory infection and chronic skin diseases, and in addition, educate children on tropical diseases and health-related issues such as Swine flu and Dengue. Also 250 of our Palm Oil harvesters were given Tetanus injections.

Pregnant mothers on all our the estates benefit from regular health checks and packets of nutrition supplements to the value Rs. 450, distributed regularly with the assistance of World Vision Lanka. Additionally assisted by the Sri Lanka Red Cross Society, parcels of baby care items were distributed amongst the pregnant mothers during the year.

### Awareness on Diabetes

Our work to create awareness and educate the public on prevention, risks and impacts of diabetes, during the year included lectures on all our estates and offices, public lectures and participation and sponsorship of the National Diabetic Walk.

### Walk for Cancer

Over hundred Group employees participated in the 'Walk for Cancer' organized by the Sri Lanka Cancer Society, held on 6<sup>th</sup> March 2011 in Colombo. The procession which began at Town Hall and made its way to Green path accompanied by marching bands, elephants, dancers, street theatre groups, commercial floats and celebrities on floats; had the participation of over 3000 people representing the UN Agencies, private corporates, professional associations, hospitals, schools and the general public. The procession was colour coded, with members of diverse fraternities walking under different colours that represented the many types of cancer. Purple represented general cancer awareness, Light green -childhood cancer, Pink represented breast cancer, White represented lung cancer while Dark green represented the commitment to combat kidney, ovarian, and prostate cancer.

In addition, Watawala Plantations and its employees contribute further, via a sticker campaign initiated by the company. Employees can purchase a sticker printed by the company, and wear them every Friday, which is Dress Down day, as a reminder and a symbol of their commitment to the cause. Proceeds from the sale of these stickers are collected in a till and handed over to the cancer hospital regularly. A collection of 50,000 was handed over at the Walk Held in March.





## Creating awareness on serpent bites

In partnership with the of Wild Life Conservation Society of Sri Lanka, our subsidiary Watawala Plantations conducted an awareness programme on the proper management of Serpent bites for plantation associates and students of Mamanadola Vidyalaya in the Nakiyadeniya area. More than 25 species of live serpents endemic to the low country dry zone were brought in to explain how a snake can be identified, as identification of the snake is a critical factor in the effective treatment of a snake bite. The topic was an important item on the programme as mis-identification is often found to be a cause of death of victims. The “what not to do” in the immediate care of a snake bite victim – the other critical element in determining chances of recovery, was also covered in detail. Given the high vulnerability of the people in this area to serpent bites the programme was found to be extremely useful by the villagers and estate associates resulting in a number of requests for repeats. The company is now taking steps to conduct more programmes.



## Economic ■

### Developing livelihoods

#### Home farming

Watawala Plantations, in the Dickoya and Udugama regions distributed home gardening equipment, and poultry farming chicks and chicken feed, to 100 employees to enable them to generate an additional source of income.



#### Developing Inland fisheries on estates

Our plantations sector, with the assistance of the Inland Fisheries Department launched a project to develop inland fisheries on its properties. Around 20,000 fresh water fish namely, Tilapia Species, Red cats, Red Tilapia and 5,000 Fingerlings were released into Kowlahena Lake in Carbeal Division on the Homodola Estate. The key objectives of the projects are to facilitate an additional income for villagers who can engage in fishing and to supply food of higher nutritional value to the 120 employee families and children in crèches in this division.



### Responding to natural disasters - Flood Relief

Employees of Sunshine Holdings rallied around to support those who were affected by floods in many areas of the country in 2010. Employee efforts helped collect Rs. 700,000 worth of dry rations and clothes, which the company transported and distributed amongst 250 families in the Vauniya, Batticaloa, Anuradhapura and Polonnaruwa Districts. The project was entirely a volunteer effort of employees which the company supported by transporting the goods.



### Uplifting Hospitals and Homes

#### Shramadhana at the Lindula Hospital

Over 100 employees of Watawala Plantations volunteered and joined hands with hospital staff to carry out a Shramadhana at the Lindula hospital, as part of the company's efforts to upgrade the ward to a Grade I level hospital.

#### Support to the Deaf & Blind School

The Group continues to support the Deaf & Blind school in Ratmalana. This year too, our employees visited and spent time with the children as the company



continued its practice, begun two years ago, of providing a meal for the school once every quarter.

In addition, our packaging subsidiary has undertaken the restoration of a printing press owned by the school. Once restored it is expected to help the school resume undertaking printing as an income generating activity. In addition, the auditorium of the school is to be refurbished and maintained by the Group shortly. Repair work is scheduled to begin during the first quarter the new financial year.

## Towards eradicating gender based violence

Health Volunteers on Shannon estate organized an awareness/educational programme on gender based violence. 42 Health Volunteers from the estate who participated in the programme are expected to carry this message across to families in their communities. The learnings from the programme were found to be very useful by the participants to better equip themselves and others to create healthier family environments for the future.

## Celebrating Elders

During the year, Lippakelle estate in Watawala organized a celebration to commemorate Elders' Day which falls on 1<sup>st</sup> October. The day filled with games and entertainment was a fun filled and memorable one for the participants, and the estate's oldest citizen at 103 years Mrs. S. Ponnice, was specially felicitated.

## Blood Donation

Blood donations are held across the Group through out the year, and 250 employees from Swiss Biogenics and Kenilworth estate donated blood during the year.

## Employees ■

A vital contributor to the success we have achieved is the strength, determination, commitment and dynamism of our 13,500 people whom we consider our associates. In turn, we have striven to create an environment of career advancement with equality and meritocracy and professional attainment.

Our People Philosophy focus on attracting, developing & building a pool of talented, dynamic & motivated human resource base with the right competencies to proactively meet our mission & objectives for the different industries that make up the group, whilst inculcating an entrepreneurial spirit, innovation and commitment to change within the group.

Our recruitment and selection processes are streamlined to meet evolving business needs, whilst planned training and development initiatives are carried across the group to enable employees to give their best to the organisation.

Recent new recruits to the Group participated in two group induction programs at which they had an opportunity to meet key decision makers from all sectors of the Group.

The Group's Performance Management system translates & aligns business strategy into goals of teams and individuals across all levels of business, and rewards/recognizes contributions and achievement of organizational goals, which have been set at the beginning of the year. All employees across group companies had an opportunity for a two way appraisal process where performance targets and measures were agreed and monitored across companies. We have commenced a

group wide employee recognition program where we identify employees and teams who have contributed individually and collectively towards business excellence.

### Scholarships and books to employees' children

In keeping with our focus on supporting education, the Group continued to award scholarships to children of employees of all categories. Obtaining a higher education for one's child is a dream of most parents, but for some, an unrealized dream due to lack of economic means. Your company thus took on the task of helping many such parents over a decade ago. A majority of them have been plantation workers. We are humbly proud to have been the pioneers of such an initiative in the plantation industry and to see that some of the beneficiaries are today doctors, engineers and lawyers, contributing to the country's progress. During the year under review, we granted 18 scholarships to children of employees and since the company launched the programme in 1999, a total 53 scholarships have been provided to GCE Advance Level students and a total of 28 to undergraduates to pursue a higher education in local universities.

Moreover, all the companies across the Group continued its practice of distributing books and stationary to children of employees before the start of each school year; relieving parents of the burden of high costs of stationary.

The company also provides financial support to employees who are faced with a critical illness in the immediate family. During the year under review a plantation sector associate Mr. W. M. N. N. Weerasinghe, an Electrician on Carolina estate who suffered a spinal cord injury was unable to work and was required to undergo surgery costing Rs. 934,000; this sum was not affordable to him. The company took up the entire cost of the operation and Mr. Weerasinghe is now back at work after recovering.

Employee interaction is facilitated via formal and informal channels. Some of the informal channels through which we foster a spirit of camaraderie include annual sports/games days, trips and socials involving employees and their families. For instance, Watawala Plantations celebrated a family day with a cruise on the Jetliner ship in September and October 2010 respectively. Sunshine Packaging held an Avurudu celebration for all its factory employees.

As a tool to provide wider exposure and a better understanding of the business they are part of, Watawala Plantations took some of its Head office staff on a "Field Visit" to the Udugama region. This enabled the participants to gain an understanding of the techniques of rubber tapping, oil palm harvesting and mill processing.

### Towards Equality

Those who work on plantations were referred to as 'Coolies' during the colonial era and later as "labourers" and subsequently as 'Workers'. On 1<sup>st</sup> April 2010, Watawala Plantations made a decision and made it known across the company, that all its employees including plantation employees, regardless of rank or designation would in future be referred to as 'Associates' - a term that is reflective of the equality and dignity that we strive to ensure. The term 'Associates' thus reflects the fact we consider a plantation employee a partner in our aspirations and success, and one who is empowered to take ownership of a larger objective and vision and is a colleague like everyone else.







### Towards Gender Equality - Removing the glass ceiling for our estate workers

Gender inequality in the workplace continues to be a subject of much debate and research with attention mainly focused on the executive in the urban workplace and the bigger corporate. Much progress has been achieved over the past few decades by this executive of the modern work place. However, the estate worker has continued to go unnoticed. Measures such as Childcare centres maintained by companies, have helped women to take up employment on estates, but progressing in one's job and looking at it as a career, has not been an option open to them. For instance, the position of field level supervisor until today was restricted to males. Our plantation sector, to mark Womens' Day on 8<sup>th</sup> March this year, took a courageous decision to promote women to level of supervisor and set itself a target to ensure that at least fifty percent of the group's field level supervisors would be women within five years. Towards this end is the need for capacity building of women. The company would hence initiate multifaceted programmes to impart leadership skills and provide other required training during the next few years.

One of the social issues that could arise from women taking on added responsibility in their workplace would be a need to find replacements for some of their efforts in the home front. The company also hopes to begin a programme to provide home maker training for men.



### Empowering women by facilitating income generation

Our Palm Oil plantations provide training and during the year introduced women to oil palm harvesting, thus enabling them to become income earners.

### Celebrating the 100<sup>th</sup> International Womens' Day

In keeping with the United Nations' theme for International Womens' Day this year, of "equal access to education, training and science and technology: pathway to decent work for women", the company arranged an exposure tour of Colombo for nine women estate workers. The tour organized in collaboration with the Janatha Estate Development Board which has partnered the World University Service of Canada, consisted of a visit to Sri Lanka's tea auction, a tea tasting lecture at the Watawala Plantations office, a lunch with the CEO of Watawala Plantations which facilitated an animated lunch table discussion about the tea industry and womens' issues; and a tea party later in the day attended by senior government officials from the tea industry, the Canadian representatives, various national and international donor organizations including JICA, ADB and Ausaid. Apart from being an opportunity to see the sites of Colombo, the tour provided the participants valuable exposure to aspects of the tea industry, which they've been, a part for many decades.



# Environment ■

## Green strides on our plantations

### Energy Management

The need for renewable energy is being emphasized globally and locally. Sri Lanka's dependence on imported oil, which costs one fifth of Sri Lanka's export earnings annually, underscores the need for alternative sources of energy. Energy Management is also a priority area of your company. The high cost of conventional energy is a serious concern for our plantation factories. Not only does conventional energy usage increase expenditure levels but it also impacts negatively on the environment.

### Energy Conservation

Having recognised the importance of bio-mass fuel on plantations and having set ourselves the target of achieving self-sufficiency in firewood by 2013, we continued to expand our forestation programmes which we launched in 2009. The trees that are being planted are Calliandra as a short rotation crop (SRC), and Eucalyptus as high value timber. During the year under review, the company planted 98.00 hectares of Calliandra, thereby bringing the total extent of Calliandra on up-country estates to 454.50 hectares. Out of this total extent, 254.50 hectares have matured and are harvestable. A total of 91.50 Ha. is under Eucalyptus while an additional 55.00 Ha. was planted during the year. We have upto date harvested 4,316 cubic metres of Calliandra firewood and the year 2010/11 is expected to produce 6,425 cubic metres which is estimated to provide an overall saving of Rs.4.725 million. for your company.

Energy conservation extends the life of finite resources, reduces environmental hazards, secures supplies in the long-term, and offers attractive economic returns. Energy efficiency can be achieved in many ways. During the year, many of our estates continued efforts to reduce consumption of electricity and fossil fuels to develop renewable sources of energy. Construction of two mini hydro power plants commenced on two of our estates Kenilworth and Strathdon; and encouraged by the success of these two ventures, the company made further investments.

The tea dryers on all our tea factories were converted from furnace oil to firewood driven, resulting in significant savings for the company. The firewood requirement is also supplied by our own energy plantations.

### A Green tea factory that produces the finest black tea

In May 2010, the Group opened a state of the art tea factory on its Waltrim estate to replace the former which was destroyed by fire. This factory which has been internationally acknowledged as the "most modern tea factory in the world", is built sans any timber, and is hence fire proof. The environmentally friendly design has enabled the use of natural light, thus minimizing energy requirements for lighting, whilst the drafts of natural air that runs through the building - facilitated by design, not only reduces the need for power but also contributes to making a much fresher product due to the quality of the ambient air.

The tea sector's energy requirement from the National Electricity Grid will decrease once hydro power projects begin operation in 2012 on the plantations. These hydro energy projects which are currently under construction will, once completed, facilitate greater efficiencies within the sector as well as contribute to the national grid.







### Conserving our forests by promoting alternatives to firewood amongst households

During the year, our subsidiary Watawala Plantations distributed 55 gas cookers and 120 gas cylinders to its employees on Homadola estate. On the one hand this would benefit conservation by reducing the demand for firewood whilst on the other, it would benefit households by improving their living standards by enabling cleaner cooking environments, and by eliminating the need to search for firewood.

### Erosion control

The plant Savandra is planted on embankments to prevent erosion. During the year under review Watawala Plantations planted approximately twenty kilometers of estate banks with Savandra to protect the soil.



### Tree Planting Day

The National Tree Planting Day is celebrated across the Group each year. During the year, two of our estates - Kennilworth Tea estate and Homadola Rubber Estate marked the Day by planting 150 trees with the specific aim of preserving the water shed areas which provide water for paddy cultivation and drinking purposes in the area. Amongst the saplings planted were Kumbuk, Bamboo, Mee and Na.

### Sustaining the plantations

Our plantations are constantly in search of ways to improve the sustainability and productivity of our resources. Estates have been set yield targets to achieve and the Company's specific fertilizer policies were stipulated to facilitate the achievement of these targets. The group embarked on a programme titled "protecting our soil" which involves practices such as burying of pruning's, manufacture of organic fertilizer, application of compost & forking; and deep draining in order to increase the water holding capacities of drains for the dry seasons. Productivity improvements were also achieved via the infusion of technology such as "Shear Harvesting" and the mechanical pruning of trees. In addition to enhancing efficiency, the use of technology also helped meet a shortage of labour, reduce costs as well as improve leaf quality.



### Supporting the efforts of the CMC in Beautifying Colombo

Our subsidiary Watawala Plantations celebrated World Environment Day by renovating 12 benches at the Viharamahadevi Park. This would provide seating facilities to the many nature lovers who visit the park.

### Every little foot step counts

In addition to the Green initiatives on our plantations and the larger efforts, we continuously seek ways and means to minimize our carbon footprint in all areas and to proactively contribute to the preservation of the environment.

Our new tourism venture - the Mandira Boutique bungalows ensure that all their water requirements are met by the natural water sources in the area and no water provided by the water board is used.

All companies within the Group re-use paper for all internal purposes and strive towards a paperless world through electronic documentation and E-mail. Our E-signatures remind each other of the importance of conserving trees by minimizing the use of paper, with the slogan "save a tree". Please consider the environment before printing this mail".





# Statement of Directors' Responsibility

This statement of Directors responsibilities is to be read in conjunction with the Report of the Auditors and, is made to distinguish the respective responsibilities of the Directors and of the Auditors, in relation to the financial statements contained in this Annual Report.

The Directors are required by the Companies Act No. 07 of 2007, to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and of the Group as at the end of the financial year, and of the income and expenditure of the Company and of the Group for the financial year.

The Directors confirm that the Financial Statements of the company for the year ended 31<sup>st</sup> march 2011 presented in the report have been prepared in accordance with the Sri Lanka Accounting Standards and the Companies Act No.07 of 2007. In preparing the Financial Statements, the Directors have selected appropriate accounting policies and have applied them consistently. Reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis.

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

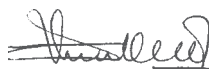
which reflect the transparency of transactions and provide an accurate disclosure of the company's financial position. The Directors are required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate for the purpose of enabling them to give their Audit Report. The Directors are of the view that they have discharged their responsibilities in this regard.

## Compliance Report


The Directors confirm that, to the best of their knowledge, all taxes and levies payable by the company and all contributions, levies and taxes payable on behalf of the employee of the company, and all other known statutory obligations as at the balance sheet date have been paid or provided for in the financial statement.

As required by section 56(2) of the Companies Act No.07 of 2007, the Board of Directors has confirmed that the company satisfies the Solvency Test immediately after the distribution, in accordance with Section 57 of the Companies Act No 7 of 2007.

By Order of the Board



V. Govindasamy  
Colombo,  
04<sup>th</sup> June 2011.



S. Piyyaratna

# Report of the Audit Committee

The Audit Committee was established in 2006. The Committee consists entirely of two Non Executive Directors and one member is a Senior Chartered Accountant and the Committee is chaired by Mr. S. Piyaratna. Secretaries and Financial Services (Pvt) Ltd., the Company Secretaries functions as the Secretaries to the Audit Committee. The Group Managing Director attends meetings by invitation. The Chief Financial Officer of Watawala Plantations PLC & Swiss Biogenics Ltd and Senior Accountants of Sunshine Packaging Ltd & Sunshine Travels & Tours Ltd attend meetings as and when required. The input of statutory auditors is obtained where necessary. The Charter for the Audit Committee is in line with the international best practices frame work. The Audit Committee reviews the charter quarterly and updates to reflect the views that the members of the Audit Committee express in the independent discharge of their duties. As specified in rule 7, 10, 6 of the listing rules of the Colombo Stock Exchange, the Board is of the opinion that the members of the Audit Committee are independent.

## Meetings ■

The Audit Committee met three (3) times during the year. Attendance by the Committee members at each of these meetings are as follows.

	Attendance
S. Piyaratna (Chairman)	03 of 03 meetings.
B. A. Hulangamuwa (Member)	03 of 03 meetings.

## The Audit Committee and its Responsibilities ■

The main objective of the Audit Committee is to ensure that the Company complies with applicable financial

standards and laws and execute the responsibilities given in the Audit Committee Charter. It sets out high standards of corporate disclosure, corporate responsibility, integrity and accountability to the shareholders.

The Audit Committee obtains representations from the Chief Financial Officer on the adequacy and effectiveness of internal control systems. That reviews the statutory accounts and publish financial statements, assess compliance with regulatory requirements, considered the contents of Internal Audit Reports and recommends the appointment and remuneration of the external auditors.

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

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

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

- Reviewed and discussed with the Company's management and the independent auditors, the consolidated financial statements for the accounting year ended March 31, 2011.



- Reviewed the management's representations to ensure that the consolidated financial statements are prepared in accordance with generally accepted accounting principals truly and fairly present the results of operations and financial position of the Company.
- Recommended that the Board select KPMG Ford Rhodes Thronton & Company, Chartered Accountants as independent auditors to audit and report on the annual consolidated financial statements of the Company and forward copies of the Annual Report to the Colombo Stock Exchange prior to the Annual General Meeting.
- Reviewed the procedures for identifying business risk and management of the impact on the Group.
- Reviewed the policies, procedures and internal controls for detecting and preventing fraud.
- Reviewed the operational effectiveness and internal controls of the policies, systems and procedures.
- Reviewed and discussed with the Management, the annual and the quarterly financial statements prior to their release, including the extent of compliance with the Sri Lanka Accounting Standards and the Companies Act, No.7 of 2007.
- Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. Chief Financial Officer submitted to the Audit Committee

on a quarterly basis, a report on the extent to which the Company was in compliance with mandatory statutory requirements.

