sunshine

sunshine holdings plc

ANNUAL REPORT 2012/2013

VISION

"We aspire to be the most admired conglomerate in Sri Lanka"

MISSION

"Growing our Enterprises to be Industry Leaders"

sunshine

The sun and its rays depicted as a conch shell, is a powerful representation of our conglomerate. It is the essence of who we are and how we would journey ahead.

A national symbol, which we have adopted to signify our pride in being a Sri Lankan company. This brings together diverse people for a common purpose. A medium that marshals skills and talents to create order and synergy… qualities that personify the Group's key strengths of diversity, synergy and sustainability.

Sunshine, coupled with the significance of the conch shell, epitomizes the values that the company stands by and defines the path that it will take in the years ahead.

VALUES

Integrity
honest, open and transparent

Innovation
continuous improvement through change

Perseverance
never give up

Trust
the foundation upon which we grow

Responsibility
accountable to all stakeholders

CONTENTS

Honesty… openness… transparency… influences every decision we make. It is what makes us who we are.

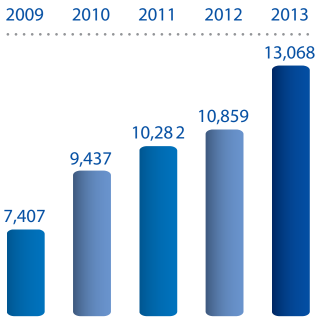
INTEGRITY

GROUP PERFORMANCE

GROUP AT A GLANCE

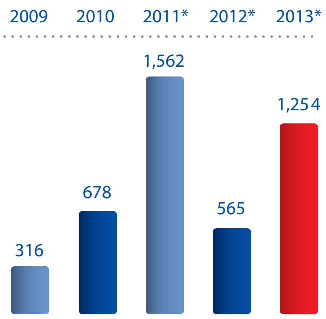
GROUP

Revenue (Rs. Mn)



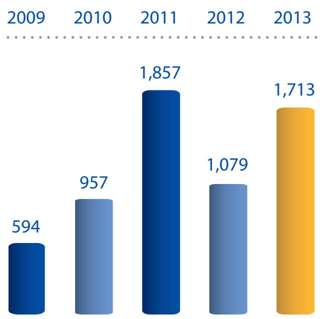
Group	Rs. Mn
Revenue	13,068
EBIT	1,713
Net Profit	1,254
Profit for owners of parent	631
Total Assets	11,768
Employees #	12,824

Net Profit (Rs. Mn)

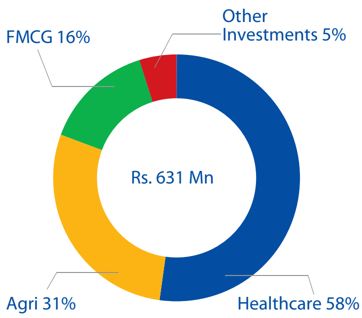


* SLFRS recast

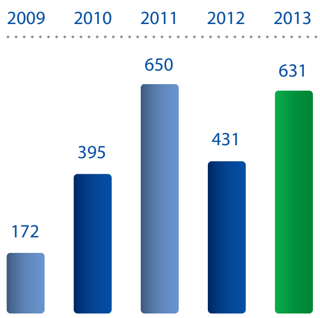
EBIT (Rs. Mn)



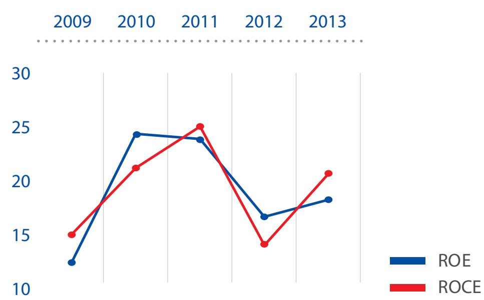
Profit for owners



Profit for owners (Rs. Mn)



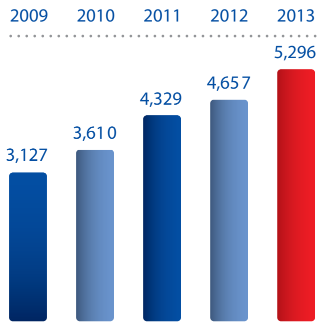
ROE & ROCE (%)



Note: Includes non-recurrent, SLFRS recast (2011 & 2012)

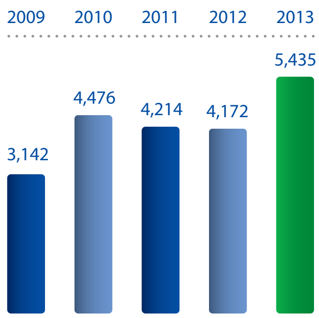
SECTOR

Revenue (Rs. Mn)



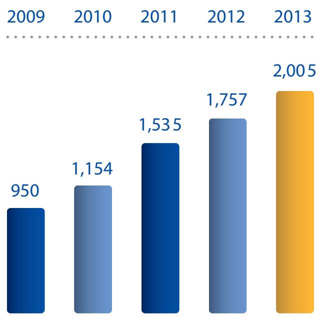
Healthcare	Rs. Mn
Revenue	5,296
EBIT	557
Net Profit	365
Total Assets	2,618
Employees #	747

Revenue (Rs. Mn)



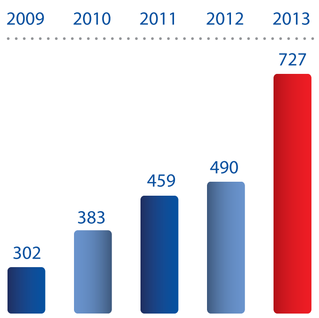
Plantations	Rs. Mn
Revenue	5,435
EBIT	807
Net Profit	725
Total Assets	6,632
Employees #	11,763

Revenue (Rs. Mn)



FMCG	Rs. Mn
Revenue	2,005
EBIT	245
Net Profit	198
Total Assets	788
Employees #	109

Revenue (Rs. Mn)

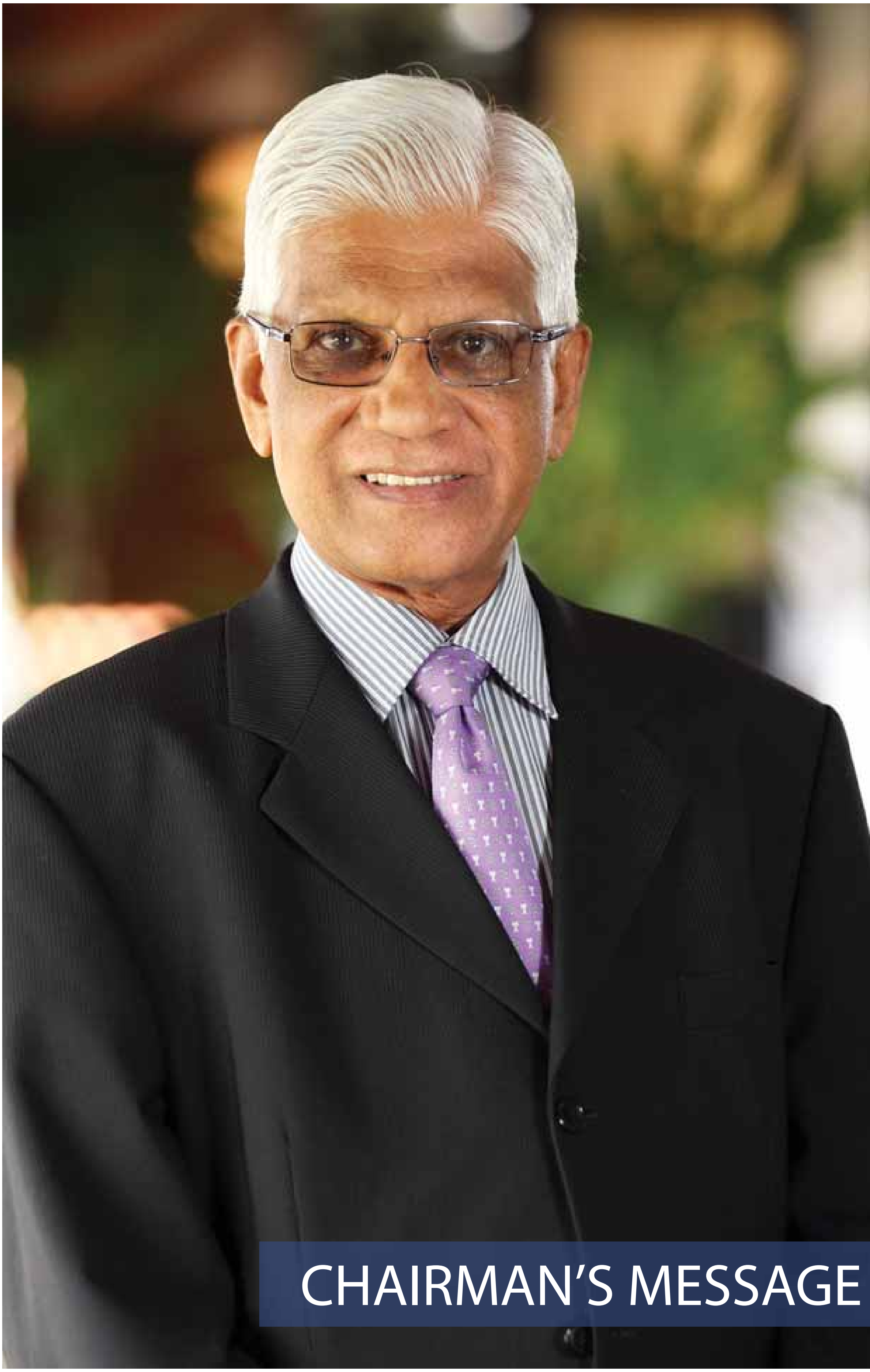


Other Investments	Rs. Mn
Revenue	727
EBIT	588
Net Profit	496
Total Assets	3,880
Employees #	205

