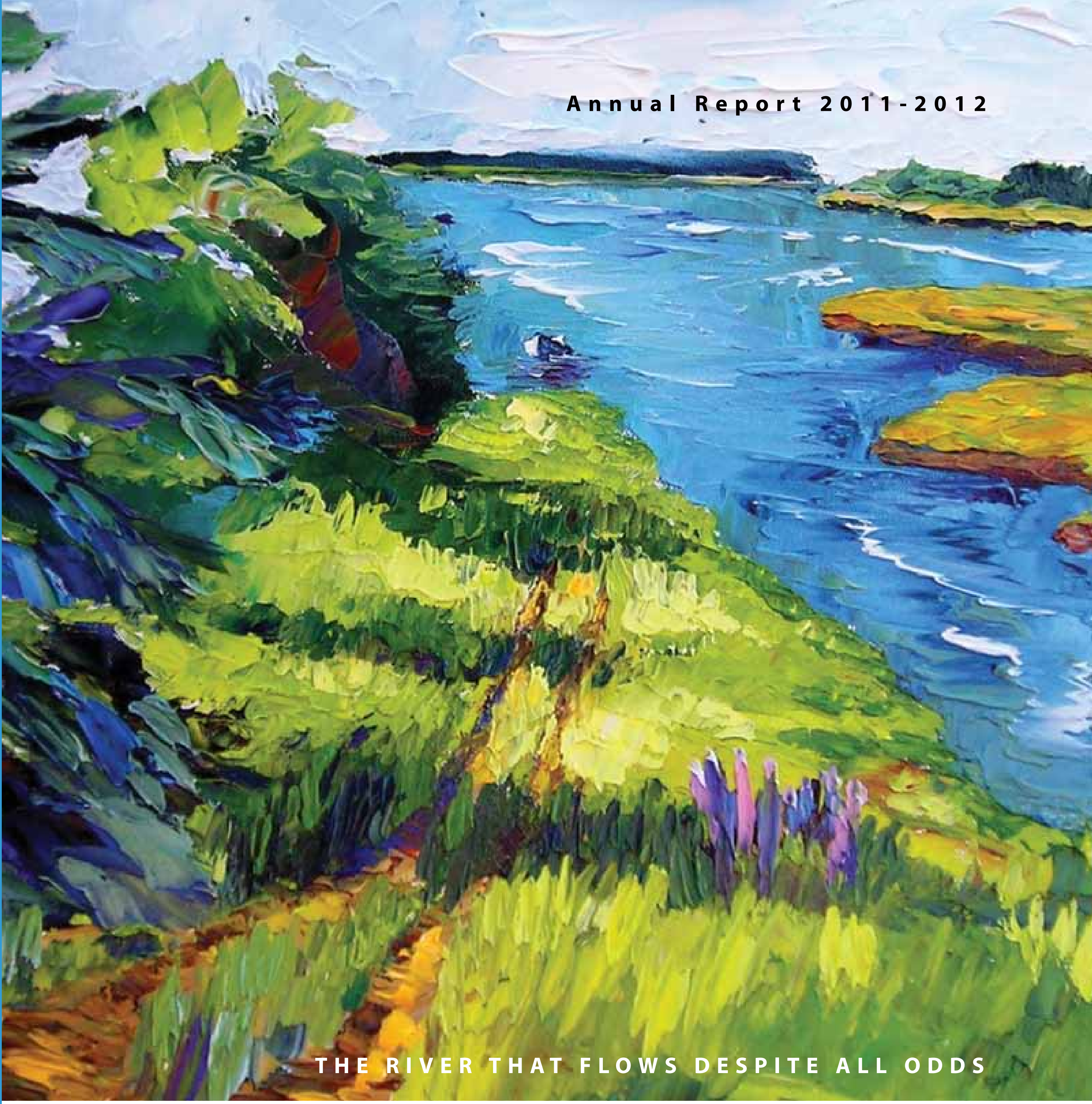
Annual Report 2011-2012



THE RIVER THAT FLOWS DESPITE ALL ODDS

SUNSHINE
HOLDINGS PLC

Cover story

THE RIVER THAT FLOWS DESPITE ALL ODDS

Like the river that winds its way over obstacles in the landscape, our enterprise charts its course through the challenges of the environment with purpose and resourcefulness, in relentless pursuit of chosen goals.

Healthcare

Like the river that provides sustenance to all, our healthcare sector provides trusted products and services that enhance the lives and well-being of the people.

Plantations

Like the river that overcomes difficult terrain, our plantation sector is poised for growth despite all odds.

FMCG

Like the river that brings well-being into our lives, our brands provide consumers with superior quality and value.

Packaging

Like the river that enhances our lives & bestows beauty upon it, the packaging sector adds value to their customers products and make it attractive and hygienic for people to consume.

Leisure

Like the river that travels far and wide, we bring visitors from around the world to the most alluring locales in our country.

Energy

Like the river that has the power to create energy, we generate energy for the nation using our renewable resources.

Contents

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.

Core Values

Ethical Corporate Governance

High Value-addition

Nation Building

Strategic Diversification

Higher Productivity

Embracing Change

Superior Quality

Socially Responsible

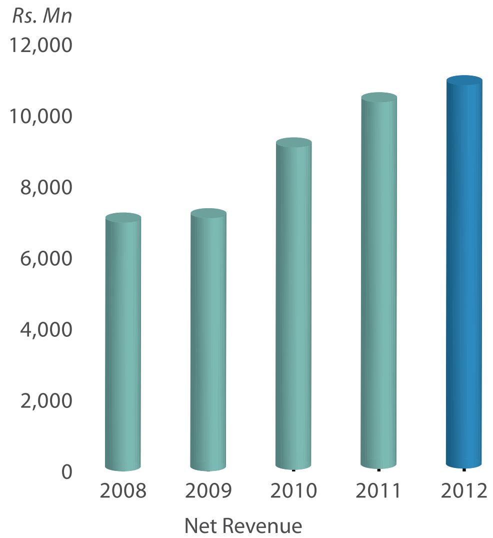
Environmentally Conscious

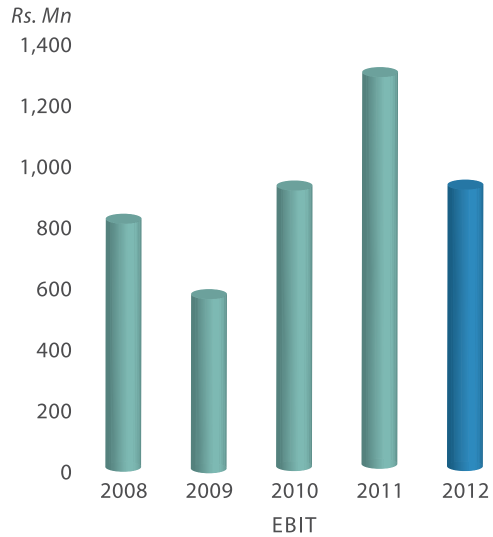
Group Performance

THE RIVER THAT FLOWS DESPITE ALL ODDS

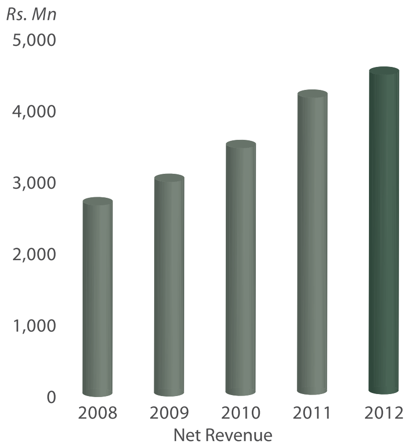
Group at a Glance

Group	Rs. Mn
Group Revenue	11,219
Net Profit	614
Profit Attributable to Equity Holders	426
Total Assets	10,405
Employees	13,224

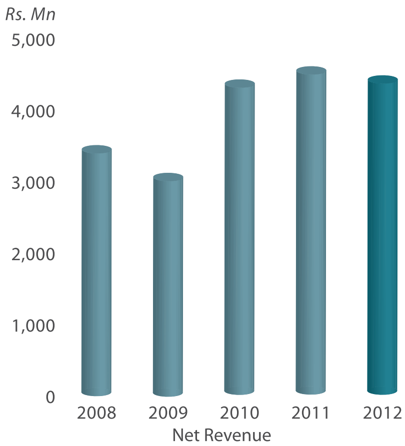




Healthcare	Rs. Mn
Revenue	4,657
Net Profit	429
Total Assets	2,606
Employees	744

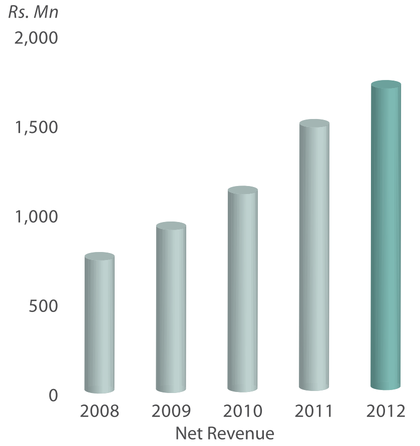


Plantations	Rs. Mn
Revenue	4,535
Net Profit	413
Total Assets	5,648
Employees	12,168



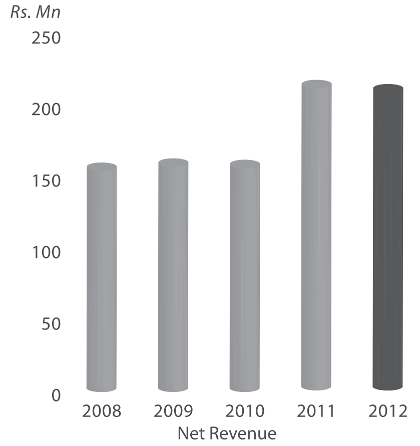
FMCG

	Rs. Mn
Revenue	1,757
Net Profit	235
Total Assets	869
Employees	113



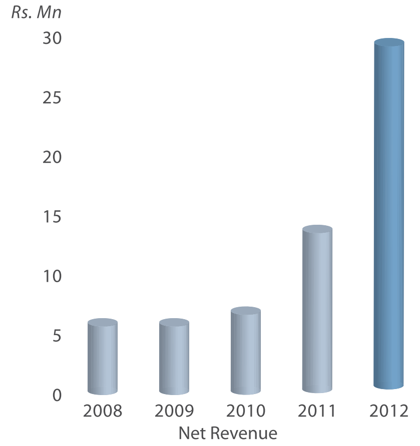
Packaging

	Rs. Mn
Revenue	217
Net Profit	(3)
Total Assets	563
Employees	147



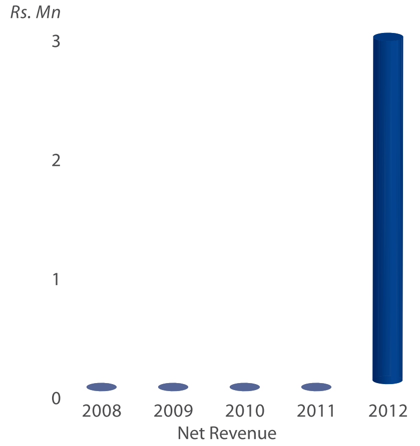
Leisure

	Rs. Mn
Revenue	30
Net Profit	3
Total Assets	38
Employees	20



Energy

	Rs. Mn
Revenue	3
Net Profit	(10)
Total Assets	607
Employees	21

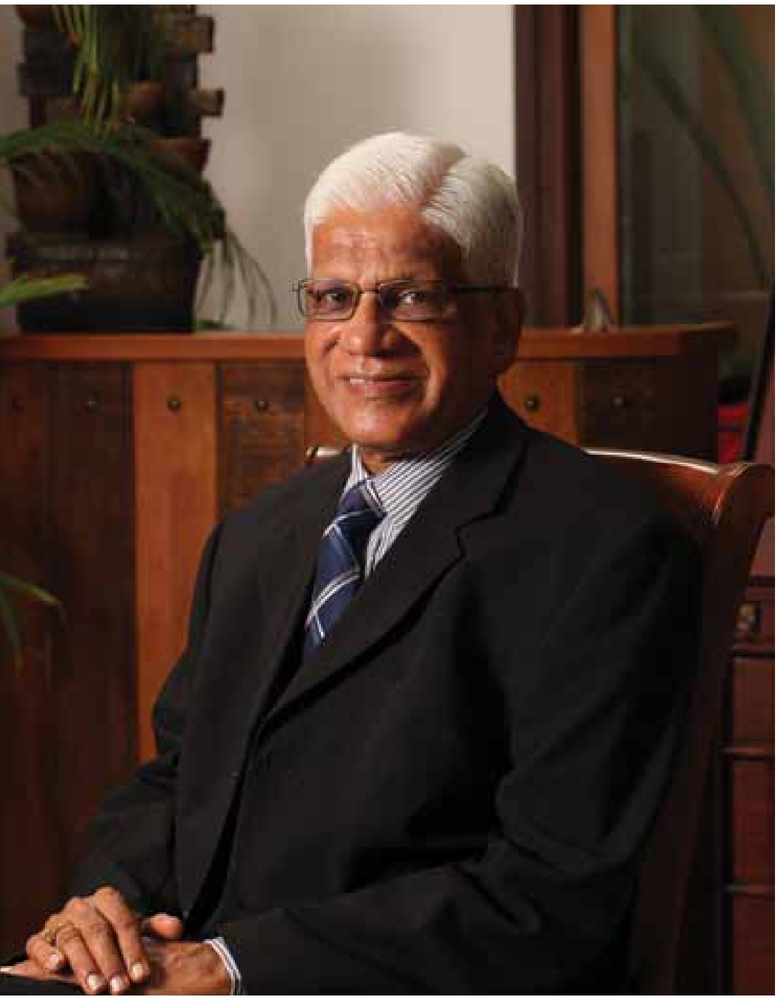


Financial Highlights

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Results for the year				
Revenue	11,219,541,197	10,732,165,865	190,134,023	134,837,248
Gross profit	2,283,901,189	2,426,066,850	190,134,023	134,837,248
GP Margin %	20.4	22.6	100	100
EBIT	960,356,251	1,336,546,737	114,012,109	110,973,985
Finance Cost	(123,504,463)	(110,309,956)	–	–
Profit Before Tax	836,851,788	1,226,236,781	114,012,109	110,973,985
Income Tax	(223,063,965)	(221,653,561)	–	–
Profit After Tax	**613,787,823**	**1,004,583,220**	**114,012,109**	**110,973,985**
NP Margin %	5.5	9.4	60.0	82.3
Profit Attributable to owners of Parent	426,337,940	500,195,995	114,012,109	110,973,985
At the Year End				
Stated Capital	679,999,949	679,999,949	679,999,949	679,999,949
Shareholders' fund	2,792,161,897	2,324,632,646	1,062,962,558	988,950,448
Minority Interest	2,187,817,665	2,209,053,730	–	–
Total Equity	**4,979,979,562**	**4,553,686,376**	**1,062,962,558**	**988,950,448**
Long Term Debt	1,528,284,410	847,366,851	–	–
Other Long Term Liabilities	1,171,243,425	980,362,588	3,778,569	1,992,436
Short Term Debt	982,621,627	653,294,885	946,776	–
Other Current Liabilities	1,743,130,771	1,503,653,017	3,976,871	3,552,427
Total Equity & Liabilities	**10,405,259,795**	**8,518,363,717**	**1,071,664,774**	**994,495,311**
Non-current Assets	6,173,738,645	5,141,926,685	960,541,333	959,933,673
Cash & cash equivalent	870,357,583	468,270,460	54,151,973	18,573,345
Other Current Assets	3,361,163,567	2,908,166,572	56,971,468	15,988,293
Total Assets	**10,405,259,795**	**8,518,363,717**	**1,071,664,774**	**994,495,311**

	Group		Company	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
For the Year Ended				
Cash Generated from Operation	1,316,654,444	1,127,875,246	73,606,156	156,446,342
Income Tax paid	(233,680,957)	(246,903,145)	–	(90,968)
Interest Paid	(123,504,463)	(110,309,956)	–	–
Gratuity Paid	(99,758,642)	(63,406,713)	–	–
Net Cash Generated from Operation	**859,710,382**	**707,255,432**	**73,606,156**	**156,355,374**
Capital Expenditure	(1,266,671,100)	(981,726,759)	(789,023)	(184,295)
Net Cash Generated from Investing activities	**(1,231,213,394)**	**(960,399,128)**	**1,025,695**	**(211,253,738)**
Dividend paid				
– Owners of Parent	(39,999,999)	(39,999,999)	(39,999,999)	(39,999,999)
– Minority shareholders	(134,574,147)	(41,608,944)	–	–
Net Cash Generated from Financing activities	560,769,049	(9,578,585)	(39,999,999)	(39,999,999)
Net increase in cash	**189,266,037**	**(262,722,281)**	**34,631,852**	**(94,898,363)**
Per Ordinary Share				
EPS	3.20	3.75	0.86	0.83
Net Assets	20.94	17.43	7.97	7.42
Market Value	20.00	42.10	–	–
DPS	0.30	0.30	0.30	0.30
Ratios				
Average cost of Borrowings %	9.32	11.17	–	–
Debt : Equity Ratio	50.42	33.10	–	–
ROE %	16.66	23.88	11.11	11.64
ROCE %	14.20	25.04	11.11	11.64
Interest Cover (times)	8	12	–	–
Liquid Assets Ratio	1.55	1.57	22.57	9.73
P/E Ratio	6	11	–	–
Market Capitalization	2,666,666,600	5,613,333,193	–	–
Enterprise Value	4,307,215,054	6,645,724,469	–	–

Chairman's Message



Dear Shareholder,

I welcome you to the 39th Annual General Meeting and take pleasure in presenting to you the Annual Report and Audited Financial Statements for the year ended 31st March 2012.

Local & global economic environment

Sri Lanka's economy sustained its post-war momentum, by recording a growth rate of 8.3% in 2011. This achievement surpassed the record growth rate achieved in the previous year. This impressive result was achieved in midst of several political and economic challenges in the global environment that involved economic meltdown in Europe and geopolitical turbulence in the Middle East. These global factors had an adverse impact on Sri Lankan market, especially the exports, vis a vis the garment and the plantation industries. The rising oil prices too caused a severe imbalance in the country's trade deficit and balance of payments. Although the oil prices were coming down in the recent weeks, the pressure on the price stability is likely to be a strain on our balance of payments in the current year as well. The Authorities have understandably effected a downward revision of the GDP growth for 2012 to 7.2% from the earlier estimate of 8%.

With the Monetary Authorities reported action in permitting the Sri Lanka Rupee to "float", the last quarter of 2011/2012 saw a very rapid depreciation of the Rupee by about 13.4%. This unexpected development had an adverse effect on all business entities that are import dependant including importers of raw materials for value addition. Although these policy changes had a short term impact on market volatility these measures will no doubt bring about an improvement in the current account deficit and external reserves. We are of the view that these measures should have been taken earlier, which could have then cushioned the short term negative effects. From a social point of view the government is expected to mitigate the adverse effects of price increases in electricity, petroleum etc through appropriate relief measures to the more vulnerable sectors which are nevertheless critically important for the economy. Measures taken to restrict imports of non-essential items such as vehicles etc., too was inevitable in the current scenario.

The pace of infrastructure development, especially in thrust areas of the economy such as Tourism have been encouraging and we remain confident that Sri Lanka is moving in the direction of realizing its true potential.

"The Group made a profit of Rs. 614 mn in a challenging year"

Corporate performance

The year under review was a challenging one for the Group. Profit after Tax (PAT) declined by 38.9% when compared to the results in the previous year: a milestone year when profits surpassed the Rupees One billion mark. The 22.5% reduction in the Plantations Sector's PAT was a key contributor to this decline. The Group's revenue increased by 4.5% to Rs. 11.2 billion, while Profit Attributable to equity holders of Sunshine Holdings reached Rs. 426 million during the year under review.

The Healthcare sector was the main contributor to the Group's success by accounting for 70% of its Profits in the year under review. Our diversified portfolio as a conglomerate helped to offset part of the downturn in the Tea and Rubber sectors: demonstrating its resilience in the midst of economic volatility. We continue to ensure a steady stream of dividends and offer excellent growth prospects for your investments.

The Group also initiated certain capital restructuring measures to deal more effectively with the uncertainty in the economic environment. During the year, the Group's subsidiary, Estate Management Services (Private) Limited (EMSPL) purchased 100% controlling interest in its subsidiary Watawala Marketing Ltd. for a consideration of Rs. 741 million.

Market Capitalization and Share Price

Market capitalization of your Company as at the end of the financial year was Rs. 2.7 Billion, mainly due to declining of the ASPI and MPI by 25% and 29% respectively. Liquidity constraints, foreign buyers moving to other markets, changes in regulatory practices too often were the main causes for the steep decline in the market performance witnessed during the year. Your company's share price traded between a high of Rs. 30 and a low of Rs. 18, closing the year at Rs. 20.

Outlook

As reported in my last year's review; Sunshine Holdings PLC will continue to strengthen its core businesses, which relates to critically important areas of Sri Lanka's economy. Our focused policy on diversification to other growth sectors will further strengthen the Group's overall performance. Your Board of Directors will continue to review and strengthen our capital structure bearing in mind the importance of over-coming unexpected market volatilities.

Our Group will continue to introduce new products to the market and add new agencies that would strengthen its leadership position in key segments of the healthcare market.

We are mindful that the next few quarters could result in a price adjustment of our products to accommodate the effects of depreciation of the Rupee. This adjustment combined with higher inflation, may serve to contract demand in the short term for the premium range we market. Increasing private sector investments in the sector, changing demographic and epidemiological patterns, increasing awareness on the benefits of diagnostics and nutraceuticals are trends that augur well for continuing growth and expansion of the Group's involvement in this sector.

We remain confident about the future in the context of the vast untapped potential of the Group's asset-rich plantations, and the role of agriculture in Sri Lanka's economy. Innovative thinking that can generate alternatives to reduce the vulnerability of commodities in world market conditions, and replace the current politicized model of

Chairman's Message *(contd.)*

> **"The Group would continue to bring in new products to the market and add new agencies that would strengthen its leadership position in key segments of healthcare…"**

recurrent wage increases are critically important to sustain the viability of as plantations that are severely burdened by competitiveness issues. We hope that a model that reflects the urgency and the critical need of productivity will replace the current ad hoc one in order to sustain the ongoing viability of the Tea industry. It is now evident that our strategy of diversification is a success that has facilitated the resilience required to withstand the downturn of the previous year. Other, equally experienced producers in the industry, who only engage in the production of Tea, do not enjoy this flexibility.

The Group is particularly optimistic about the potential of the Oil Palm crop. Several supply side factors combined with the increasing demand spurred by the product's value as cooking oil and its use as a raw material for Bio fuels, underscore its viability and potential for expansion.

The FMCG business of the Group will continue to strengthen market share of its top three brands namely, "Zesta", "Watawala Kahata" and "Ran The" and also focus attention on the launch of the company's own "Oliate": the Group's own brand of Palm Oil, in the local market.

Since we are confident about the future of the packaging business, and the Company will infuse new capital in the next financial year to build on its current market leadership and to harness the tremendous potential identified in key growth areas such as crown caps for the beverage market.

The environment friendliness of the metal packaging, when compared to the non-recyclable alternative of plastic packs also point to increasing demand in the future. The Packaging sector, thus stands well poised to benefit from a trend of increasing environmental awareness and concerns, which prompt a search for greener alternatives in packaging.

Rising energy prices during the year have emphasized the importance and the urgency of the need for alternative sources of renewable energy in the world. Sri Lanka's total dependence on petroleum derived thermal power has continued to be a strain on the country's finances. Your company considers this a key growth area and will actively search for other investments in renewable energy.

Acknowledgements

I wish to record my sincere appreciation to the fellow Directors including my colleagues in the Group, for their support and guidance. I am thankful to the Management Team headed by the Managing Director and other Executive Directors and all employees who have worked tirelessly with dedication and commitment in a difficult environment making every effort to add to shareholder value. I also extend my sincere gratitude to all shareholders for their trust and confidence placed on us.

Rienzie T. Wijetilleke
Chairman

29th May, 2012

Group Managing Director's Review

Dear Shareholder,

It is my pleasure to share with you the Annual Report and Audited Financial Statements for the year ended 31st March 2012, as the Group steps into its 10th year, as a public listed company in the Colombo Stock Exchange. Our entrepreneurial journey began in 1967, in Healthcare. Over four decades of business, and in the last twenty years in particular, the Group grew rapidly and diversified the scope of its business activities to be one of Sri Lanka's leading conglomerates today. At the start of a new financial year which marks our 45th year in business, I look to the future with renewed vigor, to continue to seek new opportunities and to keep expanding our boundaries in pursuit of sustainable growth.

Corporate Results

Your Group achieved a Profit after Tax of Rs. 614 million during a year in which it faced several challenges. The Profit achieved was thus 38.9% less than the previous year's record high; and this was mainly a result of a decline in the profits in the Plantations sector: a key contributor to your Group's profitability over the year. Although the post-conflict domestic environment of high economic growth, combined with low interest rates, and subdued inflation proved to be ideal for business, and other sectors of the Group performances were commendable during the year, the down turn in the Tea Sector negated these achievements to a fair extent.

Highlights

- Group revenue increased by 4.5% to Rs. 11.2 billion.
- Group's Gross Profit declined by 5.9% to Rs. 2,284 million.
- Earnings before Interest & Tax (EBIT) declined by 28.1% to Rs. 960 million.
- Group Profit after Tax (PAT) attributable to equity shareholders decreased by 14.9% to Rs. 426 million.
- Earnings per Share (EPS) decreased from Rs. 3.75 to Rs. 3.20.
- Commission of our first 1.62 MW hydro power plant.
- Focus on the environment with the planting of one million trees.

Segmental Performance

Healthcare

The Healthcare sector was once again the key contributor to Group's profits with a Profit after Tax of Rs. 429 million, which represents an increase of 25.3% over the previous year. A focus on higher margin products combined with the excellent market knowledge, a strong retail and distribution network, were key internal factors in the strong performance of this sector. Turnover in the sector grew by 7.6% to Rs. 4,656 million. When it comes to the question of controlling costs we need to bear in mind that employee-related costs constitute 70% of this sector's overheads. The increase in employee-related costs in this segment reflects the expansion of cadres during the year under review.

The sharper than expected depreciation of the Rupee following the Central Bank's abolition of the rupee trading band for more flexible exchange rate adjustment, will result in higher costs of imports and hence necessitate price revisions, which in turn would have the effect of diminishing sales.

Plantations

Being crop diversified, helped your Group's Plantations sector make a profit of Rs. 412 million, despite a downturn in the Tea industry, since profits from Rubber and Oil Palm more than offset the losses made in Tea.

The Tea sub sector recorded a loss of Rs. 501 million compared to a loss of 35 million the previous year, and this was a result of a dual impact of demand and supply side factors. Reduced demand from the Middle East - one of the key destinations of Sri Lanka's tea exports - due to political unrest in the region. This factor had an adverse effect on the Net Sales Average (NSA). The 27% wage increase that came into effect on 1st April 2011 served to increase costs of production (COP). The increase in wages had the effect of raising the daily wage from Rs. 447.50 to Rs. 572 per day. The combined effect of the devalued Rupee and higher wages led to the escalation of the cost of production by Rs. 100 per Kg of Tea. Adverse weather conditions at the beginning of the year, which resulted in a lower output, combined with the unfavourable market conditions we have already cited, had a depressing effect on profitability.

The Rubber sub-sector recorded a profit of Rs. 60 million, when compared to Rs. 139 million achieved during the previous year. This decline in profits was mainly due to a fall in the NSA, by around 10% over the previous year; a decline in output, as well an increase in COP due to a wage increase. The decline in prices reflected global market trends during the year, as reduced demand from some of the world's key markets such as the Euro zone, led to a decline in world prices for natural rubber.

The Oil Palm sub sector performed remarkably well and was the highest contributor to the sector with a Profit after Tax of Rs. 373 million, when compared to Rs. 165 million realised in 2011. A 28% increase in crop output, due to the use of improved agricultural practices, an increase in the extent cultivated, and a higher NSA, were factors, which contributed to this sharp increase in profits.

The FMCG business of the Group also opened two new Gift Tea Boutiques at the Bandaranaike International Airport and at the Arpico Super Centre in Wattala – two prime locations, during the year, bringing the total number Gift Tea Boutiques to five.

Packaging

The year under review saw the Packaging business hindered by many challenges that sprang up in the external environment. Most significant amongst them was the decline in Sri Lanka's tea exports, which in volume terms was 1.5%, due to the political unrest in its key export markets in the Middle East. This led to a reduced demand for tea Caddies – the key product segment of our subsidiary. The other was the sharp escalation in electricity and gas prices which led to higher costs of our manufacturing operations. Despite an environment of escalating costs of manufacture, the company managed to implement several cost containment measures that yielded tangible results.

Tea caddies sales, which accounted for over 50% of your Company's revenue declined by 15% to Rs. 106 million, thereby contributing to a decline in the sector's EBIT margin to 8.8% from 9.2% in the previous year. This resulted in a loss of Rs. 3 million compared with a profit of Rs. 10 million in the previous year. The increase in sales of biscuit cans to Rs. 70

Group Managing Director's Review *(contd.)*

"Being crop diversified helped your Group's Plantations sector to overcome challenges and remain profitable."

million from Rs. 38 million the previous year, could not offset the losses in the tea-caddies category. The sector however ventured into the manufacture of a new product, which has a high potential for growth: bottle crown caps for the local beverage market. Your company envisages expanding volumes in this range and strengthening its position as a supplier to leading beverage brands in the country.

Leisure

The Group's Leisure sector achieved a much higher profit; an increase of more than 180% to reach Rs. 2.6 million, when compared to Rs. 0.9 million earned the previous year. The Inbound Travel segment was the key contributor to this performance, recording a 48% increase in revenue over the previous year. The Outbound segment also performed well achieving a 22% increase in revenue, as ticket sales increased in volume as well as value terms during the year. The Gross Profit margins in the sector declined to 11.9% compared with 12.7% the previous year, due to the imposition of new taxes on air tickets and the re-classification of bungalow expenses.

Encouraged by the success of our 'Mandira' range of boutique bungalows launched in 2010, and by the excellent guest feedback and reviews on travel web sites, the Group opened its fourth bungalow named 'Mandira Taylor's Hill', in Deltota, Kandy in December 2011. The Group also made another significant initiative during the year by entering into a joint venture agreement with the Nadathur Group of Singapore, to develop and manage hotels in different parts of Sri Lanka.

Energy

The Group through its subsidiary Sunshine Power Ltd., commissioned its first Hydro Power Plant in February 2012 generating 1.62 Megawatts of power which is now added to the national grid. The construction of two more hydro power plants on Group's Upper Waltrim and Elgim estates currently await approval, and once completed, will begin to add a further 5.6 megawatts of power to the national grid by the second half of 2013.

Dividend

The Directors have proposed a dividend of Rs. 0.30 per share.

Outlook and Strategy:

In the Healthcare sector, your Group intends to focus on the higher margin products in the year ahead. The Pharmaceuticals range currently accounts for a majority of the sector's profits and your company will take steps to increase the share of Diagnostics and Surgicals in this portfolio. High growth forecast for some of the key segments in which we are market leaders, will contribute to our confident outlook in this sector for the next few years.

Demographic changes and trends evident in the environment further support the fact that your company is well poised for an enhanced role in the Healthcare market.

Rapid advancements in medical technology and fields of pathology and pharmacology and the pace of new R&D findings are integral to the healthcare business. And your Company is well suited to respond and keep abreast, as the principals it represents are some of the world's most renowned brands that provide leadership to the latest in technology and Research and Development.

"The Group commissioned its first hydro power project and will continue to actively pursue hydro and other forms of renewable energy"

The pace at which the demand for private sector health care is growing in the country, also highlights the need for accreditations and regulatory measures to ensure increased quality and reliability of health services provided by the private sector.

Your Group will intensify its efforts to improve productivity on our tea plantations to partially offset the impact of wage increases on COP, in the year that has just begun.

Despite the downturn during the year, your group remains optimistic about the future in view of the vast untapped potential of our asset-rich Plantations. Measures to address the fast eroding competitiveness in the tea sector, is however a prerequisite that needs to be urgently emphasized. Most significant amongst them is the need to replace the current wage model with one that reflects a long term perspective and a productivity oriented outlook. As has been repeatedly stated in the past, the successive wage increases mandated for the tea sector have been regressive, particularly in the year under review, because mandated increases contain no element for linking wage increases to productivity. We hope that a model formulated together with the involvement of all stakeholders of the tea sector with the long term in mind, will replace the current ad hoc and politicized wage increases which severely challenge the competitiveness of the industry.

Another important factor is the need for innovative alternatives that would help reduce the vulnerability of commodities to cyclical downswings caused by world market fluctuations. Greater value addition to tea and market diversification, exemplify measures, which have already been initiated by the industry. Crop diversification too that we have already introduced, has helped to sustain plantation companies when adversity affects one crop.

Prices of natural rubber are expected to remain at the current high levels despite the projected downturn in the Euro economies in 2012. Sri Lanka is the only country in the world which produces White Crepe rubber with certain unique properties, and for which the demand is less elastic in world markets. This is a significant advantage for the Sri Lankan economy and rubber producers and exporters, which augurs well for continued profitability in the sector.

The Group is particularly confident about the potential of the Oil Palm crop. The crop's productivity vis a vis other competing cooking oils, such as Coconut, Corn and Soya Bean, is significantly higher. Furthermore, harvesting is considerably less labour intensive, when compared to Tea and Rubber. These supply side factors combined with an increasing demand for the product's value as a cooking oil and as a raw material input in soaps, detergents, cosmetics and pharmaceuticals as well as a source for Bio-fuel, underscores its immense potential for the expansion.