Audit Committee wishes to appreciate the services rendered by Group Auditors, Messrs. KPMG Ford Rhodes Thronton & Company, Chartered Accountants and all other independent reporting Accountants of all subsidiaries.


## Conclusion ■

The Committee is of the view that adequate controls and procedures are in place to provide reasonable assurance that the Company's assets are safeguarded and the financial position of the Company is well monitored. The Audit Committee concurs that the adoption of the going concern premise in the preparation of the Financial Statement is appropriate. The Audit Committee recommends to the Board of Directors that the financial statements as submitted be approved.

On behalf of the Audit Committee;

  
S. Piya Ratna

04<sup>th</sup> June 2011

  
B. A. Hulangamuwa



# Chief Financial Officer's Responsibility Statement

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

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

were consistently followed. However, there are inherent limitations that should be recognized in weighing the assurance provided by any system of internal controls and accounting.

The Consolidated Financial Statements of the company were audited by Messrs. KPMG Ford Rhodes Thronton & Company, Chartered Accountants and their report is given on page 53 of the Annual Report.

The Audit Committee of the company meets periodically with the internal audit team and the external auditors to review their audit plans, assess the manner in which these auditors are performing their responsibilities and to discuss their reports on, internal controls and financial reporting issues. To ensure complete independence, the external auditors and the internal auditor have full and free access to the members of the Audit Committee to discuss any matters of substance. The Audit Committee pre-approves the audit and non-audit services provided by our external auditors KPMG Ford Rhodes Thronton in order to ensure that the provision of such services does not impair the External Auditor's independence. We confirm that the Company have complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company other than those disclosed in the Financial Statements in the Annual Report.



WDPL Vithanage  
Chief Financial Officer

04<sup>th</sup> June 2011



# THE ART OF Numbers

## Integrity

We have grown to become one of Sri Lanka's leading business entities because of our commitment to integrity. Our annual financial reports reflect our philosophy of transparency, and our operational methods show our ethos of respect for employees, business partners, and the entire nation,

The Zen monk follows a life of integrity, and this path ends in fulfillment. It has for us.

KPMG Ford, Rhodes, Thornton & Co.  
(Chartered Accountants)  
32A, Sir Mohammed Macan Markar Mawatha,  
P. O. Box 186,  
Colombo 00300,  
Sri Lanka

Tel : +94 - 11 242 6426  
: +94 - 11 542 6426  
Fax : +94 - 11 244 5872  
: +94 - 11 244 6058  
: +94 - 11 254 1249  
: +94 - 11 230 7345  
Internet : www.lk.kpmg.com

## INDEPENDENT AUDITORS' REPORT

### TO THE SHAREHOLDERS OF SUNSHINE HOLDINGS PLC

#### Report on the Financial Statements

We have audited the accompanying Financial Statements of Sunshine Holdings PLC, (the Company), and the Consolidated Financial Statements of the Company and its subsidiaries (the Group) as at 31<sup>st</sup> March 2011, which comprise the balance sheet as at 31<sup>st</sup> March 2011, and the Income Statement, Statement of changes in Equity, Cash Flow Statement for the year then ended, and a summary of significant Accounting Policies and other explanatory notes as set out on pages 84 to 115 of this Annual Report.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Financial Statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate Accounting Policies; and making Accounting Estimates that are reasonable in the circumstances.

#### Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall Financial Statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

#### Opinion

##### Company

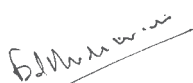
In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended 31<sup>st</sup> March 2011 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31<sup>st</sup> March 2011 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

##### Group

In our opinion, the Consolidated Financial Statements give a true and fair view of the state of affairs as at 31<sup>st</sup> March 2011 and the profit and cash flows for the year then ended, in accordance with Sri Lanka Accounting Standards, of the Company and its subsidiary dealt with thereby, so far as concerns the shareholders of the Company.

#### Report on Other Legal and Regulatory Requirements

These Financial Statements also comply with the requirements of Sections 153(2) to 153(7) of the Companies Act No. 07 of 2007.



Chartered Accountants

04<sup>th</sup> June 2011

Colombo,  
Sri Lanka

KPMG Ford, Rhodes, Thornton & Co., a Sri Lankan Partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative, ("KPMG"), a Swiss entity.

A.N. Fernando FCA  
P.Y.S. Perera FCA  
W.W.J.C. Perera FCA  
W.K.D.C. Abeyrathne ACA

M.R. Mihular FCA  
C.P. Jayatilake FCA  
Ms. S. Joseph FCA  
S.T.D.L. Perera FCA

Ms. M.P. Prera FCA  
T.J.S. Rajakarier FCA  
Ms. S.M.B. Jayasekara ACA  
G.A.U. Karunaratne ACA

Principles - S.R.I. Perera ACMA, LLB, Attorney-at-Law, H.S. Goonewardene ACA.

# Income Statement

		GROUP		COMPANY	
For the Year ended 31 <sup>st</sup> March	Note	2011 Rs.	2010 Restated Rs.	2011 Rs.	2010 Rs.
Revenue	4	10,732,165,865	9,437,275,477	134,837,248	137,486,763
Cost of Sales		(8,306,099,015)	(7,622,899,581)	–	(24,350,760)
<b>Gross Profit</b>		<b>2,426,066,850</b>	<b>1,814,375,896</b>	<b>134,837,248</b>	<b>113,136,003</b>
Other Income	5	159,554,486	197,477,791	5,780,487	15,013,337
Administration Expenses		(827,518,324)	(583,638,734)	(29,643,750)	(13,616,934)
Selling & Distribution Expenses		(421,556,275)	(470,965,221)	–	–
Finance Cost	6	(110,309,956)	(123,182,601)	–	(185,532)
<b>Profit Before Tax</b>	<b>7</b>	<b>1,226,236,781</b>	<b>834,067,131</b>	<b>110,973,985</b>	<b>114,346,874</b>
Income Tax Expense	8	(221,653,561)	(108,401,185)	–	–
<b>Profit for the year</b>		<b>1,004,583,220</b>	<b>725,665,946</b>	<b>110,973,985</b>	<b>114,346,874</b>
<b>Profit Attributable to:</b>					
Equity Holders of the company		500,195,995	395,816,236	110,973,985	114,346,874
Minority Interest		504,387,225	329,849,710	–	–
		<b>1,004,583,220</b>	<b>725,665,946</b>	<b>110,973,985</b>	<b>114,346,874</b>
<b>Earnings Per Share - After subdivision</b>	<b>9.1</b>	<b>3.75</b>	<b>2.97</b>	<b>0.83</b>	<b>0.86</b>
<b>Dividend Per Share</b>	<b>9.2</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>

Figures in brackets indicate deductions

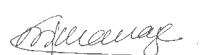
The Accounting Policies and Notes from pages 88 to 115 form an integral part of these Financial Statements.

# Balance Sheet

		GROUP		COMPANY	
As at 31 <sup>st</sup> March	Note	2011 Rs.	2010 Restated Rs.	2011 Rs.	2010 Rs.
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, Plant and Equipment	10	4,593,948,313	3,819,240,966	156,165	–
Leasehold Land	11	240,683,000	247,718,000	–	–
Investment in Subsidiaries	12	–	–	817,752,548	649,402,568
Other Long Term Investments	13	142,024,960	116,465,010	142,024,960	92,025,010
Goodwill	14	91,692,024	–	–	–
Deferred Tax Assets	20	44,594,888	36,712,570	–	–
<b>Total Non-current Assets</b>		<b>5,112,943,185</b>	<b>4,220,136,546</b>	<b>959,933,673</b>	<b>741,427,578</b>
<b>Current Assets</b>					
Inventories	15	1,518,737,670	1,128,518,010	–	–
Trade and Other Receivables	16	1,375,407,828	1,112,016,182	7,412,102	4,814,050
Investment in Repurchase Agreement of treasury Bills		–	2,959,963	–	–
Income Tax Recoverable		3,262,506	7,917,854	3,158,728	3,067,761
Amounts Due from Related Parties	17	10,758,568	26,691,919	5,417,463	60,800,000
Cash and Cash Equivalents	18	468,270,460	461,038,009	18,573,345	113,471,708
<b>Total Current Assets</b>		<b>3,376,437,032</b>	<b>2,739,141,937</b>	<b>34,561,638</b>	<b>182,153,519</b>
<b>Total Assets</b>		<b>8,489,380,217</b>	<b>6,959,278,483</b>	<b>994,495,311</b>	<b>923,581,097</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and Reserves</b>					
Stated Capital	19	679,999,949	679,999,949	679,999,949	679,999,949
Capital Accretion Reserve		399,837	399,837	399,837	399,837
Revaluation Reserve		111,272,755	111,250,677	–	–
General Reserve		857,888	857,888	857,888	857,888
Retained Profit		1,532,102,217	1,072,144,688	307,692,774	236,718,788
<b>Shareholders' Fund</b>		<b>2,324,632,646</b>	<b>1,864,653,039</b>	<b>988,950,448</b>	<b>917,976,462</b>
Minority interest		2,180,070,230	1,609,021,951	–	–
<b>Total Equity</b>		<b>4,504,702,876</b>	<b>3,473,674,990</b>	<b>988,950,448</b>	<b>917,976,462</b>
<b>Non-Current Liabilities</b>					
Deferred Tax Liabilities	20	27,129,000	–	–	–
Retirement Benefit Obligation	21	697,435,588	678,384,447	1,992,436	1,048,000
Deferred Income and Capital Grants	22	255,798,000	228,732,000	–	–
Debentures	23	–	100,000,000	–	–
Interest Bearing Borrowings	24	847,366,851	761,081,230	–	–
<b>Total Non-current Liabilities</b>		<b>1,827,729,439</b>	<b>1,768,197,677</b>	<b>1,992,436</b>	<b>1,048,000</b>
<b>Current Liabilities</b>					
Interest Bearing Borrowings	24	198,869,712	148,826,491	–	–
Trade and Other Payables	25	1,385,847,434	1,247,442,383	3,552,427	4,556,635
Income Tax Payable		116,278,130	136,664,776	–	–
Amounts Due to Related Parties	26	1,527,453	1,725	–	–
Bank Overdrafts	18	454,425,173	184,470,441	–	–
<b>Total Current Liabilities</b>		<b>2,156,947,902</b>	<b>1,717,405,816</b>	<b>3,552,427</b>	<b>4,556,635</b>
<b>Total Equity and Liabilities</b>		<b>8,489,380,217</b>	<b>6,959,278,483</b>	<b>994,495,311</b>	<b>923,581,097</b>
<b>Net Assets Per Ordinary Share - After subdivision</b>		<b>17.43</b>	<b>13.98</b>	<b>7.42</b>	<b>6.88</b>

The Accounting Policies and Notes set out on pages 88 to 115 form an integral part of these Financial Statements.

I certify that these Financial Statements are in compliance with the requirements of the Companies Act No. 7 of 2007.



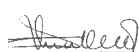
Chief Financial Officer

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

Approved and signed for and on behalf of the Board,



Chairman



Group Managing Director

04<sup>th</sup> June 2011



# Statement of Changes in Equity

GROUP	Attributable to Equity Holders of the Company						Minority	Total
	Stated Capital	Capital Accretion Reserve	General Reserve	Revaluation Reserve	Retained Profit	Total Reserve	Shareholders Interest	Equity
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 1<sup>st</sup> April 2009</b>	<b>679,999,949</b>	<b>399,837</b>	<b>857,888</b>	<b>-</b>	<b>703,812,085</b>	<b>1,385,069,759</b>	<b>1,520,382,041</b>	<b>2,905,451,800</b>
Profit for the year	-	-	-	-	395,816,236	395,816,236	329,849,710	725,665,946
Dividend payment to Minority Share Holders	-	-	-	-	-	-	(11,510,100)	(11,510,100)
Redemption of Preference Shares	-	-	-	-	-	-	(223,850,000)	(223,850,000)
Preference Share Dividend Reversal during the Year	-	-	-	-	5,849,700	5,849,700	(5,849,700)	-
Revaluation Reserves during the Year	-	-	-	131,460,224	-	131,460,224	-	131,460,224
Tax effect of Revaluation Surplus (Note 34)	-	-	-	(20,209,547)	-	(20,209,547)	-	(20,209,547)
Dividend paid for 2008/09	-	-	-	-	(33,333,333)	(33,333,333)	-	(33,333,333)
<b>Balance as at 31<sup>st</sup> March 2010 (Restated)</b>	<b>679,999,949</b>	<b>399,837</b>	<b>857,888</b>	<b>111,250,677</b>	<b>1,072,144,688</b>	<b>1,864,653,039</b>	<b>1,609,021,951</b>	<b>3,473,674,990</b>
Profit for the Year	-	-	-	-	500,195,995	500,195,995	504,387,225	1,004,583,220
Tax effect of Revaluation Surplus	-	-	-	22,078	-	22,078	-	22,078
De-consolidation of Watawala Agro Ltd	-	-	-	-	(238,467)	(238,467)	(631,533)	(870,000)
Net Assets of Sunshine Energy Ltd	-	-	-	-	-	-	106,400,000	106,400,000
Net Assets of Healthguard Pharmacy Ltd	-	-	-	-	-	-	2,501,532	2,501,532
Dividend payment to Minority Share Holders	-	-	-	-	-	-	(41,608,945)	(41,608,945)
Dividend paid for 2009/10	-	-	-	-	(39,999,999)	(39,999,999)	-	(39,999,999)
<b>Balance as at 31<sup>st</sup> March 2011</b>	<b>679,999,949</b>	<b>399,837</b>	<b>857,888</b>	<b>111,272,755</b>	<b>1,532,102,217</b>	<b>2,324,632,646</b>	<b>2,180,070,230</b>	<b>4,504,702,876</b>

COMPANY	Stated Capital	Capital Accretion Reserve	General Reserve	Retained Profit	Total Equity
	Rs.	Rs.	Rs.	Rs.	Rs.
<b>Balance as at 1<sup>st</sup> April 2009</b>	<b>679,999,949</b>	<b>399,837</b>	<b>857,888</b>	<b>155,705,247</b>	<b>836,962,921</b>
Profit for the Year	-	-	-	114,346,874	114,346,874
Dividend Paid for 2008/2009	-	-	-	(33,333,333)	(33,333,333)
<b>Balance as at 31<sup>st</sup> March 2010</b>	<b>679,999,949</b>	<b>399,837</b>	<b>857,888</b>	<b>236,718,788</b>	<b>917,976,462</b>
Profit for the Year	-	-	-	110,973,985	110,973,985
Dividend Paid for 2009/2010	-	-	-	(39,999,999)	(39,999,999)
<b>Balance as at 31<sup>st</sup> March 2011</b>	<b>679,999,949</b>	<b>399,837</b>	<b>857,888</b>	<b>307,692,774</b>	<b>988,950,448</b>

The Accounting Policies and Notes set out on pages 88 to 115 form an integral part of these Financial Statements.

Figures in brackets indicate deductions.

# Cash Flow Statement

		GROUP		COMPANY	
For the Year ended 31 <sup>st</sup> March	Note	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<b>Profit before Income Tax Expense</b>		<b>1,226,236,781</b>	<b>834,067,131</b>	<b>110,973,985</b>	<b>114,346,874</b>
<b>Adjustments for;</b>					
Interest Income	5	(18,733,374)	(61,808,113)	(5,780,487)	(15,013,337)
Dividend Income	5	(1,089,956)	–	–	–
Profit on Disposal of Property, Plant & Equipments	5	(9,817,969)	(4,150,000)	–	–
Profit on Disposal of shares		–	(9,618,289)	–	(9,618,289)
Write off of Goodwill		–	25,000,000	–	–
Impairment Loss on Property, Plant & Equipments		–	8,551,818	–	–
Insurance Income	5	–	(29,808,000)	–	–
Interest Expense	6	110,309,956	123,182,601	–	185,532
Depreciation & Amortisation	10	249,229,962	190,351,006	28,130	6,976
Provision for diminution in carrying value of investments	12&13	(4,500,000)	4,500,000	(1,500,000)	–
Provision/(Reversal) for Bad and Doubtful Debts	16	10,438,249	6,720,539	–	–
Reversal of Provision for falling value of Inventories		(3,000,000)	–	–	–
Bad debt written off		18,243	–	–	–
Amortisation of Deferred Income & Capital grants	22	(11,488,000)	(10,525,000)	–	–
Amortisation of leasehold right	11	7,035,000	7,035,000	–	–
Provision for Gratuity	21	80,212,614	258,501,256	944,436	493,000
Exchange Gain /(Loss)		(1,790,833)	–	–	–
<b>Operating Profit before Working Capital Changes</b>		<b>1,633,060,673</b>	<b>1,341,999,949</b>	<b>104,666,064</b>	<b>90,400,756</b>
(Increase)/Decrease in Inventories		(387,219,660)	(205,984,303)	–	–
(Increase)/Decrease in Trade and Other Receivables		(273,830,896)	(194,117,830)	(2,598,052)	(1,693,893)
(Increase)/Decrease in Amounts Due from Related Parties		15,934,351	108,864,047	55,382,537	163,253,205
Increase/(Decrease) in Trade and Other Payables		138,405,051	275,389,077	(1,004,207)	(2,071,620)
Increase/(Decrease) in Amounts Due to Related Parties		1,525,728	(1,731,000)	–	(7,683,840)
<b>Cash generated from/(used in) Operations</b>		<b>1,127,875,247</b>	<b>1,324,419,940</b>	<b>156,446,342</b>	<b>242,204,608</b>
Interest Paid		(110,309,956)	(103,875,121)	–	(185,532)
Income Tax Paid/Set off		(246,903,145)	(89,230,072)	(90,968)	523,141
Gratuity Paid	21	(63,406,713)	(49,787,500)	–	–
<b>Net Cash/(used in) Operating Activities</b>		<b>707,255,433</b>	<b>1,081,527,247</b>	<b>156,355,374</b>	<b>242,542,217</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Interest Received	5	17,561,749	61,808,113	5,780,487	15,013,337
Receipt of capital Grant	22	38,554,000	61,836,000	–	–
Bad Debt written off		(18,243)	–	–	–
Dividend received		1,089,956	–	–	–
Investments in Other Long Term Investments	13	(49,999,950)	(15,825,000)	(49,999,950)	(15,825,000)
Investment of Subsidiary/Associates		–	–	(166,849,980)	(232,000,000)
Investment Repurchase Agreement of Treasury Bills		2,959,963	(337,990)	–	–
Capital Work in Progress		(90,992,111)	–	–	–
Acquisition of Property, Plant & Equipment		(890,734,648)	(820,025,461)	(184,295)	–
Proceeds from Disposal of shares		–	29,479,752	–	29,479,752
Proceeds from Disposal of Property, Plant & Equipment		11,180,156	1,907,045	–	–
<b>Net Cash generated from/(used in) Investing activities</b>		<b>(960,399,128)</b>	<b>(681,157,541)</b>	<b>(211,253,738)</b>	<b>(203,331,911)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Proceeds from Issue of Shares		106,400,000	–	–	–
Redemption of Preference Shares		–	(223,850,000)	–	–
Receipts of Interest Bearing Borrowings	24	760,472,468	594,547,791	–	–
Proceeds from Issue/(redemption) of Debentures	23	(100,000,000)	100,000,000	–	–
Repayments of Interest Bearing Borrowings	24	(647,283,184)	(733,883,573)	–	–
Insurance claim received		–	34,489,000	–	–
Lease Rentals Paid	24	(47,558,926)	(38,287,511)	–	–
Dividend Paid		(39,999,999)	(33,333,333)	(39,999,999)	(33,333,333)
Payments to Minority Shareholders		(41,608,945)	(11,510,100)	–	–
<b>Net Cash generated from/(used in) Financing Activities</b>		<b>(9,578,586)</b>	<b>(311,827,726)</b>	<b>(39,999,999)</b>	<b>(33,333,333)</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>		<b>(262,722,281)</b>	<b>88,541,980</b>	<b>(94,898,363)</b>	<b>5,876,974</b>
Cash and Cash Equivalents at the beginning of the year	18	276,567,568	188,025,588	113,471,708	107,594,734
<b>Cash and Cash Equivalents at the end of the year</b>	<b>18</b>	<b>13,845,287</b>	<b>276,567,568</b>	<b>18,573,345</b>	<b>113,471,708</b>
<b>Short Term Investments</b>					
Deposits		226,430,921	197,267,897	18,573,345	113,467,368
Cash in hand & bank		241,839,539	263,770,112	–	4,340
Bank Overdraft		(454,425,173)	(184,470,441)	–	–
		<b>13,845,287</b>	<b>276,567,568</b>	<b>18,573,345</b>	<b>113,471,708</b>

The Accounting Policies and Notes set out on pages 88 to 115 form an integral part of these Financial Statements.