FINANCIAL HIGHLIGHTS

	GROUP		COMPANY	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Results for the year				
Revenue	13,067,664,329	10,859,486,197	230,073,381	190,134,023
Gross profit	3,319,045,536	2,432,572,189	230,073,381	190,134,023
GP Margin	**25.4%**	**22.4%**	**–**	**–**
EBIT	1,712,747,392	1,083,599,445	165,957,235	112,197,331
EBIT Margin	**13.1%**	**9.9%**	**7.2%**	**5.9%**
Net Finance Cost	(210,359,937)	(116,475,782)	11,249,403	1,814,778
Profit Before Tax	**1,502,387,455**	**967,123,663**	**177,206,638**	**114,012,109**
Income Tax	(299,952,674)	(300,914,098)	–	–
Profit for the year	**1,202,434,781**	**666,209,565**	**177,206,638**	**114,012,109**
Other comprehensive income (net of tax)	51,423,000	(100,844,923)	2,124,123	16,703,238
Total comprehensive income	**1,253,857,781**	**565,364,642**	**179,330,761**	**130,715,347**
NP Margin	**9.6%**	**5.2%**	**77.9%**	**68.7%**
Profit for owners of Parent company	631,051,369	430,937,400	179,330,761	130,715,347
At the Year End				
Stated Capital	679,999,949	679,999,949	679,999,949	679,999,949
Shareholders' fund	3,752,394,574	3,161,343,208	1,356,050,084	1,216,719,323
Non-controlling Interest	2,972,805,083	2,457,276,937	–	–
Total Equity	**6,725,199,657**	**5,618,620,145**	**1,356,050,084**	**1,216,719,323**
Long Term Liabilities				
Debt	1,149,423,616	1,528,283,410	–	–
Others	1,246,916,731	1,223,907,425	6,285,163	3,778,569
Current Liabilities				
Debt	928,490,918	982,623,626	20,160	946,776
Others	1,717,590,064	1,743,129,772	8,302,603	3,976,871
Total Equity & Liabilities	**11,767,620,986**	**11,096,564,378**	**1,370,658,010**	**1,225,421,539**
Non-current Assets	**7,070,523,707**	**6,919,938,650**	**1,159,357,829**	**1,114,298,098**
Current Assets				
Cash & cash equivalents	769,629,789	870,357,582	94,609,245	54,151,973
Others	3,927,467,487	3,306,268,146	116,690,936	56,971,468
Total Assets	**11,767,620,986**	**11,096,564,378**	**1,370,658,010**	**1,225,421,539**

	GROUP		COMPANY	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
For the Year Ended				
Cash Generated from Operation	**1,679,055,285**	**1,352,873,654**	**113,495,259**	**73,606,156**
Income Tax paid	(284,656,312)	(233,680,957)	–	–
Interest Paid	(258,189,137)	(149,139,463)	(324,039)	–
Gratuity Paid	(76,851,422)	(99,758,641)	–	–
Net Cash Generated from Operation	**1,059,358,414**	**870,294,594**	**113,171,220**	**73,606,156**
Capital Expenditure	(642,744,547)	(1,287,433,978)	(414,535)	(789,083)
Net Cash Generated from/(used in) Investing activities	**(560,816,814)**	**(1,241,796,606)**	**(31,787,333)**	**1,025,695**
Dividend paid				
Owners of Parent	(39,999,999)	(39,999,999)	(39,999,999)	(39,999,999)
Non-controlling shareholders	(135,245,259)	(134,574,147)	–	–
Net Cash Generated from/(used in) Financing activities	**(606,297,906)**	**560,768,049**	**(39,999,999)**	**(39,999,999)**
Net increase/(decrease) in cash	**(107,756,307)**	**189,266,037**	**41,383,888**	**34,631,852**
Per Ordinary Share				
EPS	4.59	3.51	1.33	0.86
Net Assets	28.14	23.71	10.17	9.13
Market Value	26.60	20.00	26.60	20.00
DPS	0.30	0.30	0.30	0.30
Ratios				
Average cost of Borrowings	11.96%	9.32%	–	–
Gearing	30.90%	44.7%	–	–
ROE	18.25%	14.72%	13.91%	11.18%
ROCE	20.22%	14.58%	12.90%	9.86%
Interest Cover (times)	6.2	7.3	–	–
Liquid Assets Ratio	1.8	1.5	14.3	12.3
P/E Ratio	5.8	5.7	–	–
Market Capitalization	3,546,666,578	2,666,666,600	–	–
Enterprise Value	4,854,951,323	4,307,216,114	–	–



CHAIRMAN'S MESSAGE

"Group performed excellently with a PAT of Rs.1.3 Bn."

Dear Shareholder,

I take pleasure in welcoming you to the 40th Annual General Meeting of Sunshine Holdings PLC and in presenting to you the Annual Report and Audited Financial Statements for the year ended 31st March 2013.

Local & global economic environment

Sri Lanka's economy, following two consecutive years of robust growth of 8% and 8.3% in 2010 and 2011 respectively, grew by 6.4% in 2012. The deceleration in growth for 2012 could be attributed to the relatively lower growth in the Agriculture sector (in the latter half of the year) and the Services sector. All three sectors – Agriculture, Industry and Services, grew by 5.8%, 10.3% and 4.6% respectively, and are expected to continue to grow in 2013. The Agriculture sector was adversely impacted during the first half of the year by extreme weather conditions - of an unprecedented drought, followed by floods in areas where agriculture is the mainstay. Several key policy changes that were introduced during the first half of the year such as the increase in import taxes, tightening of monetary policy and the depreciation of the exchange rate also impacted business and import businesses in particular, in 2012.

Supported by the gradual recovery of global demand and the continuation of the post-war growth momentum, the Sri Lankan economy as per ADB estimates is expected to grow by 6.8% in 2013 and 7.2% in 2014. And this growth is expected to be broad based with performance of all sectors of the economy expected to improve, and the Tourism sub sector a key driver of growth. The growth in the Industry and the Services sectors would also depend on the performance of several key economies. Although 2013 is expected to see growth in major economies, critical policy reforms in the Euro Zone and USA will be key determinants of this growth; and the uncertainty of external downside risks still remains for emerging and developing economies. The short term risks mainly relate to developments in the Euro area including uncertainty about the fallout from events in Cyprus, politics in Italy, as well as vulnerabilities in the peripheries. Growth in world trade volumes is expected to pick up, to 3.6 % in 2013 and 5.3% in 2014, whilst world output is estimated to grow by 3.3% and 4% in 2013 and 2014 respectively, in comparison to a growth of 3.2% in 2012.

From a social perspective, some appropriate relief measures to mitigate the adverse impacts of price increases in electricity and petroleum on the most vulnerable sectors of the Sri Lankan economy are required for sustainable growth and stability. As a ballooning external deficit has necessitated the containment of imports, it also becomes vital that sectors such as Agriculture are further incentivised and strengthened, to augment the current efforts of the government to make Sri Lanka agriculturally self sufficient.

It is encouraging that the contribution to Sri Lanka's economic growth, from regions outside the Western Province is expected to increase, on the back of the accelerated implementation of regional development programmes including several large scale infrastructure projects; thus reducing the geographic disparities in income distribution via wealth generation amongst populations outside the Western province. The pace of infrastructure development in thrust areas of the economy such as Tourism augurs well for growth and we remain buoyant on the prospects for Sri Lanka as it continues to move in the direction of realising its true potential.

Corporate performance

Your Group performed excellently. An outstanding performance from the Group's Agri Business sector was a key contributor to this year's performance. Additionally, certain cost rationalisation measures and several change initiatives which the Company has set in place, also began to yield dividends during the year. Your Group's performance is also a reflection of a diversified portfolio. Sunshine Holdings' Revenue grew by 20%, to reach Rs.13 Bn. during the year under review. The Group's Profit After Tax reached Rs.1.3 Bn. for the year compared with Rs.565 Mn. recorded in the previous year.

Healthcare continues to be the mainstay in the Group's businesses, and despite a decline in profitability, was the highest contributor to Profits Attributable to Shareholders, contributing 58%. The Healthcare sector achieved a profit of Rs.365 Mn. contributing 29% to Group's PAT, compared with a profit of Rs.429 Mn. the previous year.

> "Agri Business was the highest contributor to Group's profits"

Our Agri Business sector had its best year ever, with PAT increasing by a significant 122% to reach Rs.725 Mn., driven largely by an increase in profitability in Palm Oil and supported by the turnaround in Tea. Your Group - the largest producer of Palm Oil in the country in 2012 with an output of 7.5 Mn. Kgs; was also the largest producer of Tea with an output of 9.9 Mn. Kgs during the year.

The performance of the FMCG sector was commendable, with a 14% growth in revenue during an year in which Sri Lanka's Branded Tea Segment recorded a growth of less than 1%. Even though the sector's profitability declined, to Rs.198 Mn., due to a significant increase in raw material prices, a healthy growth of 7%, in volumes, is particularly noteworthy and bodes well for future growth of your Group's FMCG business.