The Group will continue to expand market share for its branded teas, namely "Zesta" "Watawala Kahata" and Ran The, in the local market. It also foresees tremendous potential in "Oliate", our own brand of Palm Oil, which is to be launched in the year ahead. The demand for "Zest" our brand of bottle water is likely to expand as demand for bottled water will continue to rise. We are also confident about the potential of our branded tea exports and therefore aim to increase exports to Australia and New Zealand during the next financial year.

Group Managing Director's Review *(contd.)*

"High growth forecast for some of the key segments in which we are market leaders, contribute to our buoyant outlook in the Health sector for the next few years… and demographic changes and trends evident in the environment further support the fact that your company is well poised for an enhanced role in the Healthcare market."

Your group has initiated several measures to address the lack of profitability in the Packaging sector and these include a restructuring of its product portfolio and operations, in the year that has just begun. We will expand products with high growth potential such as the production of bottle Crown Caps and also look to capitalize on our key strengths of high product quality and state of the art machinery, in finding product and market alternatives for tea cans.

Tourism has emerged as one of the world's fastest growing economic sectors and an extremely important one in post-conflict Sri Lanka for several reasons, - as a potential source of growth in employment and foreign exchange earnings. Your Group expects its Tourism sector to reflect this trend with increased growth and higher contribution to Group profitability in the ensuing years. We will, hence, increase our capital infusion into this sector. By recognising the tremendous potential of Sri Lanka as a destination, we will intensify our focus on Inbound travel and therefore expect Inbound Travel to enhance its contribution to the Group's Leisure sector revenue to 50% in the next two years; from the current level of 30%.

In addition to its contribution to the nation's development, Hydro Power generation is also a highly profitable avenue of business due to the low maintenance and operational costs involved. Moreover, rising world energy prices have reiterated the importance of developing alternative sources of renewable energy in the world. In the case of Sri Lanka the urgent call to develop sources of renewable energy has to be heeded since it relies mainly on oil and gas based thermal power. Thus, in addition to hydro power, your Group will also continue to explore investments in different sources of renewable energy over the next few years.

Sunshine Holdings will continue to focus on strategies which have served us well in the past and still remain suitable despite changes that may take place. The changed dynamics in the current environment, of a significantly depreciated exchange rate, rising interest rates, combined with the anticipated rise in cost of living has prompted us to review some of our strategies.

Our enterprise will also remain focused on a triple bottom line for sustainable growth and profitability. During the year under review our sustainable initiatives gave priority to thrust areas of Education and Health.

As the river that flows, in one direction, working its way through and over obstacles in its path but never being held back by any, your enterprise will stream ahead in the direction it has charted for itself. Whenever changing landscapes and events necessitate change and innovation, we will find new paths and create new tributaries through which our corporate energy will be usefully channeled. We will never change direction. We will endeavor to make our business a source of sustenance to those who are even beyond our immediate stakeholders. Our firm belief is that we are part of humanity set in an environment of abundance and interdependence.

Acknowledgements

I would like to express my sincere gratitude to my colleagues on the Board for their guidance, constant support and the confidence placed in me. I express my very sincere appreciation of their commitment to the 13,224-strong team, for their unwavering commitment, passion and tireless efforts that continue to drive the Group forward. I also extend a very sincere thank you to our shareholders, customers, business associates and other stakeholders for their support and inspiration as we look to the year ahead with optimism to capitalize on the numerous opportunities that the environment is bound to offer.

V. Govindasamy
Group Managing Director

29th May 2012

Management Discussion & Analysis

THE RIVER THAT FLOWS DESPITE ALL ODDS

Organizational Structure

SECTORS

HEALTHCARE

PLANTATIONS

FMCG

COMPANIES

SWISS BIOGENICS

SBL Ltd.

WP

Watawala Plantations PLC

WM

Watawala Marketing Ltd.

BRANDS

Abbott
A Promise for Life

ETHICON
a Johnson & Johnson company

3M

SIEMENS

Healthguard
pharmacy wellness beauty

Waltrim

Kenilworth

Adisham

Velai Oya

Zesta
Plantation Fresh

වටවල
කහට
තේ

Oliate

PACKAGING

LEISURE

ENERGY

Sunshine Packaging Ltd.

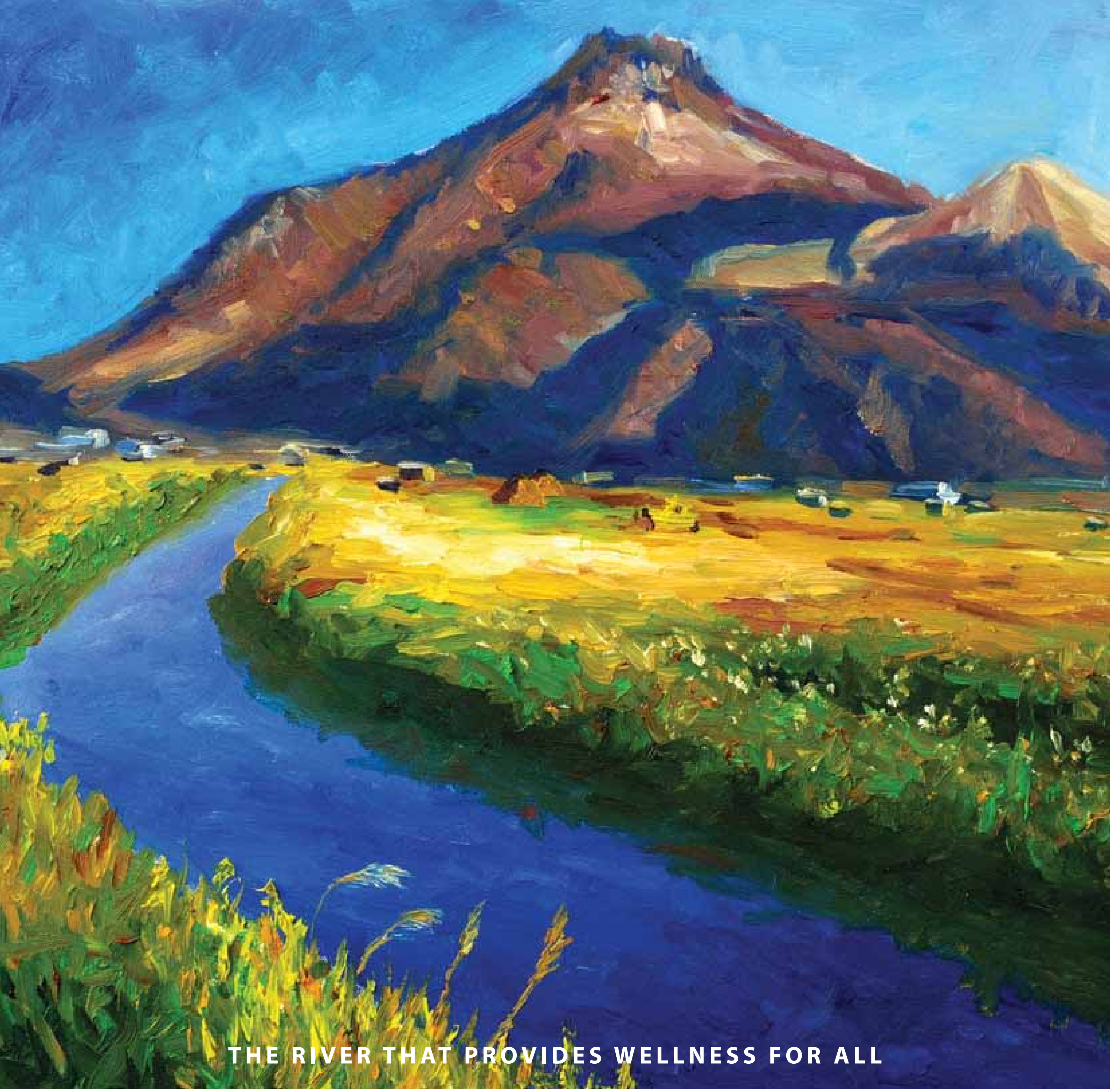
SUNSHINE TRAVELS & TOURS LIMITED

Sunshine Travels and Tours Ltd.

Sustainable Society

Sunshine Energy Ltd.

MANDIRA


THE RIVER THAT PROVIDES WELLNESS FOR ALL

Sector Review
Healthcare

The Group's Healthcare businesses consist of SBL Ltd. and Healthguard Pharmacy Ltd.

SBL established in 1967 is the partner of choice for international healthcare companies seeking to setup and develop their business in Sri Lanka, in the areas of pharmaceuticals, surgicals, diagnostics, medical devices and consumer health products. SBL is a leading market expansion services provider, with the largest specialized healthcare team, with over 300 medical marketing & sales personnel and over 200 physical distribution personnel.

SBL offers the healthcare industry a broad range of customized services from registration to importation, customs clearance, sales, marketing and merchandising, warehousing, physical distribution, invoicing and cash collection. Some of their international healthcare partners are Abbott Laboratories, Zydus Cadila, Glenmark Pharmaceuticals, Novo Nordisk, Johnson & Johnson Medical, 3M Healthcare, GE Healthcare and Siemens Diagnostics.

Healthguard Pharmacy Ltd., a 100% subsidiary of SBL, has established a network of 16 pharmacies across the Western Province over the last six years. Their modern pharmacy brand, offering a range of pharmaceuticals, wellness and beauty products has set the benchmark in healthcare retailing in the country.

Sector Review Healthcare *(contd.)*

Performance

The Healthcare sector performed excellently for the second consecutive year, making the highest contribution of 70% to Group's profits with a Profit after Tax of Rs. 429 million. Turnover during the year under review, increased by 7.6% to Rs 4,657 million. The sector employs 744 personnel and has total assets of Rs 2,606 million.

Our market knowledge, a strong retail and distribution network, efficient working capital management, and reduced finance costs were key internal factors in the strong performance of this sector.

The company is a market leader in the diagnostics segment and holds a dominant position in many of the therapeutic segments such as Cardiovascular, Diabetes, Gastro Intestinal and Dermatology.

Many new brands were launched during the year under review, of which the major launches were PediaPlus by SureLife Wellness (pediatric nutrition), Nucoxia by Zydus Cadila (pain management) and Victoza by Novo Nordisk (diabetes control).

International Brands

SBL represents major healthcare multinationals in pharmaceuticals, surgicals, medical diagnostics, and nutraceuticals, providing them with a broad range of market expansion services across registrations, marketing, sales and physical distribution. With over forty partners and over three hundred brands, SBL has during the year been able to increase their market share and revenues across the board.

During the year under review, we have partnered new healthcare companies in growth categories such as Oncology, Neuropsychiatry, Respiratory and Cardiac devices.

Own Brands

SureLife Wellness was established during the year under review to launch our own brands in consumer health and OTC space. We launched PediaPlus, a pediatric nutrition product, which has been well received in the market has contributed to this division's sales.

Cassel Research is the own brand range of pharmaceutical products from the company. Within a short span of three years, the Company has been able to establish major brands in therapeutic segments such as Diabetes, Pain Management and Anti Infectives.

Retail

The Healthguard brand was re-launched during the year to provide a new brand proposition of Total Well Being. This expanded concept offers more than a pharmacy with three main product segments, Pharmaceutical, Wellness and Beauty. The qualified personnel at our outlets will now be able to offer a value added service to customers; and they will continue to be trained regularly on technical as well as service delivery.

International Brands

Own Brands

Two new outlets were opened during the year, at Pitakotte and Wattala, bringing the total number of stand-alone Healthguard outlets to nine whilst the number of "shop in shop" outlets located in Keells Supermarkets stood at seven, for a total of sixteen outlets. Emphasis on service excellence has been a key value that has propelled Healthguard to become a leading retailing brand since its launch six years ago.

Outlook:

We are confident about on the high growth potential of the Healthcare business and its contribution to profitability. Positive growth forecasts for some of the key segments in which we are market leaders, contribute to our bullish outlook for the next few years. In the private healthcare sector, our estimates for growth for Diabetic products is 24.5%, for Cardiovascular 9.4% and Dermatology is over 10%.

Pharmaceuticals currently accounts for as much 80% of this sector's profits and your company will take steps to increase the share of Diagnostics and Surgicals in this portfolio. Several new surgical products will be launched during the middle of next year.

Demographic changes and trends evident in the wider market, further support the fact that your company is well poised for an enhanced role in the Healthcare market. Increased access to information has empowered patients and has resulted in greater awareness of the benefits of diagnostics and well being products for prevention and early detection of deceases. Moreover, non-communicable diseases are forecast to rise due to factors such as changing life styles, urbanization and an aging population.

Sri Lanka has the fastest ageing population in South Asia today and those 60 years and above is estimated to constitute 21.9% of the population by 2031 as per the World Bank's Ageing Study, 2008. An aging population and increasing average life spans would raise demand for preventive and therapeutic Geriatric products, Neuropyschiatry products, Painkillers and other well being products such as Vitamins. Thus, new products scheduled to be launched next year include Neuro-psychiatric drugs for conditions such as Parkinson's and Alzheimer's.

Rapid advancements in medical technology, fields of pathology / pharmacology and new R&D findings integrally

affect the healthcare business. And your company is well suited to respond as our international healthcare partners have sound research pipelines to continuously introduce innovative products to enhance their portfolio of brands.

THE RIVER THAT OVERCOMES DIFFICULT TIMES

Sector Review
Plantations

The Group's Plantation Business managed by its subsidiary Watawala Plantations PLC. (WPPLC) consists of Tea, Rubber and Oil Palm, which accounts for 69%, 6%, and 20% of the sector's revenue, respectively. Having entered the business of Plantations in 1997, the Group focused its attention on modernizing and expanding the Oil Palm Mill and Oil Palm Plantations respectively.

Sector Review Plantations *(contd.)*

Performance

The year under review was a challenging one for the Plantations sector. Profits After Tax in the sector declined by 22.5% to Rs. 413 million (including profit from discontinuing operations) compared with Rs. 532 million in the previous year and this was mainly due to a downturn in the Tea sub-sector. Profitability of the Rubber and Oil Palm sub sectors however, helped to offset the loss in the Tea sub-sector.

We are honored by the several official endorsements of our commitment to excellence –whether it be in our core business or in our work as a corporate citizen. The awards that WPPLC won this year include, The Gold award at the National Business Excellence Awards-2010 in the Agriculture & Plantations Sector, presented by the National Chamber of Commerce of Sri Lanka; the Gold Award for the 3rd year in succession for the Best Annual Report in the Plantations Sector awarded by the Institute of Chartered Accountants of Sri Lanka; Award for Outstanding Child Care Centre in 2009/2010 at regional level won by Florence Division of Abbosteleigh Estate, and the all island winner of the award "For Improving The Lives of Estate Workers" awarded by the Plantations Housing Development Trust in 2011, won by Homadola Estate.

Tea:

The Tea sub sector made a loss Rs. 501 million compared to a loss of 35 million in the previous year, and this was a result of certain demand as well as supply side factors. Reduced demand from the Middle East - one of the key destinations of Sri Lanka's tea exports due to geopolitical turbulence in the region, had an adverse effect on the National Sales Average; whilst a 27% wage increase that came into effect on 1st April 2011 significantly increased costs of production (COP). The wage increase during the year was particularly regressive as it contained no productivity component. The above, combined with adverse weather conditions at the beginning of the year, which resulted in a lower output, had a significant impact on profitability. Reduced demand also contributed to a slight decline in the Average Sales Price fetched by WPPLC, to Rs. 331.13 per Kg from Rs. 355.08 per Kg the previous year. Land productivity of our Up Country as well as Low Country estates continued to increase marginally over the previous year. Despite the downturn, your company continued to invest in quality-improvement measures, energy management and safety measures that will yield benefits in the future.

Rubber:

The Rubber sub sector recorded a profit of Rs. 60 million compared with Rs. 139 million achieved during the previous year. This decline in profits was mainly due to a fall in the National Sales Average (NSA), by around 10%, over the previous year; a decline in output, as well an increase in COP due to a wage increase. The decline in prices reflected global market trends during the year, as the economic downturn in some of the key markets weakened demand for natural rubber, causing a decline in world prices for natural rubber. Land productivity of WPPLC's rubber plantations fell far below Group's expectations with yield declining by 27% to 437 kg/ha from 604 kg/ha during the previous year. Having recognized the need for significant improvements, the Company adopted several site specific measures to address this issue.

Oil Palm:

The Oil Palm sub sector achieved excellent results during the year and was the largest contributor to the sector, with the highest ever Profit After Tax of Rs. 373 millions, compared to Rs. 195 million in 2011. A 28% increase in

crop output as a result of improved agricultural practices; an increase in the extent cultivated; and a higher NSA, were factors which contributed to this sharp increase in profits. Crop productivity reached 2,247 kg/ha whilst the NSA achieved by your company increased by 7.6% to Rs. 136.84 per kg .

Outlook

Despite the set back experienced during the year under review, we remain optimistic about the future and the vast untapped potential of the Group's asset rich plantations, and the role of agriculture in Sri Lanka's economy. However, crop diversity, and innovative thinking that produce alternatives to reduce the vulnerability of primary crops to world market conditions, and a sustainable model for wage increases, are prerequisites.

The company continued to invest in best practices, advanced scientific methodologies and technology, to boost profitability in the tea sector, and most of these are actions which will yield benefits with a time lag of two to three years. Some of the measures include Company and field-specific fertilizer programmes, "Shear Harvesting" and partial mechanized pruning.

The successive wage increases for the tea plantations mandated by the government during the past seven years have been regressive. As the tea plantations today are severely burdened by competitiveness issues, we hope that a model that reflects the urgency and the critical need of productivity will replace the current adhoc ones. Thus, we propose that the current employment guaranteed model of wage-based earnings be replaced by an income guaranteed

Sector Review
Plantations *(contd.)*

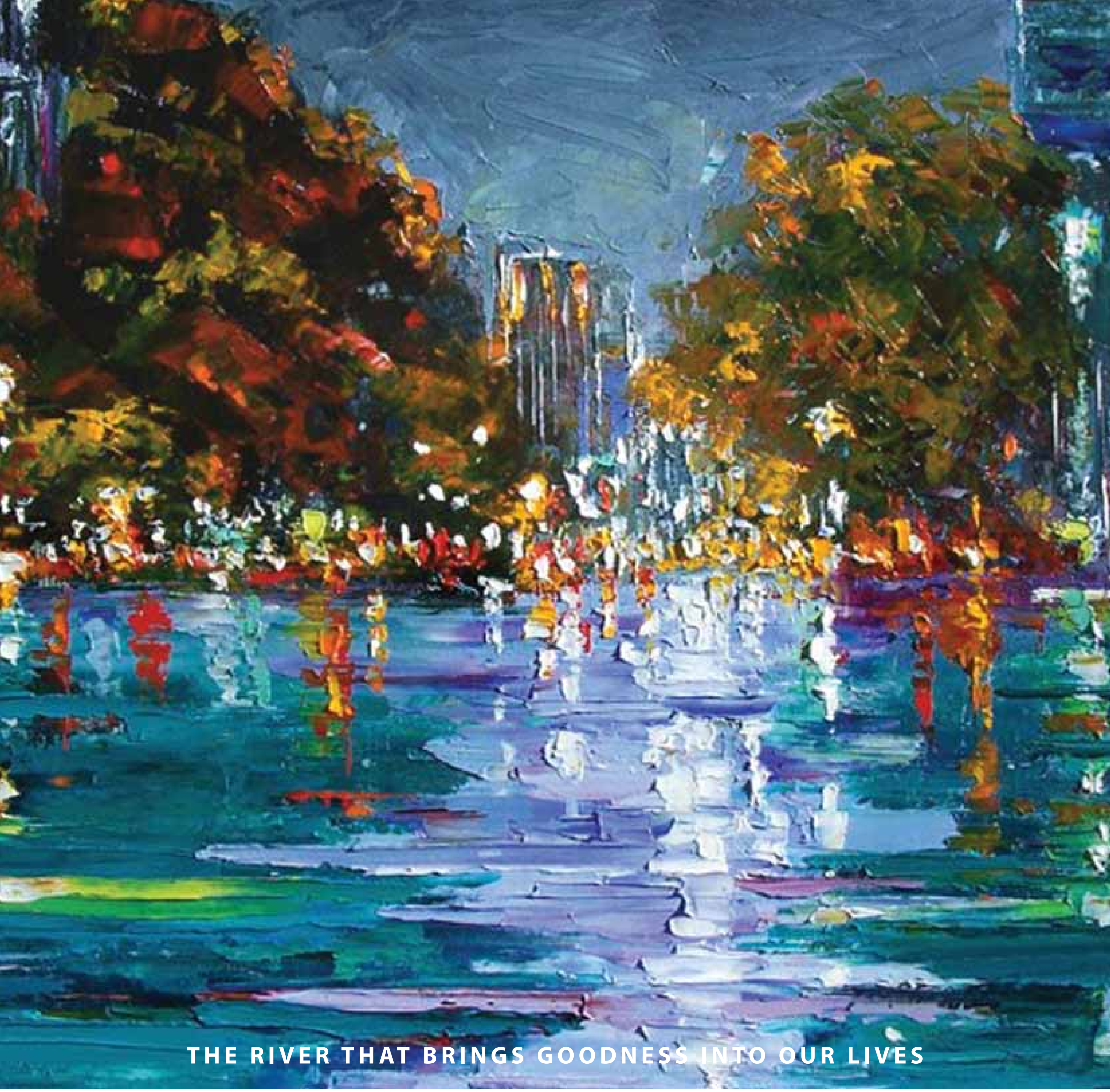
out-grower model – one which is win-win rather than win-lose in nature, and also one that facilitates greater worker empowerment.

The price of Natural rubber is expected to experience downward preassure in the short term, but pick up in the medium term. World energy prices and hence the higher cost of synthetic rubber, will be one of the many determinants

of price in the medium term. Several issues that hinder the performance of the rubber sector in Sri Lanka need to be addressed in order to increase profitability of the sector. These include, low land worker productivity, a decline in extents cultivated, high cost of production, labour shortages and the social disparities vis a vis other industries that also contribute to a worker shortage.

The Group is particularly confident about the potential of the Oil Palm crop. The crop's productivity vis a vis other competing cooking oils, such as Coconut, Corn and Soya Bean, are significantly higher. Furthermore, harvesting is considerably less labour intensive compared to Tea and Rubber. These supply side factors combined with an increasing demand for the product's value as a cooking oil, and as a raw material input in soaps, detergents, cosmetics and pharmaceuticals as well as a source for Biofuel, underscore the viability and the immense potential for expansion of this crop. Your Group envisages maintaining its leadership status in the industry, and also, supports the ambitious programme of the Ministry of Plantation Industry to increase the extent of Oil Palm cultivation from the present levels of about 6,000 ha to 25,000 ha. over the next few years .

World market trends also support the prospects for this industry. According to Global Industry Analysts, world trade in Oil Palm has seen a sharp increase over the last two decades and the world market for Oil Palm is expected to increase to 100 million tonnes by 2015. Extent of land under Oil Palm cultivation has also been on the rise. Moreover, the countries, which are at present the highest consumers of Oil Palm are not its producers and hence largely dependent on imports.


THE RIVER THAT BRINGS GOODNESS INTO OUR LIVES

Sector Review
FMCG

The Group's FMCG business, Watawala Marketing Limited (WML) was launched in 2001. The Company's brand portfolio today consists of three products; Tea, Edible Oil and Packaged Water. The Tea brands have become household name in Sri Lanka. The Company also introduced Gift-Tea Boutiques in 2001 and now runs outlets in hotels and other strategic locations.

Sector Review
FMCG *(contd.)*

Performance

During the year under review the sector's revenue increased by 14.5% to reach Rs. 1,757 million, while Profit After Tax increased marginally by 1.2% to Rs. 235 million.

Our three brands of Tea, namely "Zesta", "Watawala Kahata" and "Ran Thé" consolidated their position in the market despite fierce competition and new product entries. "Watawala Kahata" introduced to the market in 2002, enhanced the quality of its packing during the year and several new communiques were produced to market this new look.

WML also opened two new Gift Tea boutiques at two locations, the Bandaranaike International Airport and at the Arpico Super Centre in Wattala, during the year, bringing the total number of Gift Boutiques managed by the company to five.

Stringent fiscal discipline and effective supply chain management also contributed to WML's profitability during the year. Several efficiency measures were implemented during the year to enhance the company's supply chain management which would contribute to improved performance in the next financial year. One was an online direct debit system that has enabled WML to directly debit the bank accounts of distributors on payment due dates. The system had 70% of the company's distributors on line as at year end and will include all its distributors by the next quarter. This has greatly reduced paper work as well as working capital cycles. Another was the introduction of a pre billing system which helped increase distribution at the point of retail outlets.

Outlook

WML plans to increase its revenue substantially in 2013 by increasing the volume of the three brands of Tea. The Company is also optimistic about the potential of Zest – the packaged brand of water, as the demand for packaged water will continue to rise.

WML's Gift Boutique cum Cafes named "Tea Cup" in Hatton, and the "Tea Cup in Colombo" opened last year, would be moved under the management of the Group's Leisure sector in the next financial year as the synergies they have with this sector; due to the proximity of these outlets to the Group's boutique hotels, and the sector's expertise in service and hospitality would yield benefits to this business whilst facilitating greater efficiencies for WML. WML will focus on its Gift Tea Boutiques and look to capitalize on the surge in tourist arrivals.

"Oliate", our brand of Oil Palm that is now marketed on a trial basis, has been well received due to the product's properties, and WML is well poised to grow in this significant market for domestic cooking oils, once the product is launched.


Zesta
Plantation Fresh
the art of tea
Oliate
GREEN TEA
වටවල
කහට
Zest!


THE RIVER THAT ENHANCES OUR LIVES & BESTOWS BEAUTY UPON IT

Sector Review
Packaging

A pioneer in the manufacture and printing of metal packaging in Sri Lanka, Sunshine Packaging Limited (SPL) continues to be the benchmark for quality, and a market leader in its key product categories holding a 90% share of the tea caddies market, and being the second in packaging confectionaries. During the year, it continued to add to its portfolio by launching the production of crown caps for the local beverage market, and is today a supplier of crown caps to leading beverage brands in Sri Lanka.

Sector Review
Packaging *(contd.)*

Performance:

Whilst consolidating its position in packaging for the confectionaries market during the year under review, SPL launched the production of crown caps for the local market. It is a product stream with high growth potential and your Company is pleased to introduce a locally manufactured sub-stitute for a hitherto imported product, in a growing market. Our clients include Sri Lanka's leading beverage brands.

The year under review saw this sector face several challenges that sprang up in the business environment. Most significant amongst them was the decline in Sri Lanka's tea exports due to political turbulence in the country's key export destinations such as Iran, Syria and a few other Middle Eastern nations. Sri Lanka's tea exports declined by 14.2% whilst direct exports of our tea cans declined by 14.8%, thereby adversely affecting the packaging sector's performance during the first seven months of the year. Reduced demand for Tea packaging, which constitutes the largest product segment in the industry and produces 50% of it revenue, led to a 1.5% decline in total revenue derived from all product segments in the year under review; when compared to the results in the previous Gross Profit, however, increased marginally by 2%.

Another significant challenge was an escalation in energy prices, with gas prices rising from Rs. 124 to Rs. 194 per Kg, during the year, and an ensuing increase in transport costs. In this environment of escalating costs the company successfully focused on several cost management measures and tangible results were achieved, with per unit cost contained at satisfactory levels. Reduction in wastage of raw material and dividends from previously made investments in equipment that reduced energy costs and increased efficiencies, were some of the key contributing factors to containing unit costs.

Outlook

SPL's high product quality and state of the art machinery would be key leveraging factors in the next financial year when it will increase its focus on niche market and higher value products such as gift packs for specialty teas for the export market.

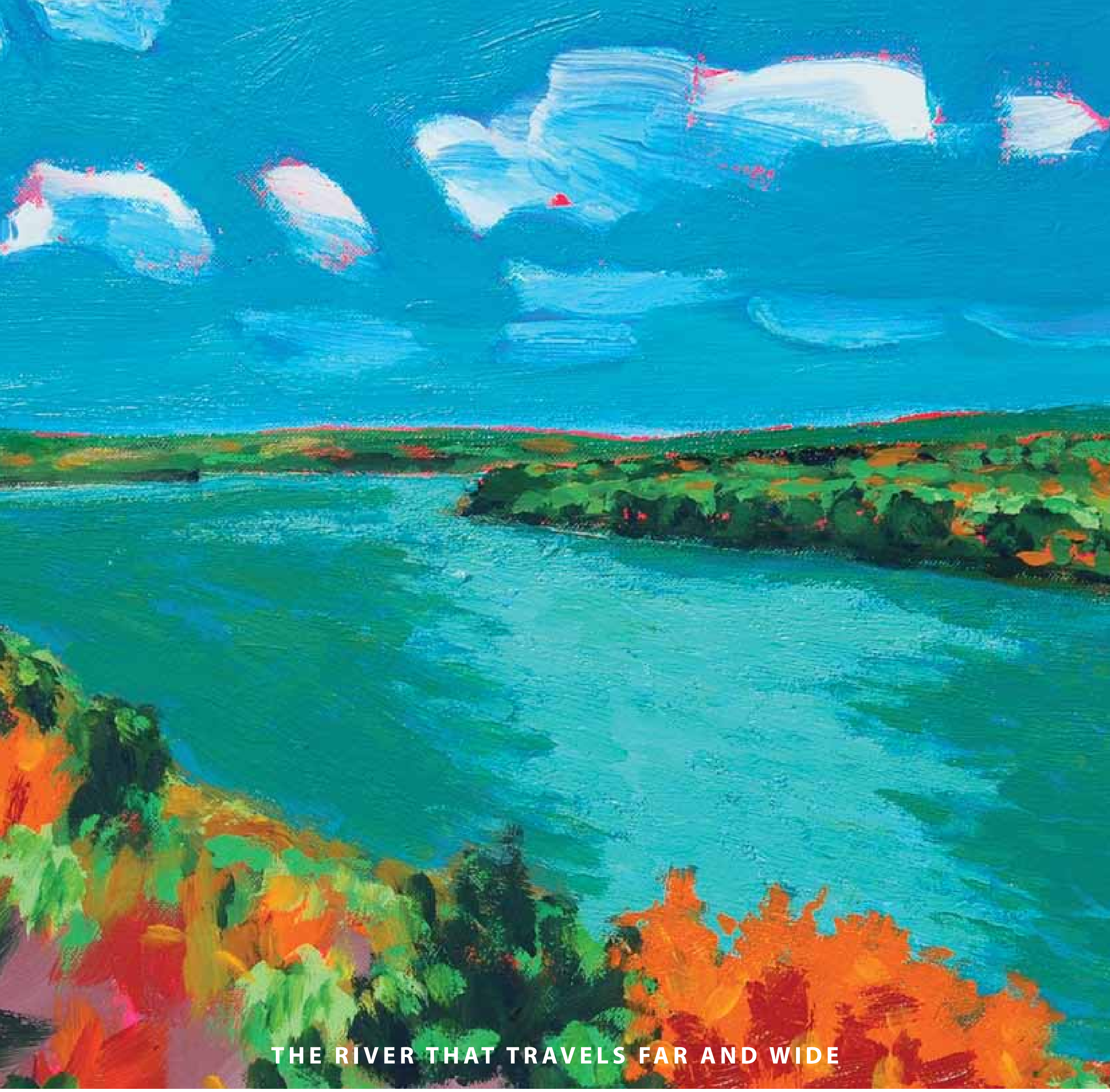
Greater value addition to our customers via vertical integration, such as taking on the process of packing products into containers rather than the supply of containers per se, would be an additional stream of revenue that will be realised in the next financial year. This activity would also move us closer towards the optimal use of certain fixed assets owned by the company.

Additionally, the company is also looking at diversifying in a new range of products as well as new markets for direct exports of its products. Amongst the new products being explored for packaging include paints and adhesives and packing of indigenous spices and herbs .

The higher cost of imports following the recent devaluation of the rupee is a challenge for us for the year ahead. However, being a local manufacturer that only imports raw material, places us more favorably vis a vis our competitors in the domestic market who are mainly importers of finished goods, and hence have less leverage over increased costs of foreign exchange. It is nevertheless of significant concern to us, SPL will be initiating several measures to counter the increased costs of imports. Integrating certain outsourced activities and processes into in-house operations, is one such counter measure indentified to help in cost containment in the next year.

The environment friendliness of our product as well as production process augurs well for the sustainability and growth of our business. Metal packaging is an environmentally friendly form of packing compared to the non-recyclable alternative of plastic packs and is thus seeing an increase in demand. In our heavy machinery-dependent manufacturing process the raw material used is recycled and the waste water is treated, in keeping with the Group's ethos. Thus, your company stands well poised to benefit from a trend of increasing environmental awareness and concerns, which prompt a search for greener alternatives in packing.

Looking ahead, the company will infuse new capital in the next financial year to build on its current market leadership positions in packaging for confectionaries and tea; and to harness the tremendous potential identified in key growth areas such as crown caps for the beverage market, and the opportunities created by the Indo Lanka Free Trade Agreement, which will increase Sri Lanka's price competitiveness vis a vis Chinese suppliers to India.



THE RIVER THAT TRAVELS FAR AND WIDE

Sector Review
Leisure

A relatively new business in the Group's portfolio, the Leisure sector, managed by our subsidiary Sunshine Travels & Tours Ltd., comprises Inbound and Outbound travel, and a Hospitality segment. The Group ventured into the Hospitality sector in 2010 with its own brand of boutique hotels – the 'Mandira' range, which offers a unique brand proposition. Sunshine Travels is now geared to meet the growing demand for Sri Lanka and to capitalize on the soaring opportunities in the Tourism sector.