Figures in Brackets indicates the deductions

# Notes to the Financial Statements

## 1. REPORTING ENTITY

Sunshine Holdings PLC (the “Company”) is a company domiciled in Sri Lanka. The ordinary shares of the Company listed on Colombo Stock Exchange of Sri Lanka. The address of the Company’s registered office is No. 60, Dharmapala Mawatha, Colombo 03.

The Consolidated Financial Statements of the Company as at and for the year ended 31 March 2011 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as group entities). The Group primarily is involved in the importing and selling of pharmaceuticals, managing portfolio of investments, cultivation and marketing of tea, rubber, palm oil and related products, travels and related services and manufacturing and selling of food and tea cans.

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

The Consolidated Financial Statements have been prepared in accordance with Sri Lanka Accounting Standard (SLAS) laid down by Institute of Chartered Accountants of Sri Lanka.

The Consolidated Financial Statements were authorized for issue by the Board of Directors on 4<sup>th</sup> June 2011.

### 2.2 Basis of measurement

The Consolidated Financial Statements of the Company and the Group are prepared under the historical cost convention other than bare lands and leased assets of JEDB / SLSPC, which are revalued as described in Note 10 & 11 to the Financial Statements.

### 2.3 Functional and Presentation Currency

The Consolidated Financial Statements are presented in Sri Lankan Rupees (Rs.), which is the Group’s functional currency. No adjustments are made for inflationary factors in the Financial Statements.

### 2.4 Use of Estimates and Judgments

The preparation of Consolidated Financial Statements in conformity with SLAS’s requires Management to make judgments, estimates and assumptions that affect the application of 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 accounting estimates are recognized in the period in which the estimate are revised and in any future periods affected.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The Accounting Policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements, and have been applied consistently by Group entities.

### 3.1 Basis of Consolidation

#### 3.1.1 Consolidation

##### (a) Subsidiaries

Subsidiaries are those enterprises controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the Financial and Operating Policies of an Entity so as to obtain benefits from its activities. The Financial

Statements of the Subsidiaries are included in the Consolidated Financial Statements from the date that control effectively commences until the date that control effectively ceases.

##### (b) Minority Interest

The profit or loss and net assets of subsidiaries attributable to equity interest that are not owned by parent, directly or indirectly through subsidiaries, is disclosed separately under the heading “Non Controlling Interest”.

The Group applies a policy of treating transactions with Non Controlling Interest as transactions with parties external to the Group. Disposal to Non Controlling Interest result in gain or loss for the Group and recorded in the income statement. Purchase from Non Controlling Interest result in Goodwill, being the difference between any consideration paid and relevant share of the carrying value of Net Assets of the subsidiaries acquired.

The Non Controlling Interest are presented in the consolidated Balance Sheet within equity, separately from the equity attributable to the ordinary shareholders of the Company. Non Controlling Interest in the profit or loss of the Group are disclosed separately in the Consolidated Income Statement.

##### (c) Inter-Group Transactions

Intra-group balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group 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.

##### (d) Estimated Impairment of Goodwill

The group determines whether the goodwill is impaired at least on an annual basis. This requires an estimation of the “Value in Use” of the cash generating units to which the goodwill is allocated.

##### (e) Financial Period

All Companies in the Group have a common financial year, which ends on 31<sup>st</sup> March.

### 3.1.2 Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities (Sri Lankan Rupees) at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the Functional Currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

# Notes to the Financial Statements (Cont.)

## 3.2 ASSETS AND THEIR BASES OF VALUATION

Assets classified as current assets in the Balance Sheet are cash and those which are expected to be realized in cash during the normal operating cycle of the Company's business or within one year from the Balance Sheet date, whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond a period of one year from the Balance Sheet date.

### 3.2.1 Property, Plant and Equipment

Items of Property, Plant and Equipment are measured at cost less accumulated depreciation and accumulated impairment.

#### 3.2.1.1 Freehold Assets

##### (a) Cost

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.

##### (b) Restoration Costs

Repairs and maintenance are charged to the Income Statement 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.

#### 3.2.1.2 Leasehold Assets

Where assets are financed in an agreement under which all the risks and rewards of ownership are transferred to the lessee, such assets are recorded in the Balance Sheet as Property, Plant & Equipment at their cash price.

The total interest payable is accounted as interest in suspense. The corresponding credit is recorded as an amount payable to the lessor. The installments paid are used to reduce the liability.

An amount equal to the interest charge for the year is transferred from interest in suspense account to the Income Statement.

#### 3.2.1.3 Depreciation

The provision for depreciation is calculated on straight line method to write off the cost over the expected useful life as follows;

Freehold Assets	
Buildings - Plantations	40 Years
Buildings - Others	15 Years
Roads & Bridges	40 Years
Sanitation, Water and Electricity	20 Years
Plant & Machinery	13 Years
Furniture & Fittings	08 – 10 Years
Equipment	08 Years
Computer Equipment	04 Years
Motor Vehicles	04 – 05 Years
Electrical Equipment	02 Years
Medical Equipment	04 Years

Leasehold Assets	
Bare Land	53 Years
Roads & Bridges	40 Years
Improvements to Land	30 Years
Vested Other Assets	30 Years
Buildings	25 Years
Water Supply System	20 Years
Machinery	15 Years
Mini-hydro Power Plant	10 Years
Motor Vehicles	04 – 05 Years

Depreciation of an asset begins when it is available for use whereas depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale and the date that the asset is de-recognised.

Depreciation methods, useful life and residual values are reviewed at each 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.

#### 3.2.1.4 Biological Assets

Livestock are measured at their fair value less estimated point of sale costs. The fair value of livestock is determined based on market prices of livestock of similar age, breed and genetic merit.

#### 3.2.1.5 Mature & Immature Plantations

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

General charges incurred on the replantation are apportioned based on the labour days spent on respective replanting and new planting and capitalised on immature areas. The remaining portion of the general charges are expensed in the accounting period in which it is incurred.

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

Tea	30 Years
Rubber	20 Years
Palm Oil	20 Years
Caliandra	10 Years
Coconut	33 Years

#### 3.2.1.6 Impairment of Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash - generating units).

#### 3.2.2 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. Negative

# Notes to the Financial Statements (Cont.)

Goodwill arising on an acquisition represents the excess of the Group's interest in the fair value of assets and liabilities acquired over the cost of acquisition. Negative goodwill is recognized immediately in the Income Statement.

Goodwill arising on an acquisition of Minority Interest in a subsidiary represent the excess of the cost of additional investment over the carrying amount of interest in net assets acquired at the date of exchange.

Goodwill is tested annually for impairment, and is measured at cost less accumulated impairment losses, in respect of equity accounted investees, the carrying amount of the Goodwill included in the carrying amount of the investment.

## 3.2.3 Long Term Investments

### (a) Investments in Subsidiaries

Quoted and Unquoted Investments in shares held on long term basis by the Company and Group are stated at cost less provision for diminution in value of Investments.

### (b) Other Long Term Investments

Where the Group's interest in equity capital is less than 20% or where the group does not exercise significant influence or control over the Financial and Operating Policies, Investments are stated at cost.

Quoted Investments in shares held on long-term basis are stated at lower of cost and market value determined on the aggregate portfolio basis. Unquoted Investments in shares held on long-term basis are stated at cost less provision for diminution in value of investments.

Provision for diminution value for unquoted investments is made when in the opinion of the Directors there has been a decline other than temporary in the value of the Investment.

## 3.2.4 Short Term Investments

The Investment in Treasury Bills and Call Deposits are treated as short-term assets and valued at cost in the Financial Statements.

## 3.2.5 Inventories

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. Net realizable value is the price at which inventories can be sold in the normal course of business after allowing for cost of realization and/or cost of conversion from their existing state to saleable condition.

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

- **Produce Stock**  
At estimated selling price, net of direct selling expense or at since realized prices.
- **Nurseries**  
At the cost of direct materials, direct labour and an appropriate proportion of directly attributable overheads or the net realizable value which ever is lower.
- **Medical Items**  
At actual cost, on First In First out basis.
- **Other Sundry Stock**  
At actual cost, on First In First out basis.

## 3.2.6 Infilling Cost

Where infilling results in an increase in the economic life of a relevant field beyond its previously assessed standard of performance, the costs are capitalized in accordance with Sri Lanka Accounting Standard No. 32 Plantations, and depreciated over the useful life at rates applicable to mature plantations. Infilling costs that are not capitalized are charged to the Income Statement in the year in which they are incurred.

## 3.2.7 Trade and Other Receivables

Trade Receivables are stated at the amounts they are estimated to realize, inclusive of provisions for bad and doubtful debts.

Other Receivables and dues from related parties are recognized at cost less provision for bad and doubtful receivables.

## 3.2.8 Cash and Cash Equivalents

Cash and Cash Equivalents are defined as cash in hand, demand deposits and short-term highly liquid investments readily convertible to known amounts of cash and subject to insignificant risk of changes in value.

For the purpose of Cash Flow Statement, Cash and Cash Equivalents consist of cash in hand and deposits held in banks net of outstanding bank overdrafts.

Interest paid is classified as an Operating Cash Flow while Interest received is classified as an investing cash flow for the purpose of presentation of Cash Flow Statement, which has been prepared based on the indirect method.

## 3.3 Liabilities and Provisions

Liabilities classified as current liabilities in the Balance Sheet are those obligations payable on demand or within one year from the Balance Sheet date. Liabilities classified as non-current liabilities are those obligations, which expire beyond a period of one year from the Balance Sheet date.

All known liabilities are accounted for in preparing the Financial Statements. Provisions and Liabilities are recognized when the Group has a legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

### 3.3.1 Trade and Other Payables

Trade and Other Payables are stated at their cost.

### 3.3.2 Retirement Benefit Costs

#### (a) Defined Benefit Plan - Retirement Gratuity

##### Company

Provisions are made for Retirement Gratuity from the first year of service of the employee in conformity with Sri Lanka Accounting Standards -16 "Employee Benefits" (Revised 2006), using formula method.

However, according to the Payment of Gratuity Act No. 12 of 1983, the liability for gratuity payment to an employee arises only after the completion of 5 years of continued service.

The liability is not externally funded nor actuarially valued.



# Notes to the Financial Statements (Cont.)

## Subsidiaries

Watawala Plantations PLC has adopted the benefit plan as required under the Payment of Gratuity Act No. 12 of 1983 for all eligible employees. The benefit plan is unfunded. Provision for gratuity is made by the Company taking account of the recommendation of an independent qualified actuaries firm, Messrs. Actuarial & Management Consultants (Private) Ltd. [formerly Messrs. Watson Wyatt Lanka (Private) Ltd.] who carry out actuarial valuation of the plan every two years.

Defined benefit plans define an amount of benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the Balance Sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the Balance Sheet date together with adjustments for unrecognized past service cost. The defined benefit obligation is calculated annually by the company using the projected unit credit method prescribed in Sri Lanka Accounting Standards - 16 "Employee Benefits". The present value of the defined benefit obligation is determined by discounting the estimated future cash flows using the interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

The actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to Income Statement in the period in which they arise.

Past service costs are recognized immediately in income. Unless the changes to the plan are conditional on the employees remaining in service for a specific period of time (the vesting period). In this case, the past service cost are amortized on a straight-line basis over the vesting period. Retirement Benefit Obligations are assessed using the projected unit credit method. Under this method, the cost of providing benefit is charged to the Income Statement so as to spread the regular cost over the service lives of employees in accordance with the advice of actuaries. The Retirement Benefit Obligation is measured as the present value of the estimated future cash flows using interest rates of Government securities.

Swiss Biogenics Ltd., Sunshine Travels and Tours Ltd., Sunshine Packaging Ltd. and Healthguard Pharmacy Ltd. provisions are made for Retirement Gratuity from the first year of services of the employee in conformity with Sri Lanka Accounting Standards -16 "Employee Benefits" (Revised 2006) using formula method.

## (b) Defined Contribution Plan - Employees Provident Fund & Employees Trust Fund

All employees who are eligible for Provident Fund Contributions and Trust Fund Contributions are covered by relevant contribution funds in line with respective statutes and regulations. Contribution plans are recognized as an expense in the Income Statement when incurred.

## 3.3.3 Grants

Grants relating to the purchase of Property, Plant and Equipment are included in non current liabilities as deferred income and are credited to the Income Statement on a straight line basis over the expected lives of the related assets.

## 3.3.4 Contingent Liabilities

Contingent Liabilities are disclosed in the respective Notes to the Financial Statements. Where appropriate, adjustments are made to the Financial Statements.

## 3.3.5 Capital Commitments

Capital Expenditure Commitments as at the date of Balance Sheet have been disclosed in the Notes to the Financial Statements.

## 3.4 Income Statement

### 3.4.1 Revenue

Revenue is recognised in the Income Statement when the significant risks and rewards of ownership have been transferred to the buyer.

The Group revenue is arrived at after deducting trade discounts, goods and services intended for internal consumption and represents sales to customers outside the Group.

### 3.4.2 Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized.

#### (a) Commission Income

Commission Income is recognized on completion of tours on an accrual basis.

#### (b) Wholesale and Retail Operations

Wholesale and Retail Operations Revenue is recognized on an accrual basis at the point of invoicing.

#### (c) Dividend Income

The Company accounts for dividend income when its right to receive payment is established.

#### (d) Perennial Crops

Revenue and profit or losses on perennial crops are recognized in the financial period of harvesting. Revenue comprises the invoice value net of brokerage, public sale expenses, blending charges and other levies related to revenue.

#### (e) Interest Income

Interest Income is recognized on an accrual basis.

#### (f) Other Income

All Other Income is recognized on an accrual basis.

## 3.4.3 Expenditure Recognition

- All expenditure incurred in the running of the business and in maintaining the Property, Plant and Equipment in a state of efficiency are charged to revenue in arriving at the profit for the period.
- For the purpose of presentation of Income Statement, the Directors are of the opinion that the function of expenses method presents fairly the elements of the enterprise's performance, hence such presentation method is adopted.

## 3.5 Income Tax Expense

Income Tax Expense comprises current and Deferred Tax. Income tax expense is recognised in the Income Statement except to the

# Notes to the Financial Statements (Cont.)

extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

## (a) Current Taxes

The provision for Income tax is based on the elements of income and expenditure as reported in the Financial Statements.

The liabilities for taxation are computed according to the provisions of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereon. Relevant details are disclosed in Note 8 to the Financial Statements.

## (b) Deferred Taxation

Deferred Tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that are enacted or substantively enacted by the reporting date. Deferred Tax Assets, including these related to temporary tax effects of Income Tax Losses and credits available to be carried forward are recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred Tax Assets are reviewed at each reporting date and are reduced to the extent that is no longer probable that the related Tax Benefit will be realized.

## (c) Withholding Tax on Dividends

Dividend distributed out of Taxable Profit of the Subsidiaries attract a 10% deduction at source and is not available for setoff against the tax liability of the Company. Thus, the withholding tax deducted at source is added to the tax expenses of the subsidiaries in the Consolidated Financial Statements as a consolidation adjustment. Withholding Tax that arise from the distribution of the dividend by the Company are recognized at the same time as the liability to pay the related dividend is recognized.

## 3.6 Borrowing Costs

Borrowing Costs are recognized as an expense in the period in which they are incurred, except to the extent where Borrowing Costs that are directly attributable to the acquisition, construction, or production of a qualifying asset that takes a substantial period of time to get ready for its intended use or sale is capitalized as part of that asset. The amount of borrowing costs eligible for capitalization is determined in accordance with SLAS 20 – “Borrowing Costs” – Allowed Alternative Treatment.

## 3.7 Segmental Reporting

Segmental information is provided for the different business segments of the Group. Business segmentation has been determined based on the nature of goods provided by the Company after considering the risk and rewards of each type of product.

Since the individual segments are located close to each other and operate in the same industry environment the need for geographical segmentation does not arise.

The activities of the segments are described on pages 108 & 109 in the Notes to the Financial Statements.

The Group transfers products from one industry segment for use in another. Inter-segment transfers are based on fair market prices.

Revenue and Expenses directly attributable to each segment are allocated intact to the respective segments. Revenue and Expenses not directly attributable to a segment are allocated on the basis of their resource utilization wherever possible.

Assets and Liabilities directly attributable to each segment are allocated intact to the respective segments. Assets and Liabilities, which are not directly attributable to a segment, are allocated on a reasonable basis wherever possible. Un-allocated items comprise mainly interest bearing loans, borrowings and expenses.

Segment Capital Expenditure is the total cost incurred during the period to acquire Segment Assets that are expected to be used for more than one year.

The Group comprises the following main business segments.

• Sunshine Holdings PLC	Investment
• Swiss Biogenics Ltd.	Whole Sale and Retail (Pharmaceutical items)
• Watawala Plantations PLC	Plantation
• Sunshine Travels & Tours Ltd.	Travels & Tour Operational Services
• Sunshine Packaging Ltd.	Packaging
• Estate Management Services (Private) Ltd.	Management Services
• Sunshine Power (Pvt) Ltd.	Energy Supply
• Sunshine Energy Ltd.	Investments
• Healthguard Pharmacy Ltd.	Retail Pharmacy
• Watawala Marketing Ltd.	Retail

## 3.8 Related Party Transactions

Disclosures are made in respect of the transactions in which one party has the ability to control or exercise significant influence over the Financial and Operating Policies/decisions of the other, irrespective of whether a price is being charged

## 3.9 Events Occurring After The Balance Sheet Date

All material post Balance Sheet events are considered and where appropriate adjustments to or disclosures are made in the respective notes to the Financial Statements.