"FMCG surpassed Rs. 2 Bn. in revenue"

The Hydropower Sector - a relatively new addition to the Group's portfolio just completed it's first full year of operation. The Group is buoyant on the outlook for this sector in the year ahead. Two new projects which are to begin soon, underpins our confidence that the Company is well on its way to achieve its target of generating a total of 10 Mw. by 2015.

During the year, your Group also reviewed its involvement in two of the sectors from which the contribution to the Group's profitability has been relatively small; namely, Travel & Leisure and Packaging. The Group made a decision to reduce the demand on its managerial resources in the Travel & Leisure Sector by divesting its control in Sunshine Travels & Tours Ltd. to a consortium led by Blue Ocean Ventures Pvt. Ltd. during the 1st Quarter of 2013/14.

Outlook

In my last year's review of year 2011/12, I mentioned how Sunshine Holdings' strategy of diversification contributed to its resilience to withstand the downturn in the Agri Business sector that year. The contribution from Healthcare offset the decline in the profitability of the Agri Business sector in 2011. This year finds the Group's performance considerably enhanced by the significant rise in Agri Business sector profits. The strategy of diversification is also true, as Oil Palm and Rubber sub sectors often contribute to either complement or offset the performance of the Tea sub sector in some years, and vice versa.

The growing demand for Healthcare is driven primarily by three main factors, an ageing population, an explosion of the non communicable or the so-called lifestyle diseases and rising public expectations with regard to quality of life. On the supply side, the cost of care continues to rise, while the rise in unit costs is driven by the rapid pace of discovery and development of new therapies and technologies rendering those in use obsolete at an increasingly faster pace. Healthcare delivery models will be changing and dynamic and will test, celebrate and rely on innovation. With innovative strategies that focus on better outcomes rather than lower costs, and its representation of renowned international brands in Healthcare, your Group is well poised for future growth and to contribute to the nation's socio-economic progress.

"Healthcare sector remained the largest contributor to Profits Attributable to Shareholders"

We remain buoyant about the future and the vast untapped potential of the Group's asset rich Agri Business, and the role of agriculture in Sri Lanka's economy. Innovative thinking that can spring alternatives to reduce the vulnerability of commodities to world market conditions, and a replacement of the current politicised model of wage increases remain prerequisites as plantations are severely burdened by competitiveness issues. The Group is particularly confident about the potential of the Oil Palm crop. Several supply side factors combined with the increasing demand spurred by the product's value as a 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 build on and further strengthen market share of its top brands, namely, "Zesta" and "Watawala Kahata" whilst also growing its economy tea brand "Ran Thé"; the edible Oil brand Oliate and also venture into other brands which have potential for growth.

Rising energy prices continue to highlight the importance and the urgency of the need for alternative sources of renewable energy for the world; and for Sri Lanka in particular, as its dependence on thermal power has continued to be a strain on the country's finances. Your Group considers this a key growth area and will explore investments in other sources of renewable energy in the next few years.

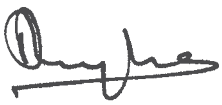
"Proposed partnership with Pyramid Wilmar will help create sustainable value to your Group"

Sunshine Holdings will continue to strengthen its core businesses which are in thrust areas of Sri Lanka's economy, while diversifying into other growth sectors of the economy in which its strengths and core competencies will result in synergy; and will also look at opportunities for Joint Ventures and Partnerships which can create sustainable value that benefits the Group and the larger economy.

The proposed joint venture by Pyramid Wilmar (Pvt) Ltd., Estate Management Services (Pvt) Ltd. (a subsidiary of Sunshine Holdings) which was announced during the 3rd quarter of the year, is one such Joint Venture which will help create sustainable value not just for your Group but for the Plantations and Agriculture sectors of the Country. Pyramid Wilmar's partner, Wilmar International Ltd. is today Asia's leading Agri business Group and ranked amongst the largest listed companies, by market capitalization, on the Singapore Stock Exchange. The partnership will bring in Wilmar's expertise in the entire value chain of the agricultural commodity processing business to the Group and will thus help further strengthen your Group's presence in Sri Lanka.

Acknowledgements

I wish to express my sincere gratitude to my fellow Directors on the Board for their support, and to my other colleagues in the Group who have worked tirelessly to add to shareholder value, and to all employees for their dedication and commitment. I also extend my gratitude to the shareholders and all other stakeholders for the support and confidence placed in us.



R. T. Wijetilleke
Chairman

29th May, 2013

GROUP MANAGING DIRECTOR'S REVIEW

"... achieved a strong top line as well as bottom line growth this year - a reflection of being an enterprise which delivers consistent and sustainable growth."

Dear Shareholder,

It is my pleasure to share with you the Annual Report and Audited Financial Statements for the year ended 31st March 2013.

Corporate Results

Sunshine Holdings Group performed well during the year; continuing to build on the satisfactory performance it achieved in 2011/12. Your Group's Profit After Tax (PAT) grew by a significant 122% over the previous year to reach Rs.1.3 Bn. The main contributor to this remarkable performance was the Group's Agri Business Sector which achieved a record performance during the year, constituting 56% of the Group's PAT. The Healthcare Sector was once again the highest contributor to Profits Attributable to Shareholders accounting for 58%.

The Group has increased shareholder value significantly over the past few years. Earnings Per Share during the year under review grew by 37%, outpacing the rate of revenue growth which was 23%. The Group achieved a strong top line as well as bottom line growth this year, a reflection of the fact that the Group has now established itself as an enterprise which delivers consistent and sustainable growth. This sustained performance is a result of the strategies your management has adopted and which continues to inspire and energise our people, enabling the Group to remain resilient in the face of downturns in the environment.

I am also delighted to share with you a significant achievement, the CEO of Watawala Plantations Dr. Dan Seevaratnam was recognised as the 'CEO of the Year' at the Global Excellence HR Award Ceremony 2012/2013, conducted by the Asia Pacific HRM Congress for which the award was presented in Mumbai, on 17th February 2013.

During the year, the Group launched its first Employee Share Purchase Scheme (ESPS), rewarding all employees across the organisation without any differentiation based on rank. It was an expression of the Group's appreciation to employees, as well as a reflection of our win-win approach towards sustainable growth of the business.

New Corporate Identity

Our entrepreneurial journey began in 1967, in Healthcare. During four decades of business, and in the last twenty years in particular, the Group has grown rapidly and diversified, to be one of Sri Lanka's leading conglomerate today. A need for a new visual identity to better capture the essence of who we are now and how we would journey ahead was hence identified. And Sunshine Holdings thus launched a new brand identity on 1st October, 2012

The visual element of our new identity depicts a Conch shell, representing the Group's heritage and strength, and the celebration of its accomplishments in its forty five year history. It also reflects our pride in being Sri Lankan, and in bringing out the best from Sri Lankan resources. More importantly, it conveys our strong sense of aspiration for the future, and reinforces our positioning as an innovative Group.

Highlights

- Revenue increased by 20% to Rs.13 Bn.
- EBIT increased 58% to Rs.1.7 Bn.; EBIT margin improved from 9.9% to 13.1%.
- Profit After Tax (PAT) increased by 122% to Rs.1.3 Bn.
- Profit attributable to owners of the company, increased by 46% to Rs.631 Mn.
- Earnings Per Share (EPS) increased from Rs.3.36 to Rs.4.59.
- Group generated Rs.1 Bn. in cash from operating activities.
- Return on equity was 18.3% compared with 16.7% in the previous year.
- Market Capitalisation at year end was Rs.3.5 Bn.

"Healthcare Revenue surpassed Rs.5 Bn."

Segmental Performance

Healthcare

The Healthcare sector was once again a key contributor to Group's earnings with a PAT of Rs.365 Mn. In terms of Profit Attributable to Equity Holders, Healthcare remains the single largest contributor with a 58% contribution. The focus on higher-margin products combined with the Group's market knowledge and strong retail & distribution network, were key factors which contributed to the strong performance of this sector. Turnover in the sector grew by 13.7% to Rs.5.2 Bn. The growth in profits, compared to the growth in turnover was less mainly due to a 23% increase in overheads, which in turn was due to increased employee related costs which constituted 70% of this sector's overheads. And the increase in employee related costs reflects an increase in cadre during the year.

The growth in profitability came from all the main business segments, of Pharmaceuticals, Diagnostics, Surgicals and Retailing, which recorded Turnover growth of 11%, 7%, 22% and 28% respectively.

The sharper than expected depreciation of the Rupee following the Central Bank's abolishment of the Rupee trading band for the exchange rate for flexible adjustment will have an adverse impact on our costs of imports and hence necessitate price revisions. This in turn may have an impact on some non-essential and more demand-elastic health products that we offer.

Agri Business

The Group's Agri Business Sector performed remarkably, achieving its best ever results to date, driven mainly by an outstanding performance from the Oil Palm and Tea sub-sectors. The Sector achieved a 62% increase in profitability with Profit After Tax (PAT) reaching Rs.725 Mn. compared with a Profit of Rs.447 Mn. during the previous year; and accounted for 55% of Group's PAT during the year. Revenue in the sector increased by 28%, to reach Rs.5.3 Bn. during the year.