Sector Review
Leisure *(contd.)*

Performance

The Group's Leisure sector achieved a sharp increase in profits, by more than 180% to reach Rs. 2.6 million compared with Rs. 0.9 million the previous year. The Inbound travel segment was the key contributor to this performance, recording a 54% increase in revenue over the previous year. The Outbound segment also performed well achieving a 40% increase in

revenue as ticket sales increased in volume and value terms during the year.

Encouraged by the successful launch of our "Mandira" range of boutique bungalows in 2010, the Group's maiden foray into the hospitality sector, the fourth bungalow, named "Mandira Taylor's Hill", was opened in December 2011, in Deltota, Kandy. We have been encouraged by the excellent ratings and guest feedback on the "Mandira" range on key trip-advisory web sites such as Agoda.com, which describe "a lovely colonial style bungalow with a homely feeling", having "fantastic service and views"; or, as "a peaceful oasis amongst tea plantations"; "a great place to relax, recuperate… or write a book"; or as having "the best food in Sri Lanka home cooked by an expert and definitely worth going back for".

The unique locations, attractive room rates, authentic cuisine and personalised service have been key success factors of this brand which offer guests an opportunity to experience a style of heritage-living, characteristic of the colonial era. The fourth bungalow coming on stream during the fourth quarter of the year, and initial expenses associated with it saw the Hospitality segment record a loss during the year under review, while revenue increased by 40%.

Sri Lanka sustained its post war boom in the Tourism sector in 2011, and saw arrivals exceeding the previous year's record high by 30.8%, to reach 855,975 whilst earnings from tourism, in US Dollar terms, rose sharply by more than 40%, compared with 2010. The increase in average spending per night by a tourist from US dollars 88 in 2010 to US Dollars 97 in 2011, was another encouraging fact for the industry.

Outlook

Tourism has continued to grow to become one of the world's fastest growing economic sectors and one of the most important sources of revenue for developing economies; for Sri Lanka it is the sixth largest foreign exchange earner.

Sri Lanka is today one of the most attractive destinations, and many have been the international accolades since the end to the thirty year war. Amongst the latest - The National Geographic Traveler Magazine has named Sri Lanka amongst its top six destinations for world travelers in 2012 describing the country's "many heritage sites, wildlife, lush landscape and pristine beaches"; Conde Nast Traveler ranks Sri Lanka as the sixth best destination for 2012; and Kuoni, in its annual poll, finds Sri Lanka amongst the "top five destinations for UK travelers and the number one destination for weddings" whilst Travel Asia Online in its March 2012 report ranks Sri Lanka the "best place to visit in South Asia".

In recognition of the tremendous potential of the destination, we will intensify our focus on Inbound Travel. We foresee the Inbound Travel business to grow to contribute 50% to the Travel Sector's revenue from the current levels of 30%, in the next two years. Links we have established in key emerging tourist markets will also contribute towards this end in the ensuing years.

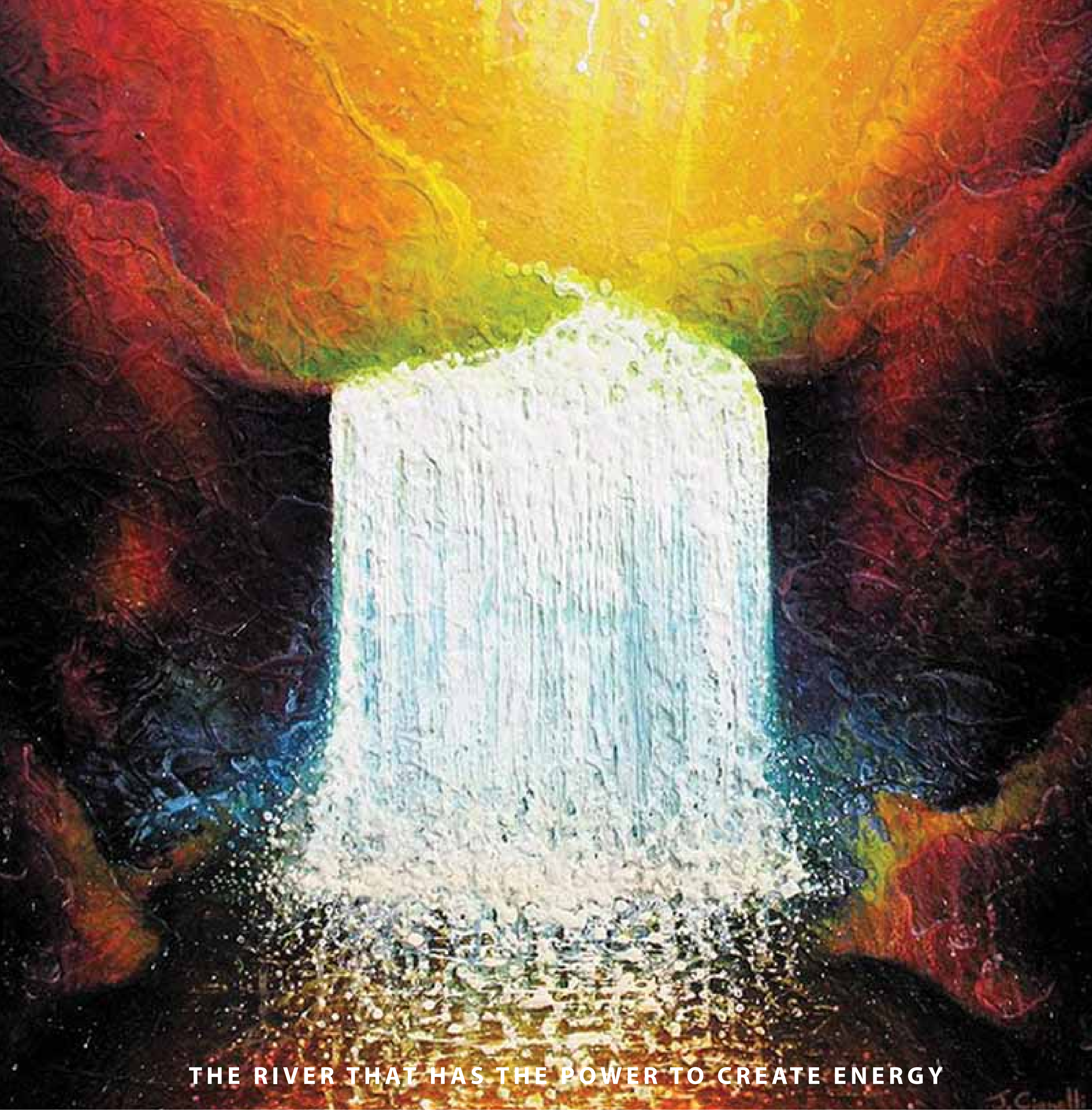
The personalized service at Sunshine Travels, and our ability to offer prompt and customized solutions have been key strengths which we will continue to focus on, in the Outbound Travel segment.

We will focus on consolidating our investments in the four 'Mandira' Bungalows opened thus far and strengthen the brand, and no new additions have been planned for the next financial year. The Group is also currently exploring opportunities to build and manage new hotels in different parts of the country, to capitalize on the strength of the Joint Venture established last year with the SilverNeedle Hospitality Company Limited of Singapore.

In the first quarter, the Leisure sector will also take on the management of the Café cum Tea Boutiques – "The Tea Cup" in Hatton and the "Tea Cup in Colombo" which were hitherto managed by the FMCG sector of the Group. The many synergies that we enjoy due to the proximity of these outlets to the "Mandira" boutique hotels, and our expertise in service and hospitality, will yield benefits.

The government's focus on the construction of roads, expressways and highways to improve the country's inter-regional and intra-regional connectivity is most encouraging. It would play a vital role in enhancing Sri Lanka's unique selling proposition – its ecological and cultural diversity within a tiny land mass. The Colombo-Katunayake Expressway; the Outer Circular Highway connecting the Southern Expressway and the Colombo-Katunayake Expressway; and Phase I of the Colombo Outer Circular Highway connecting Kottawa to Kaduwela have been under construction and once completed will reduce travel time significantly to a fraction of current time requirements. These and other infrastructure projects will play a key role in supporting the industry to move towards or exceed the targets set forth by the government: that of increasing tourist arrivals to reach 2.5 million by 2016, and direct and indirect employment in tourism to 500,000.

Your Group is thus, confident about on the prospects for its Leisure business in this high growth sector.



THE RIVER THAT HAS THE POWER TO CREATE ENERGY

Sector Review

Energy

Energy the newest addition to the portfolio as the Group ventured into the exploration and production of renewable energy via Sunshine Energy Ltd.; a subsidiary established for this purpose, in 2009. Two other subsidiaries Elgin-Hydro Power Pvt Ltd. and Upper Waltrim Hydro Power Ltd. were subsequently set up for two additional Hydro Power ventures.

Sector Review
Energy *(contd.)*

Performance:

Sunshine Power Ltd., commissioned its first Hydro Power Plant in February 2012 generating 1.62 megawatts of power. The power generated by the plant now earns a monthly revenue from the Ceylon Electricity Board (CEB) as per a power purchase agreement that the company entered into.

The other subsidiaries established, Elgin-Hydro Power and Upper Waltrim Hydro Power, are currently awaiting approval to begin construction of two more Hydro Power plants on Lower Waltrim estate and Upper Waltrim estate respectively. The Group expects construction to begin during the first quarter of the next financial year and for the plants to begin generating power during the second half of 2013.

Outlook

In addition to benefiting the country, Hydro power generation is also a highly profitable avenue of business due to the low operational costs associated with a plant.

Power generation by Thermal power sources in Sri Lanka has increased over the past few years exerting significant pressure on Sri Lanka's Balance of Payments and on the performance of the CEB. Hence rising energy prices during the year have reiterated the importance and the urgency of the need for alternative sources of renewable energy for the world; and for Sri Lanka in particular. The CEB has set itself "a target of 100% electrification of the country by year 2013" underscoring the need for hydro and other sources of renewable energy to meet demands that will only increase as the country aspires to increase the quality of life of its people. It is also encouraging that Sri Lanka's Sustainable Energy Authority (SLSEA) seeks to increase the share of renewable energy in power generation to 10% by 2015 and to 20% by 2020.

In addition to Hydro Power, the Group will continue to actively explore investments in different sources of renewable energy over the next few years.

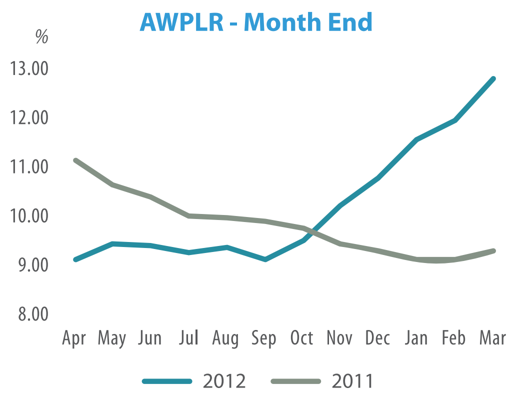
The Group's first power generation plant from construction to commissioning

Group Financial Review

Impact of the Macro-economic Environment

The government decided to use a managed exchange-rate float in order to curtail an expanding trade deficit that followed increases in world oil prices and an escalation of imports: the argument being that a gradual market-based devaluation of the rupee would make imports more expensive and exports more attractive to foreign buyers. Despite the challenge of a growing trade deficit, Sri Lanka has been able to sustain a post-war high growth momentum to achieve a GDP growth of 8.3%, compared to the rate of 8% in 2010.

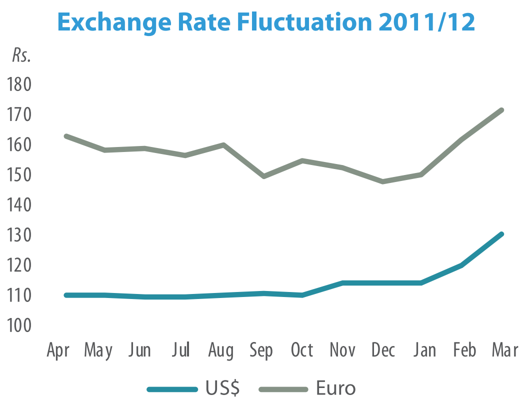
High GDP growth has had a favourable impact on the Group's FMCG sector due to an increase in consumption that was the backed up by high credit growth experienced during the early part of the year. The increase in tourist arrivals significantly benefitted the Leisure segment of the Group.



Subdued inflation, at mid-single digit levels and low interest rates, provided a growth facilitating environment during the first part of the year. Annual Average Inflation was 6.7% during the year, whilst Year on Year inflation in December was 4.9%. However, price increases in electricity, gas and fuel during the latter part of the year dampened sales growth in the Group's FMCG sector and increased production costs in the Packaging and Plantations sectors.

The government's decision to introduce a more stringent monetary policy for the purpose of arresting the sharp rise in the trade deficit, led to an increase in interest rates during the latter half of the year. The three months Treasury bill rate increased from 6.98% to 11%. The Repurchase Rate stood at 9.77 % in December, whilst the Commercial Bank's Average Prime Lending Rate (AWPLR) increased by 3.9% to 12.8% as at end March 2012.

The rise in interest rates resulted in an increase in cost of borrowings in the Plantations sector of the Group: thus adding to the other adverse factors faced by the sector, namely: a decline in the NSA, a significant increase in Cost of Production due to significant wage increases, and the reduced export demand attributable to the Libyan and Syrian crisis in the Middle East. The impact of higher interest rates on other segments however, was negligible, since debt financing in these sectors was much lower than in the Plantations sector.



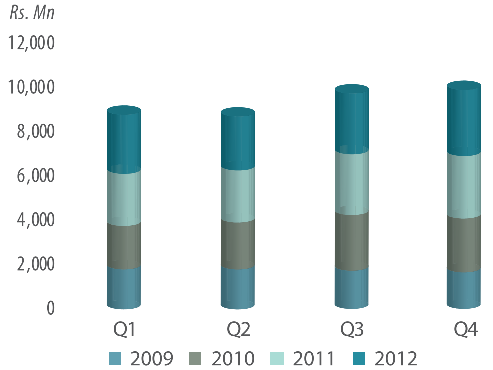
The Sri Lankan Rupee depreciated sharply, to reach Rs. 128.18 per US Dollar as at 31st March 2012 when compared to the rate of Rs.110.40 per US dollar reported at the end of the previous year. This sharp depreciation had a net negative impact on the Group, due to its reliance on imports being higher than the benefits derived from exports.

Group Review

Revenue

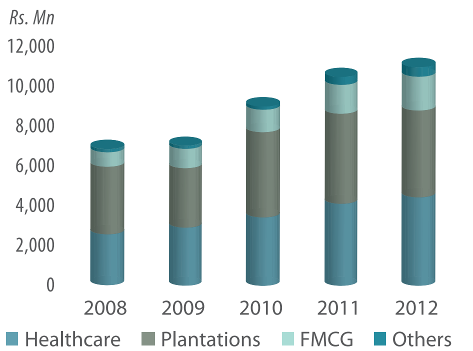
The turnover of Rs. 11.2 billion realized by the Group in a challenging environment represented an increase of 4.5% when compared to the previous year. This favourable result should be viewed against the background of the previous year being a record-breaking one; when turnover surpassed the Rs. 11 billion mark for the first time. All subsidiaries, except Plantations, performed well operationally in the year under review.

Group Revenue Quarterly



The revenue of Plantations sector's declined by 2.8 % from Rs. 4,664 million achieved in the previous year. The Tea segment contributed 69% of the sector's total revenue, but revenue in the Tea sector during the year under review declined by 11%, when compared to previous year. This adverse result was due to the combined effect of a slight drop in production and a decline in the NSA. Rubber and Oil Palm segments contributed 6% and 20% to total revenue respectively. This translate to a 14% reduction in Rubber sales and a 31% growth in Oil Palm sales in comparison to the previous year.

Composition & Growth in Group Revenue

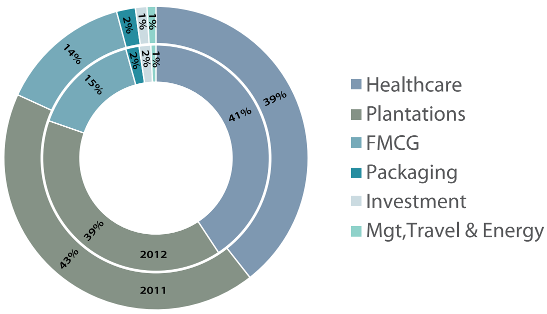


The Healthcare Sector turned in an impressive performance by making the highest contribution to Group revenue, and by recording a 7.6% growth in sales. Yet, this rate of growth was below the 14% growth recorded by the Pharmaceutical industry.

The FMCG sector performed well during the year, with a 14.5% growth in sales and a 15% contribution to Group revenue.

All sectors in the Group, except the Packaging sector achieved their revenue targets. The Packaging sector was not only unable to achieve the targeted revenue for the year under review, but also fell short of previous year's sales by 1.5%.

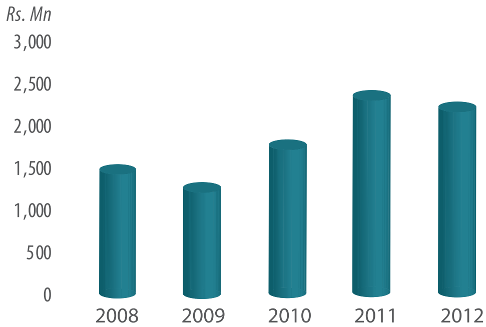
Segment Revenue Contribution 2012 & 2011



Gross Profit

Group Gross Profit decreased by 5.9%, from Rs. 2,426 million in 2010/11, to Rs. 2,284 million in 2011/12, due to several adverse conditions which affected the Plantations Sector. The Tea Sector recorded a gross loss of 11.4% during the year, against a gross profit of 6% achieved in the previous year. This decline was largely due to the combined effect of a drop in prices (of Rs. 28 per kg) and an increase in the Cost of Production (by Rs. 34/22 per kg).

Gross Profit



This rise in costs in the Tea sector was a result of the combined effect of supply as well as demand side factors.

Group Financial Review *(contd.)*

An increase in wages and adverse climatic changes had an adverse effect on the supply side, whereas the Middle East crisis affected the demand side.

The Health Sector, which continued to make the most significant contribution to profit, recorded a growth of 11.4% over the previous year. This result was mainly due to improved performance in the Surgical and Diagnostic (Non-Pharmaceutical) sectors, which recorded higher margins.

The other sector which made a noteworthy contribution to the Group was the FMCG sector.

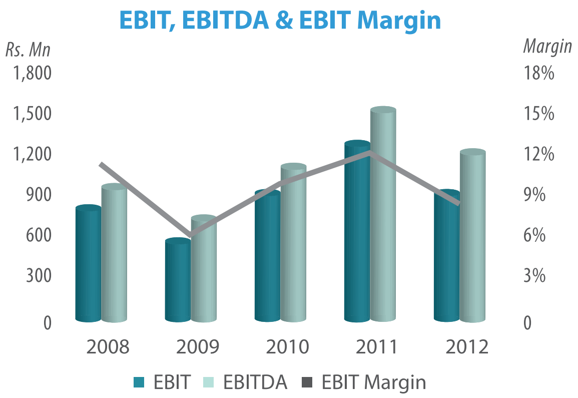
Other Income

Other Income increased significantly by 43.3% when compared to the previous year. This was largely due to the sum of Rs. 106 million earned from the sale of Gum trees in the Plantations sector, and the interest Income of Rs. 6 million earned in the Energy Sector.

Operating Costs

Total operating costs of the Group, which amounted to Rs. 10.5 billion for the year, constituted 93.5% of the Group's Net Revenue. This reveals a less favourable result when compared to the fact that the operating costs of Rs. 9.5 billion constituted only 89% of the Net Revenue, in the previous year. Direct operating expenses amounted to 85.2% of total Operating Costs (2011 – 86.9%).

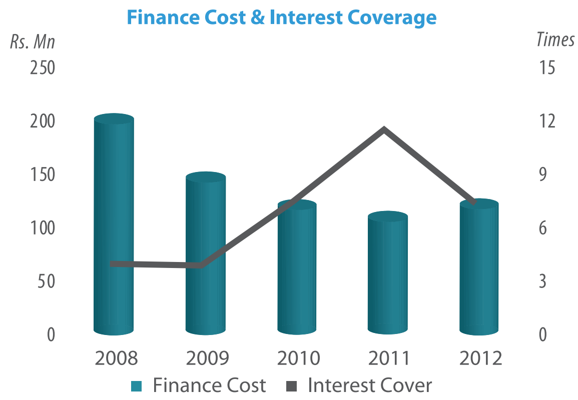
Group Earnings before Interest & Tax



The Group's Operating Profit, or Earnings before Interest & Tax (EBIT) declined by 28.2% during the year to Rs. 960 million. A 2.2% decrease in GP margin and a 2.3% increase in operating costs expressed as a percentage of Revenue were the main reasons for this decline.

The Group's Operating Profit margin also decreased from 12.45% in the previous year to 8.56% during the year under review. The key contribution to EBIT came from the Health sector, which also grew by only 1.7%, as a result of the loss of a few agencies. The Plantations sector, however, which contributed 23.7 % to Group EBIT, reported a 45.4 % drop in EBIT as a result of wage increases and a low NSA. The contribution from the FMCG sector increased to 20.1 % when compared to the previous year, due to an increase in the Gross Profit margins.

Finance Costs

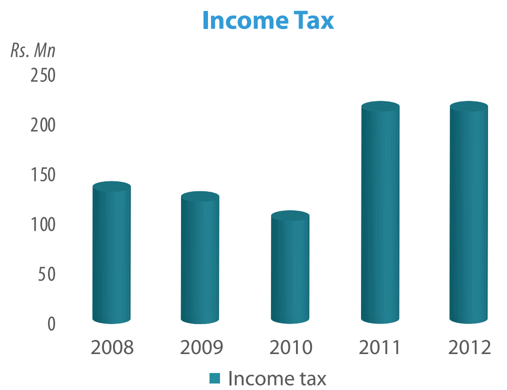


Finance Costs of the Group increased from Rs. 110.3 million to Rs. 123.5 million, due to an increase in interest rates during the latter part of the year. This increase was particularly evident in the Packaging sector, where Finance Costs rose by 54.3%. However, the Group's Average Cost of Funds declined from 11.17% to 9.32%, while interest cover decreased 12 to 8 times.

Taxation

The Group's provision for Taxation for the financial year 2012 was Rs. 223 million. This was a marginal increase of 0.6% that is attributable to a 7% reduction in the Income Tax rate to 28%, and a reversal of deferred Tax in the Health sector. The Gross Income Tax charge for the year was Rs. 250 million which was a 23.7% increase over the previous financial year. The Taxes paid by the Healthcare sector decreased from Rs. 195.8 million to Rs. 114.2 million during the year under review.

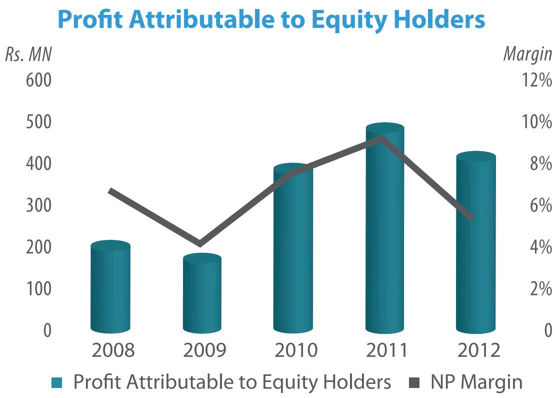
The Group's effective tax rate also increased from 18.1% to 26.6% for the financial year, when FMCG became liable for Income Tax from 2011/12. However, the Group still maintained a low effective tax rate due to its investments in the Agricultural sector, which continued to benefit from reduced tax rates.



Profitability

The consolidated net profit for the period declined significantly, by 38.9%, from Rs. 1004 million to Rs. 614 million during the year under review. This was a result of a sharp 54% reduction in profits in the Plantations Sector, to Rs. 243 million, (excluding a profit of Rs. 169 million from discontinuing operations) from Rs. 532 million recorded in the previous year. This sector was hence a key contributor to the decline in the Group's profit after tax.

The Profit attributable to Equity Shareholders of the Parent



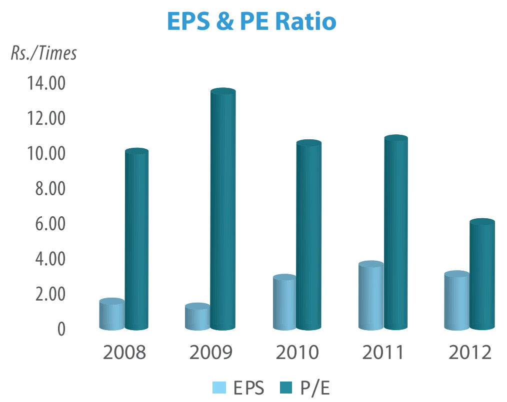
The Profit of Rs. 426 million, attributable to Equity Shareholders of the parent, represented a modest decline of 14.8%, when compared to Rs. 500 million earned in the previous year. The net profit margin of the Group declined to 5.5%, when compared to the margin of 9.4% recorded in the previous year. This adverse result was due to the reduction in the Plantations sector profits, during the year under review.

Minority Interest Share Holders

Profits Attributable to Minority Shareholders decreased significantly by 63%, to Rs. 187.4 million. The main factor, which contributed to this decrease was that profits earned by minority shareholders in the Plantations sector accounted for 72.59% of the Group's core profit: thus resulting in lower Minority Shares profit at Group level.

Earnings & Dividend per Share

The Group reported an 'Earnings per Share' of Rs. 3.20 for the year under review; which was a marginal 14.8% decline when compared to the result recorded in the previous financial year. The Board recommends a first and final dividend payment of Rs. 0.30 thus; bringing the total dividend payout for the year to Rs 39.99 million.

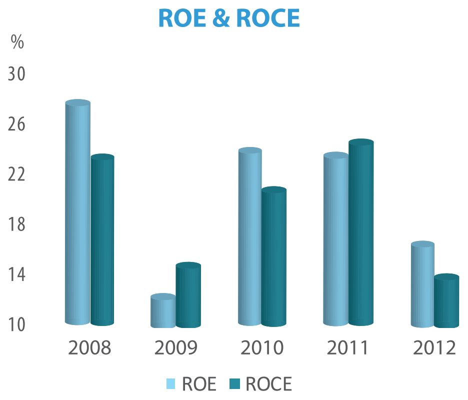


Return on Equity and Return on Capital Employed

The Group recorded a Return on Equity (ROE) of 16.66% for the financial year under review. The comparative figure for the previous year was 23.88%. The Group's return on capital employed (ROCE) decreased to 14.2% from the figure of 25.04% recorded in the previous year. The significant decrease in profitability of the Plantations sector; (excluding profit from discontinuing operations) coupled with the

Group Financial Review *(contd.)*

increase in long term borrowings of the Group were key factors that contributed to the decrease in the Group's ROCE.



Balance Sheet

The total value of assets increased by Rs. 1.89 billion to reach a level Rs. 10.4 billion. This was due to the increase in property, plant & equipment (power plant) and trading stock.

Net Assets per Share

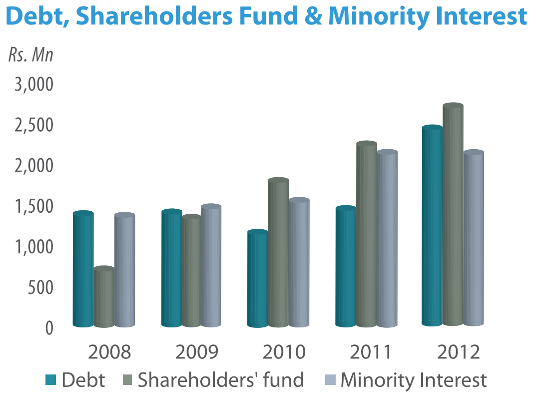
The Net Assets per Share of the Group as at the end of the financial year, March 2012, was Rs. 20.94. This represented a 20.1% increase in comparison to the Net Assets per Share of Rs. 17.43 recorded at the end of the previous financial year.

Working Capital

Working Capital of the Group as at the end of the financial year was Rs. 1.4 billion. The corresponding figure as at the end of the previous year was Rs. 1.2 billion. This result was due to an increase in inventory and cash that moved in tandem with growth in volumes. Yet, the increase in working capital was offset by an increase in Overdraft, Trade & other receivables. The increase of 15.3% was also reflected in the Group's current ratio, which remained at Rs. 1.5 times at the end of the financial year.

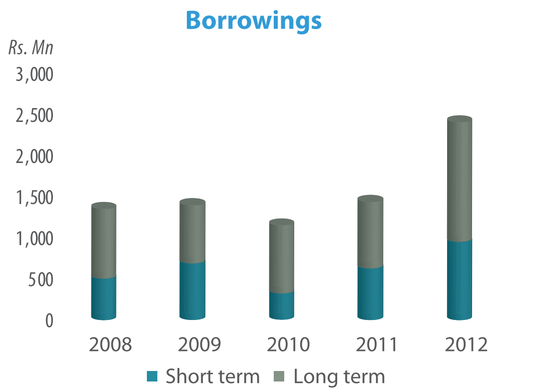
Capital Structure

Total assets of Rs. 10.4 billion were funded by shareholders' fund (26.8%), minority interest (21%), long term creditors (25%) and short term creditors (27.2%). Thus, the long term funding of assets was Rs. 7.6 billion: a ratio of 72.8% of total assets.



The total debt of the group was Rs. 2.51 billion: an increase of Rs. 1.01 billion from the previous year. The 67% increase in long term debt was mainly due to the long term financing arranged to fund the acquisition of Watawala Marketing Limited.

The Group's capital structure improved, with total equity increasing by 9.8%. The Debt to Equity ratio was 50.4%, compared to 33.1% that prevailed in the previous year. However, net debt increased substantially from Rs. 1,032 million to Rs. 1,640 million. This increase was mainly due to an increase in long term borrowings made at the end of the year.



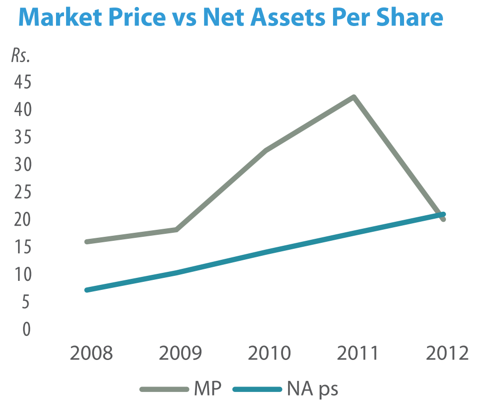
The net debt to equity ratio was 32.9% as against 22.8% recorded in the previous year. The low leverage ratios reflect the borrowing capacity of the Group, to fund its next stage of growth. It has confirmed this position by maintaining the debt to EBITDA cover at 0.5 times.

Cash Flow

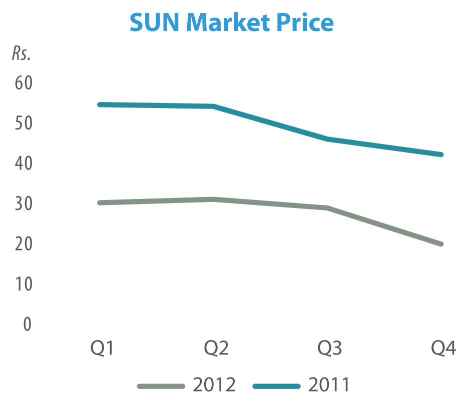
Cash & cash equivalents increased by Rs. 189 million to Rs. 203 million at the end of the year. Net cash from operating activities increased to Rs. 860 million from Rs. 707 million due to improvements in collection of trade & other receivables. Net cash used in investment activities was Rs. 1,231 million (2011 – Rs. 960 million) during the year under review.

Cash invested in Property, Plant & Equipment and intangible assets was Rs. 1,267 million. This result represents a 28.2% increase over Rs. 982 million invested in the previous year. This capital expenditure was incurred mainly in the Energy sector for setting up a power plant. Net cash used in financing activities was Rs. 561 million (2011 – Rs. (9.5) million). This decrease was mainly due to the proceeds from borrowings obtained for the acquisition of Watawala Marketing Limited. The Group retired debt amounting to Rs. 561 million during the year, and net cash proceeds received from new borrowings amounted to Rs. 1,296 million.

Market Price per Share and Market Capitalization



The market price of the company's share at year end was Rs. 20.00, when compared to Rs. 42.10 that prevailed at the end of the previous year. The lowest price at which shares were traded during the year under review was Rs. 17.00 whilst the highest traded price was Rs. 32.00. The total value of the shares traded during the year amounted to Rs. 43 million. Market Capitalization of Sunshine Holdings PLC at financial year end was Rs. 2.7 billion: a 52% decrease over the previous year.



The Colombo Stock Exchange (CSE) witnessed a correction in 2011/12, in the face of liquidity constraints, diminishing foreign participation, and an unexpected devaluation of the Rupee, which resulted in a sharp fall in valuations. The ASPI decreased by 29%, whilst the MPI decreased by 25%. The SUN share traded between a high of Rs. 30 and a low of Rs. 18 to close the year at Rs. 20.

Price Earnings Ratio

The Price Earnings ratio of the company at the end of the financial year was 6 times compared to 11 times at the end of the previous year.