# Notes to the Financial Statements (Cont.)

4 REVENUE				
	GROUP		COMPANY	
For the Year ended 31 <sup>st</sup> March	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Healthcare	4,334,547,768	3,614,623,816	–	–
Plantation	6,158,246,000	5,615,167,000	–	–
Travels & Tours	13,741,092	6,846,909	–	–
Packaging	220,526,744	162,738,511	–	–
Management Services	90,032,990	75,797,848	–	–
Investments	134,837,248	137,486,763	134,837,248	137,486,763
<b>Gross Revenue</b>	<b>10,951,931,842</b>	<b>9,612,660,847</b>	<b>134,837,248</b>	<b>137,486,763</b>
Less: Inter Company Revenue	(214,607,431)	(170,567,859)	–	–
	<b>10,737,324,411</b>	<b>9,442,092,988</b>	<b>134,837,248</b>	<b>137,486,763</b>
Less: Revenue Related Taxes	(5,158,546)	(4,817,511)	–	–
<b>Net Revenue</b>	<b>10,732,165,865</b>	<b>9,437,275,477</b>	<b>134,837,248</b>	<b>137,486,763</b>

5 OTHER INCOME				
Dividend Income	1,089,956	–	–	–
Interest Income on Loans given to Related Companies	–	–	1,739,554	1,286,026
Interest Income on Other Deposits	18,733,374	61,808,113	4,040,933	13,727,311
Profit on Disposal of Property, Plant and Equipment	9,817,969	4,150,000	–	–
Amortization of Capital Grants	11,488,000	10,525,000	–	–
Hydro Power Income	31,970,000	26,916,000	–	–
Sale of Trees (Note 5.1)	45,742,000	37,044,000	–	–
Exchange Gain/(Loss)	1,790,833	(63,641)	–	–
Scrap Sales	8,036,449	4,809,130	–	–
Insurance Claim receipts	–	29,808,000	–	–
Sundry Income	30,885,905	22,481,189	–	–
	<b>159,554,486</b>	<b>197,477,791</b>	<b>5,780,487</b>	<b>15,013,337</b>

<b>5.1 Sale of Trees</b>	Watawala Plantations PLC, a subsidiary of the company, has recognized the income from sales of tree as per Urgent Issues Task Force (UTIF) Ruling No 14 - Accounting for sale of perennial Plantation Trees, dated 31 <sup>st</sup> December 2001.			
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6 FINANCE COST				
Interest on Overdrafts & Loans	80,827,379	95,147,326	–	185,532
Interest on Finance Lease	20,761,577	19,314,275	–	–
Contingent Lease series of payments	8,721,000	8,721,000	–	–
	<b>110,309,956</b>	<b>123,182,601</b>	<b>–</b>	<b>185,532</b>

7 PROFIT BEFORE TAX				
Is stated after charging all expenses including the following.				
Auditor's Remuneration				
Statutory – Audit KPMG Ford, Rhodes, Thornton & Co.	1,475,000	920,000	550,000	450,000
– Other Auditors	1,991,200	1,867,000	–	–
Audit related – KPMG Ford, Rhodes, Thornton & Co.	–	270,000	–	50,000
Non audit – KPMG Ford, Rhodes, Thornton & Co.	175,000	160,000	–	90,000
– Other Auditors	138,000	175,000	–	–
Provision for Doubtful Debts	10,438,249	6,720,539	–	4,500,000
Reversal of provision for inventory	(3,000,000)	–	–	–
Reversal of Provision for diminution in carrying value of Investment	(4,500,000)	4,500,000	(1,500,000)	–
Depreciation	249,229,962	197,386,006	28,130	–
Amortization of Leasehold Land	(7,035,000)	(7,035,000)	–	–
Goodwill Write off	–	25,000,000	–	–
Personnel Costs Include:				
– Defined Benefit Plan (Gratuity)	80,212,614	258,501,256	944,436	493,000
– Defined Contribution EPF & ETF	219,882,919	191,556,598	2,300,726	1,210,315
– Salaries, wages & other staff cost	2,219,144,751	1,900,376,173	20,330,182	9,152,760

# Notes to the Financial Statements (Cont.)

## 8 INCOME TAX EXPENSE

	GROUP		COMPANY	
For the Year ended 31 <sup>st</sup> March	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Current Income Tax Expense (Note 8.2)	231,171,846	172,623,328	–	–
Deferred Taxation Charge/(Reversal) for the year (Note 20)	19,268,761	(76,939,317)	–	–
Under/(over) provision in respect of previous year	(28,787,046)	12,717,174	–	–
	<b>221,653,561</b>	<b>108,401,185</b>	<b>–</b>	<b>–</b>

### 8.1 Current Taxes

#### a) Company

In terms of the Inland Revenue Act No. 10 of 2006 and subsequent amendments thereto, the company is liable for income tax at 35% on its taxable income.

In terms of the Inland Revenue Act No. 10 of 2006 profit from sale of shares on which share transaction levy has been paid is exempted from Income tax.

#### b) Group

In accordance with the provisions of the Inland Revenue Act No.10 of 2006 the subsidiary companies of the Company are liable for income tax at the following rates;

	Tax Rate 2011	Tax Rate 2010
Swiss Biogenics Ltd.	35%	35%
Sunshine Travels & Tours Ltd.	15%	15%
Estate Management Services (Private) Ltd.	15%	15%
– Management Fee	35%	35%
– Interest Income	35%	35%
Watawala Plantations PLC	Exempt	Exempt
– Profits from Cultivation	35%	35%
– Other Income	35%	35%
Sunshine Packaging Ltd.	35%	35%
– Interest Income	35%	35%
Sunshine Energy Ltd.	35%	–
Sunshine Power (Pvt) Ltd.	Exempt	–

### 8.2 Reconciliation between Accounting Profit and Taxable Profit

	GROUP		COMPANY	
	2011 Rs.	2010 Resated Rs.	2011 Rs.	2010 Rs.
Accounting Profit before Tax	1,226,236,781	834,067,131	110,973,985	114,346,874
Inter Group Adjustments	156,060,486	119,769,859	–	–
	<b>1,382,297,267</b>	<b>953,836,990</b>	<b>110,973,985</b>	<b>114,346,874</b>
Aggregate Disallowable Items	489,844,040	546,803,130	1,422,608	1,259,847
Aggregate Allowable Items	(729,746,560)	(614,288,485)	–	(117,625,309)
Adjustment for Social Responsibility Levy	–	230,000	–	–
Aggregate Exempt Income	(139,558,802)	(299,019,877)	(131,550,749)	–
<b>Profit /(Loss) from Business</b>	<b>1,002,835,945</b>	<b>587,561,758</b>	<b>(19,154,156)</b>	<b>(2,018,588)</b>
Exempt profit from Agriculture	(299,866,000)	6,632,590	–	–
Less Tax Loss utilised during the year	(27,994,180)	(38,104,396)	–	–
<b>Taxable Profit</b>	<b>674,975,764</b>	<b>556,089,952</b>	<b>(19,154,156)</b>	<b>(2,018,588)</b>
Taxation of the Subsidiary @ 15%	12,461,341	9,109,825	–	–
Taxation of the Subsidiary @ 35%	201,924,789	157,653,455	–	–
Taxation of the Subsidiary @ effective rates	13,837,000	3,881,178	–	–
Social Responsibility Levy	2,948,716	1,978,870	–	–
<b>Current Income Tax Expense</b>	<b>231,171,846</b>	<b>172,623,328</b>	<b>–</b>	<b>–</b>

### 8.3 Reconciliation of Tax Loss

Tax Loss Brought Forward	443,257,385	479,343,193	55,478,364	53,459,776
Tax Loss on acquisition	177,867,972	–	–	–
Tax Loss for the Year of Assessment	19,154,156	2,018,588	19,154,156	2,018,588
Setoff against the current taxable income	(27,994,180)	(38,104,396)	–	–
<b>Tax Loss Carried Forward</b>	<b>612,285,334</b>	<b>443,257,385</b>	<b>74,632,520</b>	<b>55,478,364</b>

# Notes to the Financial Statements (Cont.)

## 9 EARNINGS PER SHARE/DIVIDENDS PER SHARE

### 9.1 Earnings per Share

The Earnings Per Share is computed on the profit attributable to ordinary equity share holders of Sunshine Holding PLC divided by the weighted average number of ordinary shares as at the balance sheet date.

	GROUP		COMPANY	
For the Year ended 31 <sup>st</sup> March	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Profit attributable to Ordinary Shareholders (Rs.)	500,195,995	395,816,236	110,973,985	114,346,874
Weighted average number of ordinary shares as at the end of the year	133,333,330	133,333,330	133,333,330	133,333,330
<b>Earnings per Share (Rs.) After subdivision</b>	<b>3.75</b>	<b>2.97</b>	<b>0.83</b>	<b>0.86</b>
Profit attributable to Ordinary Shareholders (Rs.)	–	395,816,236	–	114,346,874
Weighted average number of ordinary shares as at the end of the year	–	15,634,703	–	15,634,703
<b>Earnings per Share (Rs.) Before subdivision</b>	<b>–</b>	<b>25.32</b>	<b>–</b>	<b>7.31</b>

### 9.2 Dividend per share

The Directors have recommended the payment of a final dividend on ordinary shares amounting to Rs. 39,999,999 for the year ended 31<sup>st</sup> March 2011 (2010 - 39,999,999/-), which will be declared at the Annual General Meeting. However, in accordance with Sri Lanka Accounting Standard No. 12 - "Events after the Balance Sheet Date", this proposed final dividend has not been recognised as a liability as at 31<sup>st</sup> March 2011.

Dividend for the year	39,999,999	39,999,999	39,999,999	39,999,999
Number of Ordinary Shares	133,333,330	133,333,330	133,333,330	133,333,330
<b>Dividends per Share</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>	<b>0.30</b>

The company's ordinary shares of Rs. 13,333,333 were subdivided in to 133,333,330 shares on 23rd March 2010.

## 10 PROPERTY, PLANT & EQUIPMENTS

### 10.1 Group

#### 10.1.1 Cost

	Balance as at 01.04.2010 Rs.	Additions Rs.	Acquisitions Rs.	Disposal Rs.	Transfers Rs.	Balance as at 31.03.2011 Rs.
<b>Freehold Assets</b>						
Land	886,933,975	75,510,800	–	–	(345,000)	962,099,775
Buildings	147,868,125	502,005	8,902,675	–	–	157,272,805
Plant & Machinery	887,948,524	322,931,438	–	(11,600,000)	(188,000)	1,199,091,962
Furniture & Fittings	62,591,412	16,905,259	17,360,626	–	345,000	97,202,297
Equipments	157,797,143	20,660,236	2,854,593	(275,000)	188,000	181,224,972
Computer Equipments	25,909,249	20,403,278	3,515,279	(124,424)	–	49,703,382
Motor Vehicles	309,476,506	64,686,560	1,682,791	(7,670,330)	–	368,175,527
Electrical Equipments	120,229,245	28,244,239	–	–	–	148,473,484
Immature Plantation	653,894,000	317,363,000	–	–	(176,890,000)	794,367,000
Mature Plantations	1,201,593,000	–	–	–	176,890,000	1,378,483,000
Biological Assets	11,212,000	10,843,000	–	(2,700,000)	–	19,355,000
Medical Equipments	–	12,684,833	–	–	–	12,684,833
	<b>4,465,453,179</b>	<b>890,734,648</b>	<b>34,315,964</b>	<b>(22,369,754)</b>	<b>–</b>	<b>5,368,134,037</b>
<b>Leasehold Assets</b>						
Roads & 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-hydro power Plant	1,540,000	–	–	–	–	1,540,000
Computers	–	–	131,200	–	–	131,200
Equipments	–	–	145,713	–	–	145,713
Motor Vehicles	21,694,000	41,697,353	–	–	–	63,391,353
Mature Plantations	406,633,000	–	–	–	–	406,633,000
	<b>566,619,000</b>	<b>41,697,353</b>	<b>276,913</b>	<b>–</b>	<b>–</b>	<b>608,593,266</b>
<b>Total Cost</b>	<b>5,032,072,179</b>	<b>932,432,001</b>	<b>34,592,877</b>	<b>(22,369,754)</b>	<b>–</b>	<b>5,976,727,303</b>



# Notes to the Financial Statements (Cont.)

<b>10.1.2 Accumulated Depreciation</b>						
	Balance as at 01.04.2010 Rs.	Depreciation Charges for the year Rs.	Acquisition Rs.	Disposal Rs.	Transfers Rs.	Balance as at 31.03.2011 Rs.
<b>Freehold Assets</b>						
Buildings	53,927,000	22,048,116	1,809,528	–	–	77,784,644
Plant & Machinery	291,692,292	64,031,711	–	(4,008,654)	–	351,715,349
Furniture & Fittings	35,035,000	6,538,903	13,472,366	(1,920)	–	55,044,349
Equipments	97,370,215	14,906,534	1,666,924	(277,175)	–	113,666,499
Computer Equipments	17,597,489	4,691,655	3,120,474	(124,425)	–	25,285,193
Motor Vehicles	146,612,248	52,554,012	1,488,275	(5,471,060)	–	195,183,475
Electrical Equipments	29,379,426	4,125,330	–	–	–	33,504,756
Mature Plantations	251,774,000	53,955,000	–	–	–	305,729,000
Medical Equipments	–	512,608	–	–	–	512,608
	<b>923,387,670</b>	<b>223,363,869</b>	<b>21,557,567</b>	<b>(9,883,233)</b>	<b>–</b>	<b>1,158,425,873</b>
<b>Leasehold Assets</b>						
Roads & Bridges	212,000	11,000	–	–	–	223,000
Improvements to Land	1,973,000	111,000	–	–	–	2,084,000
Vested Other Assets	801,000	44,000	–	–	–	845,000
Buildings	66,276,000	3,755,000	–	–	–	70,031,000
Water Supply System	3,394,000	186,000	–	–	–	3,580,000
Machinery	32,506,000	–	–	–	–	32,506,000
Mini-hydro power Plant	1,540,000	–	–	–	–	1,540,000
Computers	–	43,733	7,289	–	–	51,022
Equipments	–	12,203	28,304	–	–	40,507
Motor Vehicles	11,951,543	8,163,157	–	–	–	20,114,700
Mature Plantations	208,455,000	13,540,000	–	–	–	221,995,000
	<b>327,108,543</b>	<b>25,866,093</b>	<b>35,593</b>	<b>–</b>	<b>–</b>	<b>353,010,229</b>
<b>Total Accumulated Depreciation</b>	<b>1,250,496,213</b>	<b>249,229,962</b>	<b>21,593,161</b>	<b>(9,883,233)</b>	<b>–</b>	<b>1,511,436,101</b>
<b>Capital Work In Progress</b>	<b>37,665,000</b>	<b>90,992,111</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>128,657,111</b>
<b>10.1.3 Carrying Value</b>	<b>3,819,240,966</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>4,593,948,313</b>

**10.1.4** Assets in these estates under finance leases are taken in to books of the subsidiary, Watawala Plantations PLC retrospectively from 18<sup>th</sup> June 1992. For this purpose the Board of Directors of the company decided at its meeting on 8<sup>th</sup> March 1995 that those assets would be taken at their book value as they appeared in the books of the JEDB/SLSPC, on the day immediately preceeding the date of formation of the company.

**10.1.5** Estate losses in Watawala Plantations PLC are shown under immature plantations (revalued at 18<sup>th</sup> June 1992) all of which are transferred to mature plantations at the Balance sheet date

**10.1.6** Investments in immature/mature plantations since the formation of the Watawala Plantations PLC a subsidiary of the company are classified as shown above.

**10.1.7** Borrowing cost amounting to Rs. 24,296,680 (2010 - 329,283,912/-) incurred on borrowings obtained to meet expenses relating to field development expenditure are capitalised as part of immature plantation using a capitalisation rate of 10.3% (2010 - 16.1%) by Watawala Plantations PLC, a subsidiary of the company.

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

**10.1.9 Work In Progress**

Work in progress includes the cost incurred for development of Hydro Power Plant of Sunshine Power (Private) Limited, which is a subsidiary of the Company.

# Notes to the Financial Statements (Cont.)

<b>10.2 Company</b>					
<b>10.2.1 Cost</b>					
	Balance as at 01.04.2010 Rs.	Additions/ Charges Rs.	Disposal Rs.	Transfers Rs.	Balance as at 31.03.2011 Rs.
<b>Freehold Assets</b>					
Furniture & fittings	3,200				3,200
Computer Equipments	259,886	184,295	–	–	444,181
<b>Total Cost</b>	<b>263,086</b>	<b>184,295</b>	<b>–</b>	<b>–</b>	<b>447,381</b>
<b>10.2.2 Accumulated Depreciation</b>					
<b>Freehold Assets</b>					
Furniture & fittings	3,200	–	–	–	3,200
Computer Equipments	259,886	28,130			288,016
<b>Total Accumulated Depreciation</b>	<b>263,086</b>	<b>28,130</b>	<b>–</b>	<b>–</b>	<b>291,216</b>
<b>10.2.3 Written Down Value</b>	<b>–</b>	<b>156,165</b>	<b>–</b>	<b>–</b>	<b>156,165</b>

<b>11 LEASEHOLD LAND</b>		
	<b>GROUP</b>	
	2011 Rs.	2010 Rs.
<b>Cost/Revaluation</b>		
As at 01 <sup>st</sup> April 2010	372,840,000	372,840,000
<b>As at 31<sup>st</sup> March 2011</b>	<b>372,840,000</b>	<b>372,840,000</b>
<b>Accumulated Depreciation</b>		
As at 01 <sup>st</sup> April 2010	125,122,000	118,087,000
Charge for the year	7,035,000	7,035,000
<b>As at 31<sup>st</sup> March 2011</b>	<b>132,157,000</b>	<b>125,122,000</b>
<b>Net Book Value</b>	<b>240,683,000</b>	<b>247,718,000</b>
The lease of JEDB/SLSPC estates handed over to the subsidiary, Watawala Plantations PLC for the period of 53 years are all executed. The leasehold rights to the land on all these estates are taken in to the books of the subsidiary as at 18 June 1992 immediately after formation of the subsidiary Watawala Plantations PLC in terms of a ruling obtained from the Urgent Task Force (UTIF) of the Institute of Chartered Accountants of Sri Lanka. The bare land are revalued at the value established for this land by valuation specialists, Dr. Wickramasinghe, just prior to the formation of the subsidiary.		

<b>12 INVESTMENT IN SUBSIDIARIES</b>						
<b>12.1 Company</b>						
	2011			2010		
Unquoted	Holding %	No of Shares	Cost Rs	Holding %	No of Shares	Cost Rs
Sunshine Travels & Tours Ltd.	100%	600,000	6,000,000	100.00%	600,000	6,000,000
Swiss Biogenics Ltd.	100%	7,359,184	186,657,168	100.00%	7,359,184	186,657,168
Estate Management Services (Pvt) Ltd.	51%	15,973,200	151,745,400	51.00%	15,973,200	151,745,400
Sunshine Energy Ltd.	60.59%	11,684,998	116,849,980	–	–	–
Sunshine Packaging Ltd.	100%	35,650,000	356,500,000	100.00%	30,650,000	306,500,000
			<b>817,752,548</b>			<b>650,902,568</b>
Provision for diminution in value of Sunshine Travels & Tours Ltd.			–			(1,500,000)
			<b>817,752,548</b>			<b>649,402,568</b>

# Notes to the Financial Statements (Cont.)

## 12 INVESTMENT IN SUBSIDIARIES (Cont.)

### 12.2 Group

	2011		2010	
Indirect Holdings	Holding %	No of Shares	Holding %	No of Shares
Watawala Plantations PLC	27.41%	12,721,634	27.41%	12,721,634
Watawala Marketing Ltd.	27.41%	9,730,550	–	–
Healthguard Pharmacy Ltd.	51.00%	9,393,629	–	–
Sunshine Power (Pvt) Ltd.	60.59%	3,817,171	–	–
Watawala Plantations PLC has deconsolidated the investment held in Watawala Agro Limited as its control has been ceased during the year due to appointment of Liquidators. The impact of deconsolidation has been adjusted in the consolidated retained earnings and Minority interest of the group.				