The Oil Palm sub sector, which has been your Group's main stay for some time was the highest contributor to the Sector with profits rising by 31% over the previous year to Rs.545 Mn. Crop production increased by 13.22 % over the previous year, and is incidentally the highest ever yield achieved for Oil Palm in Sri Lanka. Turnover in this sub sector increased by 46% as Crude Palm Oil (CPO) production increased by 0.8 Mn. to 7.5 Mn. Kgs., and this was due to an increase in the area cultivated as well as higher yields. A Net Sales Average (NSA) which was more than 20% higher than previous year's, also contributed to profitability despite a 7% increase in COP.

The Tea sub sector achieved an outstanding performance, with a PAT of Rs.66 Mn., amidst adverse weather conditions during the first half of the year. This PAT is the highest since the Company became a privatised entity. The Tea sector also had several other noteworthy achievements; our subsidiary WATA achieved the year's highest yield amongst Regional Plantations Companies (RPC's) in the country, and it was the only company to achieve an year–on-year increase in crop output. Tea production improved by 5%, to 9.8 Mn. Kgs for the year. The Net Sales Average (NSA) achieved was Rs.404 per Kg. during the year under review, whilst COP also increased by about Rs.2 per Kg. compared with the previous year's mainly due to higher prices of bought leaf.

"Group achieved Sri Lanka's highest ever yield in Oil Palm"

The Rubber sub sector recorded a Marginal profit of Rs.5.9 Mn. compared to Rs.60 Mn. achieved during the previous year. This decline in profits was mainly due to a reduction in output; a NSA, which at Rs.373 per kg was Rs.76 less than the previous year's; and a marginally higher COP. Rubber production declined by 17% to 534,684 Kgs during the year, mainly due to a reduction in the extents cultivated and extended rainy weather which disrupted harvesting. COP in Rubber increased by Rs.8 per Kg.

FMCG

The FMCG business of the Group performed commendably, in a challenging year. Profits After Tax however, declined by 17% over the previous year to Rs.198 Mn., due to higher costs of raw material; whilst sales, in volume terms, grew by 7%. Revenue in the sector, which surpassed the Rs. One Bn. mark in 2009/10 has doubled to Rs. Two Bn., mark in 2012/13. This achievement in 2012/13 is particularly commendable given an environment in which Sri Lanka's Branded Tea market remained almost stagnant during the year, with a marginal growth of 1%, as per established market research.

Our top brands of Tea, namely 'Zesta' and 'Watawala Kahata' increased their combined market share to 35% (Based on AC Nielsen and internal market data). Our branded Tea operations in Australia, marketed to the Woolworth chain for the first time last year, made a significant contribution to revenue, with an operating profit of Rs.30 Mn. during the year.

Other Investments

Energy

Since the Group's foray into the Renewable Energy sector, year 2012/2013 was its first full year of operation in this Sector. Through its subsidiary Sunshine Power Ltd., the Group commissioned its first Hydro Power Plant in February 2012 generating 1.6 Mw.

of power which is now added to the national grid. The construction of two more hydro power plants currently awaits approval.

Packaging

The Packaging Sector faced a challenging year mainly burdened by higher costs as well as a reduced demand from a key customer segment which resulted in Turnover declining by 4.5%. A significant impact on costs was from the escalation in energy prices which augmented the impact of previous year's price increases which we have referred to in last year's review. Management of energy costs is hence a priority area, and your Group is taking measures to address the several issues that are impacting this business.

Leisure

Your Group's Leisure sector achieved a 51% increase in revenue but made a loss of Rs.15 Mn. during the year.

The management's exploration of various growth strategies and the ensuing decision taken at the year end review process, resulted in the Group's divestiture of a majority of its shareholding in Sunshine Tours & Travels Ltd. to a consortium led by Blue Ocean Ventures (Pvt.) Ltd., during the 1st quarter of 2013/14. This strategic move has enabled the Group to retain its exposure in an industry which has tremendous potential.

Our investments in Tata Communications Lanka Ltd. and Lanka Commodity Brokers Ltd. continue to add value to our shareholders and your Group continues to leverage the synergies that these investments offer.

Dividend

The Directors have proposed a dividend of Rs.0.50 per share which is an increase by 67% per share.

Outlook and Strategy

The high growth potential of the Healthcare business and its contribution to profitability is evident from the demographic shifts that the country is experiencing. Some of the Group's key segments can be expected to grow in the next 10 year horizon and our Healthcare subsidiary has set itself a target of doubling its business to Rs.12 Bn. in 3 years.

Sri Lanka has a rapid ageing population in this region 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, Neuropsychiatry products, Painkillers and well being products such as Vitamins.

Pharmaceuticals currently account for as much 76% of this Sector's profits and the Group would take steps to increase the share of all its domains in its portfolio, which include Pharmaceuticals, Diagnostics and Surgicals.

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, urbanisation and an aging population.

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 Group is well suited to respond and keep abreast, as the principals it represents are some of the world's most renowned brands who provide leadership to the latest in technology and R&D.

Having a diversified crop portfolio has been a key factor in the sustainable profitability of the Agri Business sector of your Group, with the downturn in one crop offset by the upturn in another. Your Group will hence explore opportunities for further diversification into other growth areas in agriculture.

Your Group has been in the Agri Business for more than a decade, as a leader in the upstream activity of cultivation with over 12,000 Ha. as well as midstream - in manufacturing: and lately, in the downstream activity of marketing its own Brands which have become one of the top two in Sri Lanka's Branded Teas. Your Group is thus well positioned for further growth and expansion and sustainable profitability in its Agri Business.

Although Sri Lanka is still a dominant player in the world Tea market, its competitiveness has been weakening and needs urgent attention.

"Group achieved the country's highest ever yield in Tea amongst RPC's for 2012"

In its FMCG business, your Group envisages its position as a leader in the Branded Tea market to be further strengthened during the next 2-5 years, and also envisages becoming a significant player in the Edible Oil market. Consolidation and expansion of the three existing brands by enhancing visibility and availability as well as establishing its brand of Edible Oil, will support the Company's objectives of doubling revenue growth in three years.

Sunshine Energy Ltd is an outcome of the Group's initiatives to further diversify its investment portfolio and increase its involvement in one of Sri Lanka's fast growing sectors - Power and Energy, via Public-private partnerships. Sunshine Energy will expand its activities in the Energy sector by the end of the next financial year. And moreover, Sunshine Energy, which has focused on hydro-power up to date, also intends making inroads into other sources of renewable energy.

Rising energy prices continue to reiterate the importance and urgency of the need for alternate sources of renewable energy for the world; and for Sri Lanka in particular. Biomass, Wind Power and Solar are other key sources of energy that have much potential to be harnessed and venturing into these areas would help the Group strengthen its presence in the Energy Sector.

"Our branded Tea in volume terms grew by 7% in a near stagnant market"

The strategic decision made by the Group to divest majority control in the Travel business, will enable it to better focus on its core businesses of Healthcare, Agribusiness and FMCG, while providing a platform for non-core investments to achieve their true potential. Our proposed joint venture with Pyramid Wilmar (Pvt) Ltd., as enumerated in the Chairman's message, holds much promise, to be a rewarding partnership for your Group as well as the Agriculture sector in Sri Lanka.

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. And my very sincere appreciation to our 12,824 strong team for their unwavering commitment and tireless efforts that continue to drive the Group forward. I 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 new vigour; to capitalise on the numerous opportunities that the environment offers.

V. Govindasamy
Group Managing Director

29th May, 2013

MANAGEMENT DISCUSSION & ANALYSIS

Organisational Structure

Sector Review

Group Financial Review

By constantly pushing the boundaries within which we work, we continue to break new ground through innovative business solutions. Continuous improvement through change is core to our business and has helped to broaden our horizons.

INNOVATION


Mama Plus
Pedia Plus
Enlive Plus

ORGANIZATIONAL STRUCTURE

Healthcare
Swiss Biogenics

Pharmaceuticals
Diagnostics
Surgical
Wellness
Retail

FMCG
Watawala Tea Ceylon

Branded Tea/ Edible Oil/ Bottled Water
Exports
Gift Boutiques

Agri Business
Watawala Plantations

Oil Palm
Tea
Rubber

Other Investments

Metal Packaging
Renewable Energy
Leisure
Telecommunications
Commodity Broking

SECTOR REVIEW

Healthcare

The Healthcare sector performed well during the year and was the highest contributor to Group's Profit Attributable to Shareholders, accounting for 58% , with a Profit After Tax of Rs.365 Million. Turnover during the year increased by 13.7% to Rs.5.3 Bn.

The Group's market knowledge, strong retail and distribution network, efficient working capital management, investment in training and continuous improvement measures were significant internal factors that helped in the strong performance of this sector. Your Group launched many new brands during the year, of which the major launches were Mama Plus, Diabeta Plus and Enlive by SureLife in the Wellness range. We also introduced new products in the area of Neuro-psychiatric drugs for conditions such as Parkinson's and Alzheimer's.

With a workforce of 747 personnel and a total asset base of Rs 2.7 Bn., your Group's Healthcare sector remained a market leader in the Diagnostics segment and retained its dominant position in many of the therapeutic segments such as Cardiovascular, Diabetes, Gastro Intestinal and Dermatology. During the year it also partnered with new healthcare companies in growth categories such as Oncology(Adley), Special Hospital Care (Adley) and Cardiac products/devices (Elixir Medical Corp.).

Your Group's Healthcare business consist of both ends of the value chain; with marketing and distribution led by Swiss Biogenics at one end and Healthguard - the urban pharmaceutical retail chain, at the other end of the value chain.