IFRS Conversion

The Group is committed to adopting International Financial Reporting Standards (IFRS) by the year 2012/13

Outlook

- Our Group will continue to add new products and services to its portfolio and to the number of consumers it serves. New agencies will strengthen its leadership position in key segments of the Healthcare market.
- The Group is particularly optimistic about the potential of the Oil Palm crop, on account of several supply-side factors and the increasing demand for the product's value, as a cooking oil.
- The FMCG business of the Group will continue to strengthen the market share of its top three brands namely, "Zesta", "Watawala Kahata" and "Ran The" and also focus on the launch of the company's own "Oliate": the Group's own brand of Oil Palm, that will be introduced into the local market next year.
- The environment friendliness of the metal packaging, compared to the non-recyclable alternative of plastic packs will also serve to increase demand. The Packaging sector will stand to benefit from a trend of increasing environmental awareness for greener alternatives in packaging.
- Rising energy prices emphasize the importance and urgency of the need for alternative sources of renewable energy in Sri Lanka. The Company considers this a key growth area and will actively search for other investments in renewable energy.
- Sunshine Holdings will continue to strengthen its core businesses, while diversifying into other growth sectors in the economy. This strategy will help us to review and strengthen our capital structure in order to overcome market volatility.
- The Group has adopted a very stringent cost control method involving all stake holders in each business unit.

Corporate Governance

THE RIVER THAT FLOWS DESPITE ALL ODDS

Profile of the Board of Directors

Left to Right:

Seated: U. L. Kadurugamuwa, Govindasamy Sathasivam, Rienzie T. Wijetilleke, V. Govindasamy, Munir Shaikh.

Standing: Sarath Piyaratna, Samanthi Haddegoda, B. A. Hulangamuwa, A. Hollingsworth, N. B. Weerasekera, Shyam Sathasivam.

Rienzie T. Wijetilleke

Chairman

Mr. Rienzie T. Wijetiilke has been a Director/Chairman of the company since June 2006. 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.

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 SBL Ltd. 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 the 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.

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.

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.

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.

N. B. Weerasekera

Director

Mr. 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.

Profile of the Board of Directors *(contd.)*

Sarath Piyaratna
Director

Mr. Sarath Piyaratna is a Director of Nations Trust Bank 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.

Shyam Sathasivam
Director

Mr. Shyam Sathasivam is a Director of SBL 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.

A. Hollingsworth
Director

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

Samanthi Haddegoda
Jt. Company Secretary

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

B. A. Hulangamuwa
Director

Mr. B. A. Hulangamuwa 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.

Profile of the Executive Committee Members

V. Govindasamy

Group Managing Director

Refer Board of Directors' profile on page 61.

B. A. Hulangamuwa

Director - Sunshine Holdings PLC

Refer Board of Directors' profile on page 62.

S. G. Sathasivam

Director – Sunshine Holdings PLC

Refer Board of Directors' profile on page 62.

WDPL Vithanage

Group Chief Financial Officer – Sunshine Holdings PLC

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.

A. Pararajasingham

Group Head of Corporate Strategy & Planning – Sunshine Holdings PLC

Mr. Pararajasingham was a VP at JP Morgan, NY before deciding to move back to Asia to pursue his entrepreneurial quest in 2006. He joined the Group in AUG 2011, bringing his strong Investment Banking knowledge, ability to raise funds and identify growth opportunities in South East Asia and India, which will be of significant value to the Group. He graduated with a MBA from Univ. of Hartford, Connecticut (USA) and holds a Mathematics degree from Madras Christian College (India).

P. Mendis

Head of Group IT – Sunshine Holdings PLC

Mr. Mendis holds an MBA from the University of Colombo and B.Sc. in Mathematics from the University of Peradeniya. He counts for 26 years of IT experience of which majority of time with a well-known Multinational Company as the Head of IT. He was a member of the Presidential Task Force during the Y2K crisis, representing the Private Sector. He was a member of the Technical Advisory Committee to the Ministry of Science & Technology for three years. Padman carries wide experience in IT specially in the implementation of Enterprise Resource Planning systems such as SAP and BPCS.

D. Seevaratnam

Chief Executive Officer – Watawala Plantations PLC

Dr. Seevaratnam 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.

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 PLC in 1996.

Profile of the Executive Committee Members *(contd.)*

V. Wickramaratne

Chief Executive Officer – Watawala Marketing Ltd.

Mr. Wickramaratne 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 WPPLC.

B. Joseph

Chief Operating Officer – SBL 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

nutriceuticals both in Sri Lanka and abroad.

A. Vaithylingam

Director Operations – 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.

I. M. Ali

Director Operations – Sunshine Travels & Tours Ltd.

Mr. Ali obtained his degree from University of Kentucky, USA. He started his career in USA and held several management positions, In 2003 he returned to Sri Lanka to take up position as a Project Manager for Healthguard Limited. Since then he has held several positions within the Sunshine Holdings Group.

U. Dissanayake

Director Operations – Healthguard Pharmacy Ltd.

Mr. Dissanayake holds a degree in B.Sc. from the University of Kelaniya. He has started his career as a management trainee at John keells holdings PLC and counts 20 years of experience in the private sector specialized in retail management.

K. Krishnamoorthy M.Tech (IIT)

Head of Engineering – Sunshine Holdings PLC

25 years of service in Larsen & Toubro as a Senior Manager Engineering and extensive project management exposure throughout India & Overseas.

Samanthi Haddegoda

Director – Secretaries and Financial Services (Pvt) Ltd

Refer Board of Directors' profile on page 62.

Annual Report of the Board of Directors

The Directors have pleasure in presenting the 39th annual report of your company together with the audited financial statements of Sunshine Holdings PLC (SUN), and the audited consolidated financial statements of the group for the year ended 31 March 2012. 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 16th 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

Sunshine Holdings PLC is the Group's holding company. The principle activities of the company during the year under review were investment in subsidiaries and other 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, which together constitute the Sunshine holdings Group. The company and its business activities are described in the Annual Report.

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 Segments

The statement of Accounts was approved by the Board of Directors on 29th May 2012. The financial and operational performance and outlook of the company and the sectors, and its business units are best described in the management discussion and analysis and Group financial review sections of the annual report. These reports, together with the audited financial statements, reflect the state of affairs of the company and the group.

Segment wise contribution to Group revenue, results, assets and liabilities is provided in note 27 to the financial statements.

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 31st March 2011 are set out on pages 106 to 138.

Audit Reports

The Report of the Independent Chartered Accountants on the Financial Statements is given on page 105.

Significant Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 110 to 114. 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 2011/12.

Directors

The Board of Directors of the company as at 31 March 2012 and their brief profiles are given in the Board of Directors section of the Annual Report. In accordance with Article 84 of the Articles of Association of the company, they retire by rotation and being eligible offer themselves for re-election.

Annual Report of the Board of Directors *(contd.)*

The Company has also received notice of the resolution to propose the re-election of R.T. Wijetilleke, who is over 70 years of age, and who retires in terms of section 210 of the Companies Act. The resolution proposes that the age limit stipulated in Section 210 of the Companies Act No 7 of 2007 shall not apply to R.T. Wijetilleke and Mr. U.L. Kadurugamuwa who are over 70 years and that they be re-elected directors of the company.

In accordance with Article 91 of the Articles of Association of the company, Mr. A. Hollingsworth, Mr. B.A. Hulangamuwa and Mr. S. Piyaratna retire by rotation and, being eligible, offers themselves for re-election. The Group directory details the names of persons holding office as Directors of the company and all its subsidiary and associate companies, as at 31 March 2012 and the names of persons who were appointed or who ceased to hold office as Directors during the period.

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.

Directors

The Directors of the Company as at 31st March 2012 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 60 to 62. In accordance with the Company's Article of Association, Mr. A. Hollingsworth, Mr. S. Piyaratne and Mr. B. A. Hulangamuwa 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 2012, 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 2012, 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:

	2012	2011
Mr. R. T. Wijetilleke	1,000	1,000
Mr. G. Sathasivam	–	–
Mr. V. Govindasamy	3,330	3,330
Mr. S. Munir	–	–
Mr. U. L. Kadurugamuwa	–	–
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.

Revenue

Revenue generated by the company amounted to Rs. 190 million (2011 - Rs. 135 million), whilst Group revenue amounted to Rs. 11,219 million (2011 - Rs. 10,732 million). Contribution to Group revenue, from the different business segments is provided in note 27 to the financial statements.

Result and Appropriation

The profit after tax of the holding company was Rs. 114 million (2011 - Rs. 111 million) whilst the Group profit attributable to equity holders of the parent for the year was Rs. 426 million (2011 - Rs. 500 million). Results of the company and of the Group are given in the income statement.

The results for the year under review and change in Equity are stated in the income statement and in the statement of changes in equity on pages 106 and 109 respectively.

Detailed description of the results and appropriations are given below.

	Group		Company	
	2012	2011	2012	2011
Revenue	**11,219,541,197**	**10,732,165,865**	**190,134,023**	**134,837,248**
Profit & Appropriations				
Profit Before Interest & Tax	960,356,251	1,336,546,737	114,012,109	110,973,985
Less: Interest	123,504,463	110,309,956	–	–
Profit Before Tax	**836,851,788**	**1,226,236,781**	**114,012,109**	**110,973,985**
Less: Tax	223,063,965	221,653,561	–	–
Profit After Tax	**613,787,823**	**1,004,583,220**	**114,012,109**	**110,973,985**
Less: Profit for Minority Shareholders	187,449,883	504,387,225	–	–
Profit for Owners of the Parent	**426,337,940**	**500,195,995**	**114,012,109**	**110,973,985**
Less: Appropriations				
Dividend Paid	–	39,999,999	–	39,999,999
Proposed Dividend	39,999,999	–	39,999,999	–
Balance carried Forward for 2012	**386,337,941**	**460,195,996**	**64,012,110**	**70,973,986**

Dividend

The Directors recommend that a final dividend of Rs. 39,999,999 equivalent to Rs. 0.30 per ordinary share (2010/11 Rs. 39,999,999 equivalents to Rs. 0.30 per ordinary share) be paid on 10th August 2012 to those shareholders on the register of members at the close of business on ex-dividend date.

Prior to recommending the dividend and In accordance with Section 56(2) and (3) of the Companies' Act No. 7 of 2007, the Board of Directors signed a Certificate stating that, in their opinion, based on available information, the Company will satisfy the solvency test immediately after the distribution is made and have obtained a certificate from the Auditors in terms of Section 57 of the Companies' Act. Shareholder approval will be sought on the day of the AGM, to declare and pay the dividend of Rs. 0.30 per share.

Property, Plant & Equipment

The book value of property, plant and equipment as at the balance sheet date amounted to Rs. 763,825 (2011 – Rs. 156,165) and Rs. 5,535,800,234 (2011 – Rs. 4,593,895,604)

Annual Report of the Board of Directors *(contd.)*

for the company and Group respectively. Capital expenditure for the company and Group amounted to Rs. 789,083 (2011 – Rs. 184,295) and Rs. 1,266,671,100 (2011 - Rs. 981,726,759), respectively. Details of property, plant and equipment and their movements are given in note 2 to the financial statements.

Investments

Investments of the company in subsidiaries, and other external equity investments amounted to Rs. 817,752,548 (2011 - Rs. 817,752,548) and Rs. 142,024,960 (2011 - Rs. 142,024,960), respectively. Detailed description of the long term investments held as at the balance sheet date, are given in note 6 to the financial statements.

Reserves

Total reserves as at 31 March 2012 for the Company and Group amounted to Rs. 1,062,962,558 (2011 – Rs. 988,950,448) and Rs. 2,792,161,897 (2011 – Rs. 2,324,632,646), respectively. The movement and composition of the capital and revenue reserves is disclosed in the statement of changes in equity.

Share Capital

Details of the changes in the stated capital of the Company during the year are set out in Note 19 to the Consolidated Financial Statements. The stated capital as at 31st March 2012 was Rs. 679,999,949 divided into 133,333,330 shares. (2011 Rs. 679,999,949/- divided into 133,333,330 shares) The rights attached to the Company's ordinary shares in addition to those conferred on their holders by law, are set out in the Company's Articles of Association (the "Articles"), a copy of which can be obtained on request from the Company Secretaries.

Share Information

Information relating to the composition and distribution of shareholders of the Company as at 31st March 2012 is given on pages 140 to 141 of this Report. The percentage of shares held by the public was 10.96% (2011 - 10.95%).

Post Balance Sheet Events

No material events have taken place subsequent to the date of the Balance Sheet which requires an adjustment to or disclosure in the financial statements, other than those described in note 33 to the Accounts.

Related Party Transactions

Related party transactions in respect of the Group and the Company, for the financial year ended 31st March 2011 are given in Note 28 of the Financial Statements, on page 134 to 136 of the Annual Report.

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 87.

Contingent Liabilities and Capital Commitment

The Contingent Liabilities and Commitments made on account of capital expenditure as at 31st March 2012 are given in Note 30 and 31 to the Financial Statements.

Summary of Financial Information

A summary of the published results and of the assets and minority interests of the Group for the last ten financial years as extracted from the Audited Financial Statements and reclassified as appropriate is set in page no 146.

Directors' Interest and the Interest Register

The relevant interest of each Director in the stated capital of the Company has been notified by the Directors to the Colombo Stock Exchange in accordance with section 7.8 of the Listing Rules and the relevant entries made in the Interest Register accordingly.

The Company has maintained an Interests Register as contemplated by the Companies Act No 7 of 2007, this Annual

Report also contains particulars of entries made in the Interests Registers of subsidiaries which are public companies or private companies which have not dispensed with the requirement to maintain an Interests Register as permitted by Section 30 of the Companies Act No 7 of 2007.

Particulars of entries in the Company's interests register of interests in contracts

The Directors have all made a general disclosure to the Board of Directors as required by Section 192 (2) of the Companies Act No 7 of 2007 and no additional interests have been disclosed by any director.

Directors' share ownership details appear on page 66 under the Share Information

Board Committees

The composition of Board and other Committees as at 31st March 2012, are given below:

Audit Committee

Mr. S. Piyaratne - Chairman
Mr. B. A. Hulangamuwa

Remuneration Committee

Mr. R. T. Wijetilleke - Chairman
Mr. G. Sathasivam
Mr. N. B. Weerasekera

Corporate Governance

Directors' declarations
Mr. N. B. Weerasekera declares that;

a) the company complied with all applicable laws and regulations in conducting its business.

b) the Directors have declared all material interests in contracts involving the Company and refrained from voting on matters in which they were materially interested

c) the Company has made every endeavor to ensure the equitable treatment of shareholders

d) the business is a going concern with supporting assumptions or qualifications as necessary, and

e) have conducted a review of internal controls covering financial, operational and compliance controls and risk management and have obtained a reasonable assurance of their effectiveness and successful adherence herewith.

The Corporate Governance report is given under the Governance section of the Annual Report.

Sustainability

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

Employment

The group has an equal opportunity policy and these principles are enshrined in specific selection, training, development and promotion policies, ensuring that all decisions are based on merit. The Group practices equality of opportunity for all employees irrespective of ethnic origin, religion, political opinion, gender, marital status or physical disability. Details of the Group's human resource initiatives are detailed in the employees' section of the sustainability report.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the company and its subsidiaries, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the company and its subsidiaries, and all other known statutory dues as were due and payable by the company and its subsidiaries as at the balance sheet date have been paid or, where relevant provided for, except as specified in Note 31 to the financial statements, covering contingent liabilities.

Annual Report of the Board of Directors *(contd.)*

Auditors

Messrs. KPMG, Chartered Accountants, are willing to continue as Auditors of the company, and a resolution proposing their reappointment will be tabled at the Annual General Meeting. The Auditors Report is found in the Financial Information section of the Annual Report.

The Group works with 4 firms of Chartered Accountants across the group, namely, Messrs. KPMG, Messrs. PricewaterhouseCoopers, Messrs. Ernst & Young and Messrs. Kreston & Co. Details of audit fees are set out in note 07 of the financial statements. The Auditors do not have any relationship (other than that of an Auditor) with the company or any of its subsidiaries. Further details on the work of the Auditor and the Audit Committee are set out in the Audit Committee Report given on page 101 to 102 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.

Internal Control

The Board, through the involvement of the Group Executive committee, takes steps to gain assurance on the effectiveness of control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal control in the group, compliance with laws and regulations and established policies and procedures of the group. The Board has direct access to the Chairman of the Audit Committee. Reports of the d internal auditors are also reviewed by the Committee on matters pertaining to the company.

Going Concern

The Directors are satisfied that the Company, and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these financial statements.

Annual Report

The Board of Directors approved the consolidated financial statements on 29 May 2012. 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 on 4th July 2012.

Annual General Meeting

The annual general meeting will be held at the Taj Hotels of Colombo of Sri Lanka, Galle road Colombo 1, on Friday, 27th July at 10.00 a.m. The notice of meeting appears in the Other Information section of the integrated Annual Report.

This annual report is signed for and on behalf of the Board of Directors.

Rienzie T. Wijetilleke
Chairman

V. Govindasamy
Group Managing Director

Secretaries and Financial Services (Pvt.) Ltd.
Secretaries

29th May 2012.

Report of the Nominating and Remuneration Committee

The Nominating And Remuneration Committee appointed by the Board of Directors comprises three Non-Executive Directors namely Messrs. R. T. Wijetilleke, G. Sathasivam and Mr. N.B. Weerasekera. 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 calibre 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.

Rienzie T. Wijetilleke

Chairman - Remuneration Committee.

29th May 2012.

Corporate Governance

Sunshine Holdings PLC is the holding company of five subsidiaries namely SBL Ltd. and its subsidiary, Watawala Plantations PLC, Sunshine Packaging Limited, Sunshine Energy Limited and its subsidiaries, Sunshine Travels & Tours Limited. The Businesses of the subsidiaries are given on pages 27 to 51 of this report.

The Sunshine Group believes that the best way to communicate with stakeholders and other interested parties about the company's highest standard of integrity in their business activities is compliance with 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.

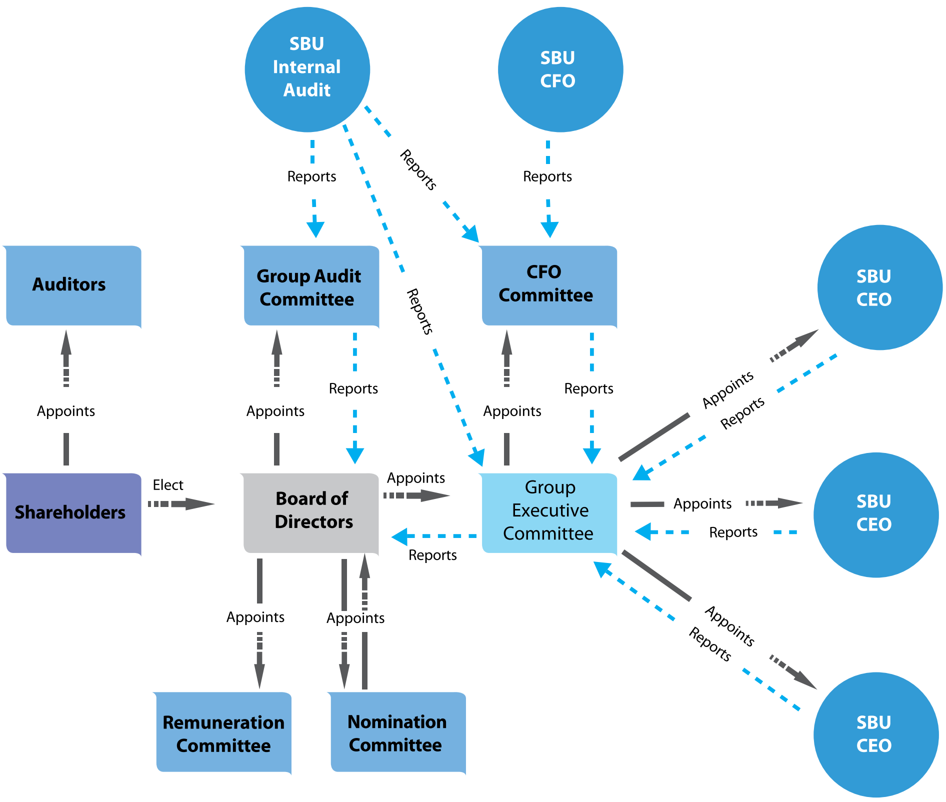
The Group corporate governance provides the directors and the corporate management a direction of their duties and responsibilities. These standards clarify the matters which require Board and committee approvals, advice or review.

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

Group Meetings

Group Executive Committee (Ex-com)

The Board has delegated powers to Group Executive Committee (Ex-com) in formulating strategies for the strategic business units/subsidiaries. Ex-com members are responsible for formulating strategies, action plans with respect to their business units which are subject to approval by the Board. Those strategies are presented in annual budget and discussed and approved by the ex-com before present to the Board. Also, Ex-com is responsible for



quarterly evaluation of the annual budget/plans and makes necessary changes/improvements to the initial plan. The Ex-Com is held quarterly and chaired by the Group Managing Director.

Group Executive Review Meeting (GECR)

The GECR is chaired by the Group Managing Director and held monthly to discuss finances & budgets for the period. This forum brings Chief Financial Officers of all the companies and questioned on the accounting procedures and disclosure of contingent liabilities & commitments.

CFO Committee

The CFO forum is held monthly to discuss financial issues within the Group such as good accounting practices and to evaluate borrowings & internal treasury management and also internal audit issues. This forum is chaired by Group Chief Financial officer.

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 Responsibilities and Rights

The Board has following powers to execute their responsibilities.

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

Business Performance: Reviews Business Results on a regular basis and guides the management by 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 84 of this report. Further, the Audit Committee report is also given in Pages 101 and 102.

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 making recommendations to the Board of Directors for adoption and release to the public. It recommends final dividends and payment of interim dividends to 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 practice the Company carries out a limited review half yearly by the external auditors.

Budgets: The Board is responsible for 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 whenever necessary. A total of four (4) meetings were held in the

Corporate Governance *(contd.)*

financial year ended 31st March 2012. 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. Piyaratna	05/05	100%
Mr. S. G. Sathasivam	04/05	80%
Mr. N. B. Weerasekera	04/05	80%
Mr. U. L. Kadurugamuwa	03/05	60%
Mr. B. A. Hulangamuwa	05/05	100%
Mr. S. Munir	02/05	40%
Mr. A. Hollingsworth	02/05	40%

Financial Acumen

The Board comprises one Senior Chartered Accountant and he 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 other than Mr.B.A.Hulangamuwa as defined under the Listing Rules of the Co-lombo Stock Exchange.

The Non-Executive/ Independent Directors are

Mr. R. T. Wijetilleke

Mr. S. Piyaratna

Mr. N. B. Weerasekera

Mr. Alan Hollingsworth

Mr. U. L. Kadurugamuwa

Mr. S. Munir

Mr. B. A. Hulangamuwa (Non- Independent)

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.

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, organizational 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 unit 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 it to attract and retain Directors of the calibre needed to direct the Group successfully. In the case of a 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 shareholders. In case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the nonexecutive director concerned.

The Remuneration Committee recommends 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. 29 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.

Going Concern

The Directors after making necessary inquiries and reviews including reviews of the Group's budget for the ensuing 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 or Group Managing Director as appropriate. Sunshine Holdings PLC website 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.

Delegation of Board Authority - Board Committees

The Board in discharging its duties, appoints various Board Committees. The function and terms of reference of the Board Committee are clearly defined and where applicable, comply with the recommendations of the code of best practice on corporate governance. The Group has two Board sub commitees,

Corporate Governance *(contd.)*

1. Audit Committee
2. Remuneration Committee

However, the Board of Directors are collectively responsible for the decisions taken by sub Board Committees.

Membership of Sub Board Committees are listed below

	Appointment to The Board	Nominating & Remunaration Committee	Audit Committee
Executive			
V. Govindasamy	08/02/2000		
G. Sathasivam	08/02/2000	●	
S. G. Sathasivam	13/06/2006		
Independent Non-Executive			
R. T. Wijetilleke	13/06/2006	●	
S. Munir	16/07/2010		
U. L. Kadurugamuwa	18/12/2010		
N. B. Weerasekara	21/11/2008	●	
S. Piyaratne	28/08/2006		●
A. Hollingsworth	28/02/2006		
Non-Executive			
B. A. Hulangamuwa	01/02/2002		●

Audit Committee

The Audit Committee reviews issues of accounting policy and their presentation for external financial reporting. It 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 101 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 Transactions

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.

The following section covers the compliance with rules & requirements of the Code of Best Practice on Corporate Governance issued by the Securities & Exchange Commission of Sri Lanka and the Chartered Accountants of Sri Lanka.

Subject	Rule/ Code No	Compliance Requirement	Compliance Status	Section	Page no
The Board of Directors	A 1	Company to be headed by an effective Board to direct and control the company.	Complied	Profile of the Board	60
	A 1.1	Regular Board meetings	Complied	Composition & attendance	74
	A 1.2	Responsibilities	Complied	Board Responsibility	73
	A 1.3	Act in accordance with the laws of the country and obtain professional advice as and when required	Complied	Annual Report of the Board of Directors	65
	A 1.4	Access to Company Secretary	Complied	Communication with stakeholders	75
	A 1.5	Bring Independent judgment on various business issues and standards of business conduct	Complied	The Directors are permitted to get professional advice when necessary and the Directors of SUN Group has obtained professional advice for certain matters during the year and coordinated through company secretaries.	65
	A 1.6	Dedication of adequate time and effort	Complied	The Directors allocate reasonable time for group matters and attend to the meeting & sub meeting with relevant readings & deliver their service to the group satisfactorily. Also, they seek additional information if necessary before the meeting and give comments for the decision taken even after the board meeting minutes are sent.	65
Chairman and CEO	A 2	Chairman and CEO and division of responsibilities to ensure a balance power and authority	Complied	Chairman does not involve himself in day to day operations of the Group and act as an independent non-executive director. CEO and executes powers given to him by the Board & runs the operation.	73
Chairman's Role	A 3	Facilitate the effective discharge of Board functions	Complied	The chairman is responsible for conducting meeting effectively and he preserves order and implements board decisions taken.	75
	A 3.1	Ensure Board proceedings are conducted in a proper manner	Complied	The chairman is responsible for the effective participation of both executive & non-executive directors, their contribution for the benefit of the group, balance power between executive & non-executive directors and control of group's affairs and communicate to stakeholders.	74
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Profile of the Board	74
Board Balance	A 5.1	Non-Executive Directors	Complied	Seven out of Ten are Non-Executive Directors	74
	A 5.2	Independent Non-Executive Directors	Complied	Six out of seven non-executive directors are independent	74
	A 5.3	Independence of non-executive directors	Complied	All independent non-executive directors are in fact free of any business with group and not involved in any activity that would affect their independence.	74
	A 5.4	Annual Declaration	Complied	Submitted the declarations as prescribed	69
	A 5.5	Determination of independence of the Directors	Complied	The independence of directors are determined based on declarations submitted by the non-executive directors.	74

Corporate Governance *(contd.)*

Subject	Rule/ Code No	Compliance Requirement	Compliance Status	Section	Page no
Supply of Information	A 6.1	Provide appropriate & timely information to the Board	Complied	Directors are provided quarterly performance reports, minutes of review meetings and other relevant documents in advance to the board meeting	74
	A 6.2	Adequate time for effective conduct of Board meeting	Complied	The minutes, agenda and reports for the board meeting are provided well before the meeting date.	74
Appointments to the Board	A 7	Formal and transparent procedure for Board appointments	Complied	Nomination committee make recommendations to the board on new Board appointments	75
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied		75
	A 7.2	Assessment of the capability of Board to meet strategic demands of the company	Complied	Profile of the Board	60
	A 7.3	Disclosure of New Board member profile and interests	Complied	Profile of the Board	60
Re election	A 8 – 8.2	Re-election at regular intervals and should be subject to election and re-election by shareholders	Complied	Re-election of Directors	74
Appraisal of Board performance	A 9 – 9.3	Existence of Board evaluation methods and execution	Complied	The chairman & Remuneration committee evaluates the performance of the Executive Directors	71
Disclosure of information in respect of Directors	A 10 – 10.1	Profiles of Directors Directors' interests Board meeting attendance Board committee memberships	Complied	Profile of the Board	60
Appraisal of CEO	A 11 – 11.2	Appraisal of the CEO against the set strategic targets	Complied	Evaluation is done by the chairman & remuneration committee based on the year beginning financial & non-financial targets set with the discussion of the committee.	71
Directors' Remuneration	B 1	Establishment of the Remuneration Committee	Complied	Discussed under sub committees	76
	B 1 – 1.3	Membership of the remuneration to be disclosed and should only comprise of Non-Executive Directors	Complied	Discussed under sub committees	76
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Discussed under sub committees	76

Subject	Rule/ Code No	Compliance Requirement	Compliance Status	Section	Page no
Relations with Shareholders	C 1.1	Counting of proxy votes	Complied	There is effective mechanism to count all proxies lodged on each resolution and balance and for against the resolution, after it has been dealt with on a show of hand.	151
	C 1.2	Separate resolution to be proposed for each item	Complied	SUN PLC propose a separate resolution at the AGM on each significant issue.	151
	C 1.3	Heads of Board subcommittees to be available to answer queries	Complied	Sub-committee chairman are participated for the AGM	149
	C 1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute	Complied	A copy of Annual Report including financials, Notice of Meeting and the form of Proxy are sent to shareholders 15 days prior to the date of the AGM.	149
	C 1.5	Summary of procedures governing voting at General meetings to be informed	Complied	Circulated through Notice of the Annual General Meeting	149
Major Transactions	C 2 – 2.1	Disclosure of all material facts involving any proposed acquisition, sale or disposition of assets	Complied	No Major Transactions taken placed during the year as defined by Section 185 of the companies Act No.07 of 2007. To be a major transaction it should be materially affect to the net asset base of SUN group net assets base.	76
Accountability & Audit	D 1.1	Disclosure of interim and other price-sensitive and statutorily mandated reports to Regulators	Complied	Annual Report of the Board of Directors	65
	D 1.2 – 1.5	Declaration by the Directors that the company has not engaged in any activities, which contravene laws and regulations, declaration of all material interests in contracts, equitable treatment of shareholders and going concern with supporting assumptions or qualifications as necessary	Complied	Annual Report of the Board of Directors	65
	D 1.3	Statement of Directors' responsibility	Complied	Directors' Responsibility report	100
	D 1.4	Management Discussion & Analysis of the businesses	Complied	Segment Analysis	132
Internal Control	D 2.1	Annual review of effectiveness of system of internal control.	Complied	At Ex-com & GEC review meeting evaluates the effectiveness of internal control system in operations and advice necessary changes/ improvements to the current system & get feedback as well.	73
Audit Committee	D 3.1	Audit committee composition	Complied	Composition of Audit Committee	101
	D 3.2	Terms of reference, duties and responsibilities	Complied	Clearly documented to Audit Committee charter	101
Communication with Shareholders	E 1 – 1.1	Regular dialogue to be maintained with shareholders	Complied	Shareholders are provided Quarterly financial statements and the Annual report. These reports are also available in Group web site & provided to the Colombo Stock Exchange.	75

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

Subject	Rule/ Code No	Applicable Requirement	Compliance Status	Details	Page no
Non-Executive Directors	7.10.1	At least one third of the total number of Directors should be Non-Executive Directors	Complied	Six out of Ten Dircetros are Non-Executive Dirctors	74
Independent Directors	7.10.2 (a)	Two or one-third of Non- Executive Directors, whichever is higher should be independent	Complied	Five Non-Executive Director are independent	74
Independent Directors	7.10.2 (b)	Each Non-Executive Director should submit a declaration of independence / non-independence in the prescribed format	Complied	Non- Executive Directors have submitted these declaration	74
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Disclosed in the report	74
Disclosure relating to Directors	7.10.3 (b)	The basis for the Board to determine a director is independent, if criteria specified for independence is not met	Complied	Given in page 74 under the heading of Board balance	74
Disclosure relating to Directors	7.10.3 (c)	A brief resume of each director should be included in the Annual Report and should include the Director's areas of expertise	Complied	Disclosed in the report	60
Disclosure relating to Directors	7.10.3 (d)	Forthwith provide a brief resume of new Directors appointed to the Board with details specified in 7.10.3 (d) to the CSE	Complied	Brief resumes have been provided to the Colombo Stock Exchange	74
Remuneration Committee	7.10.5	A listed company shall have a Remuneration Committee	Complied	Remuneration Committee comprises of Mr. R.T. Wijetilleke, Mr. N.B. Weerasekera and Mr. G. Sathasivam	69
Composition of Remuneration Committee	7.10.5 (a)	Shall comprise Non-Executive directors a majority of whom will be independent	Complied	Disclosed in the report	76
Remuneration Committee Functions	7.10.5 (b)	Shall recommend the remuneration of the Chief Executive Officer and the Executive Directors	Complied	Disclosed in the report	69
Disclosure in the Annual Report relating to Remuneration Committee	7.10.5 (c)	The Annual Report should set out Name of Directors comprising the Remuneration Committee.	Complied	Disclosed in the report	76
		Statement of Remuneration Policy.	Complied	Disclosed in the report	71
		Aggregated remuneration paid to Executive and Non-Executive Directos.	Complied	Disclosed in the report	137

Subject	Rule/ Code No	Applicable Requirement	Compliance Status	Details	Page no
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Audit Committee Report	101
Composition of Audit Committee	7.10.6 (a)	Shall comprise of Non-Executive Directors, majority of whom will be independent	Complied	Audit Committee consists of independent Non-Executive Directors	101
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an independent Non-Executive Director	101
		Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings	Complied	Chief Executive Officer and Chief Financial Officer attend meetings by invitation	101
		The Chairman of the Audit Committee or one member should be a member of a professional Accounting body	Complied	One member of the Audit Committee is a Chartered Accountant	101
Audit Committee functions	7.10.6 (b)	Should be as outlined in the section 7.10 of the listing rules	Complied	The terms of reference of the Audit Committee have been ratified by the Board	101
Disclosure in the Annual Report relating to Audit Committee	7.10.6 (c)	a. Names of the Directors comprising the Audit Committee	Complied	Disclosed in the report	101
		b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Complied	Disclosed in the report	101
		c. The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions.	Complied	Disclosed in the report	101

Sustainability & Risk Management

THE RIVER THAT FLOWS DESPITE ALL ODDS

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, expose 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 to in our business activities and the related responses are set out below:

Risk Category	Risk	Corporate Impact	Mitigating Actions	Risk Rating
Business	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 Oil Palm to meet edible standards.	Moderate
	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.	Moderate
	Profitability risk	Drop in share prices, loss of investor confidence, restricts expansion and new investments.	Group has now diversified from the traditional lines of tea, rubber, oil palm 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	Low
	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. Dollars wherever profitable and obtains block loans on low interest rates such as loans refinanced by ADB and JBIC	Moderate

	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	Low
	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	Moderate
	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	High
	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.	Moderate
Market	Loss of Business Contacts	Loss of Principals due to mergers and acquisitions	Regular meetings and direct communication and achieving targets, strengthening relationships	High
	Operational risk	Fraud, 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.	Moderate
	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.	Low
	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	low
	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	Low
	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	Low
	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	Low
	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	Moderate

Risk Assessment and Management *(contd.)*

Environment	Unfavorable weather patterns	Loss of produce	Low and high shade establishments, improving water retention capacities on estates, drought resistant cultivars, folio application to prevent excessive transpiration during dry spell	High
	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	High
	Soil erosion	Declining soil fertility and reduced yields	Adoption of practices such as draining to prevent surfs runoff and Sloping Agriculture Land Technology (SALT),	Moderate
	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.	Low
Human Resources	Work stoppages and go-slow	Loss of produce, overgrown tea bushes, untapped rubber trees, un plucked oil palm 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.	High
	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	Moderate
	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.	Moderate
	Health & safety of employees	Occupational hazards at factory	Implementation of Workmen Compensation and an adequate general insurance scheme and company welfare fund	Low
	Inadequate quality of drugs	Risk of drug quality quality failure due to manufacturing or storage quality	Implementation of stringent drug registration process involving audit of manufacturing plants; ensuring	High

Sustainability Report

"An integral part of our vision is to be a role model corporate citizen and a respected employer, and our core values of being socially responsible and contributing to nation building drive our CSR commitments in these (Health & Education) key sectors."