## 13 OTHER INVESTMENTS

### 13.1 Group

Unquoted						
	2011			2010		
	No of Shares	Cost Rs.	Directors' Valuation Rs.	No of Shares	Cost Rs.	Directors' Valuation Rs.
Lanka Commodity Brokers Ltd	1,198,785	67,024,950	67,024,950	484,500	17,025,000	17,025,000
Secretaries & Financial Services (Pvt) Ltd	1	10	10	1	10	10
TATA Communication Lanka Ltd	1,517,936	75,000,000	75,000,000	1,517,936	75,000,000	75,000,000
Healthguard Pharmacy Ltd		–	–	964,676	28,940,000	24,440,000
		<b>142,024,960</b>	<b>142,024,960</b>		<b>120,965,010</b>	<b>116,465,010</b>
Provision for diminution in carrying value of investment		–			(4,500,000)	
<b>Total</b>		<b>142,024,960</b>			<b>116,465,010</b>	

### 13.2 Company

Unquoted						
Lanka Commodity Brokers Ltd	1,198,785	67,024,950	67,024,950	484,500	17,025,000	17,025,000
Secretaries & Financial Services (Pvt) Ltd	1	10	10	1	10	10
TATA Communication Lanka Ltd	1,517,936	75,000,000	75,000,000	1,517,936	75,000,000	75,000,000
<b>Total</b>		<b>142,024,960</b>	<b>142,024,960</b>		<b>92,025,010</b>	<b>92,025,010</b>

## 14 GOODWILL

	GROUP		COMPANY	
As at 31 <sup>st</sup> March	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Balance at the beginning of the year	–	25,000,000	–	–
Goodwill arising on acquisition (14.1)	91,692,024	–	–	–
Write off of Goodwill	–	(25,000,000)	–	–
<b>Balance at the end of the year</b>	<b>91,692,024</b>	<b>–</b>	<b>–</b>	<b>–</b>

**14.1** The Goodwill on acquisition represents the excess of the cost of acquisition of the net asset of the Healthguard Pharmacy Ltd.

## 15 INVENTORIES

Medical Items	668,590,491	552,712,629	–	–
Growing Crop Nurseries & Others	36,942,000	29,663,000	–	–
Harvested Crop	454,396,000	310,613,000	–	–
Input Materials, Spares and Consumables	329,615,488	215,700,699	–	–
Finished Goods	4,310,837	1,689,079	–	–
Work in Progress	22,014,813	19,735,766	–	–
Goods in Transit	1,206,237	–	–	–
Machinery Spares	1,661,804	1,403,837	–	–
Less: Provision for falling value of inventories	–	(3,000,000)	–	–
	<b>1,518,737,670</b>	<b>1,128,518,010</b>	<b>–</b>	<b>–</b>

# Notes to the Financial Statements (Cont.)

16 TRADE AND OTHER RECEIVABLES				
	GROUP		COMPANY	
As at 31 <sup>st</sup> March	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Trade Receivables	1,063,353,857	797,262,643	–	–
Less: Provision for Bad Debts	(58,356,312)	(47,918,063)	–	–
	<b>1,004,997,545</b>	<b>749,344,580</b>	–	–
Staff Loan Recoverable (Note 16.1)	4,235,488	5,435,236	–	–
Other Receivables	52,431,784	84,386,441	1,820,000	707,300
Withholding Tax Recoverable	4,189,719	2,555,682	2,497,006	1,689,704
Interest Income Receivables	1,370,819	797,043	134,578	797,043
ESC Recoverable	27,342,834	41,775,927	2,790,647	1,617,503
ACT Recoverable	48,692,103	48,692,103	–	–
VAT Recoverable	41,449,633	26,039,855	–	–
Advances and Deposits	190,697,903	152,989,315	169,871	2,500
	<b>1,375,407,828</b>	<b>1,112,016,182</b>	<b>7,412,102</b>	<b>4,814,050</b>
<b>16.1 Staff Loan Recoverable</b>				
Balance at the beginning of the year	5,435,236	3,315,723	–	–
Add: Loans granted during the year	3,687,763	5,003,130	–	–
Less: Repayments made during the year	(4,887,511)	(2,883,617)	–	–
<b>Balance at the end of the year</b>	<b>4,235,488</b>	<b>5,435,236</b>	–	–

17 AMOUNTS DUE FROM RELATED PARTIES					
		GROUP		COMPANY	
As at 31 <sup>st</sup> March	Relationship	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Sunshine Travels & Tours Ltd	Subsidiary	–	–	1,067,443	–
Sunshine Packaging Ltd	Subsidiary	–	–	–	50,000,000
Sunshine Energy Ltd	Subsidiary	–	–	4,350,020	–
Elgin Mhpp	Affiliated	1,387,105	–	–	–
Waltrim Mhpp	Affiliated	1,128,729	–	–	–
Tetley Group Ltd.	Affiliated	4,016,000	9,097,000	–	–
TATA Communication Lanka Ltd	Affiliated	402,603	100,050	–	–
Secretaries and Financial Services (Private) Ltd	Affiliated	66,406	34,050	–	–
Healthylife P Ltd	Affiliated	1,875	–	–	–
Sunshine Tea (Pvt) Ltd	Affiliated	3,490,111	6,035,647	–	–
Technology Consultancy Service (Pvt) Ltd.	Affiliated	265,739	265,739	–	–
Sunshine Power (Pvt) Ltd.	Subsidiary	–	11,159,433	–	10,800,000
		<b>10,758,568</b>	<b>26,691,919</b>	<b>5,417,463</b>	<b>60,800,000</b>

18 CASH AND CASH EQUIVALENTS				
<b>18.1 Favorable Balance</b>				
Fixed Deposits	195,159,463	113,240,496	–	61,226,939
Bank Guarantee	593,738	–	–	–
Call Deposits	6,095,837	59,569,756	1,285,640	12,908,182
TR Margin	24,581,883	24,457,645	–	–
Cash at Bank	239,535,641	263,059,344	17,285,938	39,332,247
Cash in Hand	2,303,898	710,768	1,767	4,340
	<b>468,270,460</b>	<b>461,038,009</b>	<b>18,573,345</b>	<b>113,471,708</b>
<b>18.2 Unfavorable Balance</b>				
Bank Overdrafts	(454,425,173)	(184,470,441)	–	–
<b>Cash and Cash Equivalents for the purpose of Cash Flow Statement</b>	<b>13,845,287</b>	<b>276,567,568</b>	<b>18,573,345</b>	<b>113,471,708</b>

# Notes to the Financial Statements (Cont.)

## 19 STATED CAPITAL

	GROUP		COMPANY	
As at 31 <sup>st</sup> March	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
<b>No of Shares</b>				
Balance at the beginning	133,333,330	13,333,333	133,333,330	13,333,333
Issued during the year	–	–	–	119,999,997
<b>Balance at the end of the year</b>	<b>133,333,330</b>	<b>13,333,333</b>	<b>133,333,330</b>	<b>133,333,330</b>
<b>Value</b>				
Balance at the beginning	679,999,949	679,999,949	679,999,949	679,999,949
Issued during the year	–	–	–	–
<b>Balance at the end of the year</b>	<b>679,999,949</b>	<b>679,999,949</b>	<b>679,999,949</b>	<b>679,999,949</b>
The company's ordinary shares of Rs. 13,333,333 were subdivided in to 133,333,330 shares on 23rd March 2010.				

## 20 DEFERRED TAX LIABILITY

	GROUP		COMPANY	
As at 31 <sup>st</sup> March	2011 Rs.	2010 Restated Rs.	2011 Rs.	2010 Rs.
Balance at the beginning of the year	–	20,017,199	–	–
Charge / (Reversal) for the year	27,129,000	(20,017,199)	–	–
<b>Balance at the end of the year</b>	<b>27,129,000</b>	<b>–</b>	<b>–</b>	<b>–</b>

### 20.1 DEFERRED TAX ASSET

	GROUP		COMPANY	
As at 31 <sup>st</sup> March	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Balance at the beginning of the year	36,712,570	–	–	–
Charge / (Reversal) for the year	7,882,318	–	–	–
<b>Balance at the end of the year (as previously reported)</b>	<b>44,594,888</b>	<b>–</b>	<b>–</b>	<b>–</b>
Recognition of tax assets (Note 34)	–	36,712,570	–	–
<b>Balance at the end of the year (Restated)</b>	<b>44,594,888</b>	<b>36,712,570</b>	<b>–</b>	<b>–</b>
	2011		2010	
	Temporary Difference Rs.	Tax effect on Temporary Differences Rs.	Temporary Difference Rs.	Tax effect on Temporary Differences Rs.
<b>GROUP</b>				
On Property, Plant & Equipment	313,610,242	52,020,450	46,068,999	15,354,590
On Immature/Mature Plantation	1,483,813,363	230,834,469	57,741,563	20,209,549
On Retirement Benefit	(680,963,907)	(95,103,000)	(25,659,000)	(7,184,520)
On Capital Grants	(487,662,557)	(82,973,422)	(1,621,111)	(567,389)
On Tax Losses Carried Forward	(395,924,783)	(58,480,000)	–	–
On Inventory General Provision	(135,498,911)	(47,424,619)	(146,622,120)	(51,107,742)
On Debtors General provision	(58,356,312)	(16,339,766)	(47,918,063)	(13,417,058)
	<b>39,017,135</b>	<b>(17,465,888)</b>	<b>(118,009,732)</b>	<b>(36,712,570)</b>
<b>COMPANY</b>				
On Property, Plant & Equipment	156,165	43,726	–	–
On Retirement Benefit	(1,992,436)	(557,882)	(1,048,000)	(293,440)
On Tax Losses Carried Forward	(75,788,084)	(21,220,664)	(55,478,364)	(15,533,942)
	<b>(77,624,355)</b>	<b>(21,734,819)</b>	<b>(56,526,364)</b>	<b>(15,827,382)</b>
The Deferred tax asset amounting to Rs.21,734,819/- has not been recognized as the management is of the opinion that the reversal of the deferred tax will not be crystallized in the foreseeable future.				



# Notes to the Financial Statements (Cont.)

## 21 RETIREMENT BENEFIT OBLIGATIONS – GRATUITY

	GROUP		COMPANY	
As at 31 <sup>st</sup> March	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Balance at the beginning of the year	678,384,447	469,670,691	1,048,000	555,000
On Acquisition	2,245,241	–	–	–
Provision made during the year	80,212,614	258,501,256	944,436	493,000
	<b>760,842,301</b>	<b>728,171,947</b>	<b>1,992,436</b>	<b>1,048,000</b>
Payments made during the year	(63,406,713)	(49,787,500)	–	–
<b>Balance at the end of the year</b>	<b>697,435,588</b>	<b>678,384,447</b>	<b>1,992,436</b>	<b>1,048,000</b>
Present Value of Unfunded obligations	697,435,588	678,384,447	1,992,436	1,048,000
Present Value of Funded obligations	–	–	–	–
Total Present Value of obligations	697,435,588	678,384,447	1,992,436	1,048,000
Fair Value of Plan Assets	–	–	–	–
Present Value of net obligations	697,435,588	678,384,447	1,992,436	1,048,000
Unrecognised actuarial (gain)/loss	–	–	–	–
<b>Recognised liability for defined obligation</b>	<b>697,435,588</b>	<b>678,384,447</b>	<b>1,992,436</b>	<b>1,048,000</b>
The movement in the defined benefit obligation over the year is as follows				
As at 01 <sup>st</sup> April	680,629,687	469,670,691	1,048,000	555,000
Current Service Cost	79,306,267	81,499,360	625,628	460,500
Interest Cost	252,687	159,562,544	115,280	55,500
Transitional (asset)/liability	203,528	(75,179)	203,528	(23,000)
Actuarial Loss	450,132	17,514,531	–	–
Benefits Paid	(63,406,713)	(49,788,500)	–	–
<b>As at 31<sup>st</sup> March</b>	<b>697,435,588</b>	<b>678,383,447</b>	<b>1,992,436</b>	<b>1,048,000</b>
The amount recognised in the income statement are as follows				
Current Service Cost	79,306,267	81,499,360	625,628	460,500
Interest Cost	252,687	159,562,544	115,280	55,500
Actuarial Loss	450,132	17,514,531	–	–
Transitional (asset)/liability	203,528	(75,179)	203,528	(23,000)
<b>Total included in the staff cost</b>	<b>80,212,614</b>	<b>258,501,256</b>	<b>944,436</b>	<b>493,000</b>

### 21.1 Company

The company applied formula method and used the following key assumptions in arriving at the retirement benefit liability under projected Unit Credit (PUC) method.

As at 31 <sup>st</sup> March	2011 Rs.	2010 Rs.
Rate of Interest	11%	12% p.a.
Rate of salary increase	10%	10% p.a.
Staff Turnover factor	–	10% p.a.
Retiring age	60 Years	60 Years

### 21.2 Subsidiaries

#### Watawala Plantations PLC

The key assumption used by Messrs. Actuarial & Management Consultant (Private) Limited include the following:

As at 31 <sup>st</sup> March	2011 Rs.	2010 Rs.
Rate of Interest (Net of Tax)	11% p.a.	12% p.a.
Rate of salary increase		
– tea estate workers	19% p.a.	16% p.a.
– rubber estate workers	19% p.a.	16% p.a.
– oil palm factory workers	19% p.a.	16% p.a.
– estate staff	20% p.a.	20% p.a.
– estate management & head office staff	7.5% p.a.	7.5% p.a.
Retiring age	60 Years	60 Years

The company will continue in business as going concern

#### Estate Management Services (Pvt) Ltd.

The provision is neither externally funded nor has it been actuarially valued

# Notes to the Financial Statements (Cont.)

## 21.2 Subsidiaries (Cont.)

### Swiss Biogenics Limited

The company applied formula method and used the following key assumptions in arriving at the retirement benefit liability under projected Unit Credit (PUC) method.

As at 31 <sup>st</sup> March	2011 Rs.	2010 Rs.
Rate of Interest	11% p.a.	12% p.a.
Rate of salary increase	10% p.a.	7.5% p.a.
Staff Turnover factor	20% p.a.	18% p.a.
Retiring age	60 Years	60 Years

### Sunshine Travels & Tours Limited

The company applied formula method and used the following key assumptions in arriving at the retirement benefit liability under projected Unit Credit (PUC) method.

Rate of Interest	11% p.a.	12% p.a.
Rate of salary increase	10% p.a.	10% p.a.
Staff Turnover factor	10% p.a.	10% p.a.
Retiring age	60 Years	60 Years

### Sunshine Packaging Limited

The company applied formula method and used the following key assumptions in arriving at the retirement benefit liability under projected Unit Credit (PUC) method.

Rate of Interest	11% p.a.	12% p.a.
Rate of salary increase	10% p.a.	10% p.a.
Staff Turnover factor	24% p.a.	4.5 % p.a.
Retiring age	60 Years	60 Years

## 22 DEFERRED INCOME AND CAPITAL GRANTS

	GROUP		COMPANY	
As at 31 <sup>st</sup> March	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
Balance at the beginning of the year	228,732,000	177,421,000	–	–
Received during the year	38,554,000	61,836,000	–	–
Amortised during the year	(11,488,000)	(10,525,000)	–	–
<b>Balance at the end of the year</b>	<b>255,798,000</b>	<b>228,732,000</b>	<b>–</b>	<b>–</b>

### Watawala Plantations PLC

Funds have been received 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.

## 23 DEBENTURES

Unsecured Debentures	100,000,000	100,000,000	–	–
Redemptions during the year	(100,000,000)	–	–	–
	<b>–</b>	<b>100,000,000</b>	<b>–</b>	<b>–</b>

Debenture to the value of Rs. 100 Million has been fully redeemed during the year.

## 24 INTEREST BEARING BORROWINGS

<b>Amount repayable after one year</b>				
Loans (Note 24.1)	437,273,321	363,883,758	–	–
Finance Lease Obligations (Note 24.2)	44,533,530	26,327,472	–	–
SLSPC / JEDB Lease Creditors (Note 24.3)	365,560,000	370,870,000	–	–
	<b>847,366,851</b>	<b>761,081,230</b>	<b>–</b>	<b>–</b>
<b>Amount repayable within one year</b>				
Loans (Note 24.1)	131,115,339	122,541,167	–	–
Finance Lease Obligations (Note 24.2)	17,441,373	13,723,171	–	–
SLSPC / JEDB Lease Creditors (Note 24.3)	5,313,000	5,113,000	–	–
Money Market & Other Loans	45,000,000	7,449,153	–	–
	<b>198,869,712</b>	<b>148,826,491</b>	<b>–</b>	<b>–</b>
	<b>1,046,236,563</b>	<b>909,907,721</b>	<b>–</b>	<b>–</b>

# Notes to the Financial Statements (Cont.)

## 24 INTEREST BEARING BORROWINGS (Cont.)

	GROUP		COMPANY	
As at 31 <sup>st</sup> March	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
<b>24.1 Loans</b>				
Balance at the beginning of the year	486,424,925	492,306,485	–	–
On Acquisition	6,325,000	–	–	–
Add: Loans obtained during the year	704,483,000	244,073,965	–	–
Less: Repayment during the year	(628,844,265)	(249,955,525)	–	–
<b>Balance at the end of the year</b>	<b>568,388,660</b>	<b>486,424,925</b>	<b>–</b>	<b>–</b>
Amount repayable within one year	131,115,339	122,541,167	–	–
<b>Amount repayable after one year</b>	<b>437,273,321</b>	<b>363,883,758</b>	<b>–</b>	<b>–</b>
<b>24.2 Finance Lease Obligations</b>				
Balance at the beginning of the year	48,038,263	31,695,188	–	–
On Acquisition	180,251	–	–	–
Addition/(Disposal) made during the year	49,776,620	34,310,586	–	–
Repayment during the year	(27,238,926)	(17,967,511)	–	–
<b>Balance at the end of the year</b>	<b>70,756,208</b>	<b>48,038,263</b>	<b>–</b>	<b>–</b>
Interest in suspense	(8,781,306)	(7,987,620)	–	–
<b>Net Lease Obligation</b>	<b>61,974,903</b>	<b>40,050,643</b>	<b>–</b>	<b>–</b>
Amount repayable within one year	17,441,373	13,723,171	–	–
<b>Amount repayable after one year</b>	<b>44,533,530</b>	<b>26,327,472</b>	<b>–</b>	<b>–</b>
<b>24.3 SLSPC/JEDB Lease Creditors</b>				
Balance at the beginning of the year	711,200,000	731,520,000	–	–
Repayment during the year	(20,320,000)	(20,320,000)	–	–
<b>Balance at the end of the year</b>	<b>690,880,000</b>	<b>711,200,000</b>	<b>–</b>	<b>–</b>
Interest in suspense	(320,007,000)	(335,217,000)	–	–
<b>Net Lease Obligation</b>	<b>370,873,000</b>	<b>375,983,000</b>	<b>–</b>	<b>–</b>
Amount repayable within one year	5,313,000	5,113,000	–	–
<b>Amount repayable after one year</b>	<b>365,560,000</b>	<b>370,870,000</b>	<b>–</b>	<b>–</b>
<p>The annual lease series of payments payable by the Watawala Plantations PLC with effect from 18 June 1996 in respect of these estates is Rs. 20.32 million (basic lease series of payments) plus an amount to reflect inflation during the previous year determined by multiplying Rs. 20.32 million by gross domestic product (GDP) deflator of the preceding year. However as per the agreement entered into with the Ministry of Plantations the application of GDP deflator has been suspended for five years commencing from 18 June 2003, resulting in a fixed lease payment of Rs. 29,041,405. In September 2010 as per a cabinet decision the plantation companies were requested to revert back to the original method of calculating the lease rentals by applying the GDP deflator 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 and the net liability to the lessor is the present value of annual basic lease series of payments over the remaining tenure of the lease discounted @ 6% p.a.</p> <p>The interest in suspense is the total amount of interest payable during the remaining tenure of the lease @ 6% on yearly rest (as of 18<sup>th</sup> June, each year) of the net liability to the Lessor. The basic lease series of payments paid each year (in equal quarterly installments in advance) has been debited to the gross liability and the appropriate interest amount for the year is charged to finance cost by crediting the interest in suspense account.</p>				
<b>24.4 Trust Receipt &amp; Money Market Loans</b>				
Balance at the beginning of the year	7,449,451	140,903,673	–	–
Loan obtained during the year	55,989,468	350,473,827	–	–
Repayment during the year	(18,438,919)	(483,928,049)	–	–
<b>Balance at the end of the year</b>	<b>45,000,000</b>	<b>7,449,451</b>	<b>–</b>	<b>–</b>
Amount repayable within one year	45,000,000	7,449,451	–	–
<b>Amount repayable after one year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