Outlook

The healthcare industry was at a critical juncture compelled to confront and overcome, diverse challenges that the environment posed in 2012. Sunshine Holdings understands the evolution of

the local market and has assessed how the country would be poised in 2020.

There is a critical need to raise the readiness of local healthcare services in the country to meet the rising need for, both private and public healthcare to battle the onset of local epidemics like Dengue, and even the range of Non-Communicable Diseases like Diabetes, Cholesterol and Cardiovascular disorders. At a societal level, changes in life styles with consumers adapting to global trends and a shift towards healthier alternatives and lifestyles is now visible.

Sri Lanka has a rapid ageing population in this region 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.

The high growth potential of the Healthcare business and its contribution to profitability is clear from the demographic shifts that the country is experiencing. Clearly some of the key segments can be expected to rise within the next 10 year horizon and in this context is the Health sector's 3 year strategic target of doubling the business to reach Rs.12 Bn.

Pharmaceuticals currently accounts for as much 76% of this sector's profits and your company would take steps to increase the share of all its domains, Pharmaceuticals, Diagnostics and Surgicals in this portfolio. New categories and recruitment of new Principals is a primary pillar the business is working on.

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 diseases. Moreover, non-communicable diseases are forecast to rise due to factors such as changing life styles, urbanization and an aging population.

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.

Our marketing and distribution arm will increase its range of preventive, curing and life style and gaining products over the next year. The Healthguard Pharmacies will expand its

SECTOR REVIEW *(Contd.)*

number of outlets in the Greater Colombo before expanding its geographic horizons to other regions and will also widen its range of Healthare, Beauty and Wellness products made accessible from across the world.

The retailing arm - Healthguard Pharmacy

Significant operational improvements helped Healthguard to raise its service offer to the Sri Lankan consumer. These include a considerable investment in superior IT systems for managing the front and back end of the operations. The chain has also begun to speak to the shoppers to build its three-pronged approach of Pharmacy, Wellness and Beauty.

Our new outlet at Thalawathugoda has far exceeded expectations as at year end. With a total of ten Stand-Alone Healthguard outlets and six outlets housed in Keells Supermarkets, the chain plans to aggressively expand across Colombo district in the next two years.

Agri Business

Performance

The Group's Agribusiness Sector performed remarkably, achieving its best ever results to date, driven mainly by an outstanding performance from the Oil Palm and Tea sub-sectors. Profits After Tax in the sector increased by 62% to reach Rs.725 Mn. during the year, compared with a Profit of Rs.447 Mn. in the previous year. The Oil Palm sub-sector accounted for 74% of the sector's profits and the Tea sub sector accounted for 9% whilst sector revenue increased by 28%, to reach Rs.5.3 Bn. during the year.

We are honored by the several external endorsements of our commitment to excellence, whether it is be for industry leadership or our best practices. The accolades won by Watawala Plantations PLC during the year are given on the next page 33.

Tea

The Tea sub sector achieved an outstanding performance, with a Profit After Tax of Rs.66 Mn., the highest since the company became a privatised entity. This performance was thus a significant turnaround from a loss of Rs 423 Mn. reported in the previous year.

It is also significant that the Company achieved the year's highest yield amongst Regional Plantations Companies (RPC's), and was the only company to achieve an year–on-year increase in crop output. It is also particularly noteworthy that your Company's performance was despite adverse

"Global CEO of the year 2012" awarded to Dr. Dan Seevaratnam, Director/CEO of Watawala Plantations PLC.

weather conditions, of an unprecedented drought followed by floods which impacted production during the first half of the year. The third quarter, helped by favorable weather, saw a significant rise in output.

The yield in the Group's up country region increased by 12.85% during the year and the High Growns also achieved a 22% higher NSA. Combined with a marginal 1% decline in the Cost of Production (COP), the High Growns were the main contributor to the Tea Sector's profits. The output of Low Growns in contrast, declined, but the Company was able to achieve a 22% increase in the NSA for its Low Growns, reflecting its commitment to quality, best practices and highest standards in manufacturing.

Our People, who we identify as "Associates", combined with the Company's agricultural practices adopted over the years, were key contributors to the excellent performance by the Sector. Our "Associates" were true "partners in progress" during the year, equipped with a better understanding and appreciation of the urgent imperative to increase the Company's profitability, and hence productivity. Ongoing dialogue between senior management and "Associates" played a key role in facilitating a better understanding of the regressive impact of continuing wage increases if they were not linked to or complemented by increasing productivity and profitability.

"Ongoing dialogue between senior management and "Associates" played a key role in facilitating a better understanding of the regressive impact of continuing wage increases."

This win-win approach we hope is sustainable and recognised as an imperative for the sustainability of the tea plantation sector.

Additionally, conditions in competing countries during the year, such as production shortfalls in Kenya and India, also contributed to an improved performance by Sri Lanka's Tea sector.

Palm Oil

The Oil Palm sub sector which has been your company's main stay for some time continued to perform excellently, with profits rising by 31% compared with the previous year. Crop production increased by 13.22 % over the previous year, and was the highest

ACCOLADES

International Awards

- Global CEO of the Year 2012" awarded to Dr. Dan Seevaratnam – Director / CEO Watawala Plantations PLC, by World HR Congress, India
- Lifetime Achievement Award 2012, awarded to Dr. Dan Seevaratnam – Director / CEO Watawala Plantations PLC, by Asia Pacific Human Resource Congress, India.
- Award for Institution Building 2012 by Asia Pacific Human Resource Congress, India Winner – Watawala Plantations PLC
- Best Presented Annual Report Awards and SAARC Anniversary Awards for Corporate Governance Disclosures.

National Awards

- Annual Report Awards 2012 organized by The Institute of Chartered Accountants of Sri Lanka. Plantation Sector, Gold Award Winner – Watawala Plantations PLC.
- Lifetime Gold Medal 2012 Awarded to Dr. Dan Seevaratnam – Director / CEO Watawala Plantations PLC, by Institute of Personnel Management Sri Lanka.
- 5S TAKI AKIMOTO JESTICA Award – 2012 Medium category, Manufacturing Sector Merit Award Winner - Homadola Estate.

ever yield achieved for Oil Palm in Sri Lanka. These achievements were primarily a result of the adoption of healthy agronomic practices, meticulous attention to harvesting operations and the implementation of a new fertilizer programme. A NSA which was over 20% higher than previous year's, also contributed to higher profitability despite a 7% increase in COP.

The Company also made several capital infusions to enhance features as well as expand capacity, of its Palm Oil refining facility. The enhanced capacity will now enable the Company to increase its production of RBD (Refined, Bleached and Deodorised) Oil from 40,000 litres per month to 100,000 litres a month.

Rubber

The performance of the Rubber sub sector was somewhat disappointing with production declining by 17% during the year, mainly due to a reduction in the extents cultivated and extended rainy weather which disrupted harvesting. A NSA which was 17% lower, and a marginally higher COP, contributed to a sharp decline in profits in the Rubber sub sector.

Outlook

A diversified crop portfolio has been a key factor in the sustainable profitability of the Agri Business sector of your Group, with the downturn in one crop offset by the upturn in another. Your Group will hence explore opportunities for further diversification into other growth areas in agriculture.

The Company's continuing investments in best practices, advanced scientific methodologies and technology to boost profitability in the Tea Sector, have begun to yield dividends and these will continue to be a strategic priorities for the Sector.

Energy saving measures as well as the

SECTOR REVIEW *(Contd.)*

alternate energy generation via the use of agricultural waste from our plantations and farms would also be a key focus area.

Although Sri Lanka is still a dominant player in the world Tea market, its position has been weakening. The industry's long term sustainability is threatened due to severe competitiveness issues which burden the Plantations. Thus, innovative thinking which springs alternatives to reduce the vulnerability of primary crops to world market conditions, and a sustainable model for wage increases, remain urgent imperatives.

As per expert estimates, world prices for Oil Palm are estimated to be weaker in the second half of 2013 due to record harvests of Soybean in South America and the United States. Moreover, high stock piles in 2013, continuing from 2012, and strong recovery of Oil seeds, also augment the dimmer outlook for 2013. Despite expected price uncertainties in the global market for Palm Oil in 2013-14, the Group remains particularly buoyant 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 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 energy, underscore the viability and the immense potential for expansion of this crop stream. An increasing demand for Bio fuel in India is expected to keep demand high in 2013-14 whilst an increased harvest of the competing oil crop of Soya Bean in South America on the other hand is expected to offset some of the rise in demand.

Following capacity enhancements of the RBD Oil manufacturing plant during the

year the Company will also look at further expansion of quantities in the year ahead.

As per estimates by the International Rubber Study Group, the demand for Natural Rubber which remained low in 2012, is expected to catch up in 2013; resulting in a better balance between global supply and demand. The surplus which impacted prices in 2012 and 2013 is hence expected to narrow. And combined with world economic growth rates which are estimated to accelerate in 2013, the demand for Natural Rubber in 2013 -2014 is expected to accelerate. 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 hinder the performance of the Rubber sector in Sri Lanka, and need to be addressed in order to increase the sector's profitability. These include, low land as well as worker productivity, a decline in extents cultivated, high cost of production, labour shortages and the social disparities vis a vis other industries which also contribute to a worker shortage.