– V. Govindasamy, Group Managing Director

Introduction:

Sustainable Development, albeit a buzz word today, is also an essential value that enlightens us, that a business cannot sustain its success in isolation, and how its long term profitability ultimately depends on how favaourably it impacts communities and the environment, which it is part of. Thus is the need for an enterprise to expand its focus beyond profits to encompass the other two bottom lines that it invariably impacts - people and the planet. Sunshine Holdings PLC' initiatives to uplift people and planet gave priority to thrust areas of Education and Health, during the year that just ended.

Commitment to ethical practices for sustainable business,

Some of the internationally recognized certifications and memberships we have obtained well exemplify how we have integrated our focus on the economic with that of the social and environmental performance of our enterprise. These include membership in the Ethical Tea Partnership (ETP) alliance and the Fairtrade Certification.

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. All our tea gardens except for one – Talangaha, have gained membership in the ethical Tea Partnership (ETP). It is an endorsement that the tea we produce has been manufactured in a socially just and environmentally sustainable manner.

Fairtrade certification is based on the belief that trade should not merely 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 impact the environment favourably. This enables people to identify products that meet agreed environmental, labor 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. Reflecting the Group's commitment to eradicating unfair social and environmental practices, seven plantations are Fairtrade certified and Abbostleigh was the first and only high grown tea factory in Sri Lanka to receive this certification.

Our quest for Quality

Cognizant of the value of the quality of our processes for the sustainable growth of our business, we have adopted an approach of continuous innovation and improvement of the company's processes. And this applies across the board whether it be the processes we follow on the factory floor, or the processes with which we evaluate our people at our corporate office or obtain management information.

Sustainability Report *(contd.)*

Accolades

Cognizant of the value of the quality of our processes in order to sustain the growth of our business, we have adopted an approach of continuous innovation and improvement of the Company's processes. And this applies across the board, whether it be the processes we follow on the factory floor, or the processes with which we evaluate our people at our corporate office or obtain management information.

Accreditations

Six of our subsidiary's estates namely Kenilworth, Carolina, Shannon, Dickoya, Abbotsleighe and Homadola are ISO 22000 certified.

Social Initiatives

Education:

Supporting the upgrading of English teaching in rural areas

During the year, the Group made a contribution of Rupees One million to the Council for Business with Britain (CBB) to upgrade English language skills amongst English teachers in rural areas via the British Council's English Language Teaching (ELT) project. The initiative would help improve the quality of English teaching and teaching practices in schools and this funding will target training of teachers in the upcountry areas, where most of the Group's plantations are located.

Scholarships for deserving students

Our plantations subsidiary Watawala Plantations PLC (WPPLC), continued to award scholarships to children of employees of all categories. Obtaining a higher education or even completing school education is a dream of most parents and children; but often an unrealized dream for some due to the lack of economic means. Your company thus took on the task of helping many over a decade ago, and has benefitted more than 165 students during that period. During the year under review, we granted 26 scholarships to GCE Advanced Level students and 13 scholarships to undergraduates to pursue a higher education in local universities.

Additionally, the company also provided financial and support in kind, such as books and stationary to address the issue of school drop outs in the lower grades.

Education for the differently abled

Group's subsidiary WPPLC continued to fund and manage the Vocational Training Centre which it launched on its Kenilworth estate, in Ginigathena in 2001. The centre continues to provide a hitherto marginalized group of individuals who are also additionally burdened by economic deprivation, an opportunity to develop their talents, earn an income and enjoy recreational facilities; and most fundamentally, a safe place to spend the day. During the year under review the Group enabled these members to participate at a Christmas sale, conducted at the Sri Lanka Exhibition and Convention Centre in Colombo, during 14th to 23rd of December 2011, at which they were able to sell the greeting cards, envelopes, eco-

Differently able workers at the Kenilworth Vocational Centre.

Cataract surgery conducted at Karapitiya Hospital, Galle

friendly paper bags, tea pouches, Christmas decorations and paintings they had created. The income generated from the sale of these items was distributed amongst these individuals.

Estate communities are likely to be more severely burdened than elsewhere by the lack of opportunities, awareness, and economic and psycho/social support for the differently abled individuals and their families. Thus, the benefits this centre renders to caregivers, by relieving them of the responsibility of caring for these individuals during the day, and, by alleviating their feelings of isolation and despondency, is invaluable. The centre's future plans include the identification of individual talents of the members and providing need specific training to develop those skills, as well as obtaining the assistance of business partners and other organizations for expertise in training the differently abled.

Support to the Deaf and Blind School in Ratmalana

The Group also continued its support to the visually handicapped. During the year under review we sponsored the 99th prize distribution ceremony of the Deaf and Blind School in Ratmalana held in July 2011. 156 students were awarded gift packs which included bedspreads, school bags, and towels amounting to total value of Rs. 110, 000. The Group also painted the main auditorium of the school and hopes to sponsor more renovations of the school in the year ahead.

Healthcare initiatives

Our Group's Healthcare sector is guided by the philosophy that the ultimate aim of healthcare should be a healthier nation. Being a key player in Sri Lanka's Healthcare market has been an encouragement and an incentive

Sustainability Report *(contd.)*

for our active involvement in health related community initiatives. It gives us the opportunity to extend our resources and expertise and the strong networks we have built over the decades, to benefit people who lack the means or the awareness for better health. These initiatives also help us strengthen our relationships with customers whilst providing valuable feedback on customer needs, as collaboration between customers and suppliers can create strong win-win relationships.

Health and wellbeing for communities which have limited access to medical assistance has been a priority area for our subsidiary WPPLC, and last year too saw the continuation of these programmes with the valuable support of a few nonprofit organisations.

Eye camps organised in collaboration with the Berendina Foundation was one of the key Health related community initiatives during the year. The Group has contributed to Rs. 800,000 towards this initiative and has undertaken the sponsorship of 200 patients for cataract surgeries. The programme supports the national programme to prevent and control avoidable blindness under the "Vision 2020" programme of the Ministry of Health, and Cataract is a priority area under the national Health care programme. During the year under review, we were able to conduct three camps across the country in the districts of Nuwara Eliya, Galle and Killinochchi. The company provided intraocular lenses, accessories, and the required drugs and other consumables, with the support of the Group's Healthcare subsidiary - SBL Ltd.

The camp in Nuwara Eliya attended to 89 individuals with vision problems out of whom 59 were recommended for, and underwent cataract surgery at the General Hospital, Nuwara Eliya.

The second camp in Galle examined 116 individuals of whom 16 were recommended for, and underwent surgery at the Karapitiya Hospital.

The camp in Killionchchi benefitted 200 patients with Cataract surgery conducted at the General Hospital in Kilinochchi.

WPPLC together with our Healthcare subsidiary SBL Ltd. also helped provide nourishment to pregnant mothers as well as Diabetes patients by distributing 7,500 free Glucerna, and Formance milk sachets amongst would be mothers as well as Diabetic patients living on our estates. Additionally, the Group in association with the Sri Lanka Red Cross Society, also distributed baby care items amongst pregnant mothers on WPPLC's Shannon estate

Our subsidiary WPPLC's Udugama region in collaboration with the government's Divisional Secretariat, began a project to provide "A glass of milk for every crèche child'. The project as the slogan says, provides a glass of milk daily, to every child in the Child Development Centres, with the aim of preventing malnutrition amongst estate children. The milk provided is purchased from the cattle farms that are located on our estates thus providing an additional income to the communities.

Happy smiles after a glass of milk.

Amongst the other health related initiatives during the year were programmes to increase awareness on prevention of HIV /AIDS and Dengue.

Walk to cure Diabetes

This year too the Group conducted the annual "Walk to Cure Diabetes" in November 2011, bringing people together to raise awareness on Diabetes.

Donating blood

A blood donation camp held at SBL Ltd., had more than 30 employees volunteering: enabling to donate a total of 34 pints of blood.

Helping to bridge the disparities in living standards

Recognizing the right of every child to food, shelter, clothing and education, and the need for assistance to help their families provide these basic needs, our plantation subsidiary has over the years continued to initiate a range of social upliftment projects.

During the year, WPPLC adopted a novel approach with greater focus and involvement by the company. Identified under the concept 'Happy Family", the project was pioneered in the Udugama region. It involves the evaluation of households of a community, on set criteria. The evaluation criteria for households include aspects such as, if all children attend school; has good housekeeping practices – i.e. waste disposal etc; and if both parents are gainfully employed and has a savings plan and a peaceful home front. Thus, by incorporating aspects such as housekeeping and children's mental wellbeing, this comprehensive set of criteria not only assesses the economic aspects but takes a holistic approach extending the company's own approach to business. The households are continuously monitored thereafter. It was also most rewarding to us that the families chosen as the "best families" under the government's 'Divi Neguma' programme happened to be the families from our "Happy Family" project. This project has also contributed to enhancing relationships with our estate associates.

Developing Livelihoods

Integrating the economic, the social and the environmental impact - through Organic Vegetable Gardens

The women empowerment teams on WPPLC's estates initiated a project on our Abbotsleigh estate, for women to grow vegetables using organic methods. The income generated helps to empower the women and their families to use organic methods of farming that are environmentally friendly. Watawala Plantations PLC helped by providing the initial funding for these women as well as the expertise such as for the selection of crops. The women are also able to sell their healthy produce on the estates.

A "Singithi Pola" organized on Homadola estate during the year, also encouraged the sale of the produce by children, not only to enable them to earn an income but also to teach them about the vurture of self reliance for their futures. The

A 'Singithi Pola" organized on Homadola estate.

Sustainability Report *(contd.)*

produce they sold included vegetables and fruits as well as eggs from their poultry farms.

Developing inland fisheries

Watawala Plantations PLC continued with its project of developing inland fisheries which was launched during the previous year. More than 2000 Fresh Water Fish fingerlings were released to a Lake in the Panmure Division of Strathdon Estate and to a lake on Shannon estate in Korangumaley Division. These lakes are now home to different species of fresh water fish which include Thilapia, Red Cats and Red Thilapia. The project has proved to be a success by facilitating additional incomes for villagers who can engage in fishing, while enhancing nutrition to employee families and children in our crèches. For instance, the harvesting of more than 5000 prawns in the Udugama region during the year under review was a reward enjoyed by the community.

Support to local infrastructure

Building houses on Homadola Estate

During the year WPPLC also partnered with 'Padem" a nonprofit organization from France to help build 20 houses for our plantation workers. We provided the land and the timber required for the construction. Each house valued at Rs. 1 million comprises all basic facilities including an in-house bathroom.

Restoring an ancient temple in the neighborhood

Amongst the other community initiatives was an employee initiative by the management and associates of the Nakiyadeniya rubber estate who collected a sum of Rs. 120,000 to restore the Nakiyadeniya temple which was in a dilapidated state.

Integrating CSR into our brand marketing

Watawala Kahata the most popular brand of tea in the Watawala Marketing portfolio, conducted several marketing integrated CSR projects. Amongst them was the co-sponsorship, (with Hiru FM radio station), of "Hiru Siripa Wandana" where over 350 pilgrims were taken to Sri Pada (Adam's Peak).

WPPLC also provided the pilgrims with over 35,000 cups of tea to during the Poson festival in Anuradhapura. Similar programmes conducted in Colombo and Kandy, respectively during Wesak and Maha Sivarathri as well as at Churches and Kovils during special religious festivals also provided the company an opportunity to say "thank you" to its local consumers.

Our People

A vital contributor to our performance has been the commitment, determination and strength of our people. In turn, we continuously look for ways in which we can enhance our environment of career advancement with meritocracy and professional attainment.

Our recruitment and selection processes are streamlined to meet evolving business needs whilst planned training and development initiatives are carried out across the Group to enable employees to give their best to the organization. A performance based culture has been facilitated by a Performance Management System, whilst the organizational culture is one which encourages continuous learning.

Our Performance Management system has been developed to incorporate an enlightened approach to goal based performance appraisal across executive and management grades in the Company. Goals and Key Performance Indicators (KPI's) derived from corporate Vision and strategies are cascaded to the different departments and the departmental objectives and performance indicators in turn cascaded to each employee. Thus, each individual is recognized/rewarded for the achievement of his or her goals.

Female Kanganies after the Training program conducted by WUSC.

In addition, during the year under review, Sunshine Holdings initiated an Employee Recognition Scheme under the theme "Individually Excellent, Collectively Brilliant". The scheme evaluates, reinforces and rewards individual or collective contributions made by employees across the Group, under five categories. These categories include significant contributions towards business growth; process or productivity improvements' CSR/Safety/Health/ Environment' exceptional work beyond the line of duty; and innovation. The best contribution towards each of these categories by an individual or a team of four are recognized and rewarded.

The sense of responsibility we adopt towards our people on the plantations is well established. The plantation industry is both unique and complex because it employs a large workforce living their entire lives within the estate on which they work. A plantation thus also becomes home to their families. For WPPLC the "people" it indirectly impacts and strives to uplift include over 50,000, made up of the young and the old, and infants and children, both female and male.

The HR initiatives on the plantations this year included the provision of technical training, enhancing employee infrastructure to enable a better and safer working environment, enabling additional income generation, providing vocational training and health awareness programmes. A few of the HR measures adopted during the year on the plantations are presented below.

Promoting gender equality

Women play a significant role in the Plantation Sector and the economy of Sri Lanka. In the plantation sector, the contribution made by women to harvesting of Tea, accounts for more than 70% whilst they contribute to all other agronomic practices as well. However, due to socio economic factors the opportunities they have on the Plantations to voice their opinion and be heard, and have a say in decision making in the sphere of work as well as personal lives, have been very limited. In line with the company's policy of gender equity and the Millennium Development goals, our estates have initiated many Women Empowerment programs.

Female Associates employed to harvest Oil Palm Fruits in Nakiyadeniya Oil Palm Estate

A programme conducted by the Udagama region has facilitated women to form groups of 5 to 10 in which they could share their concerns and ideas and find practical solutions to some of the problems they face. In order to address some of the financial issues they have, a nominal sum decided by them is collected each month and the money thus collected is used to assist members as and

Sustainability Report *(contd.)*

when a need arises. In addition, group members also engage in income generation projects and expenditure reduction programmes.

Helping to break the glass ceiling on our tea estates

The position of field level supervisor (Kangani) has been restricted to males and remains so today. As enumerated in our last Annual Report, WPPLC made a decision in 2010 to promote women to level of supervisor. We set ourselves a target, of having 100 female Kanganies by the year 2015. A need for capacity building of women was identified in order to achieve this objective. Thus, WPPLC in collaboration with WUSC (World University Service of Canada) organized a two day residential programme for 25 selected women, and the programme conducted by the Sri Lanka Institute of Development's Hatton branch, trained these women on leadership and communication skills.

Training & Development during the year

Employees of all levels were able to participate in a programme on self-development organized at all the regional locations of our Group. Similarly, in the Udugama region some of our junior level employees have been given the opportunity to improve their level of English competency with classes conducted on a regular basis. Other training programmes include workshops on EPF related issues, Agricultural policies, 5S and table etiquette. Having in-house resource personnel to conduct few of the training programmes within our estates is an added advantage. In order to further improve productivity on our Oil palm plantations, a team of four from our Udugama region was sent on a training programme to Malaysia during the year to enable them to improve their skills in nursery practices, integrated pest management and mechanical harvesting.

SBL also conducted a training program on driving discipline, helping to address a much needed solution in the streets of Sri Lanka. The programme addressed aspects such as the use of lights and signals, adjustment for hazards, reduction of distractions to wearing of seat belts amongst others, to help make people better behind the wheel.

We will continue to review our HR policies to ensure that they evolve to meet the changing requirements of the group, but our people and the value we place on our human capital will be constant factors and key drivers of our sustainable growth as we work towards greater heights in the years ahead.

The Group encourages employee interaction and camaraderie via formal as well as informal processes. Some of the informal channels are presented below.

Facilitating Employee Fellowship

Annual Quiz Competition

Sunshine Holdings organized a quiz competition for all the subsidiary companies during the month of April. The final round took place in May at Excel World, where 10 teams consisting of five members each from the Group's different companies took part. The winning team which was from the IT Department walked away with the Sunshine challenge trophy, a night's stay at the Mandira Strathdon Bungalow and many other gift vouchers. The event was a great success much appreciated by all the employees..

Free book distribution

In line with our focus on supporting education, we continued to award scholarships to children of employees of all categories. During the year, Sunshine Packaging provided 132 children of its factory employees with exercise books and other stationery, whilst SBL Ltd. provided 99 children of 64 non- managerial employees with stationary packs.

Winning Wesak lantern fabricated by Packaging employees.

Celebrating Wesak

Wesak celebrations during the year was a gala event as all Group of companies took part in the lantern competition at which they displayed excellent creativity at the head office premises. The team, which created the best lantern walked away with a trophy and prizes.

Annual cricket tournament

During the year, the Group conducted a cricket tournament for all its female and male employees at the BRC grounds.

The Environment

Proving that it doesn't have to be a choice between the environment and profit; it can be both ! – Introducing briquettes to replace firewood in our factories.

Since the use of fossil fuel has become uneconomical over the past few years, almost 99% of Sri Lanka's tea factories have discontinued the use of fossil fuel heaters, replacing them with firewood fired ones over the past few years; thus, leading to a rising demand for firewood and hence an increasing felling of trees, which in turn has resulted in a rise in the price of firewood. Prompted by the escalating costs of firewood and our continuous search for ways to

Introduction of Briquettes as a substitute for firewood

reduce our Carbon footprint, WPPLC began to introduce Briquettes as a substitute for firewood in our Waltrim and Tangakelle factories in the Lindula region.

Briquettes or Eco logs made of refuse tea, are Carbon neutral and virtually smoke free whilst costing less than the alternatives of wood or charcoal. Thus, by developing this environmentally friendly technology, we have added to two of our three bottom lines - Profits and Planet. Briquettes also offer additional benefits to the environment as a use

Sustainability Report *(contd.)*

for disposal of residue; hence reducing overall garbage and encouraging waste management. Currently WPPLC produces 500-600 Kgs of Briquettes per day and plan to expand the production to 8000 Kgs per day, during the next financial year.

Tree Planting

He who plants a tree, Plants a hope. *~ Lucy Larcom*

CEO WPPLC's planting a tree at Nakiyadeniya Estate.

During the year under review the Group continued the planting of trees with more than 1.1 million tree saplings planted on an extent of 460 Hectares on Group's estates. Additionally, WPPLC also invested approximately Rs. 38 million on the planting of Caliandra, Rs. 12 million in Eucalyptus, and Rs. 4 million in grass planting. The Group plans to increase the extent of Calliandra – a short rotation crop and Eucalyptus as a high value timber.

Renewable Energy

Your Group's efforts to explore and produce alternate sources of renewable energy is one that integrates the triple bottom line focus, by generating profits for the Company whilst contributing to the environment and the nation's progress. Our hydro power generating schemes and the renewable fuel wood plantations are efforts which have already begun to yield a contribution.

The Group's first hydro power plant commissioned during the year under review, now adds 1.62 MW of power to the national grid; whilst two more plants are expected to come on board during the next financial year.

For a third world country like Sri Lanka, Biomass is one of the most viable and appropriate sources of renewable energy. The Group's Oil Palm mill has invested in a bio-gas project which will generate electricity using its agricultural wastes such as empty fruit bunches and mill fiber. The energy thus generated will help reduce the organization's reliance on Diesel -fired generators and hence our carbon footprint.

Similarly our bio-gas project in the Lonach Dairy Farm produces bio-gas and organic manure using cow waste. Even though we are in the initial phase of this project, it has helped us to eliminate Methane emissions and thus reduce GHG emissions. The natural fertilizer is used in the fields. Installation of a bio-gas generator is in progress at present and is expected to generate 140 kWH electricity per day.

Our hydro power generating schemes

Responding to climate change

One of the Group's key businesses is agriculture; and thus being custodian to 12000 Ha of land, and other natural resources such as lakes and waterfalls, we are aware of the tremendous responsibility with which we must act towards the environment. Climate change and its impacts are closely monitored.

Some of the contingency measures and efforts our plantations have taken to minimize the adverse impacts of climate change and other environmental factors include infilling, use of drought and heat tolerant cultivars, soil and soil moisture conservation, soil improvement, intercropping, crop diversification, planting and managing of shade trees, and increased scrutiny in selection of lands for re planting. Additionally, burial of pruning with the inclusion of compost, cleaning drains, shade establishment, re-supplying tea and forking are also carried out regularly to mitigate impacts. A considerable period of time is required to bring about changes to a crop system such as Tea: these are long term strategies which our plantation subsidiary carries out despite constraints of affordability and limited labour availability. The fact that the company continued with these investments despite the last year being a downswing year for the tea sector, underscores our optimistic outlook on the future of the tea industry, as well as the long term perspective we take on our business. The importance of the tea sector to the socio-economic fabric of our country is another factor which encourages our long term view and the triple bottom line focus we have adopted.

Conservation of water

Once again, being engaged in agriculture, the importance of water cannot be overstated in the Group's agenda. And being in plantation agriculture where our estates are also home to a large population, water sustainability becomes a priority to meet basic human consumption and sanitation needs.

The Group's plantations are also home to many fresh water sources of lakes and natural springs. The company over the years has adopted many water conservation projects and measures to protect these sources from contamination. The protection of these water bodies, whilst being important in preserving the wildlife, habitat and the diversity of the eco system in these areas, also add to the aesthetic appeal of our locations.

Some of the measures our plantations have undertaken to ensure sustainability include water retention techniques and the harvesting of rain water. These measures will help us meet some of our needs during times when water becomes scarce.

Improvements to estate water supply schemes have enabled the allocation and use of water in a more organized and an efficient manner, benefits of which are mostly evident at times of scarcity during drought conditions.

As a custodian of the earth's natural resources of land, we stay for ever mindful of our need to ensure the sustainability of those resources for the future generations and to want us to add value and leave the planet for future generations in a way we would have liked to have discovered

""The Sunshine Group will endeavor to make its business 'a source of sustenance to more than its immediate stakeholders, reflecting our firm belief that all that we are a part of – the communities and the environment, are interdependent' and Sustaining ourselves requires a win-win approach."

V. Govindasamy

Group Managing Director

Financial Information

THE RIVER THAT FLOWS DESPITE ALL ODDS

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 31st march 2012 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 polices 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

S. Piyaratna

29th May 2012.

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 & SBL 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 it 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 is 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.

Mr. S. Munir was appointed to the Audit Committee on 29th May 2012.

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 their 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. It reviews the statutory accounts and publishes financial statements, assesses compliance with regulatory requirements, consideres 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 it's 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.

Report of the Audit Committee *(contd.)*

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, 2012. Reviewed the management's representations to ensure that the consolidated financial statements are prepared in accordance with generally accepted accounting principles truly and fairly present the results of operations and financial position of the Company.

- Recommended that the Board select KPMG, 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 the management of its 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 express its appreciation of the services rendered by Group Auditors, Messrs. KPMG, 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. Piyaratna

B. A. Hulangamuwa

29th May 2012

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 reflect in a true and fair manner, the forms and substance of transactions and that the Company's state of affairs is reasonably presented. To ensure this, the Company has taken proper and sufficient care in installing a system of internal control and accounting records, for safeguarding assets and for preventing and detecting frauds as well as other irregularities, which is reviewed, evaluated and updated on an ongoing basis. Our Subsidiaries internal auditors have conducted periodic audits to provide reasonable assurance that the established policies and procedures of the Company were consistently followed. However, there are inherent limitations that should be 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 Thornton & 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 Thornton in order to ensure that the provision of such services does not impair the External Auditor's independence. We confirm that the Company has complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company other than those disclosed in the Financial Statements in the Annual Report.

WDPL Vithanage

Group Chief Financial Officer

29th May 2012

KPMG
(Chartered Accountants)
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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 31st March 2012, which comprise the balance sheet as at 31st March 2012, 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 106 to 138 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 31st March 2012 and the Financial Statements give a true and fair view of the Company's state of affairs as at 31st March 2012 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 31st March 2012 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.

KPMG

Chartered Accountants
29th May 2012

Colombo,
Sri Lanka

Income Statement

For the Year ended 31st March	Note	GROUP 2012 Rs.	GROUP 2011 Rs.	COMPANY 2012 Rs.	COMPANY 2011 Rs.
Revenue	4	11,219,541,197	10,732,165,865	190,134,023	134,837,248
Cost of Sales		(8,935,640,008)	(8,306,099,015)	–	–
Gross Profit		**2,283,901,189**	**2,426,066,850**	**190,134,023**	**134,837,248**
Other Income	5	227,017,716	159,554,486	1,814,778	5,780,487
Administration Expenses		(1,051,182,547)	(827,518,324)	(77,936,692)	(29,643,750)
Selling & Distribution Expenses		(499,380,107)	(421,556,275)	–	–
Finance Cost	6	(123,504,463)	(110,309,956)	–	–
Profit Before Tax	**7**	**836,851,788**	**1,226,236,781**	**114,012,109**	**110,973,985**
Income Tax Expense	8	(223,063,965)	(221,653,561)	–	–
Profit After Tax		**613,787,823**	**1,004,583,220**	**114,012,109**	**110,973,985**
Profit Attributable to:					
Equity Holders of the company		426,337,940	500,195,995	114,012,109	110,973,985
Minority Interest		187,449,883	504,387,225	–	–
		613,787,823	**1,004,583,220**	**114,012,109**	**110,973,985**
Earnings Per Share	**9.1**	**3.20**	**3.75**	**0.86**	**0.83**
Dividend Per Share	**9.2**	**0.30**	**0.30**	**0.30**	**0.30**

Figures in brackets indicate deductions

The Accounting Policies and Notes from pages 110 to 138 form an integral part of these Financial Statements.

Balance Sheet

		GROUP		COMPANY	
As at 31st March	Note	2012 Rs.	2011 Restated Rs.	2012 Rs.	2011 Rs.
ASSETS					
Non-Current Assets					
Property, Plant and Equipment	10	5,535,800,234	4,593,895,604	763,825	156,165
Leasehold Land	11	233,648,000	240,683,000	–	–
Intangible Assets	12	134,829,241	120,728,233	–	–
Investment in Subsidiaries	13	–	–	817,752,548	817,752,548
Other Long Term Investments	14	142,024,960	142,024,960	142,024,960	142,024,960
Deferred tax	20	84,795,210	44,594,888	–	–
Investment in Gratuity Fund		42,641,000	–	–	–
Total Non-current Assets		**6,173,738,645**	**5,141,926,685**	**960,541,333**	**959,933,673**
Current Assets					
Inventories	15	1,896,872,279	1,518,737,670	–	–
Trade and Other Receivables	16	1,450,550,255	1,375,407,828	14,095,266	7,412,102
Income Tax Recoverable		4,917,934	3,262,506	3,158,728	3,158,728
Amounts Due from Related Parties	17	8,823,099	10,758,568	39,717,474	5,417,463
Cash and Cash Equivalents	18	870,357,583	468,270,460	54,151,973	18,573,345
Total Current Assets		**4,231,521,150**	**3,376,437,032**	**111,123,441**	**34,561,638**
Total Assets		**10,405,259,795**	**8,518,363,717**	**1,071,664,774**	**994,495,311**
EQUITY AND LIABILITIES					
Capital and Reserves					
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		118,229,790	111,272,755	–	–
Exchange Equalization Reserv		33,570	–	–	–
General Reserve		857,888	857,888	857,888	857,888
Retained Profit		1,992,640,863	1,532,102,217	381,704,884	307,692,774
Shareholders' Fund		**2,792,161,897**	**2,324,632,646**	**1,062,962,558**	**988,950,448**
Minority interest		2,187,817,665	2,209,053,730	–	–
Total Equity		**4,979,979,562**	**4,533,686,376**	**1,062,962,558**	**988,950,448**
Non-Current Liabilities					
Deferred Tax Liabilities	20	32,846,661	27,129,000	–	–
Retirement Benefit Obligation	21	893,461,764	697,435,588	3,778,569	1,992,436
Deferred Income and Capital Grants	22	244,935,000	255,798,000	–	–
Debentures	23	–	–	–	–
Interest Bearing Borrowings	24	1,528,284,410	847,366,851	–	–
Total Non-current Liabilities		**2,699,527,835**	**1,827,729,439**	**3,778,569**	**1,992,436**
Current Liabilities					
Interest Bearing Borrowings	24	315,375,368	198,869,712	–	–
Trade and Other Payables	25	1,643,769,643	1,385,847,434	3,976,871	3,552,427
Income Tax Payable		99,355,471	116,278,130	–	–
Amounts Due to Related Parties	26	5,657	1,527,453	–	–
Bank Overdrafts	18	667,246,259	454,425,173	946,776	–
Total Current Liabilities		**2,725,752,398**	**2,156,947,902**	**4,923,647**	**3,552,427**
Total Equity and Liabilities		**10,405,259,795**	**8,518,363,717**	**1,071,664,774**	**994,495,311**
Net Assets Per Ordinary Share		**20.94**	**17.43**	**7.97**	**7.42**

The Accounting Policies and Notes set out on pages 110 to 138 form an integral part of these Financial Statements.