# Notes to the Financial Statements (Cont.)

## 24.5.1 DETAILS OF INTEREST BEARING BORROWINGS

Company/Lender	Interest Rate p.a.	Current Rs.	Non-current Rs.	Balance 31.03.2011 Rs.	Current Rs.	Non-current Rs.
<b>TERM LOANS</b>						
<b>SUBSIDIARY</b>						
<b>Swiss Biogenics Limited</b>						
Public Bank Berhard	BPLR + 1%	11,333,339	25,333,321	36,666,660	16,000,008	20,666,652
		<b>11,333,339</b>	<b>25,333,321</b>	<b>36,666,660</b>	<b>16,000,008</b>	<b>20,666,652</b>
<b>Healthguard Pharmacy Limited</b>						
Public Bank Berhard	BPLR + 1.25%	1,260,000	4,645,000	5,905,000	–	–
Hatton National Bank PLC	AWPLR + 0.5%	2,759,000	–	2,759,000	–	–
		<b>4,019,000</b>	<b>4,645,000</b>	<b>8,664,000</b>	<b>–</b>	<b>–</b>
<b>Watawala Plantations PLC</b>						
Commercial Bank of Ceylon PLC	11.50%	1,951,000	–	1,951,000	1,951,000	1,951,000
	11.50%	2,968,000	3,419,000	6,387,000	2,968,000	6,388,000
	11.50%	6,005,000	12,010,000	18,015,000	6,005,000	18,016,000
	11.50%	2,507,000	6,267,000	8,774,000	2,507,000	8,773,000
	11.50%	4,666,000	15,166,000	19,832,000	4,666,000	19,832,000
	11.50%	1,839,000	–	1,839,000	1,839,000	1,839,000
	11.50%	6,804,000	31,743,000	38,547,000	6,804,000	38,549,000
	9.74%	6,606,000	35,799,000	42,405,000	5,514,000	42,404,000
	9.74%	148,000	849,000	997,000	148,000	996,000
	8.50%	–	–	–	1,022,000	–
	8.50%	167,000	–	167,000	669,000	167,000
	8.50%	1,010,000	–	1,010,000	2,110,000	1,010,000
	6.50%	4,200,000	5,250,000	9,450,000	4,200,000	9,450,000
	6.50%	2,592,000	4,352,000	6,944,000	2,592,000	6,944,000
	AWPLR – 6%	30,011,000	76,348,000	106,359,000	30,011,000	106,359,000
		71,474,000	191,203,000	262,677,000	73,006,000	262,678,000
Hatton National Bank PLC	8.50%	956,000	–	956,000	1,275,000	956,000
	6.50%	8,333,000	25,000,000	33,333,000	8,333,000	33,333,000
		9,289,000	25,000,000	34,289,000	9,608,000	34,289,000
ICICI Bank Limited	SLIBOR +5% 1 year	10,000,000	39,167,000	49,167,000	–	–
	SLIBOR +5% 2–5 years	10,000,000	39,166,000	49,166,000	–	–
		20,000,000	78,333,000	98,333,000	–	–
		<b>100,763,000</b>	<b>294,536,000</b>	<b>395,299,000</b>	<b>82,614,000</b>	<b>296,967,000</b>
<b>Sunshine Packaging Limited</b>						
Peoples Bank PLC	AWPLR + 2%	–	–	–	8,927,159	–
Hatton National Bank PLC	AWPLR + 2%	15,000,000	59,024,000	74,024,000	15,000,000	46,250,000
		<b>15,000,000</b>	<b>59,024,000</b>	<b>74,024,000</b>	<b>23,927,159</b>	<b>46,250,000</b>
<b>Sunshine Power (Pvt) Limited</b>						
Hatton National Bank PLC	AWPLR+0.5% (3 mts avg.)	–	53,735,000	53,735,000	–	–
		–	<b>53,735,000</b>	<b>53,735,000</b>	–	–
<b>Total Group</b>		<b>131,115,339</b>	<b>437,273,321</b>	<b>568,388,660</b>	<b>122,541,167</b>	<b>363,883,758</b>

# Notes to the Financial Statements (Cont.)

Balance 31.03.2010 Rs.	Repayment Terms			
36,666,660	Year – 2008	60 equal monthly installments commencing from Dec 2008		Primary floating mortgage over land bearing assessment No.75 , Noris Canal Road, Colombo 10.
<b>36,666,660</b>				
–	Year – 2007	96 equal monthly installments commencing from Jan 2008		A corporate guarantee of Rs.10 million given by Sunshine Holdings PLC
–	Year – 2011	12 equal monthly installments commencing from Feb 2011		
–				
3,902,000	Year – 1996	40 equal quarterly installments commencing from Jun 2002		Primary floating mortgage over land bearing assessment # 75 Noris Canal Road, Colombo 10.
9,356,000	Year – 1997	40 equal quarterly installments commencing from May 2003		
24,021,000	Year – 2000	40 equal quarterly installments commencing from May 2004		
11,280,000	Year – 2000	40 equal quarterly installments commencing from Nov 2000		Leasehold rights on specified estates and machinery purchased under Environmental Friendly Scheme.
24,498,000	Year – 2001	40 equal quarterly installments commencing from Sep 2004		
3,678,000	Year – 1996	40 equal quarterly installments commencing from Jun 2002		
45,353,000	Year – 2000	36 equal quarterly installments commencing from Nov 2001		
47,918,000	Year – 2006	48 equal quarterly installments		
1,144,000	Year – 2007	48 equal quarterly installments commencing from Jun 2009		
1,022,000	Year – 2001	96 equal monthly installments commencing from Mar 2003		Machinery purchased under EFC scheme and leasehold rights on specified estates
836,000	Year – 2001	96 equal monthly installments commencing from Jul 2003		
3,120,000	Year – 2001	96 equal monthly installments commencing from Sep 2003		
13,650,000	Year – 2007	48 equal monthly installments commencing from Jun 2009		
9,536,000	Year – 2007	48 equal monthly installments commencing from Nov 2009		
136,370,000	Year – 2009	59 equal monthly installments		
335,684,000				
2,231,000	Year – 2001	96 equal monthly installments commencing from Jan 2004		
41,666,000	Year – 2008	72 equal monthly installments commencing from Mar 2009		
43,897,000				
–	Year – 2011	60 equal monthly installments commencing from Mar 2011		
–	Year – 2011	60 equal monthly installments commencing from Mar 2011		
–				
<b>379,581,000</b>				
8,927,159				Primary mortgage over project land and building at No.75 Kandawala Road, Ratmalana for Rs. 111.25 million.
61,250,000	Year – 2009	60 equal monthly installments commencing from May 2009		
<b>70,177,159</b>				
–	Year – 2011			Corporate Guarantee of the Sunshine Holdings PLC
–				
<b>486,426,925</b>				



# Notes to the Financial Statements (Cont.)

## 24.5.2 BANK OVERDRAFT FACILITY

Company/Lender	Balance 31.03.2011 Rs.	Balance 31.03.2010 Rs.	Security
<b>COMPANY</b>			
MCB Bank Limited	–	–	
<b>SUBSIDIARY</b>			
<b>Swiss Biogenics Limited</b>			
MCB Bank Limited	110,600,709	6,803,220	Facility I - Overdraft facility of Rs. 52 Million security lien over deposit in the name of the company for Rs.52 million, Current and post dated cheques for Rs.55 Million (not exceeding 45 days) and concurrent mortgage over stocks & book debts for Rs.150 Million
Hatton National Bank PLC	211,826	1,020,662	
Nations Trust Bank PLC	1,471,060	100,874	
Hongkong & Shanghai Banking Corporation Limited	13,800,569	1,403,876	
Sampath Bank PLC	–	190,557	
	<b>126,084,164</b>	<b>9,519,189</b>	
<b>Sunshine Travels &amp; Tours Limited</b>			
Hatton National Bank PLC	15,639,567	960,116	
	<b>15,639,567</b>	<b>960,116</b>	
<b>Watawala Plantations PLC</b>			
Hatton National Bank PLC	89,796,000	49,540,000	Movable assets, stock in trade and an assignment of book debts Stocks and receivables, leasehold rights on specified estates Leasehold rights on specified estates Leasehold rights on specified estates Commercial paper guarantee agreement executed under the company seal
Sampath Bank PLC	9,078,000	–	
Commercial Bank of Ceylon PLC	11,778,000	11,755,000	
Peoples Bank PLC	–	2,956,000	
Hongkong & Shanghai Banking Corporation Limited	1,282,000	–	
Citi Bank Limited	4,107,000	6,158,000	
ICICI Bank Limited	70,830,000	55,324,000	
MCB Bank Limited	97,901,000	40,102,000	
Nations Trust Bank PLC	832,000	–	
	<b>285,604,000</b>	<b>165,835,000</b>	
<b>Estate Management Services (Pvt) Limited</b>			
Hatton National Bank PLC	–	1,456,917	
	–	<b>1,456,917</b>	
<b>Sunshine Packaging Limited</b>			
Peoples Bank PLC	–	6,699,219	
Hatton National Bank PLC	26,091,280	–	
	<b>26,091,280</b>	<b>6,699,219</b>	
<b>Sunshine Power (Pvt) Limited</b>			
Hatton National Bank PLC	1,006,162	–	
	<b>1,006,162</b>	–	
<b>Total Group</b>	<b>454,425,173</b>	<b>184,470,441</b>	

# Notes to the Financial Statements (Cont.)

25 TRADE AND OTHER PAYABLES				
As at 31 <sup>st</sup> March	GROUP		COMPANY	
	2011 Rs.	2010 Restated Rs.	2011 Rs.	2010 Rs.
Trade Payables	825,531,803	796,452,662	–	–
Interest/Dividend Payables	617,772	–	617,772	–
Sales Representatives Security Deposits	14,829,475	11,334,540	–	–
Business Turnover Tax Payable	–	1,301,369	–	–
NBT Payable	–	141,023	–	–
Withholding Tax Payables	379,633	276,195	45,065	(5,500)
Accrued Expenses & other Payables	544,488,751	437,936,594	2,889,590	4,562,135
	<b>1,385,847,434</b>	<b>1,247,442,383</b>	<b>3,552,427</b>	<b>4,556,635</b>

26 AMOUNTS DUE TO RELATED PARTIES					
As at 31 <sup>st</sup> March	Relationship	GROUP		COMPANY	
		2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
SKS Logistics Ltd.	Affiliate	93,453	1,725	–	–
Sunshine Tea (Pvt) Ltd.	Affiliate	1,434,000	–	–	–
		<b>1,527,453</b>	<b>1,725</b>	<b>–</b>	<b>–</b>

# Notes to the Financial Statements (Cont.)

## 27 SEGMENTAL ANALYSIS

	Investment		Healthcare		Travels		Management Services	
For the year ended 31 <sup>st</sup> March	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
<b>REVENUE</b>	<b>134,837,248</b>	<b>137,486,763</b>	<b>4,329,389,222</b>	<b>3,609,806,305</b>	<b>13,741,092</b>	<b>6,846,909</b>	<b>90,032,990</b>	<b>75,797,848</b>
<b>RESULT</b>								
Profit from Operating Activities	110,973,985	114,532,405	549,491,235	364,856,600	1,751,419	1,827,357	86,253,883	62,632,532
Finance Cost	–	(185,532)	(11,522,452)	(21,484,799)	(687,935)	(352,689)	(828,055)	(427,348)
Income Tax Expense	–	–	(195,761,679)	(115,370,407)	(133,342)	(152,575)	(15,092,158)	(14,352,393)
<b>Profit after Income Tax Expense</b>	<b>110,973,985</b>	<b>114,346,874</b>	<b>342,207,104</b>	<b>228,001,395</b>	<b>930,142</b>	<b>1,322,093</b>	<b>70,333,670</b>	<b>47,852,791</b>
<b>OTHER INFORMATION</b>								
Segment Assets	994,495,311	923,581,097	1,958,645,007	1,516,277,483	32,029,220	16,186,061	596,013,124	559,924,245
Segment Liabilities	5,544,863	5,604,635	1,050,232,004	827,466,871	25,600,576	10,687,560	14,423,102	25,177,892
Capital Expenditure	184,295	–	89,755,952	23,107,512	5,650,751	–	–	–
Depreciation	28,130	6,976	26,698,648	14,875,368	561,232	4,191	–	–

# Notes to the Financial Statements (Cont.)

Plantation		Packaging		Energy		Intragroup		Group	
2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.	2011 Rs.	2010 Rs.
6,158,246,000	5,615,167,000	220,526,744	162,738,514	-	-	(214,607,431)	(170,567,869)	10,732,165,865	9,437,275,477
726,092,000	515,915,152	20,240,504	18,541,723	(456,250)	-	(157,800,039)	(121,056,038)	1,336,546,737	957,249,732
(87,450,000)	(85,296,000)	(11,559,318)	(16,722,259)	(1,750)	-	1,739,554	1,286,025	(110,309,956)	(123,182,601)
3,830,000	(4,000,000)	1,512,571	34,677,600	-	-	(16,008,954)	(9,203,410)	(221,653,561)	(108,401,185)
642,472,000	426,619,152	10,193,757	36,497,064	(458,000)	-	(172,069,439)	(128,973,423)	1,004,583,220	725,665,946
5,416,241,000	4,626,048,000	485,620,622	460,789,815	283,141,311	-	(1,276,805,379)	(1,143,528,218)	8,489,380,217	6,959,278,483
2,795,555,000	2,581,591,000	112,717,384	148,102,412	60,349,311	-	(79,744,898)	(113,026,872)	3,984,677,341	3,485,603,493
742,657,000	795,078,000	53,118,434	8,969,919	79,591,299	-	10,769,026	(7,129,971)	981,726,759	820,025,461
208,524,000	164,875,000	13,119,964	10,507,598	297,988	-	-	7,116,873	249,229,962	197,386,006

# Notes to the Financial Statements (Cont.)

## 28 RELATED PARTY TRANSACTIONS

Name of the Company	Nature of the Transaction	Amount Received/(Paid) Rs.
<b>Sunshine Holdings PLC</b>		
(i) Swiss Biogenics Ltd.	(a) Dividend received	112,594,541
(ii) Estate Management Services (Pvt) Ltd.	(b) Dividend received	11,979,900
(iii) Secretaries & Financial Services (Pvt) Ltd.	(c) Professional fees	(1,081,629)
(iv) Sunshine Packaging Ltd.	(d) Loan given	(15,000,000)
	Investment in share	(50,000,000)
	Interest received	236,849
(v) Sunshine Power (Pvt) Ltd.	(e) Advance given	(52,200,000)
(vi) Sunshine Energy Ltd	(f) Investment in share	(116,850,000)
	Advance given	(4,350,000)
(vii) Sunshine Travels and Tours (Pvt) Ltd	(g) Advance given	(1,067,443)
(a) Messrs. G. Sathasivam and S. Piyyaratne are Directors of the Company are also Directors of Swiss Biogenics Ltd. (b) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Estate Management Services (Pvt) Ltd. (c) Messrs. V. Govindasamy and B. A. Hulangamuwa are Directors of the Company are also Directors of Secretaries and Financial Services (Pvt) Ltd. (d) Messrs. V. Govindasamy is Directors of the Company is also Director of Sunshine Packaging Ltd. (e) Messrs. G. Sathasivam, B. A. Hulangamuwa and V. Govindasamy are Directors of the Company are also Directors of Sunshine Power (Pvt) Ltd. (f) Messrs. G. Sathasivam, V. Govindasamy, B. A. Hulangamuwa, S. G. Sathasivam, S. Piyyaratne, N. B. Weerasekera and U. L. Kadurugamuwa are Directors of the Company are also Directors of Sunshine Energy Ltd. (g) Messrs. G. Sathasivam, B. A. Hulangamuwa and V. Govindasamy are Directors of the Company are also Directors of Sunshine Travels & Tours Ltd.		
<b>Swiss Biogenics Limited</b>		
(i) Sunshine Holdings PLC	(h) Dividend Paid	(112,594,541)
(ii) Sunshine Travels & Tours Ltd.	(i) Service provided	(6,317,626)
(iii) Watawala Plantations PLC	(j) Security Consultancy Fee	450,000
(iv) Sunshine Packaging Ltd.	(k) Purchase of Goods	(679,361)
(v) Health Guard Pharmacy Ltd.	(l) Sale of Goods	49,129,074
	Service Rendered	(7,470,888)
(vi) Sunshine Tea (Pvt) Ltd.	(m) Store Rent	2,551,598
	Other services	(93,095)
(vii) Watawala Marketing Ltd.	(n) Purchase of Goods	(107,144)
(h) Messrs. G. Sathasivam, S. Piyyaratne and S. G. Sathasivam are Directors of the Company are also Directors of Sunshine Holdings PLC. (i) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Travels & Tours Ltd. (j) Messrs. G. Sathasivam, V. Govindasamy and B. A. Hulangamuwa are Directors of the Company are also Directors of Watawala Plantations PLC. (k) Messrs. V. Govindasamy is Directors of the Company is also Director of Sunshine Packaging Ltd. (l) Messrs. V. Govindasamy and B. A. Hulangamuwa are Directors of the Company are also Director of Healthguard Pharmacy Ltd. (m) Messrs. V. Govindasamy Director of the Company is also Director of Sunshine Tea (Pvt) Ltd. (n) Messrs. V. Govindasamy and G. Sathasivam are Directors of the Company are also Director of Watawala Marketing Ltd.		



# Notes to the Financial Statements (Cont.)

## 28 RELATED PARTY TRANSACTIONS (Cont)

Name of the Company	Nature of the Transaction	Amount Received/(Paid) Rs.
<b>Watawala Plantations PLC</b>		
(i) Sunshine Tea (Pvt) Ltd.	(0) Sales	2,828,000
	Purchases	(20,576,000)
(ii) Sunshine Travels & tours Ltd.	(p) Purchases	(3,649,000)
(iii) Secretaries & Financial Services (Private) Ltd.	(q) Sales	43,000
	Purchases	(8,604,000)
(iv) Sunshine Packaging Ltd.	(r) Sales	155,000
(v) Swiss Biogenics Ltd.	(s) Purchases	(450,000)
(vi) Estate Management Services (Pvt) Ltd.	(t) Purchases	(93,003,000)
(vii) Healthguard Pharmacy Ltd.	(u) Purchases	(1,200,000)
(viii) Watawala Marketing Ltd.	(v) Sale of Goods	54,468,000
(o) Mr. B. A. Hulangamuwa is a Director of the Company is also a Director of Sunshine Tea (Pvt) Ltd. (p) Messrs. G. Sathasivam, V. Govindasamy and B. A. Hulangamuwa are Directors of the Company are also Directors of Sunshine Travels & Tours Ltd. (q) Messrs. V. Govindasamy and B. A. Hulangamuwa are Directors of the Company are also Directors of Secretaries and Financial Services (Pvt) Ltd. (r) Messrs. V. Govindasamy is Director of the Company is also Director of Sunshine Packaging Ltd. (s) Messrs. G. Sathasivam is Director of the Company is also Director of Swiss Biogenics Ltd. (t) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Estate Management Services (Pvt) Ltd. (u) Messrs. V. Govindasamy and B. A. Hulangamuwa are Directors of the Company are also Directors of Healthguard Pharmacy Ltd. (v) Messrs. V. Govindasamy and G. Sathasivam are Directors of the Company are also Director of Watawala Marketing Ltd.		
<b>Sunshine Travels &amp; Tours Limited</b>		
(i) Swiss Biogenics Ltd.	(w) Sales of Air Tickets	6,317,626
(ii) Sunshine Packaging Ltd.	(x) Sale of Air Tickets	502,965
	Others	206,065
(iii) TATA Communication Lanka Ltd.	(y) Sale of Air Tickets	3,712,644
(iv) Estate Management Services (Pvt) Ltd.	(z) Sale of Air Tickets	539,907
(v) Watawala Plantations PLC	(aa) Sale of Air Tickets	1,990,737
	Hotel Reservations	2,485,617
	Others	351,990
(vi) Watawala Marketing Ltd.	(ab) Sale of Air Tickets	1,023,418
	Others	14,492
(vii) Sunshine Holdings PLC	(ac) Advance	5,117,939
(w) Messrs. G. Sathasivam is Director of the Company is also Director of Swiss Biogenics Ltd. (x) Mr. V. Govindasamy is a Director of the Company is also a Director Sunshine Packaging Ltd. (y) Mr. V. Govindasamy is a Director of the Company is also a Director TATA Communication Lanka Ltd. (z) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Estate Management Services (Pvt) Ltd. (aa) Messrs. G. Sathasivam, V. Govindasamy and B. A. Hulangamuwa are Directors of the Company are also Directors of Watawala Plantations PLC. (ab) Messrs. V. Govindasamy and G. Sathasivam are Directors of the Company are also Director of Watawala Marketing Ltd. (ac) Messrs. G. Sathasivam is Director of the Company is also Director of Sunshine Holdings PLC.		