FMCG

Performance

Watawala Tea Ceylon Ltd (WTC) performed commendably, in a challenging year. Profits After Tax grew by 17% over the previous year while sales, in volume terms, grew by 7%. These achievements are commendable given the market conditions in Sri Lanka in 2012 which saw the Branded Tea market remaining almost stagnant, with a marginal growth of 1%, as per established market research findings.

Your Company's revenue surpassed the Rs.1 Bn. mark in 2009/10 and it was doubled in the year under review.

A strong team who have proven to be excellent at implementing Company strategy; stringent financial discipline as well as adoption of best methodologies, processes and technology ahead of the times, once again proved to be the key drivers of the Company's performance. During the year under review, the Company equipped all of its sales personnel with an Enterprise Digital Assistance (EDA), replacing the previously provided PDA. The enhanced technology of the EDA which includes facilities such as online connectivity of the entire sales force across the country, and real time inventory and hence faster decision making, have facilitated greater empowerment of our team.

The retail tea market in Sri Lanka remains intensely competitive with about five leading players out of a field of over 200, accounting for 69% of the Branded Tea market. WTC retained its market position amongst the top

SECTOR REVIEW *(Contd.)*

two players in the domestic market. The year under review was particularly challenging for the Tea retail market as a global scarcity of supply due to adverse weather, resulted in a sharp increase in prices of the Company's main raw material. The price of a Kg of Tea increased by Rs.125 during the year, resulting in a considerable erosion of the Company's profits. It is hence noteworthy that the After Tax Profit of Rs.198 Mn. achieved during the year was despite this impact.

"Watawala Kahata" - the Company's "popular" brand of Tea made up 71% of the Company's portfolio in Revenue terms whilst "Zesta" and "Ran Thé" contributed 23% and 2% respectively.

Gift Boutiques contributed Rs.78.9 Mn. and Exports Rs.91.6 Mn., to WTC top line.

Outlook

WTC envisages its position as a leader in the Branded Teas market to be further strengthened during the next 2-5 years, and also expects to become a significant player in the Edible Oil market. Consolidation and expansion of the three existing brands via enhancing visibility and availability as well as focusing more on its brand of Edible Oil Oliate, will support the Company's objectives of maintaining the current momentum in Revenue growth.

Your Company is of the view that income distribution in Sri Lanka still remains largely iniquitous and the increase in Per Capita is reflective of Colombo and its suburbs rather than the length and breadth of the entire country. The fact that the unbranded Teas account for as much as 65% of the domestic tea market is a reflection of this fact. Increase in purchasing power is limited to a small percentage of the population. WTC thus envisages considerable volume based revenue growth of its economy Brand – "Ran Thé" in the domestic market.

Sri Lanka's total domestic tea consumption at present amounts to 24 Mn. Kgs per annum. The Modern trade channel is likely to see expansion of the outlet base, thus necessitating that we increase investments in Brand communication, for greater top of the mind recall amongst shoppers. Managing trade credit in both General Trade and Modern Trade is also likely to be a key challenge in the next few years.

Driven by a mission to be branded as a "Unique Employer", empowering and inspiring our team of employees; and thus ensuring that the rewards reaped by the Company are cascaded down to every employee, will continue to be a priority for us. Continuous improvements to our processes and technology with a drive to remain ahead of the times in best practices and technology, which we find have yielded dividends, will also remain high on WTC's strategic agenda.

The Group will also look at diversifying into other related Agri products, building on the strengths of its distribution channel and expertise.

Other Investments

Energy

Performance

Sunshine Energy Ltd, the most recent addition to Sunshine Group's portfolio further affirms the Group's mission to make sustainable profits whilst adding value to the nation's economy.

Sunshine Power Ltd., commissioned its first Hydro Power Plant in February 2012, and now adds 1.62 Megawatts of power, to the national grid. The construction of two more hydro power plants, on Waltrim and Elgin estates, with the potential to generate 5.5 Mw. is currently awaiting approval.

Outlook

Sunshine Energy Ltd is an outcome of the Group's initiatives to further diversify its investment portfolio and increase its involvement in one of Sri Lanka's fast growing sectors - of Power and Energy, via Public-Private Partnerships. Sunshine Energy commenced commercial operations in March 2012 and intends to expand its activities in the Energy sector by the end of the next financial year. Moreover, Sunshine Energy, which has focused on hydro-power until now, also intends making inroads into the renewable energy sector.

Power generation by Thermal power sources in Sri Lanka has increased over the past few years exerting tremendous pressure on Sri Lanka's Balance of Payments and on the performance of the CEB and the people of the country, as exemplified by the recent tariff hikes. Hence, rising energy prices continue to reiterate the importance and urgency of the need for alternate sources of renewable energy for the world; and for Sri Lanka in particular.

Biomass, Wind Power and Solar are other key sources of energy which have much potential to be harnessed and venturing into these areas would help the Group strengthen its presence in the energy Sector.

Packaging

Performance

The Packaging Sector faced a challenging year mainly burdened by higher costs as well as a reduced demand from a key customer segment. The increasing costs of imports due to the depreciation of the Rupee impacted significantly as import content accounts for a significant portion of our raw material. Turnover in the Packaging business hence declined by 4.5%, and this was considerably below budgeted targets. Revenues in the Confectioneries category declined by 29% over previous year's.

The other significant impact on costs came from an escalation of energy prices during the year, which augmented the impact of previous year's price increases, which was mentioned in last year's review of your Company.

Outlook

Management of energy costs is a priority area and the Sector is currently in the process of implementing several measures to reduce energy consumption, such as the

SECTOR REVIEW *(Contd.)*

modification of machinery to run on more energy efficient modes, and a switch to chemicals which require less energy in the process of manufacturing. These measures are expected to yield results in the year ahead.

The sector will focus on the growth of its export market products in the year ahead and will also explore new opportunities to meet the challenges of inimical conditions that it is faced with.

Leisure

Performance

Your Group's Leisure Sector achieved a 51% increase in revenue but made a loss of Rs.15 Mn due to expenses associated with expanding the Mandira Bungalows. The Group's own brand of boutique hotels – the "Mandira" range launched in 2010, continued to receive excellent ratings and reviews on key trip advisory web sites whilst occupancy levels more than doubled at three of the four bungalows. Occupancy levels at "Mandira Craig Appen" increased from 15% in 2011 to 37% in 2012, at "Mandira Strathdon" to 40% from 20% and at "Mandira Dickoya" to 46% from 20% in 2011. The sector's fourth bungalow – "Mandira Taylor's Hill" which came on stream in December 2011, faced difficulty in achieving the desired occupancy levels and was a key constraint to profitability in the Leisure sector.

Revenue in the Travel sector increased by 53.% to Rs.46 Mn., but remained below our budgeted targets mainly due to the Meetings, Incentives, Conferences and Exhibitions (MICE) tourism not performing as expected.

Outlook

Your Group finds that the scale of profitability in this sector relative to its other sectors, does not strengthen the case for expanding the commitment of time and managerial resources. And as mentioned in the GMD's Review, we have divested our ownership to bring in expertise whilst maintaining our exposure to an Industry while has much potential.

GROUP FINANCIAL REVIEW

Macro Economic Environment

The economy grew by 6.4 per cent in real terms in 2012 amidst the slow recovery in global demand and the multi-pronged policy measures introduced to strengthen macro economic stability. All key sectors contributed positively to economic growth in 2012.

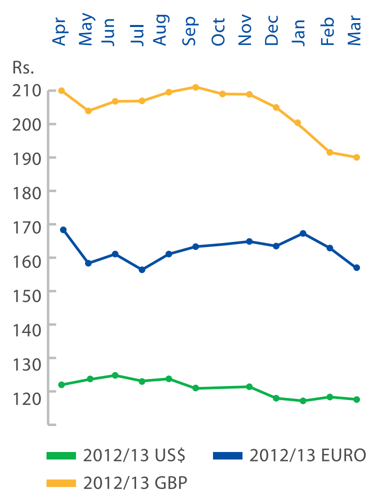
The Industry sector was the main driver of growth with the Construction sub sector making the most significant contribution, reflecting the massive public investment programme and several private sector real estate projects. Growth in the Services sector moderated largely on account of the slowdown in external trade and the deceleration in the transport sub sector. Despite adverse weather conditions in the second half of the year, the Agriculture sector performed better in 2012 than in 2011. Reflecting the expansion in economic activities, the unemployment rate declined to 4 per cent in 2012 from 4.2 per cent in 2011.

Conditions in the domestic financial markets remained subdued compared to the previous year largely due to the stabilisation policies adopted by the authorities. Money market liquidity fluctuated from surplus to deficit positions reaching a broadly balanced position, particularly towards the latter part of the year.

The interbank call market rate increased during the first half of 2012 responding to tight policy measures adopted including the credit ceiling imposed on banks, and thereafter hovered around the upper bound of the Central Bank's policy interest rate corridor, declining towards the middle of the corridor with the easing of policy interest rates in mid-December.

A notable feature during the year was the increased activity in the commercial paper market, which could be attributed to the credit restrictions imposed on bank lending and the resultant high interest rates charged by banks. A similar trend was mirrored by the corporate bond market. Net foreign inflows to the CSE increased significantly in 2012 despite the continuation of a fragile performance. Amongst factors that affected activity at the stock exchange were the relatively higher yields on fixed income securities, volatility in the exchange rate, tight liquidity conditions in the market and the knock-on effects of uncertainties prevailing in global financial markets. The limits imposed on credit by stock brokers, although relaxed subsequently, also hampered market performance during the early months of the year.