I certify that these Financial Statements are prepared 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

29th May 2012

Cash Flow Statement

		GROUP		COMPANY	
For the Year ended 31st March	Note	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
CASH FLOW FROM OPERATING ACTIVITIES					
Profit before Income Tax Expense		**836,851,788**	**1,226,236,781**	**114,012,109**	**110,973,985**
Adjustments for;					
Interest Income	5	(32,663,680)	(18,733,374)	(1,814,778)	(5,780,487)
Dividend Income		–	(1,089,956)	–	–
Profit on Disposal of Property, Plant & Equipments	5	(23,309,822)	(9,817,969)	–	–
Interest Expense	6	123,504,463	110,309,956	–	–
Depreciation & Amortisation	10 & 12	312,125,658	249,229,962	181,423	28,130
Prov.for diminution in carrying value of investments	12	–	(4,500,000)	–	(1,500,000)
Reversal of Provision for falling value of inventories		–	(3,000,000)	–	–
Provision/(Reversal) for Bad and Doubtful Debts	16	(28,962,469)	10,438,249	–	–
Bad debt written off		7,971,349	18,243	–	–
Amortisation of Deferred Income & C/grants	22	(10,863,000)	(11,488,000)	–	–
Amortisation of leasehold right	11	7,035,000	7,035,000	–	–
Provision for Gratuity	21	295,784,818	80,212,614	1,786,133	944,436
Exchange Gain /(Loss)	5	(4,840,975)	(1,790,833)	–	–
Operating Profit before Working Capital Changes		**1,482,633,130**	**1,633,060,673**	**114,164,887**	**104,666,064**
(Increase)/Decrease in Inventories		(378,134,609)	(387,219,660)	–	–
(Increase)/Decrease in Trade and Other Receivables		(46,179,958)	(273,829,896)	(6,683,164)	(2,598,052)
(Increase)/Decrease in Amounts Due from Related Parties		1,935,469	15,933,351	(34,300,011)	55,382,537
Increase/(Decrease) in Trade and Other Payables		257,922,209	138,405,050	424,444	(1,004,207)
Increase/(Decrease) in Amounts Due to Related Parties		(1,521,796)	1,525,728	–	–
Cash generated from/ (used in) Operations		**1,316,654,445**	**1,127,875,246**	**73,606,156**	**156,446,342**
Interest Paid		(123,504,463)	(110,309,956)	–	–
Income Tax Paid/Set off		(233,680,957)	(246,903,145)	–	(90,968)
Gratuity Paid	21	(99,758,642)	(63,406,713)	–	–
Net Cash / (used in) Operating Activities		**859,710,383**	**707,255,432**	**73,606,156**	**156,355,374**
CASH FLOW FROM INVESTING ACTIVITIES					
Interest Received	5	32,663,681	17,561,749	1,814,778	5,780,507
Receipt of capital Grant	22	–	38,554,000	–	–
Bad Debt written off		(7,971,349)	(18,243)	–	–
Dividend received		–	1,089,956	–	–
Investments in Other Long Term Investments	13	–	(49,999,950)	–	(49,999,950)
Investment of Subsidiary/Associates		–	–	–	(166,850,000)
Investment in Gratuity fund		(42,641,000)	–	–	–
Field development expenditure	10	(350,484,000)	–	–	–
Capital Work in Progress		–	(90,992,111)	–	–
Acquisition of PPE	10	(898,622,991)	(890,734,648)	(789,083)	(184,295)
Acquisition of Intangible Assets		(17,564,109)	–	–	–
Proceeds from Disposal of shares/TB upliftment		–	2,959,963	–	–
Proceeds from Disposal of PPE		53,406,374	11,180,156	–	–
Net Cash generated from/(used in) Investing activities		**(1,231,213,395)**	**(960,399,128)**	**1,025,695**	**(211,253,738)**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from Issue of Shares		–	106,400,000	–	–
Receipts of Interest Bearing Borrowings	24	1,296,454,366	760,472,468	–	–
Proceeds from Issue of Debentures	23	–	(100,000,000)	–	–
Repayments of Interest Bearing Borrowings	24	(500,900,814)	(647,283,184)	–	–
Lease Rentals Paid	24	(60,210,357)	(47,558,926)	–	–
Dividend Paid		(39,999,999)	(39,999,999)	(39,999,999)	(39,999,999)
Payments to Minority Shareholders		(134,574,147)	(41,608,944)	–	–
Net Cash generated from / (used in) Financing Activities		**560,769,049**	**(9,578,585)**	**(39,999,999)**	**(39,999,999)**
Net Increase/(Decrease) in Cash and Cash Equivalents		**189,266,037**	**(262,722,281)**	**34,631,852**	**(94,898,363)**
Cash and Cash Equivalents at the beginning of the year	18	13,845,287	276,567,568	18,573,345	113,471,708
Cash and Cash Equivalents at the end of the year	**18**	**203,111,324**	**13,845,287**	**53,205,197**	**18,573,345**
Short Term Investments					
Deposits		109,626,567	226,430,921	1,005,478	18,573,345
Cash in hand & bank		760,731,016	241,839,539	53,146,495	–
Bank Overdraft		(667,246,259)	(454,425,173)	(946,776)	–
		203,111,324	**13,845,287**	**53,205,197**	**18,573,345**

The Accounting Policies and Notes set out on pages 110 to 138 form an integral part of these Financial Statements.

Figures in Brackets indicates the deductions

Statement of Changes in Equity

GROUP	Stated Capital Rs.	Capital Accretion Reserve Rs.	General Reserve Rs.	Revaluation Reserve Rs.	Exchange Equilization Reserve Rs.	Accumu-lated Profit Rs.	Total Reserve Rs.	Non Controlling Sharehold-ers Interest Rs.	Total Rs.
Balance as at 01st April 2010	**679,999,949**	**399,837**	**857,888**	**111,250,677**	**–**	**1,072,144,688**	**1,864,653,039**	**1,609,021,951**	**3,473,674,990**
Net Profit for the year	–	–	–	–	–	500,195,995	500,195,995	504,387,225	1,004,583,220
Tax Effect off Revaluation surplus	–	–	–	22,078	–	–	22,078	–	22,078
De-consolidation of Watawala Agro	–	–	–	–	–	(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	–	–	–	–	–	–	–	2,501,532	2,501,532
Dividend Paid 2009/10	–	–	–	–	–	(39,999,999)	(39,999,999)	–	(39,999,999)
Dividend Payments to Minority Shareholders	–	–	–	–	–	–	–	(41,608,945)	(41,608,945)
Balance as at 31st March 2011 as previously reported	**679,999,949**	**399,837**	**857,888**	**111,272,755**	**–**	**1,532,102,217**	**2,324,632,646**	**2,180,070,230**	**4,504,702,876**
Restatement Adjustment - Note A	–	–	–	–	–	–	–	28,983,500	28,983,500
Balance as at 31st March 2011 - Restated	**679,999,949**	**399,837**	**857,888**	**111,272,755**	**–**	**1,532,102,217**	**2,324,632,646**	**2,209,053,730**	**4,533,686,376**
Net Profit for the year	–	–	–	–	–	426,337,940	426,337,940	187,449,883	613,787,823
Exhange difference of Foreign Subsidiary	–	–	–	–	33,570	–	33,570	88,903	122,473
Gain on Acquisition of Healthguard	–	–	–	–	–	9,056,240	9,056,240	–	9,056,240
Adjustment for Increase in holding % of Healthguard Pharmacy Ltd.	–	–	–	–	–	–	–	(39,080,548)	(39,080,548)
Tax effect on Revaluation Reserve	–	–	–	6,957,035	–	–	6,957,035	–	6,957,035
Adjustment for Increase in holding % of Watawala Marketing Ltd.	–	–	–	–	–	65,144,465	65,144,465	(65,144,465)	–
Dividend Payments to Minority Shareholders	–	–	–	–	–	–	–	(104,549,838)	(104,549,838)
Dividend Paid 2010/11	–	–	–	–	–	(39,999,999)	(39,999,999)	–	(39,999,999)
Balance as at 31st March 2012	**679,999,949**	**399,837**	**857,888**	**118,229,790**	**33,570**	**1,992,640,863**	**2,792,161,897**	**2,187,817,665**	**4,979,979,562**

Note A Minority Interest arising from recognition of Brand value of Healthguard Pharmacy Limited, which is more fully described in Note No 34, has been adjusted retrospectively to the financial statements.

COMPANY	Stated Capital Rs.	Capital Accretion Reserve Rs.	General Reserve Rs.	Accumulated Profit Rs.	Total Rs.
Balance as at 01st April 2010	**679,999,949**	**399,837**	**857,888**	**236,718,788**	**917,976,462**
Net Profit for the year	–	–	–	110,973,985	110,973,985
Dividend Paid for 2009/10	–	–	–	(39,999,999)	(39,999,999)
Balance as at 31st March 2011	**679,999,949**	**399,837**	**857,888**	**307,692,774**	**988,950,448**
Net Profit for the year	–	–	–	114,012,109	114,012,109
Dividend Paid for 2010/11	–	–	–	(39,999,999)	(39,999,999)
Balance as at 31st March 2012	**679,999,949**	**399,837**	**857,888**	**381,704,884**	**1,062,962,558**

Figures in brackets indicate 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 31st March 2012 comprise the Company and its subsidiaries (together referred to as the "Group"). 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, selling of food and tea cans and generation of power.

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 29th May 2012.

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 entries.

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 31st 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.

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	05 – 10 Years
Equipment	05 – 08 Years
Computer Equipment	04 – 05 Years
Motor Vehicles	04 – 05 Years
Electrical Equipment	02 Years
Medical Equipment	04 Years
Hydro Power Plant	20 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

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 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.

Notes to the Financial Statements *(contd.)*

(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.

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.

SBL Ltd., Sunshine Travels and Tours Ltd., Sunshine Packaging Ltd., Healthguard Pharmacy Ltd., Sunshine Energy Ltd. and Watawala Marketing 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

(a) 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.

(b) 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 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

Notes to the Financial Statements *(contd.)*

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
• SBL Ltd.	Import and selling of 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.	Hydro Power Generation
• Sunshine Energy Ltd.	Investments
• Healthguard Pharmacy Ltd.	Retail Pharmacy
• Watawala Marketing Ltd.	Manufacturing and 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.

3.10. New Accounting Standards Issued but not effective as at Balance Sheet Date

The Institute of Chartered accountants of Sri Lanka has issued a new volume of Sri Lanka Accounting Standards which will become applicable for financial periods beginning on or after 1st January, 2012. Accordingly, these Standards have not been applied in preparing these Financial Statements as they were not effective for the year ended 31st March, 2012.

These Sri Lanka Accounting, Standards comprise Accounting Standards prefixed both SLFRS (corresponding to IFRS) and LKAS (corresponding to IAS). Application of Sri Lanka Accounting Srandards prefixed SLFRS and LKAS for the first time shall be deemed to be an adoption of SLFRSs.

The Company is currently in the process of evaluating the potential affect these standards on its Financial Statements and the impact on the adoption of these standards has not been quantified as at the reporting date.

4	REVENUE				
		GROUP		COMPANY	
	For the Year ended 31st March	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
	Investments	190,134,023	134,837,248	190,134,023	134,837,248
	Healthcare	4,658,046,029	4,334,547,768	–	–
	Plantation	4,535,486,000	4,663,744,000	–	–
	FMCG	1,757,419,878	1,535,461,106	–	–
	Travels & Tours	30,332,479	13,741,092	–	–
	Packaging	217,155,417	220,526,743	–	–
	Energy	3,341,066	–	–	–
	Management Services	49,331,000	90,033,000	–	–
	Gross Revenue	**11,441,245,892**	**10,992,890,957**	**190,134,023**	**134,837,248**
	Less: Inter Company Revenue	(220,268,265)	(255,566,546)	–	–
		11,220,977,627	**10,737,324,411**	**190,134,023**	**134,837,248**
	Less: Revenue Related Taxes	(1,436,430)	(5,158,546)	–	–
	Net Revenue	**11,219,541,197**	**10,732,165,865**	**190,134,023**	**134,837,248**

5	OTHER INCOME				
	Dividend Income	–	1,089,956	–	–
	Interest Income on Loans given to Related Companies	–	–	1,661,801	1,739,554
	Interest Income on Others deposits	32,663,680	18,733,374	152,977	4,040,933
	Profit on Disposal of Property, Plant and Equipment	23,309,822	9,817,969	–	–
	Amortization of Capital Grants	10,864,000	11,488,000	–	–
	Hydro Power Income (Note 5.2)	18,241,000	31,970,000	–	–
	Sale of Trees (Note 5.1)	107,457,000	45,742,000	–	–
	Exchange Gain/(Loss)	4,840,975	1,790,833	–	–
	Scrap Sales	7,862,064	8,036,449	–	–
	Sundry Income	21,779,175	30,885,905	–	–
		227,017,716	**159,554,486**	**1,814,778**	**5,780,487**

5.1 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 31st December 2001.

5.2 Hydro Power Income generated by the Watawala Plantations PLC, a subsidiary of the Company, include income from Mark Hydro (Private) Limited - Rs. 3,159,799 (2011 - Rs 6,553,733), Unit Energy Lanka (Private) Limited - Rs 9,287,770 (2011 - Rs 14,754,562) , Upper Agaraoya Hydro Power Limited - Rs 5,793,431 (2011 - 10,661,705).

6	FINANCE COST				
	Interest on Overdrafts & Loans	116,190,129	105,124,379	–	–
	Interest Capitalized	(26,013,000)	(24,297,000)	–	–
	Interest on Debenture	325,000	–	–	–
	Interest on Finance Lease	9,271,334	20,761,577	–	–
	Contingent Lease series of payments	23,731,000	8,721,000	–	–
		123,504,463	**110,309,956**	–	–

The Watawala Plantations PLC, a subsidiary of the Company, has capitalised interest amounting to Rs. 26,013,000 (2011 - Rs. 24,297,000) on loans and bank overdrafts relating to field development activities using a capitalisation rate of 10.3% p.a. (2011 - 10.3% p.a.).

Notes to the Financial Statements *(contd.)*

7 PROFIT BEFORE TAX

	GROUP		COMPANY	
For the Year ended 31st March	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Is stated after charging all expenses including the following.				
Auditor's Remuneration				
Statutory – Audit KPMG	1,640,000	1,475,000	954,853	550,000
– Other Auditors	2,988,333	1,991,200	–	–
Audit related – KPMG	180,000	–	–	–
Non audit – KPMG	130,000	175,000	60,000	50,000
– Other Auditors	425,000	138,000	–	–
Amortization - Leasehold right to bare land	7,035,000	7,035,000	–	–
Provision/(Reversal) for Doubtful Debts	(28,962,469)	10,438,249	–	–
Provision/(Reversal) for Inventory	–	(3,000,000)	–	–
Provision/(Reversal) of provision for Investments	–	(4,500,000)	–	(1,500,000)
Depreciation/Amortization	312,125,658	249,229,962	181,423	28,130
Personnel Costs Include:	–			
– Defined Benefit Plan (Gratuity)	295,784,818	80,212,614	1,786,133	944,436
– Defined Contribution EPF & ETF	257,074,591	219,882,919	3,306,633	2,300,726
– Salaries, wages & other staff cost	2,659,522,515	2,219,144,751	38,634,761	20,330,182

8 INCOME TAX EXPENSE

	GROUP		COMPANY	
For the Year ended 31st March	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Current Income Tax Expense (Note 8.2)	210,747,562	231,171,846	–	–
Deferred Taxation Charge / (Reversal) for the year (Note 20)	(27,525,626)	19,268,761	–	–
Under/(Over) provision in respect of previous year	39,842,029	(28,787,046)	–	–
	223,063,965	**221,653,561**	**–**	**–**

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 28% (2011 - 35%) on its taxable income. However, if Taxable income is less than Rs.5 Million, the applicable rate would be 12%.

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 provision 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 2012	Tax Rate 2011
SBL Ltd.		28%	35%
Sunshine Travels & Tours Ltd.		12%	15%
Estate Management Services (Private) Ltd.	– Management Fee	12%	15%
	– Interest Income	28%	35%
Watawala Plantations PLC	– Profits from Cultivation	10%	Exempt
	– Profits from Other Activities	28%	35%
	– Profits from Export	12%	15%
Healthguard Pharmacy Limited		28%	35%
Watawala Marketing Limited		28%	35%
Sunshine Packaging Limited		28%	35%
Sunshine Energy Limited		28%	35%
Sunshine Power (Pvt) Limited		28%	35%

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

Pursuant to the agreement entered into with the Board of Investment (BOI) of Sri Lanka, Profit of the Sunshine Power (Pvt) Ltd. is exempt from Income Tax for a period of 5 years reackoned from the year of assesment as may be dertimined by the Board, in which the subsidiary commences to make profits or any year of assessment not later than two years from the date of commencement of commercial operations of the subsidiary, which ever is earlier. As such, the exemption period would commence from financial year 2014/15 at the earliest.

8.2	Reconciliation between Accounting Profit and Taxable Profit				
		GROUP		COMPANY	
	For the Year ended 31st March	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
	Accounting Profit before Tax	836,851,788	1,226,236,781	114,012,109	110,973,985
	Inter Group Adjustments	725,950,420	156,060,486	–	–
		1,562,802,208	**1,382,297,267**	**114,012,109**	**110,973,985**
	Aggregate Disallowable Items	755,823,639	489,844,040	23,604,866	1,422,608
	Aggregate Allowable Items	(1,500,045,561)	(729,746,560)	(243,345)	–
	Aggregate Exempt Income	(392,535,957)	(139,558,802)	(190,134,023)	(131,550,749)
	Profit / (Loss) from Business	**426,044,329**	**1,002,835,945**	**(52,760,393)**	**(19,154,157)**
	Except Profit from Agriculture	–	(299,866,000)	–	–
	Less Tax Loss Utilised during the year	(8,120,940)	(27,994,180)	–	–
	Taxable Profit	**417,923,389**	**674,975,765**	**(52,760,393)**	**(19,154,157)**
	Taxation of the Subsidiary @ 28% (2011 - 35%)	205,160,636	201,924,789	–	–
	Taxation of the Subsidiary @ 12% (2011 - 15%)	165,568	12,461,341	–	–
	Taxation of the Subsidiary @ 30%	788,358	–	–	–
	Taxation of the Subsidiary @ effective rates	4,633,000	13,837,000	–	–
	Social Responsibility Levy	–	2,948,716	–	–
	Current Income Tax Expense	**210,747,562**	**231,171,846**	**–**	**–**
8.3	**Reconciliation of Tax Loss**				
	Tax Loss Brought Forward	612,285,333	443,257,385	74,632,520	55,478,364
	Tax Loss on acquisition	–	177,867,972	–	–
	Tax Loss for the Year of Assessment	550,515,359	19,154,156	52,760,393	19,154,156
	Setoff against the current taxable income	(8,120,940)	(27,994,180)	–	–
	Tax Loss Carried Forward	**1,154,679,752**	**612,285,333**	**127,392,913**	**74,632,520**

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 in issue during the year.

	GROUP		COMPANY	
For the Year ended 31st March	2012	2011	2012	2011
Profit attributable to Ordinary Shareholders (Rs.)	426,337,940	500,195,995	114,012,109	110,973,985
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
Earnings per Share (Rs.)	**3.20**	**3.75**	**0.86**	**0.83**

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 31st March 2012 (2011 - 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 31st March 2012.

Dividend for the year (Rs.)	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
Dividends per Share (Rs.)	**0.30**	**0.30**	**0.30**	**0.30**

Notes to the Financial Statements *(contd.)*

10 PROPERTY, PLANT & EQUIPMENTS

10.1 Group

10.1.1 Cost/Valuation

	Balance as at 01.04.2011 Rs.	Additions Rs.	Disposal Rs.	Transfers Rs.	Balance as at 31.03.2012 Rs.
Freehold Assets					
Land	248,525,775	–	–	–	248,525,775
Buildings	865,334,345	19,213,530	–	44,779,342	929,327,217
Plant & Machinery	1,206,803,978	156,177,881	(10,788,000)	–	1,352,193,859
Power Plant	–	575,171,204	–	–	575,171,204
Furniture & Fittings	98,608,276	19,446,151	(1,000)	–	118,053,427
Equipments	156,428,682	15,129,126	–	–	171,557,808
Computer Equipments	51,071,382	16,148,279	(8,301,387)	–	58,918,274
Motor Vehicles	348,380,852	101,581,332	(56,919,793)	–	393,042,391
Electrical Equipments	7,866,174	7,530,142	–	–	15,396,316
Immature Plantation	794,367,000	350,484,000	–	(308,075,000)	836,776,000
Mature Plantations	1,378,483,000	–	–	308,075,000	1,686,558,000
Capital Work In Progress	128,655,454	(65,319,112)	–	(44,779,342)	18,557,000
Biological Assets	19,355,000	6,778,000	(6,096,000)	–	20,037,000
Medical Equipments	12,684,833	39,259,458	–	–	51,944,291
Other	144,378,000	7,507,000	–	–	151,885,000
	5,460,942,751	**1,249,106,991**	**(82,106,180)**	**–**	**6,627,943,562**
Leasehold Assets					
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	63,391,353	33,470,536	(5,162,501)	–	91,699,388
Mature Plantations	406,633,000	–	–	–	406,633,000
	608,593,266	**33,470,536**	**(5,162,501)**	**–**	**636,901,301**
Total Cost	**6,069,536,017**	**1,282,577,527**	**(87,268,681)**	**–**	**7,264,844,863**

10.1.2	Accumulated Depreciation	Balance as at 01.04.2011 Rs.	Depreciation Rs.	Disposal Rs.	Transfers Rs.	Balance as at 31.03.2012 Rs.
	Freehold Assets					
	Buildings	77,497,184	24,381,014	–	–	101,878,198
	Plant & Machinery	358,865,232	84,791,177	(5,612,660)	–	438,043,749
	Power Plant	–	2,396,547	–	–	2,396,547
	Furniture & Fittings	53,462,547	5,737,742	–	–	59,200,289
	Equipments	92,801,698	16,864,209	–	–	109,665,907
	Computer Equipments	25,282,902	8,703,504	(8,301,387)	–	25,685,019
	Motor Vehicles	174,859,930	52,122,236	(36,181,793)	–	190,800,373
	Electrical Equipments	6,105,756	3,222,604	–	–	9,328,360
	Mature Plantations	305,729,000	62,563,000	–	–	368,292,000
	Medical Equipments	512,609	7,146,517	–	–	7,659,126
	Other	27,398,000	5,895,000	–	–	33,293,000
		1,122,514,858	**273,823,550**	**(50,095,840)**	**–**	**1,346,242,568**
	Leasehold Assets					
	Roads & Bridges	223,000	11,000	–	–	234,000
	Improvements to Land	2,084,000	111,000	–	–	2,195,000
	Vested Other Assets	845,000	44,000	–	–	889,000
	Buildings	70,031,000	3,755,000	–	–	73,786,000
	Water Supply System	3,580,000	186,000	–	–	3,766,000
	Machinery	32,506,000	–	–	–	32,506,000
	Mini-hydro power Plant	1,540,000	–	–	–	1,540,000
	Computers	51,022	36,428	–	–	87,450
	Equipments	40,506	43,733	–	–	84,239
	Motor Vehicles	20,230,027	17,111,846	(5,162,501)	–	32,179,372
	Mature Plantations	221,995,000	13,540,000	–	–	235,535,000
		353,125,555	**34,839,007**	**(5,162,501)**	**–**	**382,802,061**
	Total Accumulated Depreciation	**1,475,640,413**	**308,662,557**	**(55,258,341)**	**–**	**1,729,044,629**
10.1.3	**Carrying Value**	**4,593,895,604**				**5,535,800,234**

10.1.4 Assets in these estates under finance leases are taken in to books of the subsidiary, Watawala Plantations PLC retrospectively from 18th June 1992. For this purpose the Board of Directors of the Company decided at its meeting on 8th 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 proceeding the date of formation of the subsidiary.

10.1.5 Estate leases in Watawala Plantations PLC are shown under immature plantations (revalued as at 18th June 1992) all of which are transferred to mature plantations at the Balance sheet date

10.1.6 Borrowing cost amounting to Rs. 26,012,919/- (2011 - 24,296,680/-) incurred on borrowings obtained to meet expenses relating to field development expenditure are capitalised as part of immature plantation using a capitalisation rate of 10.32% (2011 - 10.3%) by Watawala Plantations PLC, a subsidiary of the company.

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

10.1.8 The fair value of land and buildings of Sunshine Packaging Ltd., a subsidiary of the Company was determined by means of a revaluation during the financial year 2009/10 by Messrs. S. Silvaskanthan an independent valuer in reference to market based evidence. The result of such revaluation were incorporated in these financial statements from its effective dates which is 10th December 2009. The surplus arising from the revaluation net of deferred tax, was transferred to a revaluation reserve.

Notes to the Financial Statements *(contd.)*

10.2 Company

10.2.1 Cost

	Balance as at 01.04.2011 Rs.	Additions Rs.	Disposal Rs.	Transfers Rs.	Balance as at 31.03.2012 Rs.
Freehold Assets					
Furniture & fittings	3,200	–	–	–	3,200
Computer Equipments	444,181	789,083	–	–	1,233,264
Total Cost	**447,381**	**789,083**	**–**	**–**	**1,236,464**
10.2.2 Accumulated Depreciation					
Freehold Assets					
Furniture & fittings	3,200	–	–	–	3,200
Computer Equipments	288,016	181,423	–	–	469,439
Total Accumulated Depreciation	**291,216**	**181,423**	**–**	**–**	**472,639**
10.2.3 Written Down Value	**156,165**	**–**	**–**	**–**	**763,825**

11 LEASEHOLD LAND

	GROUP	
	2012 Rs.	2011 Rs.
Cost/Revaluation		
As at 01st April 2011	372,840,000	372,840,000
As at 31st March 2012	**372,840,000**	**372,840,000**
Accumulated Depreciation		
As at 01st April 2011	132,157,000	125,122,000
Charge for the year	7,035,000	7,035,000
Transfer from Sub Lease	–	–
As at 31st March 2012	**139,192,000**	**132,157,000**
Net Book Value	**233,648,000**	**240,683,000**

The lease of JEDB/SLSPC estates handed over to the subsidiary, Watawala Plantations PLC for the period of 53 years are all executed. The leasehold rights to the land on all these estates are taken in to the books of the subsidiary as at 18 June 1992 immediately after formation of the subsidiary Watawala 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.

12 INTANGIBLE ASSETS

As at 31st March	GROUP 2012 Rs.	GROUP 2011 Rs.	COMPANY 2012 Rs.	COMPANY 2011 Rs.
Software (Note 12.1)	14,153,716	52,708	–	–
Goodwill (Note 12.2)	61,525,525	61,525,525	–	–
Brand (Note 12.3)	59,150,000	59,150,000	–	–
	134,829,241	**120,728,233**	**–**	**–**

12.1 Software

	GROUP 2012 Rs.	GROUP 2011 Rs.	COMPANY 2012 Rs.	COMPANY 2011 Rs.
Cost				
Balance at the beginning of the year	55,000	–	–	–
Additions during the year	17,564,109	55,000	–	–
Balance at the end of the year	17,619,109	55,000	–	–
Amortisation				
Balance at the beginning of the year	2,292	–	–	–
Charge during the year	3,463,101	2,292	–	–
Balance at the end of the year	3,465,393	2,292	–	–
Carrying amount	**14,153,716**	**52,708**	**–**	**–**

12.2 Goodwill

	GROUP 2012 Rs.	GROUP 2011 Rs.	COMPANY 2012 Rs.	COMPANY 2011 Rs.
At the beginning of the year	61,525,525	–	–	–
Goodwill arising on acquisitions	–	91,692,025	–	–
Balance at the end of the year	61,525,525	91,692,025	–	–
Adjustment (Note 34)	–	(30,166,500)	–	–
At the end of the year - restated	**61,525,525**	**61,525,525**	**–**	**–**

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

12.3 Brand

	GROUP 2012 Rs.	GROUP 2011 Rs.	COMPANY 2012 Rs.	COMPANY 2011 Rs.
At the beginning of the year	59,150,000	–	–	–
Additions (Note 12.3.1)	–	59,150,000	–	–
At the end of the year	**59,150,000**	**59,150,000**	**–**	**–**

12.3.1 Brand Acquisition

The Company acquired 51% stake of Healthguard Pharmacy Limited., on 10th December 2010, in order to use the brand "HEALTHGUARD" owned by Healthguard Pharmacy Limited., as per the valuation report given by Quasar Capital Advisors (Pvt) Ltd., on 15th December 2010.

To arrive at a value of the Brand "HEALTHGUARD" for the purpose of purchase the subsidiary, the valuer has used number of valuation models which has fallen in to following main two categories;

1. Research-based brand equity evaluations and
2. Purely financially driven approaches

The valuer has used a hybrid valuation model which is based on the following;

1. Estimated financial performance of the business
2. Discounted cash flows
3. Conventional accounting Net Asset Value of business
4. Brand Index – which is the factor in opinion creates the value for business

Based on the above valuation method, the value of the Brand "HEALTHGUARD" has been recognized as the excess of Net Asset Value as at 10th December 2010 and the discounted the five year cash flow forecast provided by the management, moderated to Brand Impact Index of 69%. The valuer has used the discount rate of 25% and below mentioned factors were considered to arrive at the discount rate.

Lending Rate: 15%
Business Risk Premium: 5%
Forward earnings risk premium: 5%

Watawala Marketing Ltd.
Software licenses consists of Windows Office, Sage Accpac, Zamzana and Microsoft SQL licenses acquired during the year written down value amounting to Rs. 8,948,285. Those softwares are amortized over three years.

Notes to the Financial Statements *(contd.)*

13 INVESTMENT IN SUBSIDIARIES

13.1 Company

Unquoted	2012 Holding %	2012 No of Shares	2012 Cost Rs	2011 Holding %	2011 No of Shares	2011 Cost Rs
Sunshine Travels & Tours Ltd.	100.00	600,000	6,000,000	100.00	600,000	6,000,000
SBL Ltd.	100.00	7,359,184	186,657,168	100.00	7,359,184	186,657,168
Estate Management Services (Pvt) Ltd.	51.00	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	60.59.	11,684,998	116,849,980
Sunshine Packaging Ltd.	100.00	35,650,000	356,500,000	100.00	35,650,000	356,500,000
			817,752,548			**817,752,548**

13.2 Group

Indirect Holdings	2012 Holding %	2011 Holding %
Watawala Plantations PLC	27.41	27.41
Watawala Marketing Ltd.	51.00	27.41
Healthguard Pharmacy Ltd.	100.00	51.00
Sunshine Power (Pvt) Ltd.	60.59	60.59

14 OTHER INVESTMENTS

14.1 Group

Unquoted

	2012 No of Shares	2012 Cost Rs.	2012 Directors' Valuation Rs.	2011 No of Shares	2011 Cost Rs.	2011 Directors' Valuation Rs.
Lanka Commodity Brokers Ltd	1,198,785	67,024,950	67,024,950	1,198,785	67,024,950	67,024,950
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
Total		**142,024,960**	**142,024,960**		**142,024,960**	**142,024,960**

14.2 Company

Unquoted	2012 No of Shares	2012 Cost Rs.	2012 Directors' Valuation Rs.	2011 No of Shares	2011 Cost Rs.	2011 Directors' Valuation Rs.
Lanka Commodity Brokers Ltd	1,198,785	67,024,950	67,024,950	1,198,785	67,024,950	67,024,950
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
Total		**142,024,960**	**142,024,960**		**142,024,960**	**142,024,960**

15 INVENTORIES

As at 31st March	GROUP 2012 Rs.	GROUP 2011 Rs.	COMPANY 2012 Rs.	COMPANY 2011 Rs.
Medical Items	1,074,872,307	668,590,491	–	–
Growing Crop Nurseries & Others	50,105,000	36,942,000	–	–
Harvested Crop	365,506,000	454,396,000	–	–
Input Materials, Spares and Consumables	344,694,623	329,615,488	–	–
Finished Goods	28,906,883	4,310,837	–	–
Work in Progress	27,622,514	22,014,813	–	–
Goods in Transit	1,234,918	1,206,237	–	–
Machinery Spares	3,930,034	1,661,804	–	–
	1,896,872,279	**1,518,737,670**	**–**	**–**

16	TRADE AND OTHER RECEIVABLES				
		GROUP		COMPANY	
	As at 31st March	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
	Trade Receivables	1,152,742,911	1,063,353,857	–	–
	Less: Provision for Bad Debts	(29,393,843)	(58,356,312)	–	–
		1,123,349,068	**1,004,997,545**	**–**	**–**
	Staff Loan Recoverable (Note 16.1)	6,345,670	6,055,488	2,610,000	1,820,000
	Other Receivables	124,173,199	50,611,784	3,951,979	–
	Withholding Tax Recoverable	3,009,673	4,189,719	2,596,461	2,497,006
	Interest Income Receivables	1,925,023	1,370,819	142,876	134,578
	ESC Recoverable	47,395,050	27,342,834	4,692,022	2,790,647
	ACT Recoverable	48,692,103	48,692,103	–	–
	VAT Recoverable	43,712,730	41,449,633	–	–
	Advances and Deposits	51,947,740	190,697,903	101,928	169,871
		1,450,550,255	**1,375,407,828**	**14,095,266**	**7,412,102**
16.1	**Staff Loan Recoverable**				
	Balance at the beginning of the year	6,055,488	5,485,236	1,820,000	50,000
	Add: Loans granted during the year	5,197,602	5,687,763	1,800,000	2,000,000
	Less: Repayments made during the year	(4,907,420)	(5,117,511)	(1,010,000)	(230,000)
	Balance at the end of the year	**6,345,670**	**6,055,488**	**2,610,000**	**1,820,000**

17	AMOUNTS DUE FROM RELATED PARTIES					
	SBL Ltd	Subsidiary	–	–	19,606,041	–
	Sunshine Travels & Tours Ltd	Subsidiary	–	–	6,978,221	1,067,443
	Bosanquet Skrine Ltd	Affiliated	1,500	–	–	–
	Sunshine Packaging Ltd	Subsidiary	–	–	8,323,192	–
	Sunshine Energy Ltd	Subsidiary	–	–	4,810,020	4,350,020
	Elgin Mhpp	Affiliated	3,006,730	1,387,105	–	–
	Waltrim Mhpp	Affiliated	2,300,229	1,128,729	–	–
	Tetley Group Ltd	Affiliated	–	4,016,000	–	–
	TATA Communication Lanka Ltd	Affiliated	81,259	402,603	–	–
	Secretaries and Financial Services (Pvt) Ltd	Affiliated	–	66,406	–	–
	Healthylife p Ltd	Affiliated	–	1,875	–	–
	Sunshine Tea (Pvt) Ltd	Affiliated	3,433,381	3,490,111	–	–
	Technology Consultancy Service (Pvt) Ltd	Affiliated	–	265,739	–	–
			8,823,099	**10,758,568**	**39,717,474**	**5,417,463**

18	CASH AND CASH EQUIVALENTS				
18.1	**Favorable Balance**				
	Fixed Deposits	58,108,155	195,159,463	–	–
	Import Margin/Bank Gurantee	300,000	593,738	–	–
	Call Deposits	1,100,840	6,095,837	1,005,478	1,285,640
	USD Saving Deposits	4,004,622	–	–	–
	TR Margin	46,112,951	24,581,883	–	–
	Cash at Bank	759,526,985	239,535,641	53,146,148	17,285,938
	Cash in Hand	1,204,030	2,303,898	347	1,767
		870,357,583	**468,270,460**	**54,151,973**	**18,573,345**
18.2	**Unfavorable Balance**				
	Bank Overdrafts	(667,246,259)	(454,425,173)	(946,776)	–
	Cash and Cash Equivalents for the purpose of Cash Flow Statement	**203,111,324**	**13,845,287**	**53,205,197**	**18,573,345**

Notes to the Financial Statements *(contd.)*

19	STATED CAPITAL				
		GROUP		COMPANY	
	As at 31st March	2012	2011	2012	2011
	No of Shares				
	Balance at the beginning	133,333,330	133,333,330	133,333,330	133,333,330
	Balance at the end of the year	**133,333,330**	**133,333,330**	**133,333,330**	**133,333,330**
	Value				
	Balance at the beginning (Rs.)	679,999,949	679,999,949	679,999,949	679,999,949
	Balance at the end of the year (Rs.)	**679,999,949**	**679,999,949**	**679,999,949**	**679,999,949**

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

		GROUP		COMPANY	
	As at 31st March	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
20	**DEFERRED TAXATION**				
20.1	**DEFERRED TAX ASSET**				
	Balance at the beginning of the year	44,594,888	36,712,570	–	–
	Charge / (Reversal) for the year	33,243,287	7,882,318	–	–
	Tax effect on Revaluation surplus	6,957,035	–	–	–
	Balance at the end of the year	**84,795,210**	**44,594,888**	**–**	**–**
20.2	**DEFERRED TAX LIABILITY**				
	Balance at the beginning of the year	27,129,000	–	–	–
	Charge / (Reversal) for the year	5,717,661	27,129,000	–	–
	Balance at the end of the year	**32,846,661**	**27,129,000**	**–**	**–**

	2012		2011	
	Temporary Difference Rs.	Tax effect on Temporary Differences Rs.	Temporary Difference Rs.	Tax effect on Temporary Differences Rs.
GROUP				
On Property, Plant & Equipment	(761,577,234)	(112,379,450)	(313,610,242)	(24,633,140
On Immature/Mature Plantation	(2,080,373,000)	(289,868,000)	(1,483,813,363)	(230,834,469)
On Retirement Gratuity Obligation	893,461,764	145,310,072	697,435,588	95,103,000
On Capital Grants	244,935,000	68,582,000	255,798,000	82,973,422
On Tax Losses Carried Forward	1,154,679,752	284,870,706	612,285,334	105,904,619
On Debtors General Provision	29,393,844	8,230,276	58,356,312	16,339,766
On Revaluation of Land and Building	(47,251,550)	(13,230,434)	(20,187,469)	(5,652,491)
	(566,731,425)	**91,515,170**	**(193,735,840)**	**39,200,707**
Less: Unrecognized Deferred Tax Assets				
Sunshine Holdings PLC		(36,514,144)		(21,734,819)
Sunshine Energy Ltd.		(2,075,664)		–
Sunshine Power (Pvt.) Ltd.		(976,813)		–
		51,948,549		**(17,465,888**

The management of the Sunshine Holdings PLC, Sunshine Energy Limited and Sunshine Power (Private) Limited is of the opinion that the above deferred tax assets amounting to Rs. 36,514,144/- (Rs. 21,734,819/- in 2011), Rs. 2,075,664/- and Rs. 976,813/- respectively as it is not probable that future taxable profits will be available against which those companies can utilize the benefit thereon.