# Notes to the Financial Statements (Cont.)

## 28 RELATED PARTY TRANSACTIONS (Cont)

Name of the Company	Nature of the Transaction	Amount Received/(Paid) Rs.
<b>Sunshine Packaging Limited</b>		
(i) Sunshine Holdings PLC	(ad) Loan Obtained	15,000,000
	Issue of shares	50,000,000
	Interest Paid	(236,849)
(ii) Sunshine Travels & Tours Ltd.	(ae) Purchases	(799,874)
(iii) Watawala Plantations PLC	Sales	6,002,839
(iv) Swiss Biogenics Ltd.	Sales	1,149,311
(v) Healthguard Pharmacy Ltd.	Services	152,260
(vii) Secretaries Financial Services (Pvt) Ltd.	Purchases	(2,059,878)
(ad) Messrs. S. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Holdings PLC. (ae) Messrs. V. Govindasamy is Director of the Company is also Director of Sunshine Travels & Tours Ltd..		

<b>Estate Management Services (Pvt) Limited</b>		
(i) Watawala Plantations PLC	(af) Management Fee	90,033,000
(ii) Sunshine Holdings PLC	(ag) Dividend Paid	(11,979,900)
(iii) Sunshine Travels & Tours Ltd.	(ah) Purchase of Goods	(3,649,000)
(iv) Sunshine Tea (Pvt) Ltd	Sale of Goods	2,828,000
	Purchase of Goods	(20,576,000)
(v) Secretaries and Financial Services (Pvt) Ltd	Sale of Goods	43,000
		(8,604,000)
(vi) Sunshine Packaging Ltd.	Sale of Goods	155,000
(v) Watawala Marketing Ltd.	Sale of Goods	54,468,000
(vi) Healthguard Pharmacy Ltd.	Purchase of Goods	(1,200,000)
(vii) Swiss Biogenics Ltd.	Purchase of Goods	(450,000)
(af) Messrs. G. Sathasivam, R. K. Krishnakumar, P. T. Siganporia and V. Govindasamy are Directors of the Company are also Directors of Watawala Plantations PLC. (ag) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Holdings PLC. (ah) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Travels & Tours Ltd.		

<b>Watawala Marketing Limited</b>		
(i) Sunshine Packaging Ltd.	(ai) Purchase of Goods	29,128,117
(ii) Sunshine Travels & Tours Ltd.	(aj) Purchase of Goods	688,415
(iii) Sunshine Tea (Pvt) Ltd	(ak) Purchase of Goods	32,350,363
(iv) Watawala Plantations PLC	(al) Purchase of Goods	27,252,214
(ai) Messrs. V. Govindasamy is Director of the Company is also Director of Sunshine Packaging Ltd. (aj) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Travels & Tours Ltd. (ak) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Tea (Pvt) Ltd. (al) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Watawala Plantations PLC.		

# Notes to the Financial Statements (Cont.)

## 28 RELATED PARTY TRANSACTIONS (Cont)

Name of the Company	Nature of the Transaction	Amount Received/(Paid) Rs.
<b>Healthguard Pharmacy Limited</b>		
(i) Watawala Plantations PLC	(am) Sale of Goods	424,947
(ii) Watawala Marketing Ltd.	(an) Purchases	(1,320,924)
	Service fee	201,600
(iii) Sunshine Tea (Pvt) Ltd.	(ao) Purchases	282,000
(iv) Secretaries and Financial Services (Pvt) Ltd.	(ap) Service fee	76,213
(v) Swiss Biogenics Ltd.	Purchases	(49,129,074)
	Service fee	7,470,888
(vi) Sunshine Packaging Ltd.	(aq) Purchases	23,904
	Service fee	60,000
(vii) Sunshine Travels and Tours Ltd.	(ar) Purchases	42,949
(am) Messrs. V. Govindasamy and B. A. Hulangamuwa are Director of the Company are also Directors of Watawala Plantations PLC. (an) Messrs. V. Govindasamy is Director of the Company is also Director of Watawala Marketing Ltd. (ao) Messrs. V. Govindasamy is Director of the Company is also Director of Sunshine Tea (Pvt) Ltd. (ap) Messrs. V. Govindasamy and B. A. Hulangamuwa are Directors of the Company are also Directors of Secretaries and Financial Services (Pvt) Ltd. (aq) Messrs. V. Govindasamy is Director of the Company is also Director of Sunshine Packaging Ltd. (ar) Messrs. V. Govindasamy is Director of the Company is also Director of Sunshine Travels and Tours Ltd.		

### Hatton National Bank PLC

Mr. R. T. Wijetilleke is the Chairman of the company was also the Chairman of Hatton National Bank PLC, during the year under review. Refer the note no.24.4.1 and 24.4.2 for the details of loans and overdraft facilities obtained by the Group respectively from Hatton National Bank PLC.

### Nation Trust Bank PLC

Mr. Sarath Piyarathna is a Director of the company is also a Director of Nation Trust Bank PLC refer the note no.25.4.1 and 25.4.2 for the details of loans and overdraft facilities obtained by the Group respectively from Nation Trust Bank PLC.

<b>29</b>	<b>TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL</b>		
	<b>Company</b>		
	The Company, identify the senior management of the company which represent the 'Executive Committee' as a key management personnel. Compensation paid to the Executive Committee during the financial year is given below.		
	For the year ended 31 <sup>st</sup> March	2011 Rs.	2010 Rs.
	Salaries & other Employee benefits	18,965,057	8,400,000
	<b>Subsidiary</b>		
	Swiss Biogenics Limited, Watawala Plantations PLC, Sunshine Packaging Ltd., Sunshine Travels & Tours Ltd., Estate Management Services (Pvt) Ltd. and Healthguard Pharmacy Ltd., subsidiaries of the company, identify the senior management of the company management who represent the "Executive Committee" as the key personnel. Compensation paid to the Executive Committee during the financial year is given below.		
	Salaries & other Employee benefits	108,926,437	83,055,530

# Notes to the Financial Statements (Cont.)

<b>30</b>	<b>CAPITAL COMMITMENTS</b>		
	<b>Company</b>		
	There were no material capital commitments outstanding as at Balance Sheet date.		
	<b>Subsidiary</b>		
	<b>Watawala Plantations PLC</b> There were no capital commitment as at 31 <sup>st</sup> March 2011. However the budgeted expenses accrued but not committed by the Directors for financial year ended 2011/12 amounts Rs. 539,263,000 for the Group. (Rs. 428,759,000 for the Company.)		
	<b>Watawala Marketing Ltd.</b> The total cost of ERP and Sales Automation System is Rs. 7,624,811 out of which Rs. 5,206,038 was paid as an advance during the financial year.		

<b>31</b>	<b>CONTINGENCIES</b>		
	<b>Company</b>		
	The contingent liabilities as at 31 <sup>st</sup> March 2011 on guarantee given by the company to banks and other institutions on behalf of subsidiaries to facilities obtained are as follows,		
	As at 31 <sup>st</sup> March 2011	2011 Rs.	2010 Rs.
	<b>Swiss Biogenics Limited</b>		
	Hatton National Bank PLC	100,000,000	100,000,000
	Hongkong and Shanghai Banking Corporation Ltd.	150,000,000	150,000,000
	MCB Bank Ltd.	420,000,000	420,000,000
	NDB Bank PLC	200,000,000	200,000,000
	Sampath Bank PLC	130,000,000	130,000,000
	Commercial Bank PLC	30,000,000	30,000,000
	Nation Trust Bank PLC	100,000,000	100,000,000
		<b>1,130,000,000</b>	<b>1,130,000,000</b>
	<b>Sunshine Packaging Limited</b>		
	Hatton National Bank PLC	105,000,000	–
		<b>105,000,000</b>	<b>–</b>
	<b>Sunshine Travels &amp; Tours Limited</b>		
	Hatton National Bank PLC	20,000,000	12,500,000
		<b>20,000,000</b>	<b>12,500,000</b>
	<b>Healthguard Pharmacy Limited</b>		
	NTB Bank PLC	10,000,000	10,000,000
	Public Bank Berhard	10,000,000	10,000,000
		<b>20,000,000</b>	<b>20,000,000</b>
	<b>Subsidiary</b>		
	Watawala Plantations PLC, a subsidiary of the Company have given Bank guarantees amounting to Rs. 3,490,000 to the Sri Lanka Customs to facilitate duty free import of machinery. As at Balance Sheet date the Company is in compliance with the term and conditions of the import.  There were no other material contingent liabilities outstanding as at the Balance Sheet date that require adjustments to or disclosure in the Financial Statements, other then disclosed above.		

<b>32</b>	<b>EVENTS OCCURRING AFTER THE BALANCE SHEET DATE</b>		
	<b>Company</b>		
	The Directors have proposed the payment of a dividend of Rs.0.30 per share on ordinary shares amounting to Rs. 39,999,999 for the year ended 31 <sup>st</sup> March 2011 (2009/2010 - 39,999,999/-) at the meeting held on the 4 <sup>th</sup> June 2011.		
	<b>Subsidiary</b>		
	There have been no significant events occurring after the Balance Sheet date that require adjustments to or disclosure in the Financial Statements other than those disclosed above.		

# Notes to the Financial Statements (Cont.)

## 33 COMPARATIVE INFORMATION

Comparative figures have been reclassified wherever necessary to conform with the current year's presentation.

## 34 PRIOR YEAR ADJUSTMENT

The prior year adjustment represent the recognition of deferred tax and adjustment of WHT on Dividend income. Accordingly the Consolidated Financial Statements have been restated . The effect of the restatement is summarised below.

	Amount (Rs.)
<b>Income Statement</b>	
Profit after tax as previously reported	677,947,238
Adjustment on Deferred Tax	56,922,117
Adjustment on Income Tax	(9,203,409)
<b>Profit after tax as restated</b>	<b>725,665,946</b>
<b>Revaluation Reserve</b>	
Revaluation reserve as previously reported	131,460,224
Adjustment on Deferred Tax	(20,209,547)
<b>Revaluation reserve as restated</b>	<b>111,250,677</b>
<b>Balance Sheet</b>	
<b>Deferred Tax asset</b>	
Deferred tax asset as previously reported	–
Adjustment on Deferred Tax assets	36,712,570
<b>Deferred tax asset as restated</b>	<b>36,712,570</b>
<b>Trade and Other Payable</b>	
Trade and other payable as previously reported	1,238,238,975
Tax adjustment on dividend income	9,203,409
<b>Trade and other payable as restated</b>	<b>1,247,442,384</b>





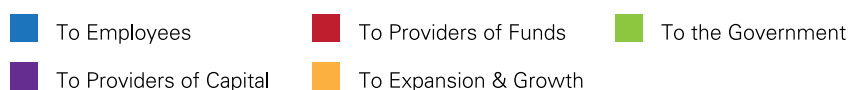
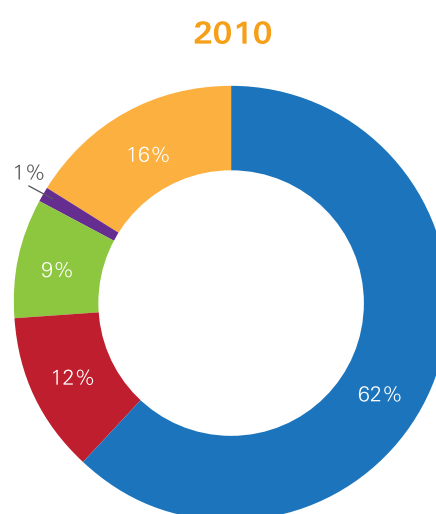
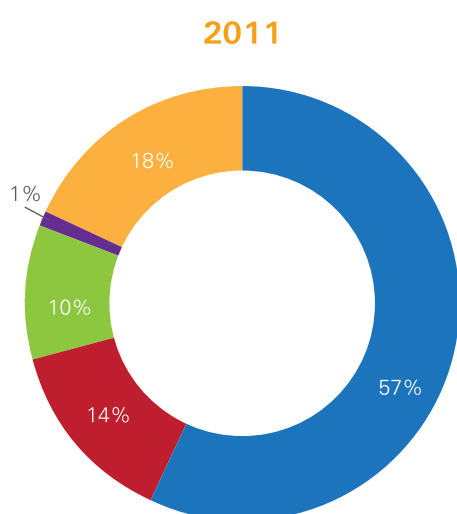
## Focus

The Group consolidates information in order to provide clarity and focus.

# Consolidated Value Added Statement

	2011 Rs.	2010 Rs.
<b>Revenue</b>	10,732,165,865	9,437,275,477
Other Income	159,554,486	197,477,791
	<b>10,891,720,350</b>	<b>9,634,753,268</b>
Less: Cost of Materials & Services purchased from external sources	6,488,989,332	5,832,045,450
<b>Value Added</b>	<b>4,402,731,018</b>	<b>3,802,707,818</b>

<b>Distributed as follows:</b>				
<b>To Employees</b>				
Salaries, wages & other benefits	<b>2,516,713,403</b>	<b>57%</b>	<b>2,350,434,027</b>	<b>62%</b>
<b>To providers of Funds</b>				
Interest to money lenders	110,309,956		123,182,601	
Minority shareholders	504,387,225		329,849,710	
	<b>614,697,181</b>	<b>14%</b>	<b>453,032,311</b>	<b>12%</b>
<b>To the Government</b>				
Income tax	228,223,130		170,644,458	
Social Responsibility Levy	2,948,716		1,978,870	
Turnover Tax	5,158,546		4,817,511	
Value Added Tax	92,763,768		72,613,695	
Nation Building Tax	59,796,000		57,746,000	
JEDB/SLSPC Lease rentals	50,958,000		48,210,000	
	<b>439,848,160</b>	<b>10%</b>	<b>356,010,534</b>	<b>9%</b>
<b>To Providers of Capital</b>				
Dividends	<b>39,999,999</b>	<b>1%</b>	<b>33,333,333</b>	<b>1%</b>
<b>To Expansion &amp; Growth</b>				
Profit retained	500,195,995		395,816,236	
Depreciation & Amortization	256,264,962		197,386,006	
Deferred Tax	35,011,318		16,695,371	
	<b>791,472,275</b>	<b>18%</b>	<b>609,897,613</b>	<b>16%</b>
	<b>4,402,731,018</b>	<b>100%</b>	<b>3,802,707,818</b>	<b>100%</b>



# Nine Year Summary

	2011		2010		2009		2008	
Year ended 31 <sup>st</sup> March	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
Operating Results								
Revenue	10,732,165,865	134,837,248	9,437,275,477	137,486,763	7,407,485,607	96,742,686	7,282,678,099	64,705,670
Profit Before Taxation	1,226,236,781	110,973,985	834,067,131	114,346,874	444,573,375	84,679,270	639,588,217	32,745,120
Taxation	(221,653,561)	–	(108,401,185)	–	(128,847,482)	(668,686)	(138,619,712)	(402,328)
Profit After Taxation	1,004,583,220	110,973,985	725,665,946	114,346,874	315,725,893	84,010,584	500,968,505	32,342,792
Profit Attributable to Equity Shareholders	500,195,995	110,973,985	395,816,236	114,346,874	171,643,672	84,010,584	205,385,320	32,342,792
<b>Equity &amp; Liabilities</b>								
Stated Capital	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	170,000,000	170,000,000
Capital Reserves	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725
Revaluation Reserve	111,272,755	–	111,250,677	–	–	–	–	–
Investment Reserve	–	–	–	–	–	–	–	–
Retained Profits	1,532,102,217	307,692,774	1,072,144,688	236,718,788	703,812,085	155,705,247	555,207,961	96,694,663
Minority Interest	2,180,070,230	–	1,609,021,951	–	1,520,382,041	–	1,407,283,124	–
Non Current Liabilities	1,827,928,438	1,992,436	1,768,197,677	1,048,000	1,409,457,451	555,000	1,507,575,043	112,430,000
Current Liabilities	2,156,947,903	3,552,428	1,717,405,816	4,556,635	1,731,273,370	14,335,796	1,511,654,798	67,995,359
	8,489,380,217	994,495,311	6,959,278,483	923,581,097	6,046,182,621	851,853,737	5,152,978,651	448,377,747
<b>Assets</b>								
Property, Plant & Equipments	4,834,631,313	156,165	4,066,958,966	–	3,296,917,650	6,976	2,778,321,504	6,976
Investments	–	817,752,548	116,465,010	741,427,578	125,001,473	513,464,041	123,809,735	303,615,135
Other Non Current Investments	142,024,960	142,024,960	–	–	25,000,000	–	15,934,341	100,000,000
Deferred Tax	44,594,888	–	–	–	–	–	–	–
Goodwill	91,692,024	–	–	–	–	–	–	–
Current Assets	3,376,437,032	34,561,638	2,739,141,937	182,153,519	2,599,263,498	338,382,700	2,234,913,071	44,755,636
	8,489,380,217	994,495,311	6,959,278,483	923,581,097	6,046,182,621	851,853,717	5,152,978,651	448,377,747
<b>Key Indicators</b>								
Earnings Per Share	3.75*	0.83*	2.97*	0.86*	14.37	7.03	20.54	3.23
Dividends Per Share	0.30	0.30	0.30	0.30	2.50	2.50	2.50	2.50
Net Assets Per Share	17.43	7.42	13.98	6.90	103.88	62.77	72.65	26.80
Return on Share Holders Fund (ROE)	23.88%	11.64%	24.36%	13.03%	12.39%	10.04%	28.22%	12.07%
Current Ratio	1.56	9.73	1.59	40.44	1.50	24.14	1.47	0.66
Dividend Payout Ratio	8.0	36.1	10.1	34.9	17.4	35.6	12.2	77.4

\* After subdivision of shares.