Exchange Rates

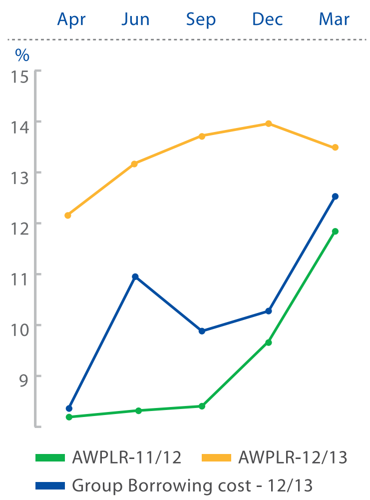


GROUP FINANCIAL REVIEW *(Contd.)*

Market interest rates were allowed to move up to facilitate the desired deceleration in credit and monetary aggregates in line with the Central Bank's policy direction. The overnight interbank market rates remained around the upper bound of the policy rate corridor during the year until the relaxation of policy from mid-December 2012.

Both deposit and lending rates in the market moved up further in 2012, continuing the trend from the last quarter of 2011, reflecting the increased policy interest rates, the ceiling on credit and the tight liquidity conditions in the market. Yield rates across all maturities of Treasury bills in the primary market increased till around mid-year before remaining stable until December 2012. Excess funds from banks were being invested in government securities as the credit ceiling necessitated some banks to pace out their lending to the private sector.

AWPLR



The upward movement in market interest rates was also reflected in the secondary market yield curve for government securities, which moved above the level in 2011 by year end.

SLFRS Adoption

The Consolidated Financial Statements of Sunshine Holdings PLC have been prepared for the first time under the new SLFRS which became applicable from the financial year ended 31st March 2013. The SLFRS are aligned fully under correspondence SLAS issued up-to 2009.

The following statements for prior years have been restated in relation to first time adoption,

1. **Income Statement**

   Other Comprehensive Income together measuring the total Comprehensive Income for the previous financial year ended 31st March 2012.

2. **Statement of Financial Position as at 1st April 2011 and 31st March 2012**

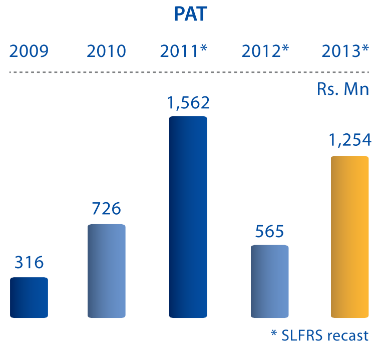
   Contribution to financial performance of Sunshine Holdings Group measured at Profit Before Tax (PBT) level of the Group comprises the Company, Swiss Biogenics Limited – 100%, Sunshine Packaging Limited – 100%, Sunshine Travels & Tours Limited - 100%, Estate Management Services (Pvt) Ltd – 51%, Sunshine Energy Ltd – 60.59%, Watawala Tea Ceylon Limited – 51% & Watawala Plantations PLC – 27.41%.

3. **Introduction of Comprehensive Financial Income include the following,**

   - Defined benefit plan actuarial gain/loss
   - Exchange Gain
   - Fair value change held for sales of financial assets
   - Income tax on other comprehensive income

Profitability

Rs.1,254 Mn. for the year 2012/13 in a mixed economic environment that continues to be challenging. The net profit increased significantly by 122%, from Rs.565 Mn. because of a sharp – 62% growth in the Agri Business Sector's profits to Rs.725 Mn. from Rs.448 Mn. to the previous year. This sector was the key contributor to the increase in the Group's Profit After Tax.



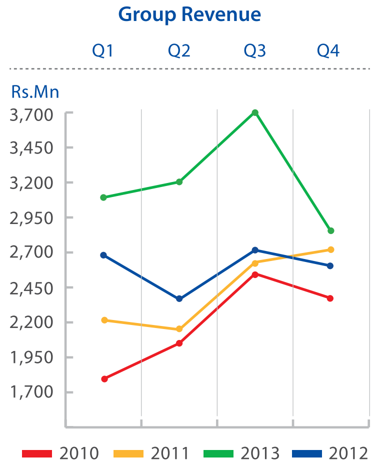
Revenue

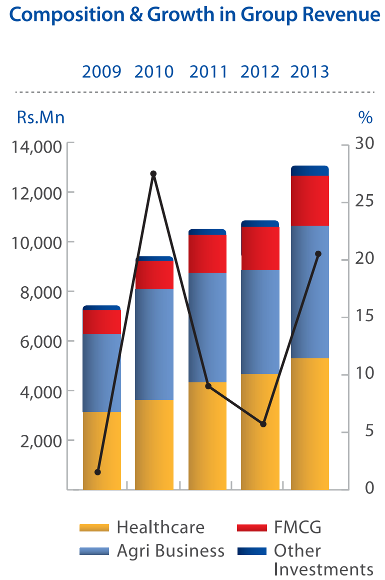
The Group registered a Turnover of Rs.13 Bn. in a challenging environment. This represents an increase of 20% over the previous year..

All subsidiaries performed well operationally in terms of Turnover in the year under review. The revenue from the Agri Business sector increased by 28%, to Rs.5,435 Mn., from Rs.4,172 Mn. achieved in the previous year.

The Tea sub sector contributed 68% to Group's total revenue increased by 28% over the previous year's on the back of a higher NSA and a record production.

Oil palm & Rubber segments contributed 25% and 3% respectively, to total Revenue. This translates to a 46% growth in Oil Palm sales and a 31% reduction in Rubber sales due to both price and a reduction in the extent cultivated.





The Healthcare sector turned in an impressive performance by contributing 39% to Group revenue and a 14% growth in sales. And, this rate of growth was well

GROUP FINANCIAL REVIEW *(Contd.)*

above the 6% growth recorded by the Pharmaceutical industry.

The FMCG sector performed well during the year with a 14% growth in sales and contributing 15% to total Revenue.

All other sectors of the Group except for Packaging, achieved their Revenue targets. The Packaging Sector's Revenue declined by 4.3%.

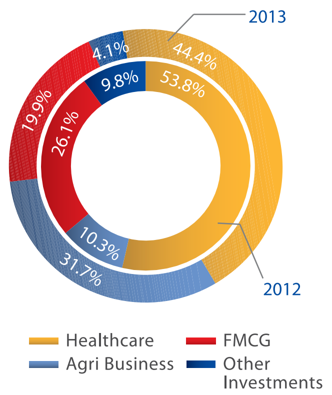
Gross Profit

Gross Profit increased by Rs.886 Mn. (36%) from Rs.2,433 Mn. to Rs.3,319 Mn. compared to the previous year, due to the positive contribution from the Tea sub sector. The Tea Sector recorded a gross profit of 8.7% during the year, against a negative contribution of 11.2% during the previous year. This increase was largely due to the combined effect of an increase in prices (Rs. 74 per kg) and the effective management of the Cost of Production (COP) (at Rs.2 per kg.).

The Healthcare Sector continued to add to the Group's gross profit with a contribution of Rs.1,473 Mn., which represented a 12% increase. This result was mainly due to a solid performance in the Pharmaceutical sector which recorded a higher gross profit of Rs.1 Bn. for the year.

The other sector that made a positive contribution to the Group was the FMCG sector, which despite a 4% erosion in its GP margin, made a significant, Rs.600 Mn. contribution to Group's Gross Profit.

Segment Gross Profit Contribution
2013 & 2012



Other Income

Other Income decreased by 17% compared to the previous year, and this was largely due to the reduction in tree income, due to application of the biological asset accounting standard for tree income under the new IFRS.

Administrative Expenses

Administrative expenses increased by 10% (Rs.107 Mn) during the year under review. This increase is largely attributable to the increase in staff related costs.

Selling and Distribution Expenses

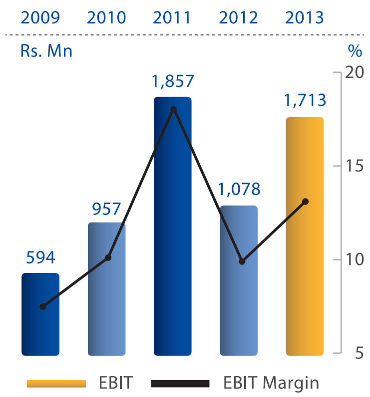
Selling & Distribution Expenses increased by Rs.117 Mn. (23%) in the year under review. The rise in cost was primarily driven by Revenue linked costs associated with an increase in Advertising & Promotional expenses and increase in fuel expenses (due to fuel price hikes) for field staff in the Healthcare and FMCG Sectors. These expenses were necessary to maintain the level of Revenue.

Earnings Before Interest and Tax (EBIT)

Operating Profit or Earnings Before Interest & Tax (EBIT) was up by 58% during the year. The EBIT for the financial year under review was Rs.1,713 Mn. A 36% increase in Gross Profit, was the main reasons for the increase in EBIT.

The Operating Profit margin also increased from 9.9% in the previous year to 13.1% during the year under review. The key contribution, of 37% to EBIT, came from the Agri Business Sector, which also grew by 6%. Healthcare Sector's contribution at 25% was the same as last year due to a 0.3% reduction in GP margin. The contribution from the FMCG sector decreased from 15.4% to 11.2% due to a 4.6% decrease in the GP margin to 32.9%.

EBIT & EBIT Margin



The Group's Operating Profit margin also increased from 9.9% in the previous year to 13.1% during the year under review. The key contribution of 37% to EBIT came from the Agri sector, which too grew by 6%. The Health sector contributed 25% to Group EBIT but it reported flat growth in EBIT as a result of 0.3% reduction in GP margin.