COMPANY				
On Property, Plant & Equipment	(763,825)	(213,871)	(156,165)	(43,726)
On Retirement Gratuity Obligation	3,778,569	1,057,999	1,992,436	557,882
On Tax Losses Carried Forward	127,392,913	35,670,016	75,788,084	21,220,664
	130,407,657	**36,514,144**	**77,624,355**	**21,734,819**

The Company have not recognised Deffered Tax Assets of Rs. 36,514,144/- (Rs. 21,734,819/- in 2011) as the management is of the opinion that the reversal of deffered tax will not be crystalise in the forseeable future.

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

21 RETIREMENT BENEFIT OBLIGATIONS – GRATUITY

As at 31st March	GROUP 2012 Rs.	GROUP 2011 Rs.	COMPANY 2012 Rs.	COMPANY 2011 Rs.
Balance at the beginning of the year	697,435,588	678,384,447	1,992,436	1,048,000
On Acquisition	–	2,245,240	–	–
Provision made during the year	295,784,818	80,212,614	1,786,133	944,436
	993,220,406	**760,842,301**	**3,778,569**	**1,992,436**
Payments made during the year	(99,758,642)	(63,406,713)	–	–
Balance at the end of the year	**893,461,764**	**697,435,588**	**3,778,569**	**1,992,436**
Present Value of Unfunded obligations	893,461,764	697,435,588	3,778,569	1,992,436
Present Value of Funded obligations	–	–	–	–
Total Present Value of obligations	**893,461,764**	**697,435,588**	**3,778,569**	**1,992,436**
Fair Value of Plan Assets	–	–	–	–
Present Value of net obligations	**893,461,764**	**697,435,588**	**3,778,569**	**1,992,436**
Unrecognised actuarial (gain)/loss	–	–	–	–
Recognised liability for defined obligation	**893,461,764**	**697,435,588**	**3,778,569**	**1,992,436**
The movement in the defined benefit obligation over the year is as follows				
As at 01st April	697,435,588	680,629,688	1,992,436	1,048,000
Current Service Cost	72,181,496	79,306,267	1,114,407	625,628
Interest Cost	74,667,727	252,687	208,653	115,280
Transitional (asset)/liability	–	203,528	463,073	203,528
Actuarial Loss	148,935,595	450,132	–	–
Benefits Paid	(99,758,642)	(63,406,713)	–	–
As at 31st March	**893,461,764**	**697,435,588**	**3,778,569**	**1,992,436**
The amount recognised in the income statement are as follows				
Current Service Cost	72,181,496	79,306,267	1,114,407	625,628
Interest Cost	74,667,727	252,687	208,653	115,280
Actuarial Loss	148,935,595	450,132	–	–
Transitional (asset)/liability	–	203,528	463,073	203,528
Total included in the staff cost	**295,784,818**	**80,212,614**	**1,786,133**	**944,436**

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 31st March	2012 Rs.	2011 Rs.
Rate of Interest	11%	11% p.a.
Rate of salary increase	10%	10% p.a.
Staff Turnover factor	–	–
Retiring age	60 Years	60 Years

21.2 Subsidiaries

Watawala Plantations PLC

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

As at 31st March	2012 Rs.	2011 Rs.
Rate of Interest (Net of Tax)	11% p.a.	11% p.a.
Rate of salary increase		
– tea estate workers (every two years)	20% p.a.	19% p.a.
– rubber estate workers (every two years)	20% p.a.	19% p.a.
– oil palm factory workers (every two years)	20% p.a.	19% p.a.
– estate staff (every three years)	20% p.a.	20% p.a.
– estate management & head office staff (every year)	7.5% p.a.	7.5% p.a.
Retiring age	60 Years	60 Years
The subsidiary will continue in business as going concern		

Estate Management Services (Pvt) Ltd.

Terminal benefits are provided for all employees of the Estate Management Services (Pvt.) Ltd. at the rate of one half of the basic or consolidated wage or salary and cost of living allowances for the last month of the financial year, for each year of completed service.

Notes to the Financial Statements *(contd.)*

21.2 Subsidiaries *(Cont.)*

All the othersubsidiaries applied formula method and used the following key assumptions in arriving at the retirement benefit liability under projected Unit Credit (PUC) method. Also assumed all the companies will continue in business as a going concern.

As at 31st March	2012 Rs.	2011 Rs.
SBL Limited		
Rate of Interest	11% p.a.	11% p.a.
Rate of salary increase	10% p.a.	10% p.a.
Staff Turnover factor	16.5% p.a.	20% p.a.
Retiring age	60 Years	60 Years
Sunshine Travels & Tours Limited		
Rate of Interest	11% p.a.	11% p.a.
Rate of salary increase	15% p.a.	10% p.a.
Staff Turnover factor	21% p.a.	10% p.a.
Retiring age	60 Years	60 Years
Sunshine Packaging Limited		
Rate of interest	11% p.a.	11% p.a.
Rate of salary increase	2.5% p.a.	10% p.a.
Staff Turnover – Staff	17% p.a.	24% p.a.
– Workers	12% p.a.	26% p.a.
Retiring age	55 Years	55 Years
Watawala Marketing Limited		
Rate of interest	11% p.a.	11% p.a.
Rate of salary increase	10% p.a.	7.5% p.a.
Retiring age	55 Years	60 Years
Healthguard Pharmacy Limited		
Rate of Interest	11% p.a.	11% p.a.
Rate of salary increase	15% p.a.	15% p.a.
Staff Turnover factor	10% p.a.	10% p.a.
Retiring age	55 Years	55 Years

22 DEFERRED INCOME AND CAPITAL GRANTS

	GROUP		COMPANY	
As at 31st March	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Balance at the beginning of the year	255,798,000	228,732,000	–	–
Received during the year	–	38,554,000	–	–
Amortised during the year	(10,863,000)	(11,488,000)	–	–
Balance at the end of the year	**244,935,000**	**255,798,000**	**–**	**–**

22.1 Funds have been received by Watawala Plantations PLC, a subsidiary of the Company from the Plantation Human Development Trust (PHDT) and Ministry of Estate Infrastructure for workers' welfare facilities including reroofing of line rooms, latrines, water supply, sanitation, etc. Grants received from the Ministry of Estate Infrastructure for construction of creches farm roads and community centres, are also included above. The amount spent have been capitalised under the relevant fixed assets category. The capital grants are amortised on a strate line basis over the useful life of the respective assets.

23 DEBENTURES

Unsecured Debentures	–	100,000,000	–	–
Redemptions during the year	–	(100,000,000)	–	–
	–	–	–	–

24 INTEREST BEARING BORROWINGS

Amount repayable after one year				
Loans (Note 24.1)	1,120,367,455	437,273,321	–	–
Finance Lease Obligations (Note 24.2)	47,663,955	44,533,530	–	–
SLSPC / JEDB Lease Creditors (Note 24.3)	360,253,000	365,560,000	–	–
	1,528,284,410	**847,366,851**	**–**	**–**
Amount repayable within one year				
Loans (Note 24.1)	202,010,893	131,115,339	–	–
Finance Lease Obligations (Note 24.2)	21,490,611	17,441,373	–	–
SLSPC / JEDB Lease Creditors (Note 24.3)	5,310,000	5,313,000	–	–
Money Market & Other Loans	86,563,864	45,000,000	–	–
	315,375,368	**198,869,712**	**–**	**–**
	1,843,659,778	**1,046,236,563**	**–**	**–**

24 INTEREST BEARING BORROWINGS *(Cont.)*

As at 31st March	GROUP 2012 Rs.	GROUP 2011 Rs.	COMPANY 2012 Rs.	COMPANY 2011 Rs.
24.1 Loans				
Balance at the beginning of the year	568,388,660	486,424,925	–	–
On Acquisition	–	6,325,000		
Add: Loans obtained during the year	1,203,724,043	704,483,000	–	–
Less: Repayment during the year	(449,734,355)	(628,844,265)	–	–
Balance at the end of the year	**1,322,378,348**	**568,388,660**	**–**	**–**
Amount repayable within one year	202,010,893	131,115,339	–	–
Amount repayable after one year	**1,120,367,455**	**437,273,321**	**–**	**–**
24.2 Finance Lease Obligations				
Balance at the beginning of the year	**70,756,208**	**48,038,263**	**–**	**–**
On Acquisition	–	180,251		
Addition/(Disposal) made during the year	48,175,368	49,776,620	–	–
Repayment during the year	(39,890,357)	(27,238,926)	–	–
Balance at the end of the year	**79,041,219**	**70,756,208**	**–**	**–**
Interest in suspense	(9,886,653)	(8,781,306)	–	–
Net Lease Obligation	**69,154,566**	**61,974,903**	**–**	**–**
Amount repayable within one year	21,490,611	17,441,373	–	–
Amount repayable after one year	**47,663,955**	**44,533,530**	**–**	**–**
24.3 SLSPC/JEDB Lease Creditors				
Balance at the beginning of the year	690,880,000	711,200,000	–	–
Repayment during the year	(20,320,000)	(20,320,000)	–	–
Balance at the end of the year	**670,560,000**	**690,880,000**	**–**	**–**
Interest in suspense	(304,997,000)	(320,007,000)	–	–
Net Lease Obligation	**365,563,000**	**370,873,000**	**–**	**–**
Amount repayable within one year	5,310,000	5,313,000	–	–
Amount repayable after one year	**360,253,000**	**365,560,000**	**–**	**–**

The annual lease series of payments payable by Watawala Plantations PLC, a subsidiary of the Company, with effect from 18 June 1996 in respect of these estates is Rs. 20.32 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 the Cabinet decision, the regional plantation companies were requested to revert back to the original method of calculating lease rentals by applying the GDP deflator of the proceeding year. The gross liability to the lessor represents the total basic lease series payable by the subsidiary for the remaining term of the lease. The net liability to the lessor is the present value of annual basic lease series of payments over the remaining tenure of the lease. The discount rate used is 6% p.a.

The interest in suspense is the total amount of interest payable during the remaining tenure of the lease at 6% p.a. on the net liability to the lessor on 18 June each year. 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 costs by crediting the interest in suspense account.

24.4 Trust Receipt & Money Market Loans				
Balance at the beginning of the year	45,000,000	7,449,451	–	–
Loan obtained during the year	92,730,323	55,989,468	–	–
Repayment during the year	(51,166,459)	(18,438,919)	–	–
Balance at the end of the year	**86,563,864**	**45,000,000**	**–**	**–**
Amount repayable within one year	86,563,864	45,000,000	–	–

Notes to the Financial Statements *(contd.)*

24.5.1 DETAILS OF INTEREST BEARING BORROWINGS

Company/Lender	Interest Rate p.a.	Current Rs.	Non–current Rs.	Balance 31.03.2012 Rs.	Current Rs.	Non–current Rs.
TERM LOANS						
SUBSIDIARY						
SBL Limited						
Public Bank Berhard	12.5%	2,642,709	7,257,291	9,900,000	11,333,339	25,333,321
		2,642,709	**7,257,291**	**9,900,000**	**11,333,339**	**25,333,321**
Healthguard Pharmacy Limited						
Public Bank Berhard	AWPLR + 2.0%	1,260,000	3,385,000	4,645,000	1,260,000	4,645,000
Hatton National Bank PLC	AWPLR + 0.5%	–	–	–	2,759,000	–
		1,260,000	**3,385,000**	**4,645,000**	**4,019,000**	**4,645,000**
Watawala Plantations PLC						
Commercial Bank of Ceylon PLC	11.50%	–	–	–	1,951,000	–
	11.50%	2,968,000	451,000	3,419,000	2,968,000	3,419,000
	11.50%	6,005,000	6,005,000	12,010,000	6,005,000	12,010,000
	11.50%	2,507,000	3,760,000	6,267,000	2,507,000	6,267,000
	11.50%	4,666,000	10,500,000	15,166,000	4,666,000	15,166,000
	11.50%	–	–	–	1,839,000	–
	9.74%	6,804,000	24,939,000	31,743,000	6,804,000	31,743,000
	9.74%	6,606,000	29,193,000	35,799,000	6,606,000	35,799,000
	9.74%	148,000	701,000	849,000	148,000	849,000
	8.50%	–	–	–	167,000	–
	8.50%	–	–	–	1,010,000	–
	6.50%	4,200,000	1,050,000	5,250,000	4,200,000	5,250,000
	6.50%	2,592,000	1,760,000	4,352,000	2,592,000	4,352,000
	AWPLR – 6%	30,010,000	46,337,000	76,347,000	30,011,000	76,348,000
		66,506,000	124,696,000	191,202,000	71,474,000	191,203,000
Hatton National Bank PLC	8.50%	–	–	–	956,000	–
	6.50%	8,333,000	16,667,000	25,000,000	8,333,000	25,000,000
		8,333,000	16,667,000	25,000,000	9,289,000	25,000,000
ICICI Bank Ltd	SLIBOR +5% 1 year	10,000,000	29,167,000	39,167,000	10,000,000	39,167,000
	SLIBOR +5% 2–5 years	10,000,000	29,167,000	39,167,000	10,000,000	39,166,000
		20,000,000	58,334,000	78,334,000	20,000,000	78,333,000
Public Bank Berhad	11.00%	939,000	4,835,000	5,774,000	–	–
	11.00%	311,000	1,599,000	1,910,000	–	–
		1,250,000	6,434,000	7,684,000	–	–
		96,089,000	**206,131,000**	**302,220,000**	**100,763,000**	**294,536,000**
Sunshine Packaging Ltd						
Peoples Bank PLC	AWPLR + 2%	30,000,000	–	30,000,000	–	–
Hatton National Bank PLC	AWPLR + 2%	70,826,305	32,378,000	103,204,305	15,000,000	59,024,000
		100,826,305	**32,378,000**	**133,204,305**	**15,000,000**	**59,024,000**
Sunshine Power (Pvt) Ltd						
Hatton National Bank PLC	AWPLR+0.5% (3 mts avg.)	–	366,609,043	366,609,043	–	53,735,000
		–	**366,609,043**	**366,609,043**	**–**	**53,735,000**
Estate Management Services (Pvt) Ltd						
ICICI Bank Limited		–	500,000,000	500,000,000	–	–
		–	**500,000,000**	**500,000,000**	**–**	**–**
Sunshine Energy Ltd						
Hatton National Bank PLC		1,192,879	4,607,121	5,800,000	–	–
		1,192,879	**4,607,121**	**5,800,000**	**–**	**–**
Total Group		**202,010,893**	**1,120,367,455**	**1,322,378,348**	**131,115,339**	**437,273,321**

Balance 31.03.2011 Rs.	Repayment Terms		Purpose	Security
36,666,660	Year – 2008	60 equal monthly installments commencing from Dec 2008		Primary floating mortgage over land bearing assessment No.75, Noris Canel Road, Colombo–10.
36,666,660				
5,905,000	Year – 2007	96 equal monthly installments commencing from Jan 2008		A corporate gurantee of Rs.10 Mn given by Sunshine Holdings Plc
2,759,000	Year – 2011	12 equal monthly installments commencing from Feb 2011		
8,664,000				
1,951,000	Year – 1996	40 equal quarterly installments commencing from Jun 2002	For field development activities from Commercial Banks under ADB re-finance scheme: For processing development, vehicles & equipments, For environmental friendly activities.	Leasehold rights on specified estates and machinery purchased under Environmental Friendly scheme
6,387,000	Year – 1997	40 equal quarterly installments commencing from May 2003		
18,015,000	Year – 2000	40 equal quarterly installments commencing from May 2004		
8,774,000	Year – 2000	40 equal quarterly installments commencing from Sep 2004		
19,832,000	Year – 2001	40 equal quarterly installments commencing from Sep 2004		
1,839,000	Year – 1996	40 equal quarterly installments commencing from Jun 2002		
38,547,000	Year – 2006	96 equal monthly installments commencing from Oct 2008		
42,405,000	Year – 2007	96 equal monthly installments commencing from Jun 2009		
997,000	Year – 2008	96 equal quarterly installments commencing from Jan 2010	To fund working capital requirements of 12 Tea factories from Commercial Bank under Tea Relief Package.	
167,000	Year – 2001	96 equal quarterly installments commencing from Jul 2003		
1,010,000	Year – 2001	96 equal quarterly installments commencing from Sep 2003		
9,450,000	Year – 2007	48 equal quarterly installments commencing from Jun 2009		
6,944,000	Year – 2007	48 equal quarterly installments commencing from Nov 2009		
106,359,000	Year – 2009	59 equal quarterly installments commencing from Nov 2009		
262,677,000				
956,000	Year – 2001	96 equal monthly installments commencing from Jan 2004	For environment friendly activities from Hatton National Bank PLC:	Machinery purchased under EFC scheme and leasehold rights on specified estates
33,333,000	Year – 2008	72 equal monthly installments commencing from Mar 2009		
34,289,000				
49,167,000	Year – 2011	60 equal monthly installments commencing from Mar 2011	For purchase of fixed assets in factories	Unsecured
49,166,000	Year – 2011	60 equal monthly installments commencing from Mar 2011		
98,333,000				
–	Year – 2012	60 equal monthly installments commencing from Mar 2012	For purchase of vehicle	
–	Year – 2012	60 equal monthly installments commencing from Mar 2012		
–				
395,299,000				
–			Primary Mortgage over inventry and other receivables	Primary mortgage over project land and building at No.75 Kandawala Road, Ratmalana for Rs. 111.25 million.
74,024,000	Year – 2009	60 equal monthly installments commencing from May 2009		
74,024,000				
53,735,000	Year – 2011			Corporate Guarantee of the Sunshine Holdings PLC
53,735,000				
–	Year – 2012	20 equal monthly installments commencing from June 2012	For invest in subsidiary	Corporate Gurantee of the Sunshine Holdings PLC
–				
–	Year – 2011	48 equal monthly installments commencing from May 2009	For purchase of vehicle	Primary mortgage bond for Rs. 5.8 Million over the vehicle
–				
568,388,660				

Notes to the Financial Statements *(contd.)*

24.5.2 BANK OVERDRAFT FACILITY

Company/Lender	Balance 31.03.2012 Rs.	Balance 31.03.2011 Rs.	Security
COMPANY			
MCB Bank Limited	946,776	–	
	946,776	**–**	
SUBSIDIARY			
SBL Limited			
MCB Bank Limited	202,539,606	110,393,709	a) Lien over deposit in the name of the company for Rs. 50 million.
Standard Chartered Bank Ltd.	60,509	–	b) Corporate guarantee from Sunshine Holdings PLC for Rs. 420 million.
Nations Trust Bank PLC	903,163	1,471,060	c) Bank Overdraft agreement
Hongkong & Shanghai Banking Corporation Limited	11,456,690	13,800,569	
Commercial Bank PLC	3,000,000	207,000	
Sampath Bank PLC	69,491	–	
	218,029,459	**125,872,338**	
Healthguard Pharmacy Limited			
Hatton National Bank PLC	3,512,252	211,826	
	3,512,252	**211,826**	
Sunshine Travels & Tours Limited			
Hatton National Bank PLC	10,732,514	15,639,567	
	10,732,514	**15,639,567**	
Watawala Plantations PLC			
Hatton National Bank PLC	74,394,000	89,796,000	Movable assets, stock in trade and an assignment of book debts
Sampath Bank PLC	–	9,078,000	Stocks and receivables, leasehold rights on specified estates.
Commercial Bank of Ceylon PLC	26,962,000	11,778,000	Leasehold rights on specified estates.
Standard Chartered Bank Ltd.	38,568,000	–	Leasehold rights on specified estates.
Hongkong & Shanghai Banking Corporation Limited	–	1,282,000	Commercial paper guarantee agreement executed under the company seal.
Citi Bank Limited	131,430,000	4,107,000	
Peoples bank PLC	406,000	–	
ICICI Bank Limited	–	70,830,000	
MCB Bank Limited	131,259,000	97,901,000	
Nations Trust Bank PLC	–	832,000	
	403,019,000	**285,604,000**	
Sunshine Packaging Limited			
Hatton National Bank PLC	31,006,257	26,091,280	
	31,006,257	**26,091,280**	
Sunshine Power (Pvt) Limited			
Hatton National Bank PLC	–	1,006,162	
	–	**1,006,162**	
Total Group	**667,246,259**	**454,425,173**	

25 TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
As at 31st March	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
Trade Payables	1,149,999,058	825,531,803	–	–
Interest/Dividend Payables	803,631	617,772	803,630	617,772
Sales Representatives Security Deposits	14,912,565	14,829,475	–	–
Retention Payable to Contractor	10,491,795	–	–	–
Withholding Tax Payables	165,874	379,633	4,000	45,065
Accrued Expenses & other Payables (25.1)	467,396,720	544,488,751	3,169,241	2,889,590
	1,643,769,643	**1,385,847,434**	**3,976,871**	**3,552,427**

25.1 Accrued Expenses and Other Payables comprise of lease rent payable to Ministry of Plantations on SLSPC/JEDB lease amounting to Rs. 54.84 million (2011 – Rs. 36.95 million)

26 AMOUNTS DUE TO RELATED PARTIES

Secratraries & Financial Services (Private) Limited	Affiliate	5,657	–	–	–
SKS Logistics (Private) Limited	Affiliate	–	93,453	–	–
Sunshine Teas (Pvt) Ltd	Affiliate	–	1,434,000	–	–
		5,657	**1,527,453**	**–**	**–**

Notes to the Financial Statements *(contd.)*

27 SEGMENTAL ANALYSIS

	Investment		Healthcare		Travels		Management Services	
For the year ended 31st March	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
NET REVENUE	**190,134,023**	**134,837,248**	**4,656,609,599**	**4,329,389,222**	**30,332,479**	**13,741,092**	**49,331,000**	**90,033,000**
RESULT								
Operating Profit	114,012,109	110,973,985	558,872,594	549,491,235	3,601,508	1,751,419	101,790,000	86,253,000
Finance Cost	–	–	(15,820,469)	(11,522,452)	(908,062)	(687,935)	(526,000)	(828,000)
Income Tax Expense	–	–	(114,197,933)	(195,761,679)	(77,505)	(133,341)	(16,352,000)	(15,092,000)
Profit from continuing operations	**114,012,109**	**110,973,985**	**428,854,193**	**342,207,104**	**2,615,941**	**930,143**	**84,912,000**	**70,333,000**
Profit from discontinuing operations	–	–	–	–	–	–	–	–
Profit for the year	**114,012,109**	**110,973,985**	**428,854,193**	**342,207,104**	**2,615,941**	**930,143**	**84,912,000**	**70,333,000**
BALANCE SHEET								
Assets								
Non Current Assets	960,541,333	959,933,673	584,641,996	478,919,408	9,612,167	5,360,684	1,122,690,000	381,095,000
Current Assets	111,123,441	34,561,638	2,021,636,541	1,508,709,099	28,286,055	26,668,536	37,570,000	214,917,000
Total Assets	**1,071,664,774**	**994,495,311**	**2,606,278,537**	**1,987,628,507**	**37,898,222**	**32,029,220**	**1,160,260,000**	**596,012,000**
Equity & Reserves								
Shareholders' Fund	1,062,962,558	988,950,448	1,159,605,806	902,358,170	9,044,585	6,428,644	643,012,000	581,589,000
Minority Interest	–	–	–	35,038,333	–	–	–	–
Sub Total	**1,062,962,558**	**988,950,448**	**1,159,605,806**	**937,396,503**	**9,044,585**	**6,428,644**	**643,012,000**	**581,589,000**
Non CurrentLiabilities								
Long Tem Borrowings	–	–	52,641,791	64,317,851	–	–	500,000,000	–
Other Liabilities	3,778,569	1,992,436	47,995,265	39,880,580	1,366,814	1,034,572	10,990,000	7,900,000
Sub Total	**3,778,569**	**1,992,436**	**100,637,056**	**104,198,431**	**1,366,814**	**1,034,572**	**510,990,000**	**7,900,000**
Current Liabilities								
Short Term Borrowings	946,776	–	286,207,160	153,215,876	10,732,513	15,639,567	–	–
Other Liabilities	3,976,871	3,552,427	1,059,828,515	792,817,697	16,754,310	8,926,437	6,258,000	6,523,000
Sub Total	**4,923,647**	**3,552,427**	**1,346,035,675**	**946,033,573**	**27,486,823**	**24,566,004**	**6,258,000**	**6,523,000**
Total Equity & Liabilities	**1,071,664,774**	**994,495,311**	**2,606,278,537**	**1,987,628,507**	**37,898,222**	**32,029,220**	**1,160,260,000**	**596,012,000**
OTHER INFORMATION								
Capital Expenditure	789,083	184,295	92,385,104	89,755,952	5,860,939	5,650,751	–	–
Depreciation	181,423	28,130	55,408,416	26,698,648	1,697,520	561,232	–	–

	Plantation		Packaging		Energy		FMCG		Intragroup		Group	
	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.	2012 Rs.	2011 Rs.
	4,535,486,000	**4,663,744,000**	**217,155,417**	**220,526,743**	**3,341,066**	**–**	**1,757,419,878**	**1,535,461,106**	**(220,268,265)**	**(255,566,546)**	**11,219,541,197**	**10,732,165,865**
	334,076,000	611,521,000	19,096,801	20,240,503	(6,760,104)	(456,250)	283,184,077	234,421,873	(447,516,734)	(277,650,028)	960,356,251	1,336,546,737
	(86,492,000)	(84,951,000)	(17,836,569)	(11,559,318)	(3,492,022)	(1,750)	–	–	(1,570,659)	(759,501)	(123,504,463)	(110,309,956)
	(4,755,000)	5,830,000	(4,301,437)	1,512,571	–	–	(47,893,049)	(2,000,000)	(35,487,043)	(16,009,112)	(223,063,965)	(221,653,561)
	242,829,000	**532,400,000**	**(3,041,205)**	**10,193,756**	**(10,252,126)**	**(458,000)**	**235,291,028**	**232,421,873**	**(481,433,117)**	**(294,418,641)**	**613,787,823**	**1,004,583,220**
	169,756,000	–	–	–	–	–	–	–	(169,756,000)	–	–	–
	412,585,000	**532,400,000**	**(3,041,205)**	**10,193,756**	**(10,252,126)**	**(458,000)**	**235,291,028**	**232,421,873**	**(651,189,117)**	**(294,418,641)**	**613,787,823**	**1,004,583,220**
	4,336,067,000	4,327,281,000	350,464,486	335,394,111	586,381,774	90,378,356	236,137,782	184,764,341	(2,012,797,893)	(1,621,199,888)	6,173,738,645	5,141,926,685
	1,312,040,000	896,137,000	212,413,437	150,226,511	20,427,980	192,762,955	633,394,752	435,382,872	(145,371,056)	(82,928,578)	4,231,521,150	3,376,437,032
	5,648,107,000	**5,223,418,000**	**562,877,923**	**485,620,622**	**606,809,754**	**283,141,311**	**869,532,534**	**620,147,213**	**(2,158,168,949)**	**(1,704,128,466)**	**10,405,259,795**	**8,518,363,717**
	2,832,104,000	2,510,614,000	376,819,069	372,903,239	212,539,874	222,792,000	696,687,912	537,721,887	(4,200,613,907)	(3,798,724,742)	2,792,161,897	2,324,632,646
	–	–	–	–	20	–	–	–	2,187,817,645	2,174,015,397	2,187,817,665	2,209,053,730
	2,832,104,000	**2,510,614,000**	**376,819,069**	**372,903,239**	**212,539,894**	**222,792,000**	**696,687,912**	**537,721,887**	**(2,012,796,262)**	**(1,624,709,345)**	**4,979,979,562**	**4,533,686,376**
	570,980,000	670,290,000	33,446,453	59,024,000	371,216,164	53,735,000	–	–	–	–	1,528,284,410	847,366,851
	1,091,059,000	919,967,000	2,338,904	2,756,251	–	–	13,714,795	6,833,976	82	(2,225)	1,171,243,425	980,362,588
	1,662,039,000	**1,590,257,000**	**35,785,357**	**61,780,251**	**371,216,164**	**53,735,000**	**13,714,795**	**6,833,976**	**82**	**(2,225)**	**2,699,527,835**	**1,827,729,439**
	551,455,000	442,342,000	132,087,297	41,091,280	1,192,879	1,006,162	–	–	–	–	982,621,627	653,294,885
	602,509,000	680,205,000	18,186,200	9,845,852	21,860,817	5,608,149	159,129,827	75,591,350	(145,372,769)	(79,416,896)	1,743,130,771	1,503,653,017
	1,153,964,000	**1,122,547,000**	**150,273,497**	**50,937,132**	**23,053,696**	**6,614,311**	**159,129,827**	**75,591,350**	**(145,372,769)**	**(79,416,896)**	**2,725,752,398**	**2,156,947,902**
	5,648,107,000	**5,223,418,000**	**562,877,923**	**485,620,622**	**606,809,754**	**283,141,311**	**869,532,534**	**620,147,213**	**(2,158,168,949)**	**(1,704,128,466)**	**10,405,259,795**	**8,518,363,717**
	573,292,000	715,159,000	25,732,918	53,118,434	499,933,420	89,490,631	73,833,997	208,783,714	(5,156,361)	(180,416,018)	1,266,671,100	981,726,759
	214,035,000	186,621,000	14,413,737	13,119,964	3,929,003	297,988	22,460,556	21,902,760	–	240	312,125,658	249,229,962

Notes to the Financial Statements *(contd.)*

28 RELATED PARTY TRANSACTIONS

Name of the Company		Nature of the Transaction	Amount Received/(Paid) Rs.
Sunshine Holdings PLC			
(i) SBL Ltd.	(a)	Dividend received Interest received	158,957,519 593,137
(ii) Estate Management Services (Pvt) Ltd.	(b)	Dividend received	11,979,900
(iii) Secretaries & Financial Services (Pvt) Ltd.	(c)	Professional fees	(1,013,634)
(iv) Sunshine Packaging Ltd.	(d)	Advance given Interest received	(20,000,000) 507,959
(v) Watawala Plantations PLC	(e)	Advance given Interest received	(30,000,000) 223,562
(vi) Sunshine Energy Ltd	(f)	Advance given	(5,910,778)

(a) Messrs. G. Sathasivam, S. Piyaratne, S.G. Sathasivam and B.A. Hulangamuwa are Directors of the Company are also Directors of SBL Ltd.
(b) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Estate Management Services (Pvt) Ltd.
(c) Messrs. B.A. Hulangamuwa and V. Govindasamy are Directors of the Company are also Directors of Secretaries and Financial Services (Pvt) Ltd.
(d) Messrs. S. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Packaging Ltd.
(e) Messrs. G. Sathasivam, V. Govindasamy and B.A. Hulangamuwa are Directors of the Company are also Directors Watawala Plantations PLC.
(f) Messrs. G. Sathasivam, B.A. Hulangamuwa, S. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Energy Ltd.