2007		2006		2005		2004		2003	
Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
5,942,861,726	117,926,748	5,139,171,617	13,514,199	4,750,445,544	52,636,636	3,843,495,813	32,125,676	1,862,980,682	8,326,048
361,792,695	74,955,026	360,469,649	5,978,706	309,479,466	42,421,612	129,746,506	25,811,355	29,600,669	6,550,554
(95,528,328)	(2,973,704)	(57,901,105)	(2,450,351)	(44,561,702)	15,161	(22,169,204)	(40,836)	(7,414,223)	(149,131)
266,264,367	71,981,322	302,568,544	3,528,355	264,917,764	42,436,773	107,577,302	25,770,519	22,186,446	6,401,423
98,111,174	71,981,322	143,360,751	3,528,355	126,943,359	42,436,773	72,196,923	25,770,519	24,240,787	6,401,423
170,000,000	170,000,000	170,000,000	170,000,000	170,000,000	170,000,000	170,000,000	170,000,000	170,000,000	170,000,000
1,257,725	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725
–	–	–	–	–	–	–	–	–	–
43,750,588	–	44,318,630	–	–	–	–	–	–	–
436,175,730	79,351,871	333,817,910	22,370,549	136,249,172	28,842,194	89,408,604	26,405,421	17,212,031	634,902
965,864,263	–	856,647,103	–	666,512,987	–	528,538,583	–	493,158,204	–
1,367,261,831	124,802,093	1,304,211,565	125,002,093	1,224,195,889	100,010,732	1,258,428,500	100,111,078	1,186,956,725	2,742,576
1,650,248,448	69,174,956	1,391,378,182	58,850,204	980,443,535	6,740,288	823,951,686	14,230,561	1,075,580,265	149,725,668
4,634,558,585	444,586,645	4,101,631,115	377,480,571	3,178,659,308	306,850,939	2,871,585,098	312,004,785	2,944,164,950	324,360,871
2,456,756,230	6,976	2,272,851,683	6,976	2,105,297,243	72,348	2,053,695,117	137,720	2,022,905,156	3,566,842
47,603,147	256,348,597	44,120,838	251,366,238	13,156,678	170,902,078	17,902,435	175,647,835	12,219,269	163,764,669
219,350,341	100,000,000	221,754,341	101,443,835	–	100,000,000	–	100,000,000	15,897,000	–
–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–
1,910,848,867	88,231,072	1,562,904,253	24,663,522	1,060,205,387	35,876,513	799,987,546	36,219,230	893,143,525	157,029,360
4,634,558,585	444,586,645	4,101,631,115	377,480,571	3,178,659,308	306,850,939	2,871,585,098	312,004,785	2,944,164,950	324,360,871
9.81	7.20	14.34	0.35	12.69	4.24	7.22	2.58	2.42	0.64
1.50	1.50	1.50	1.50	2.50	2.50	2.50	2.50	1.85	1.85
65.12	25.06	54.94	19.36	30.74	20.01	26.07	19.77	18.85	17.19
15.07%	28.72%	26.09%	1.82%	41.26%	21.21%	27.70%	13.04%	12.86%	3.72%
1.15	1.27	1.12	0.41	1.08	5.83	0.97	2.57	0.83	1.05
15.3	20.8	10.5	428	19.7	58.9	34.6	96.9	76.4	289

# Shareholders' Information

## STOCK EXCHANGE LISTING

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

## SHARE HOLDER INFORMATION

Total No of Shareholders	2,275	(as at 31 <sup>st</sup> March 2010 - 1,616)
Total No of Shares	133,333,330	(as at 31 <sup>st</sup> March 2010 - 133,333,330)

		Resident			Non-Resident			Total		
Range of Shareholdings		No. of Shareholders	No of Shares	%	No. of Shareholders	No of Shares	%	No. of Shareholders	No of Shares	%
1	1,000	1,456	835,276	0.63%	6	4,700	0.00%	1,462	839,976	0.63%
1,001	5,000	566	1,518,422	1.14%	8	25,600	0.02%	574	1,544,022	1.16%
5,001	10,000	108	881,050	0.66%	5	42,000	0.03%	113	923,050	0.69%
10,001	50,000	92	2,110,032	1.58%	5	133,900	0.10%	97	2,243,932	1.68%
50,001	1,000,000	22	4,384,700	3.29%	–	–	0.00%	22	4,384,700	3.29%
Over	1,000,000	4	48,065,920	36.05%	3	75,331,730	56.50%	7	123,397,650	92.55%
Total		2,248	57,795,400	43.35%	27	75,537,930	56.65%	2,275	133,333,330	100.00%

		31 <sup>st</sup> March 2011			31 <sup>st</sup> March 2010		
Analysis of Shareholders		No of Shareholders	No. of Shares	%	No of Shareholders	No. of Shares	%
Individuals		2,157	7,975,876	5.98%	1,569	36,864,316	27.65
Institutions		118	125,357,454	94.02%	47	96,469,014	72.35
Total		2,275	133,333,330	100.00%	1,616	133,333,330	100.00

## PUBLIC SHARE HOLDING

The percentage of shares held by the public 10.95% (2009/10 - 8.46%)



SHARE TRADING INFORMATION FROM 1<sup>ST</sup> APRIL TO 31<sup>ST</sup> MARCH

	2011	2010
Highest (Rs.)	57.00 (on 28.02.2011)	900.00 (on 12.02.2010)
Lowest (Rs.)	42.00 (on 31.03.2011)	141.00 (on 08.07.2009)
As at 31 <sup>st</sup> March (Rs.)	42.10	325.00
No. of transactions	2,756	1,346
No. of shares traded	5,857,600	1,020,700
Value of shares traded (Rs.)	299,084,260	295,456,625
Each ordinary shares as at 23rd March 2010 was subdivided into 10 ordinary shares. The shares commenced trading after the subdivision on 7 <sup>th</sup> April 2011.		

## DIVIDENDS

	2011	2010
Proposed & Final Dividend	Rs. 39,999,999 (Rs. 0.30 per share)	Rs. 39,999,999 (Rs. 0.30 per share)

## TWENTY (20) LARGEST SHAREHOLDERS AS AT

	31 <sup>st</sup> March 2011 No of Shares Held	%	31 <sup>st</sup> March 2010 No of Shares Held	%
Lamurep Investments Ltd.	27,392,830	20.54	27,392,830	20.54
Aureos South Asia Fund Llc	26,921,000	20.19	30,213,330	22.66
Deepcar Ltd.	25,600,000	19.20	25,600,000	19.20
Moneymore Securities Ltd.	22,810,730	17.11	22,810,730	17.11
Tansinghe (Private) Ltd.	16,015,390	12.01	16,015,390	12.01
Ceylon Property Development Ltd.	3,000,000	2.25	3,000,000	2.25
Mr. N. M. Udeshi	1,657,700	1.24	1,000,000	0.75
Mr. M Radhakrishnan	750,000	0.56	750,000	0.56
Bank of Ceylon No 1 Account	626,800	0.47	–	–
Confifi Management Services Ltd.	500,000	0.38	–	–
Devi Holdings (Pvt) Ltd.	350,000	0.26	100,000	0.08
Deutsche Bank AG–Comtrust Equity Fund	300,000	0.23	–	–
National Savings Bank	252,000	0.19	–	–
Commercial Bank of Ceylon PLC	250,000	0.19	–	–
Mr. C. P. De Silva	156,900	0.12	–	–
Mr. S. N. C. W. M. B. C. Kandegedara	138,400	0.10	–	–
Mr. E. Thavagnanasundaram	123,600	0.09	–	–
Bank of Ceylon A/C Cey Bank Century Growth Fund	114,800	0.09	–	–
Waldock Mackenzie Ltd./Hi-Line Towers (Pvt) Ltd.	100,500	0.08	–	–
Freudenberg Shipping Agencies Ltd.	100,000	0.08	–	–
Sub Total	127,160,650	95.37	126,882,280	95.16
Others	6,172,680	4.63	6,451,050	4.84
<b>Total</b>	<b>133,333,330</b>	<b>100.00</b>	<b>133,333,330</b>	<b>100.00</b>

# Glossary

**ACCRUAL BASIS**

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

**CAPITAL EMPLOYED**

Shareholders' funds plus minority interest and debt.

**DEBT/EQUITY RATIO**

Debt as a percentage of shareholders' funds and minority interest.

**EARNINGS PER SHARE**

Profit attributable to equity holders of the parent divided by the weighted average number of ordinary shares in issue during the period.

**EBIT**

Earnings before interest and tax (includes other operating income).

**EBIT MARGIN**

EBIT divided by turnover.

**EBITDA**

Earnings before interest, tax, depreciation and amortisation.

**EBITDA MARGIN**

EBITDA divided by turnover.

**NET ASSETS PER SHARE**

Net assets over weighted average number of ordinary shares in issue during the period adjusted for options granted but not exercised.

**NET PROFIT MARGIN**

Profit after tax divided by turnover.

**NET BORROWINGS**

Total debt minus (cash plus short term deposits).

**SHAREHOLDERS' FUNDS**

Total of issued and fully paid share capital, capital reserves and revenue reserves.

**TOTAL DEBT**

Long term loans plus short term loans and overdrafts.

**TOTAL EQUITY**

Shareholders' funds plus minority interest.

**GSA**

The Gross Sales Average. This is the average sale price obtained (over a period of time, for a kilo of produce) before any deductions such as Brokerage, etc.

**NSA**

The Net Sales Average. This is the average sale price obtained (over a period of time) after deducting Brokerage fees, etc.

**COP**

The Cost of Production. This generally refers to the cost of producing per kilo of produce (Tea/Rubber/Palm Oil)

**NET ASSETS**

Sum of fixed Assets and Current Assets less total liabilities.

**NET ASSETS PER SHARE**

Net Assets at the end of the period divided by the number of Ordinary Shares in issue.

**RETURN ON EQUITY**

Attributable profits divided by average shareholders' funds.

**INTEREST COVER**

Profit before tax plus interest charges divided by interest charges, including interest capitalized.

**RELATED PARTIES**

Parties who could control or significantly influence the financial and operating policies of the Company.

**CONTINGENT LIABILITIES**

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

**CASH EQUIVALENTS**

Liquid investments with original maturities of three months or less.

**DEBT EQUITY RATIO**

Borrowing divided by equity

**CROP**

The total produce harvested during a financial year

**FIELD**

An unit extent of land. Estates are divided into fields in order to facilitate management.

**IMMATURE PLANTATION**

The extent of plantation that is under-development and is not being harvested.

**MATURE PLANTATION**

The extent of plantation from which crop is being harvested. Also see "Extent in Bearing".

**INFILLING**

A method of field development whereby planting of individual plants is done in order to increase the yield of a given field, whilst allowing the field to be harvested.

**REPLANTING**

A method of field development where an entire unit of land is taken out of "bearing" and developed by way of uprooting the existing trees/bushes and replanting with new trees/bushes.

**VP TEA**

Vegetatively Propagated (i.e. Tea grown from a cutting of a branch of tea plant)

**YIELD (YPH)**

The average crop per unit extent of land over a given period of time (usually Kgs. Per hectare per year)

**TASL**

Tea Association of Sri Lanka

**ISO**

International Standards Organization

**HACCP**

Hazard Analysis Critical Control Point System. Internationally accepted food safety standard

**AVERAGE COST OF FUNDS**

Finance cost divided by average interest bearing borrowing from banks and finance institutions.

**MINORITY INTEREST**

That a portion of the profit or loss and net assets of a subsidiary attributable to equity interest that are not owned, directly or indirectly through subsidiary, by the parent.

**DIVIDEND**

Distribution of profit to holders of equity investments in proportion to their holding of a particular class of capital.

**JEDB**

Janatha Estate development Board

**SLSPC**

Sri Lanka State Planation Corporation

**Stated Capital**

Total of all amounts received by the company or due and payable to company,  
a. In respect of issue of shares and  
b. Inspect of calls on shares

# Notice of Meeting

NOTICE is hereby given that the Thirty Eighth (38<sup>th</sup>) Annual General Meeting of Sunshine Holdings PLC will be held at "The Restaurant" of the Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07, on 29<sup>th</sup> July 2011 at 10.00 a.m. and the business to be brought before the meeting will be:

1. To consider and adopt the Financial Statements, Report of the Directors and Report of the Auditors for the financial year ended 31<sup>st</sup> March 2011.
2. To re-appoint Mr. R. T. Wijetilleke, who retires having attained the age of seventy one years and the Company has received a special notice to pass the under noted ordinary resolution in compliance with Section 211 of the Companies Act No 07 of 2007 in relation to his appointment.

## Ordinary Resolution

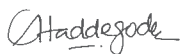
'That Mr. R. T. Wijetilleke a retiring Director who has attained the age of seventy one years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of seventy years referred in Section 210 of the Companies Act No 07 of 2007 shall not apply to the appointment of the said Director".

3. To re-elect Mr. U. L. Kadurugamuwa who retires in terms of Article 110 of the Articles of Association of the Company, as a Director.
4. To re-elect Mr. S. Munir who retires in terms of Article 110 of the Articles of Association of the Company, as a Director.
5. To re-elect Mr. S. G. Sathasivam who retires in terms of Article 104 of the Articles of Association of the Company, as a Director.
6. To re-elect Mr. N. B. Weerasekera who retires in terms of Article 104 of the Articles of Association of the Company, as a Director.
7. To declare a Final Dividend of Rs. 0.30 per share as recommended by the Directors.
8. To re-appoint Messrs. KPMG Ford, Rhodes, Thornton & Company (Chartered Accountants) as Auditors of the Company and authorize the Directors to determine their remuneration.
9. To authorize the Directors to determine contributions to charities.

## Note:

A Member is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. A form is enclosed for this purpose. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 60, Dharmapala Mawatha, Colombo 3, not less than forty eight hours before the time fixed for the meeting.

By Order of the Board



Secretaries & Financial Services (Pvt) Ltd  
Secretaries

04<sup>th</sup> June 2011  
Colombo,

We shall be obliged if the Shareholders/Proxies attending the Annual General Meeting, produce their National Identity Card to the Security Personnel stationed at the entrance.

# Form of Proxy

I/We ..... of .....

being a member/members of Sunshine Holdings PLC, hereby appoint:

..... of .....

or failing him, Mr. R. T. Wijetilleke (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our proxy to vote as indicated hereunder for me/us and on my/our behalf at the Annual General Meeting of the Company to held on 29<sup>th</sup> July 2011 at 10.00 a.m. and at every poll which may be taken in consequence of aforesaid meeting at any adjournment thereof:

		For	Against
01	To consider and adopt the Financial Statements, Report of the Directors and the Report of the Auditors for the financial year ended 31 <sup>st</sup> March 2011.		
02	To re-appoint Mr. R. T. Wijetilleke, who retires having attained the age of seventy one years, a Director by passing the Ordinary Resolution set out in the Notice.		
03	To re-elect Mr. U. L. Kadurugamuwa who retires in terms of Article 110 of the Articles of Association of the Company as a Director.		
04	To re-elect Mr. S. Munir who retires in terms of Article 110 of the Articles of Association of the Company as a Director.		
05	To re-elect Mr. S. G. Sathasivam who retires in terms of Article 104 of the Articles of Association of the Company as a Director.		
06	To re-elect Mr. N. B. Weerasekera who retires in terms of Article 104 of the Articles of Association of the Company as a Director.		
07	To declare a Final Dividend of Rs. 0.30 per share as recommended by the Directors.		
08	To re-appoint Messrs. KPMG Ford, Rhodes, Thornton & Company (Chartered Accountants) as Auditors of the Company and authorize the Directors to determine their remuneration.		
07	To authorize the Directors to determine contributions to charities.		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2011

\_\_\_\_\_  
Signature of Shareholder

(a) A proxy need not a member of the Company.

(b) Instructions regarding completion appear overleaf.



#### **INSTRUCTIONS AS TO COMPLETION OF THE FORM PROXY**

1. To be valid, the completed form of proxy should be deposited at the Registered Office of the Company at No. 60, Dharmapala Mawatha, Colombo 3, not less than 48 hours before the time of the meeting.
2. In perfecting the form of proxy, please ensure that all the details are legible.
3. Please indicate with an 'X' in the space provided how your proxy to vote on each resolution. If no indication is given, the proxy, in his discretion, will vote, as he thinks fit.
4. In the case of a Company/Corporation, the proxy must be under its Common Seal which should be affixed and attested in the manner prescribed by its Articles of Association.
5. In the case of a proxy signed by the Attorney, the Power of Attorney must be deposited at the Registered Office No. 60, Dharmapala Mawatha, Colombo 03 for registration.

# Notes



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# Financial Calendar

## Interim Quarterly Reports

2010/2011	Date of Release
01 <sup>st</sup> Quarter 2010/2011	06 <sup>th</sup> Aug 2010
02 <sup>nd</sup> Quarter 2010/2011	02 <sup>nd</sup> Nov 2010
03 <sup>rd</sup> Quarter 2010/2011	28 <sup>th</sup> Jan 2011
04 <sup>th</sup> Quarter 2010/2011	31 <sup>st</sup> May 2011

2009/2010	Date of Release
01 <sup>st</sup> Quarter 2009/2010	03 <sup>rd</sup> Aug 2009
02 <sup>nd</sup> Quarter 2009/2010	11 <sup>th</sup> Nov 2009
03 <sup>rd</sup> Quarter 2009/2010	09 <sup>th</sup> Feb 2010
04 <sup>th</sup> Quarter 2009/2010	31 <sup>st</sup> May 2010

Annual Report	Date of Release	Meetings
28 <sup>th</sup> Annual General Meeting	11 <sup>th</sup> Sep 2001	06 <sup>th</sup> Nov 2001
29 <sup>th</sup> Annual General Meeting	25 <sup>th</sup> May 2002	06 <sup>th</sup> Sept 2002
30 <sup>th</sup> Annual General Meeting	18 <sup>th</sup> Jul 2003	18 <sup>th</sup> Sept 2003
31 <sup>st</sup> Annual General Meeting	21 <sup>st</sup> Jun 2007	17 <sup>th</sup> Sept 2004
32 <sup>nd</sup> Annual General Meeting	12 <sup>th</sup> Jul 2005	25 <sup>th</sup> Aug 2005
33 <sup>rd</sup> Annual General Meeting	26 <sup>th</sup> Jun 2006	26 <sup>th</sup> Jul 2006
34 <sup>th</sup> Annual General Meeting	20 <sup>th</sup> Jun 2007	27 <sup>th</sup> Jul 2007
35 <sup>th</sup> Annual General Meeting	30 <sup>th</sup> Jun 2008	31 <sup>st</sup> Jul 2008
36 <sup>th</sup> Annual General Meeting	09 <sup>th</sup> Jul 2009	30 <sup>th</sup> Jul 2009
37 <sup>th</sup> Annual General Meeting	23 <sup>rd</sup> Jun 2010	16 <sup>th</sup> Jul 2010
38 <sup>th</sup> Annual General Meeting	04 <sup>th</sup> Jul 2011	29 <sup>th</sup> Jul 2011

# Corporate Information

## NAME OF COMPANY

Sunshine Holdings PLC

## LEGAL FORM

A public Company with limited liability registered under Companies Ordinance (Cap. 145) and quoted on the Colombo Stock Exchange. The Company was re-registered under the Companies Act No. 07 of 2007.

## DATE OF INCORPORATION

16<sup>th</sup> June 1973

## REGISTRATION NO.

PQ 13

## ACCOUNTING YEAR

31<sup>st</sup> March

## PRINCIPAL ACTIVITIES

Holding Company, carrying out investment in subsidiaries.

## REGISTERED OFFICE

No. 60, Dharmapala Mawatha, Colombo 03.

## DIRECTORS

Mr. R. T. Wijetilleke - (Chairman)

Mr. G. Sathasivam

Mr. V. Govindasamy - (Group Managing Director)

Mr. S. G. Sathasivam

Mr. Sarath Piyaaratna

Mr. A. Hollingsworth

Mr. N. B. Weerasekera

Mr. U. L. Kadurugamuwa

Mr. S. Munir

Mr. B. A. Hulangamuwa

## SECRETARIES

Ms. Samantha Haddegoda - (Jt. Secretary)

Secretaries & Financial Services (Pvt) Ltd.

No. 60, Dharmapala Mawatha,

Colombo 03.

## AUDITORS

KPMG Ford, Rhodes, Thornton & Company

Chartered Accountants

32A, Sir Mohammed Macan Markar Mawatha,

Colombo 03.

## LAWYERS

F J & G de Saram (Attorneys-at-Law)

No. 216, de Saram Place,

Colombo 10.

## BANKERS

MCB Bank Ltd.

Hatton National Bank PLC

Hong Kong & Shanghai Banking Corporation Ltd.

NDB Bank PLC



**Sunshine Holdings PLC**

60, Dharmapala Mawatha, Colombo 3, Sri Lanka.

Tel: +94 11 4702 400 Fax: +94 11 4716 427

[www.shl.lk](http://www.shl.lk)