Name of the Company		Nature of the Transaction	Amount Received/(Paid) Rs.
SBL Limited			
(i) Sunshine Holdings PLC	(g)	Dividend Paid Interest Paid	(176,620,584) (593,137)
(ii) Sunshine Travels & Tours Ltd.	(h)	Service provided	(7,489,626)
(iii) Watawala Plantations PLC	(i)	Purchase of Goods Sale of Goods	(976,664) 455,000
(iv) Sunshine Packaging Ltd.	(j)	Purchase of Goods	(2,373,541)
(v) Healthguard Pharmacy Ltd.	(k)	Sale of Goods Service Rendered	62,671,596 (100,800)
(vi) Sunshine Tea (Pvt) Ltd.	(l)	Store Rent	2,652,000
(vii) Watawala Marketing Ltd.	(m)	Purchase of Goods	(633,939)
(viii) Secretaries & Financial Services (Pvt) Ltd.		Service Provided	(2,081,540))
(vix) Healthylife P Limited		Service Provided	(395,500)

(g) Messrs. G. Sathasivam, S. Piyaratne, B.A.Hulangamuwa and S.G.Sathasivam are Directors of the Company are also Directors of Sunshine Holdings PLC.
(h) Messrs. G. Sathasivam, S. G. Sathasivam and B.A. Hulangamuwa are Directors of the Company are also Directors of Sunshine Travels & Tours Ltd.
(i) Messrs. G. Sathasivam and B.A. Hulangamuwa are Directors of the Company are also Directors of Watawala Plantations PLC.
(j) Messrs. S. G. Sathasivam and WDPL Vithanage are Directors of the Company are also a Directors of Sunshine Packaging Ltd.
(k) Messrs. S.G. Sathasivam, WDPL Vithanage and B.A. Hulangamuwa are Directors of the Company are also Directors of Healthguard Pharmacy Ltd.
(l) Messrs. S.G.Sathasivam and B.A.Hulangamuwa are Directors of the Company are also Directors of Sunshine Tea (Pvt) Ltd.
(m) Messrs. G. Sathasivam and S.G.Sathasivam are Directors of the Company are also Directors of Watawala Marketing Ltd.

28 RELATED PARTY TRANSACTIONS *(Cont)*

Name of the Company			Nature of the Transaction	Amount Received/(Paid) Rs.
Watawala Plantations PLC				
(i)	Sunshine Tea (Pvt) Ltd.	(n)	Sales Purchases	2,581,000 (17,493,000)
(ii)	Sunshine Travels & Tours Ltd.	(o)	Sales Purchases	4,552,000 (5,924,000)
(iii)	Secretaries & Financial Services (Private) Ltd.	(p)	Sales Purchases	81,000 (6,169,000)
(iv)	Sunshine Packaging Ltd.	(q)	Purchases	(253,001)
(v)	SBL Ltd.	(r)	Sales Purchases	977,000 (455,000)
(vi)	Estate Management Services (Pvt) Ltd.	(s)	Purchases	(58,699,000)
(vii)	Healthguard Pharmacy Ltd.	(t)	Purchases	(1,416,000)
(viii)	Sunshine Holdings PLC	(u)	Sales Purchases	297,000 (4,282,000)
(ix)	Sunshine Power (Pvt) Ltd.	(v)	Sales	1,610,000

(n) Messrs. V. Govindasamy and B.A. Hulangamuwa are Directors of the Company are also Directors of Sunshine Tea (Pvt) Ltd.
(o) Messrs. G. Sathasivam, V. Govindasamy and B.A. Hulangamuwa are Directors of the Company are also Directors of Sunshine Travels & Tours Ltd.
(p) Messrs. B.A. Hulangamuwa and V. Govindasamy are Directors of the Company are also Directors of Secretaries and Financial Services (Pvt) Ltd.
(q) Messrs. V. Govindasamy is a Director of the Company is also a Director of a Sunshine Packaging Ltd.
(r) Messrs. G. Sathasivam and B.A. Hulangamuwa are Directors of the Company are also Directors of SBL Ltd.
(s) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Estate Managment Services (Pvt) Ltd.
(t) Messrs. V.Govindasamy and B.A.Hulangamuwa are Directors of the Company are also Directors of Healthguard Pharmacy Ltd.
(u) Messrs. G. Sathasivam, B.A. Hulangamuwa and V. Govindasamy are Directors of the Company are also Directors of Sunshine Holdings PLC.
(v) Messrs. G. Sathasivam, B.A. Hulangamuwa and V. Govindasamy are Directors of the Company are also Directors of Sunshine Power (Pvt) Ltd.

Sunshine Travels & Tours Limited				
(i)	SBL Ltd.	(w)	Sales	6,035,324
(ii)	Sunshine Packaging Ltd.	(x)	Sales	796,818
(iii)	TATA Communication Lanka Ltd.	(y)	Sales	2,585,650
(iv)	Estate Management Services (Pvt) Ltd.	(z)	Sales	964,337
(v)	Watawala Plantations PLC	(aa)	Sales	4,552,000
(vi)	Watawala Marketing Ltd.	(ab)	Sales	3,168,588
(vii)	Sunshine Holdings PLC	(ac)	Sales	2,152,488
(viii)	Sunshine Holdings PLC	(ad)	Sales	808,003
(ix)	Sunshine Holdings PLC	(ae)	Sales	5,675,443

(w) Messrs. G. Sathasivam and S. G. Sathasivam are Directors of the Company are also Directors of SBL Ltd.
(x) Messrs. V. Govindasamy and S. G. Sathasivam are Directors of the Company are also Directors of Sunshine Packaging Ltd.
(y) Messrs. 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 Managment 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. G. Sathasivam, S. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Watawala Marketing Ltd
(ac) Messrs. G. Sathasivam, S. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Holdings PLC.
(ad) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Power (Pvt) Ltd.
(ae) Messrs. S. G. Sathasivam, B.A. Hulangamuwa and V. Govindasamy are Directors of the Company are also Directors of Sunshine Tea (Pvt) Ltd.

Notes to the Financial Statements *(contd.)*

28 RELATED PARTY TRANSACTIONS *(Cont)*

Name of the Company			Nature of the Transaction	Amount Received/(Paid) Rs.
Sunshine Packaging Limited				
(i)	Sunshine Holdings PLC.		Loan obtained Loan paid Interest paid	20,000,000 (11,749,000) (613,452)
(ii)	Sunshine Travels & Tours Ltd.		Purchases	(835,759)
(iii)	Watawala Plantations PLC.		Sales	188,295
(iv)	SBL Ltd.		Sales	3,405,944
(v)	Watawala Marketing Ltd.	(af)	Sales	13,552,476
(vi)	Secretaries Financial Services (Pvt) Ltd.	(ag)	Purchases	(211,577)

(af) Messrs. S.G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Watawala Marketing Ltd.
(ag) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Secretaries & Financial Services (Pvt) Ltd.

Estate Management Services (Pvt) Limited				
(i)	Watawala Plantations PLC	(ah)	Management fee received	49,331,000
(ii)	Sunshine Holdings PLC	(ai)	Dividend Paid	(11,979,900)
(iii)	Sunshine Travels & Tours Ltd.	(aj)	Purchase of Goods	(964,337)

(ah) Messrs. G. Sathasivam, R.K. Krishnakumar, P.T. Siganporia and V. Govindasamy are Directors of the Company are also Directors of Watawala Plantations PLC
(ai) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Holdings PLC
(aj) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Travels & Tours Ltd..

Watawala Marketing Limited			
(i)	Sunshine Packaging Ltd.	Purchase of Goods	(44,288,108)
(ii)	Sunshine Travels & Tours Ltd.	Purchase of Goods	(5,980,257)
(iii)	Sunshine Tea (Pvt) Ltd	Purchase of Goods	(5,244,395)
(iv)	Watawala Plantations PLC	Purchase of Goods Sale of Goods	(76,964,000) 104,236,385
(v)	SBL Ltd.	Purchase of Goods	(172,275)

Healthguard Pharmacy Limited			
(i)	Watawala Plantations PLC.	Sale of Goods	413,756
(ii)	Watawala Marketing Ltd.	Purchases Service fee	(1,548,187) 201,600
(iii)	Sunshine Tea (Pvt) Ltd.	Services Space Rent Sale of Goods	715,000 15,000 40,978
(iv)	SBL Ltd.	Purchases Service fee	(62,671,596) 100,800
(v)	Sunshine Packaging Ltd.	Purchases Service fee	– 109,418
(vi)	Sunshine Travels and Tours Ltd.	Service fee	366,571

Hatton National Bank PLC

Mr. R.T. Wijetilleke is the Chairman of the company was also the Chairman of Hatton National Bank PLC, who has been ceased the directorship on 31st March 2011. Refer the note no. 24.5.1 and 24.5.2 for the details of loans and overdraft facilities obtained by the Group respectively from Hatton National Bank PLC.

Nation Trust Bank PLC

Mr. S. Piyaratna is a Director of the Company is also a Director of Nation Trust Bank PLC refer the note no. 24.5.1 and 24.5.2 for the details of loans and overdraft facilities obtained by the Group respectively from Nation Trust Bank PLC.

29 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Company

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 31st March	2012 Rs.	2011 Rs.
Salaries & other Employee benefits	32,280,570	18,965,057

Group

The Group identify the senior 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	122,139,358	102,307,494

30 CAPITAL COMMITMENTS

30.1 Company

There were no material capital commitments outstanding as at Balance Sheet date.

30.2 Group

Watawala Plantations PLC

Capital expenditure approved by the Board of Directors is as follows.

For the year ended 31st March	2012 Rs.	2011 Rs.
Approved and contracted for	573,292,000	715,159,000
Approved and not contracted for	–	–
Total	**573,292,000**	**715,159,000**

There were no other capital commitments as at 31st March 2012. The budgeted capital expenditure but not committed by the Watawala Plantations PLC for the financial year 2012/13 is Rs. 349,290,279.

Watawala Plantations PLC entered into a agreement with Smart Business Solutions (Pvt) Ltd., India to develop an accounting software (an ERP). The maximum amount commited under this is Rs. 17,250,000/- payable upon successful completion of the ERP implementation.

There were no other material commitments as at the balance sheet date which requires the adjustment to or disclosure in the financial statements.

31 CONTINGENCIES

Company

The contingent liabilities as at 31st March 2012 on guarantee given by the company to banks and other institutions on behalf of subsidiaries to facilities obtained are as follows,

As at 31st March	2012 Rs.	2011 Rs.
SBL Limited		
People's Leasing Co. Limited	55,000,000	55,000,000
Hatton National Bank PLC	100,000,000	100,000,000
Hongkong and Shanghai Banking Corporation	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
Standard Chartered Bank Ltd.	350,000,000	–
	1,535,000,000	**1,185,000,000**
Sunshine Packaging Limited		
Hatton National Bank PLC	105,000,000	105,000,000
	105,000,000	**105,000,000**
Sunshine Travels & Tours Limited		
Hatton National Bank PLC	20,000,000	12,500,000
	20,000,000	**12,500,000**
Healthguard Pharmacy Limited		
NTB Bank PLC	10,000,000	10,000,000
Public Bank Berhard	10,000,000	10,000,000
	20,000,000	**20,000,000**

Notes to the Financial Statements *(contd.)*

31 CONTINGENCIES *(Cont)*

Watawala Plantations PLC

Watawala Plantations PLC, a subsidiary of the Company has given Bank guarantees amounting to Rs. 3,571,000 to the Sri Lanka Customs to facilitate duty free import of machinery .As at balance Sheet date the subsidiary is in compliance with the term and conditions of the imports.

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.

32 EVENTS OCCURRING AFTER THE BALANCE SHEET DATE

Company

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 31st March 2012 (2010/2011 - 39,999,999/-) at the meeting held on the 29th May 2012.

Subsidiaries

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.

33 COMPARATIVE INFORMATION

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

34 PRIOR YEAR ADJUSTMENTS

Healthguard Pharmacy Limited

The brand value amounting to Rs. 59,150,000/- arising from the acquisition of Healthguard Pharmacy Limited has been adjusted to the financial statements retrospectively.

Adjustments and the effect to the Financial statements is summarized below:

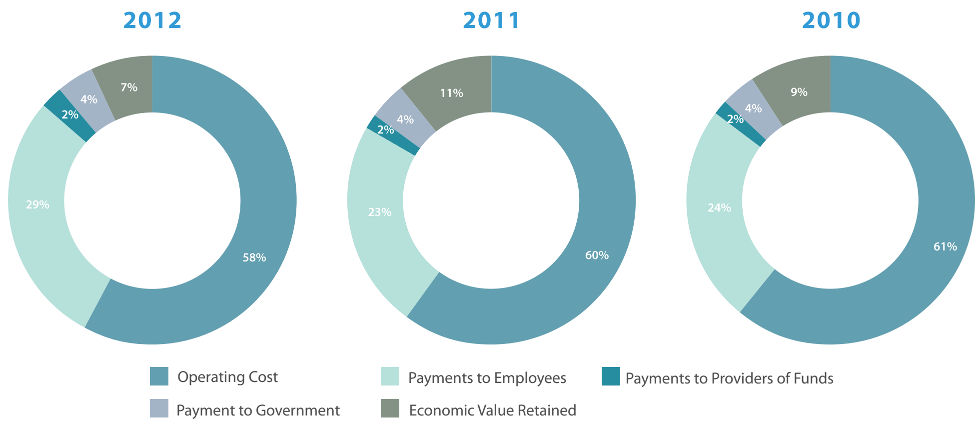
Balance sheet

	Amount Rs. 2011 Previously Stated	Amount Rs. 2011 Adjustment	Amount Rs. 2010 Restated
Brand	–	59,150,000	59,150,000
Goodwill	91,692,024	(30,166,500)	61,525,524
Minority interest	2,180,070,230	28,983,500	2,209,053,730

Economic Value Statement

For the year ended 31st March	2012 Rs.	2011 Rs.	2010 Rs.
Direct economic value generated			
Revenue	11,219,541,197	10,732,165,865	9,437,275,477
Interest income	32,663,681	18,733,374	61,808,113
Profit on sale of assets	23,309,822	9,817,969	4,150,000
Other income	171,044,214	131,003,143	131,519,678
	11,446,558,914	**10,891,720,350**	**9,634,753,268**
Economic value distributed			
Payments to external sources for materials & services			
- Operating cost	6,640,288,568	6,564,000,649	5,882,074,154
	6,640,288,568	**6,564,000,649**	**5,882,074,154**
Payments to employees			
- Salaries, Wages & Other benefits	3,268,444,492	2,516,713,403	2,350,434,027
	3,268,444,492	**2,516,713,403**	**2,350,434,027**
Payments to providers of funds			
- Interest to money lenders	123,504,463	110,309,956	123,182,601
- Dividend to minority shareholders	104,549,838	41,608,945	11,510,100
- Dividend to owners of parent	39,999,999	39,999,999	33,333,333
	268,054,300	**191,918,900**	**168,026,034**
Payment to government			
- Income tax	250,442,252	228,223,130	170,644,458
- Value Added tax	133,446,718	92,763,768	72,613,695
- Nation Building Tax	35,952,015	59,796,000	57,746,000
- JEDB/SLSPC lease rentals	55,990,000	50,958,000	48,210,000
- ESC & other taxes	12,576,925	8,107,262	6,796,381
	488,407,910	**439,848,160**	**356,010,534**
Economic value retained			
- Profit after dividend	469,237,986	922,974,276	680,822,513
- Depreciation & amortisation	312,125,658	256,264,962	197,386,006
Retained for reinvestment/growth	**781,363,644**	**1,179,239,238**	**878,208,519**

Economic Value Distribution



Shareholders' Information

STOCK EXCHANGE LISTING

The issued ordinary shares of Sunshine Holdings PLC are listed with the Colombo stock exchange (CSE) Sri Lanka.

SHARE HOLDER INFORMATION

Total No of Shareholders	2,193	(as at 31st March 2011 - 2,275)
Total No of Shares	133,333,330	(as at 31st March 2011 - 133,333,330)

Range of Shareholdings		Resident			Non-Resident			Total		
		No. of Share-holders	No of Shares	%	No. of Share-holders	No of Shares	%	No. of Share-holders	No of Shares	%
1	1,000	1,418	783,470	0.59	3	2,500	0.00	1,421	785,970	0.59
1,001	5,000	524	1,388,594	1.04	9	30,200	0.02	533	1,418,794	1.06
5,001	10,000	106	857,329	0.64	4	32,000	0.02	110	889,329	0.67
10,001	50,000	95	2,043,137	1.53	4	84,200	0.06	99	2,127,337	1.60
50,001	1,000,000	22	4,639,550	3.48	1	75,000	0.06	23	4,714,550	3.54
Over	1,000,000	4	48,065,620	36.05	3	75,331,730	56.50	7	123,397,350	92.55
	Total	2,169	57,777,700	43.33	24	75,555,630	56.67	2,193	133,333,330	100.00

Analysis of Shareholders	31st March 2012			31st March 2011		
	No of Shareholders	No. of Shares	%	No of Shareholders	No. of Shares	%
Individuals	2,079	7,919,786	5.94%	2,157	7,975,876	5.98
Institutions	114	125,413,544	94.06%	118	125,357,454	94.02
Total	2,193	133,333,330	100.00%	2,275	133,333,330	100.00

PUBLIC SHARE HOLDING

The percentage of shares held by the public 10.96% (2011 – 10.95%).

SHARE TRADING INFORMATION FROM 1ST APRIL TO 31ST MARCH

	2012	2011
Highest (Rs.)	32.00 (on 25.01.2012)	57.00 (on 28.02.2011)
Lowest (Rs.)	17.00 (on 15.02.2012)	42.00 (on 31.03.2011)
As at 31st March (Rs.)	20.00	42.10
No. of transactions	939	2756
No. of shares traded	1,852,621	5,857,600
Value of shares traded (Rs.)	43,113,108	299,084,260

Each ordinary shares as at 23rd March 2010 was subdivided into 10 ordinary shares. The shares commenced trading after the subdivision on 7th April 2011.

DIVIDENDS

	2012	2011
Proposed & Final Dividend (Rs. 0.30 per share)	Rs. 39,999,999	Rs. 39,999,999

TWENTY (20) LARGEST SHAREHOLDERS AS AT

NAME	31st March 2012 No of Shares Held	%	31st March 2011 No of Shares Held	%
Lamurep Investments Limited	27,392,830	20.54	27,392,830	20.54
Aureos South Asia Fund Llc	26,921,000	20.19	26,921,000	20.19
Deepcar Limited	25,600,000	19.20	25,600,000	19.20
Moneymore Securities Limited	22,810,730	17.11	22,810,730	17.11
Tansinghe (Private) Limited	16,015,390	12.01	16,015,390	12.01
Ceylon Property Development Limited	3,000,000	2.25	3,000,000	2.25
Mr. N M Udeshi	1,657,400	1.24	1,657,400	1.24
Mr. M Radhakrishnan	750,000	0.56	750,000	0.56
Bank of Ceylon No 1 Account	626,800	0.47	626,800	0.47
Confifi Management Services Limited	500,000	0.38	500,000	0.38
Bank of Ceylon No 2 Account	424,100	0.32	-	0.00
National Savings Bank	318,200	0.24	252,000	0.19
Deutsche Bank AG-Comtrust Equity Fund	280,000	0.21	300,000	0.23
Commercial Bank of Ceylon PLC/DEVI Holdings	250,000	0.19	250,000	0.19
Mr. D G Wijemanne	188,149	0.14	-	0.00
Mr. C. P. De Silva	156,900	0.12	156,900	0.12
Bank of Ceylon A/C Cey Bank Century Growth Fund	140,200	0.11	114,800	0.09
Mr. E. Thavagnanasundaram	123,600	0.09	123,600	0.09
Mr. S. N. C. W. M. B. C. Kandegedara	120,900	0.09	138,400	0.10
Waldock Mackenzie Limited/Hi-Line Towers (Private) Limited	100,500	0.08	100,500	0.08
Sub Total	**127,376,699**	**95.53**	**126,710,350**	**95.03**
Others	**5,956,631**	**4.47**	**6,622,980**	**4.97**
Total	**133,333,330**	**100.00**	**133,333,330**	**100.00**

Other Information

THE RIVER THAT FLOWS DESPITE ALL ODDS

Milestones

1967

- Entrepreneurial quest begins as Lanka Medical (Imports)

1992

- Joint venture with Tata Tea, now known as TATA Global Beverages, by setting up Estate Management Services.

1996

- Acquired Watawala Plantations (WPL), a Regional Plantation Company owning 22 estates stretching across 12,500 hectares in Tea, Rubber and Oil Palm. Listed on the Colombo Stock Exchange (CSE Symbol WATA).

1998

- The Art of Tea – Enter the Branded Tea market with our own Plantation Fresh premium Tea brand 'Zesta'

2001

- Watawala Plantations opened its unique sales outlet cum café 'Tea Cup' in Hatton

2002

- Acquired Sunshine Travels & Tours, a listed entity on the Colombo Stock Exchange, handling a wide range of airline ticketing for both inbound and outbound traffic for the country's corporate sector.
- Adopt the name 'Sunshine Holdings' as the holding company for its various vibrant subsidiaries. (CSE Symbol SUN)

2003

- Building a lasting blending of Tea and Trust with the introduction of our 2nd Tea brand 'Watawala Kahata' to the market
- Established Healthguard Pharmacy, a top of the line, value-added pharmacy that stocks all leading pharmaceutical brands, with superior service levels.

2005

- Enters the packaging solutions business via acquisition. Re-positioned as Sunshine Packaging, which offers complete packaging solutions to Tea and FMCG industries.

2006

- WPPLC becomes the first plantation company to achieve Business Superbrands status.
- Diversification to dairy farming and spice cultivation.

2008

- Venture into Telecommunications by acquiring 10% of Tata Communications Lanka Ltd. Formally known as VSNL Lanka Ltd.
- Aureos Capital acquired 25% stake in Sunshine Holdings.
- The birth of "Oliate" a new brand of edible oil from our own Oil Palm plantations.

2010

- Launched Sunshine Energy for production of renewable energy.
- Sunshine Holdings announced a 1:10 stock split.
- WPPLC established Watawala Marketing Ltd.
- The Travel sector ventures into hospitality with the launch of three boutique bungalows under the brand name 'Mandira'.

2011

- Joint venture with a leading Singapore based Hospitality firm, Silver Needle to enter the Sri Lankan Tourism industry.
- Watawala Marketing establishes operations in Australia.
- Watawala Marketing opened its 'Tea cup', the gift boutique cum café in Colombo.

2012

- Launch of a new boutique bungalow 'Mandira's Taylor's Hill' in Kandy by the travel sector.
- Sunshine packaging launched the production of crown caps in the local market.
- Commencement of the production of renewable energy by Sunshine Power.

Decade at a Glance

	2012		2011		2010		2009	
Year ended 31st March	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
Operating Results								
Revenue	11,219,541,197	190,134,023	10,732,165,865	134,837,248	9,437,275,477	137,486,763	7,407,485,607	96,742,686
Gross Profit	2,283,901,189	190,134,023	2,426,066,850	134,837,248	1,814,375,896	113,136,003	1,296,472,609	88,690,009
Profit Before Interest & Tax	960,356,251	114,012,109	1,336,546,737	110,973,985	957,249,732	114,532,406	594,068,588	92,518,915
Profit Before Taxation	836,851,788	114,012,109	1,226,236,781	110,973,985	834,067,131	114,346,874	444,573,375	84,679,270
Taxation	(223,063,965)	–	(221,653,561)	–	(108,401,185)	–	(128,847,482)	(668,686)
Profit After Taxation	**613,787,823**	**114,012,109**	**1,004,583,220**	**110,973,985**	**725,665,946**	**114,346,874**	**315,725,893**	**84,010,584**
Profit Attributable to Equity Shareholders	426,337,940	114,012,109	500,195,995	110,973,985	395,816,236	114,346,874	171,643,672	84,010,584
Equity & Liabilities								
Stated Capital	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949
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	118,229,790	–	111,272,755	–	111,250,677	–	–	–
Investment and Other Reserve	33,570	–	–	–	–	–	–	–
Retained Profits	1,992,640,863	381,704,884	1,532,102,217	307,692,774	1,072,144,688	236,718,788	703,812,085	155,705,249
Shareholders' Fund	2,792,161,897	1,062,962,558	2,324,632,646	988,950,448	1,864,653,039	917,976,462	1,385,069,759	836,962,923
Minority Interest	2,187,817,665	–	2,209,053,730	–	1,609,021,951	–	1,520,382,041	–
Total Equity	4,979,979,562	1,062,962,558	4,533,686,376	988,950,448	3,473,674,990	917,976,462	2,905,451,800	836,962,923
Non Current Liabilities	2,699,527,835	3,778,569	1,827,729,439	1,992,436	1,768,197,677	1,048,000	1,409,457,451	555,000
Current Liabilities	2,725,752,398	4,923,647	2,156,947,902	3,552,427	1,717,405,816	4,556,635	1,731,273,370	14,335,794
	10,405,259,795	**1,071,664,774**	**8,518,363,717**	**994,495,312**	**6,959,278,483**	**923,581,097**	**6,046,182,621**	**851,853,717**
Assets								
Property, Plant & Equipments	5,769,448,234	763,825	4,834,578,604	156,165	4,066,958,966	–	3,296,917,650	6,976
Investments	–	817,752,548	–	817,752,548	–	649,402,568	125,001,473	417,402,568
Other Non Current Investments	184,665,960	142,024,960	142,024,960	142,024,960	116,465,010	92,025,010	25,000,000	96,061,473
Deferred Tax	84,795,210	–	44,594,888	–	–	–	–	–
Intangible Assets	134,829,241	–	120,728,233	–	36,712,570	–	–	–
Current Assets	4,231,521,150	111,123,441	3,376,437,032	34,561,638	2,739,141,937	182,153,519	2,599,263,498	338,382,700
	10,405,259,795	**1,071,664,774**	**8,518,363,717**	**994,495,312**	**6,959,278,483**	**923,581,097**	**6,046,182,621**	**851,853,717**
Key Indicators								
Earnings Per Share	3.2	0.86	3.75	0.83	2.97	0.86	14.37	7.03
Dividends Per Share	0.3	0.3	0.3	0.3	0.3	0.3	2.5	2.5
Net Assets Per Share	20.94	7.97	17.43	7.42	13.98	6.9	103.88	62.77
Return on Equity (ROE)	16.66%	11.11%	23.88%	11.64%	24.36%	13.03%	12.39%	10.04%
Current Ratio	1.5	22.57	1.56	9.73	1.59	40.44	1.5	24.14
Dividend Payout Ratio	9.38%	35.10%	8.00%	36.10%	10.10%	34.90%	17.40%	35.60%

2008		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.	Group Rs.	Company Rs.
7,282,678,099	63,705,670	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
1,519,560,519	61,726,970	1,073,187,101	94,846,568	889,407,091	10,204,529	757,148,170	42,182,757	531,633,558	29,123,878	227,955,786	8,326,048
846,174,123	55,592,124	526,069,029	97,897,071	487,166,310	22,240,395	423,880,786	55,921,612	243,479,518	32,716,570	44,438,465	9,923,202
639,588,217	32,745,120	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
(138,619,712)	(402,328)	(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)
500,968,505	**32,342,792**	**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**
205,385,320	32,342,792	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	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	1,257,725	1,257,725
–	–	–	–	–	–	–	–	–	–	–	–
–	–	43,750,588	–	44,318,630	–	–	–	–	–	–	–
555,207,961	96,694,663	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
726,465,686	267,952,388	651,184,043	250,609,596	549,394,265	193,628,274	307,506,897	200,099,919	260,666,329	197,663,146	188,469,756	171,892,627
1,407,283,124	–	965,864,263	–	856,647,103	–	666,512,987	–	528,538,583	–	493,158,204	–
2,133,748,810	267,952,388	1,617,048,306	250,609,596	1,406,041,368	193,628,274	974,019,884	200,099,919	789,204,912	197,663,146	681,627,960	171,892,627
1,507,575,043	112,430,000	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
1,511,654,798	67,995,359	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
5,152,978,651	**448,377,747**	**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**
2,778,321,504	6,976	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
123,809,735	208,745,400	47,603,147	256,348,597	44,120,838	251,366,238	13,156,678	157,745,400	17,902,435	157,745,400	12,219,269	157,745,400
15,934,341	194,869,735	203,416,000	100,000,000	205,820,000	101,443,835	–	113,156,678	–	117,902,435	15,897,000	6,019,269
–	–	–	–	–	–	–	–	–	–	–	–
–	–	15,934,341	–	15,934,341	–	–	–	–	–	–	–
2,234,913,071	44,755,636	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
5,152,978,651	**448,377,747**	**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**
20.54	3.23	9.81	7.2	14.34	0.35	12.69	4.24	7.22	2.58	2.42	0.64
2.5	2.5	1.5	1.5	1.5	1.5	2.5	2.5	2.5	2.5	1.85	1.85
72.65	26.8	65.12	25.06	54.94	19.36	30.74	20.01	26.07	19.77	18.85	17.19
28.22%	12.07%	15.07%	28.72%	26.09%	1.82%	41.26%	21.21%	27.70%	13.04%	12.86%	3.72%
1.47	0.66	1.15	1.27	1.12	0.41	1.08	5.83	0.97	2.57	0.83	1.05
12.20%	77.40%	15.30%	20.80%	10.50%	428%	19.70%	58.90%	34.60%	96.90%	76.40%	289%

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

Average Cost of Funds
Finance cost divided by average interest bearing borrowing from banks and finance institutions

Capital employed
Shareholders' funds plus minority interest and debt.

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

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

Crop
The total produce harvested during a financial year

Debt to equity ratio
Debt as a percentage of shareholders' funds plus

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

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 amortization

EBITDA margin
EBITDA divided by turnover

Enterprise Value
Market capitalization plus net debt

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

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

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

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

ISO
International Standards Organization

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

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

JEDB
Janatha Estate Development Board

Liquidity Ratio
Current assets divided by current liabilities

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

Market Capitalization
Number of shares in issue at the end of year multiplied by the market price at end of year

Minority Interest
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.

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 Debt
Total debt minus (cash plus short term deposits)

Net Sales Average (NSA)
This is the average sale price obtained (over a pe-riod of time) after deducting Brokerage fees, etc

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

Price Earnings Ratio
Market price per share over EPS

Return on Equity
Attributable profits divided by average shareholders' funds.

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

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.

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

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

TASL
Tea Association of Sri Lanka

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)

Notice of Meeting

NOTICE is hereby given that the Thirty Ninth (39th) Annual General Meeting of Sunshine Holdings PLC will be held at "On Golden Pond" Taj Samudra Hotel, Galle Face, Colombo 03, on 27th July 2012 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 31st March 2012.
2. To re-appoint Mr. R. T. Wijetilleke, who retires having attained the age of seventy two 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 1

'That Mr. R. T. Wijetilleke a retiring Director who has attained the age of seventy two 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-appoint Mr. U.L. Kadurugamuwa, who retires having attained the age of seventy 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 2

That Mr. U.L. Kadurugamuwa a retiring Director who has attained the age of seventy 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".

4. To re-elect Mr. A.Hollingsworth who retires in terms of Article 104 of the Articles of Association of the Company, as a Director.
5. To re-elect Mr. S. Piyaratne who retires in terms of Article 104 of the Articles of Association of the Company, as a Director.
6. To re-elect Mr.B.A.Hulangamuwa 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, 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

Haddegode

Secretaries & Financial Services (Pvt) Ltd
Secretaries

29th May 2012
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.

Financial Calendar

Interim Quarterly Reports

2011/2012	Date of Release
01st Quarter 2011/2012	04th Aug 2011
02nd Quarter 2011/2012	06th Nov 2011
03rd Quarter 2011/2012	01st Feb 2012
04th Quarter 2011/2012	30th May 2012

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

Annual Report	Date of Release	Meetings
28th Annual General Meeting	11th Sep 2001	06th Nov 2001
29th Annual General Meeting	25th May 2002	06th Sept 2002
30th Annual General Meeting	18th Jul 2003	18th Sept 2003
31st Annual General Meeting	21st Jun 2007	17th Sept 2004
32nd Annual General Meeting	12th Jul 2005	25th Aug 2005
33rd Annual General Meeting	26th Jun 2006	26th Jul 2006
34th Annual General Meeting	20th Jun 2007	27th Jul 2007
35th Annual General Meeting	30th Jun 2008	31st Jul 2008
36th Annual General Meeting	09th Jul 2009	30th Jul 2009
37th Annual General Meeting	23rd Jun 2010	16th Jul 2010
38th Annual General Meeting	04th Jul 2011	29th Jul 2011
39th Annual General Meeting	04th Jul 2012	27th Jul 2012

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 27th July 2012 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 31st March 2012.		
02	To re-appoint Mr. R. T. Wijetilleke, who retires having attained the age of seventy two years, a Director by passing the Ordinary Resolution set out in the Notice.		
03	To re-appoint Mr. U. L. Kadurugamuwa, who retires having attained the age of seventy years, a Director by passing the Ordinary Resolution set out in the Notice.		
04	To re-elect Mr. A. Hollingsworth who retires in terms of Article 104 of the Articles of Association of the Company as a Director.		
05	To re-elect Mr. S. Piyaratne who retires in terms of Article 104 of the Articles of Association of the Company as a Director.		
06	To re-elect Mr. B. A. Hulangamuwa 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, Chartered Accountants as Auditors of the Company and authorize the Directors to determine their remuneration.		
09	To authorize the Directors to determine contributions to charities.		

Dated this _______ day of __________________ 2012

____

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.

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
16th June 1973

REGISTRATION NO.
PQ 13

ACCOUNTING YEAR
31st 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 Piyaratna
Mr. A. Hollingsworth
Mr. N. B. Weerasekera
Mr. U. L. Kadurugamuwa
Mr. S. Munir
Mr. B. A. Hulangamuwa

SECRETARIES
Ms. Samanthi Haddegoda - (Jt. Secretary)
Secretaries & Financial Services (Pvt) Ltd.
No. 60, Dharmapala Mawatha,
Colombo 03.

AUDITORS
KPMG,
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

Notes

Design & concept by GH Resources (Pvt) Ltd. | Printed by: Gunaratne Offset Ltd.

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