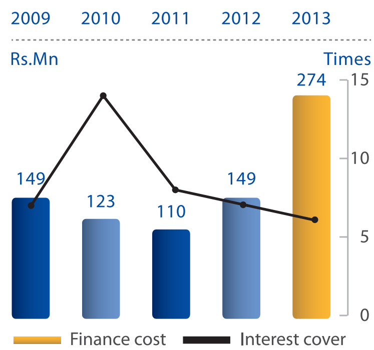
The contribution from the FMCG sector decreased from 15.4% to 11.2% due to a decrease in GP margin by 4.6% to 32.9%.

Operating Cost

Total operating costs of the Group amounted to Rs.11.5 Bn. for the year compared with Rs.9.9 Bn. the previous year; and amounted to 88.2% of the Group's Net Revenue in comparison to 91.8% of the Net Revenue, recorded in the previous year. Direct operating expenses amounted to 84.3% of total Operating Costs (2012 – 84.4%).

Finance Costs

Finance Cost & Interest Cover



Finance Costs of the Group have increased from Rs.149 Mn. to Rs.274 Mn., due to an increase in interest rates and interest cost of additional borrowings. This increase was particularly noteworthy in the Management sector which had a Rs.60 Mn. increase in Finance costs.

Also, the Group's Average Cost of Funds increased from 9.32% to 11.96% while interest cover increased 6 to 7 times.

Taxation

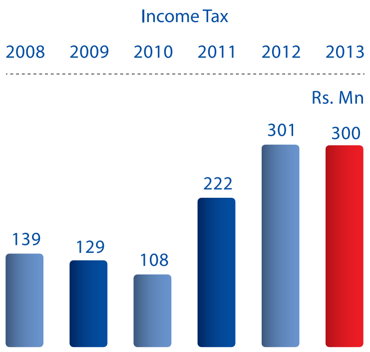
The Group's provision for taxation for the financial year 2013 was Rs.300 Mn which

GROUP FINANCIAL REVIEW *(Contd.)*

was a marginal decrease of 0.3% due to a reduction in income tax provisions in Agri Business and reversal of income tax in the Management sector.

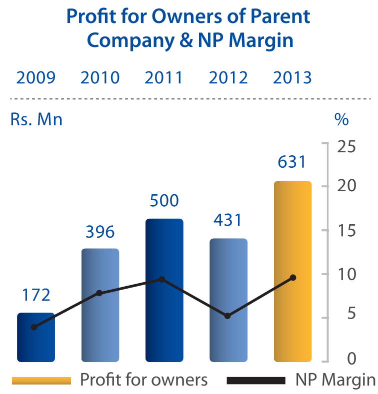
The taxes paid by the Healthcare Sector increased from Rs.113 Mn. to Rs.163 Mn.

However, the taxes paid by the Agri Business Sector decreased significantly, by Rs.40 Mn.. And accordingly, the Group's effective tax rate decreased from 27.9% to 17.5% for the financial . Group has maintained a low effective tax rate as a result of its investments in the Agricultural sector, for which reduced tax rates apply.



However, there is a significant decrease in Agri sector by Rs.40 Mn. The Group's effective tax rate decreased from 27.9% to 17.5% for the financial year as reduction in income tax for Agri and Management segments. However, the Group has still maintained a low effective tax rate as a result of its investments in the Agricultural sector which attract reduced tax rates.

Profit Attributable to Equity Holders of the Parent



The Profit attributable to owners of the parent company increased remarkably, by 46% to Rs.631 Mn. from Rs.431 Mn. the previous year. The net profit margin of the group increased to 9.6%, from 5.2% in the previous year as a result of the increase in Agri Business profits during the year.

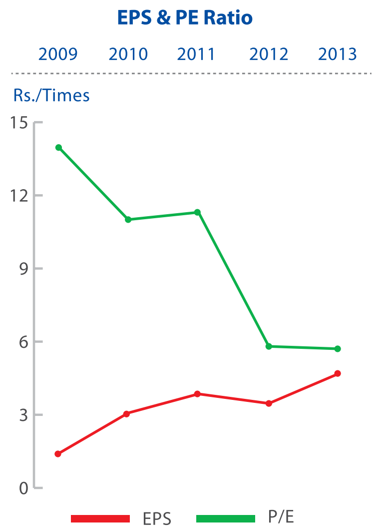
Non-controlling Interest Share Holders

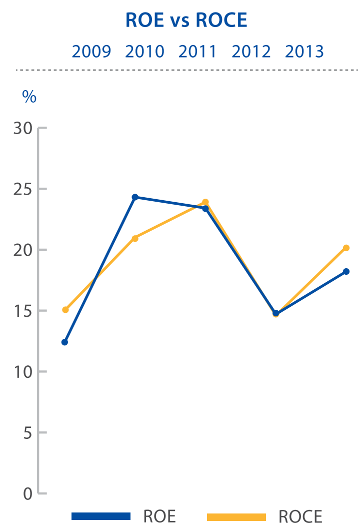
Profits Attributable to non-controlling Shareholders increased significantly by 364% and amounted to Rs.623 Mn. mainly as profit earned by non-controlling shareholders in the Agri Business, accounted for 84% of the Group's core profit.

Earnings and Dividend per Share

The Group reported an Earnings Per Share of Rs.4.59 for the financial year under review, which was a 36.7% growth.

The Board has recommended a first and final dividend payment of Rs.0.50 thus bringing the total dividend to Rs.66.6 million for the financial year. The Dividend per Share was Rs.0.30 in the previous financial year.





Return on Equity and Return on capital employed

The Group recorded a Return on Equity (ROE) of 18.25% for the financial year under review compared to 14.72% reported in the previous year. The Group's Return on Capital Employed (ROCE) also increased to 20.22% as against 14.58% in the previous year. The significant increase in profitability of Agri Business, coupled with a decrease in the long term borrowings of the Group were the main reasons for this increase in ROCE.

Statement of Financial Position

Total Assets increased by Rs.671 Mn. to Rs.11.8 Bn. mainly due to an increase in Trade & Other Receivables and Inventory.

Net Assets per Share

The Net Assets per Share of the Group as at end of financial year 2012/13, was Rs.28.14, which was 18.7% higher than the Net Assets per Share of Rs.23.71 at previous financial year end.

Working Capital

Working Capital of the Group as at financial year end, increased to Rs.1.7 Bn., compared with Rs.1.3 Bn., at previous financial year end, due to an increase in Inventory, Trade & Other Receivables. This increase, at 24.1% was noteworthy and was also reflected in the Group's current ratio, which remains at 1.8 times, at the end of the financial year.

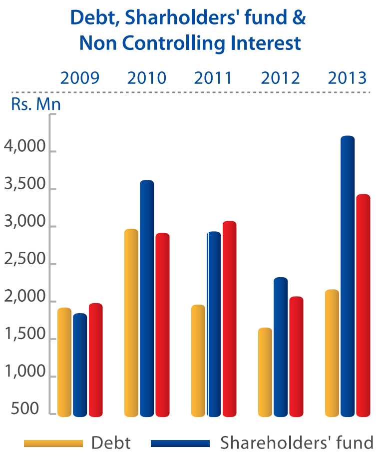
Capital Structure

Total assets of Rs.11.8 Bn. were funded by shareholders' fund (31.9%), non-controlling interest (25.3%), long term creditors (9.8%) and short term creditors (7.8%). Thus the long term funding of assets was Rs.8.8 Bn. which was a 75.8% of total assets.

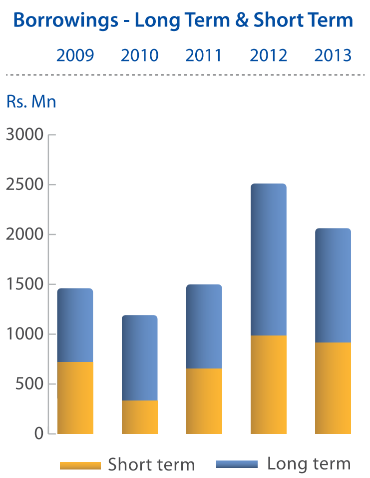
The total debt of the group was Rs.1.1 Bn. (2012 – Rs. 1.5 Bn.), a decrease of Rs.0.4 Bn. from last year. The decrease in debt by 24.8% was mainly due to restructuring of debts.

GROUP FINANCIAL REVIEW *(Contd.)*

The Group's capital structure improved with total equity increasing by 19.7%. The Debt to Equity ratio was 30.9% compared with 44.7% in the previous year, but net debt decreased substantially from Rs.1.6 Bn. to Rs.1.3 Bn.



The net debt to equity ratio was 19.4% as against 28.1% in the previous year. The low leverage ratios reflect the Group's borrowing capacity to fund its next stage of growth and this position is further confirmed by its debt to EBITDA cover of 1 X.



Cash flow

Cash & cash equivalents decreased by Rs.100 Mn. to Rs.770 Mn. by the end of the year. Net cash from operating activities increased to Rs.1,059 Mn. from Rs.870 Mn. due to repayment of debt. Net cash used in investing activities is Rs.561 Mn. (2012 - Rs.1,242 Mn.) in the current year.

Cash invested in Property, Plant & Equipment and Intangible Assets is Rs.643 Mn. (compared with Rs.1,287 Mn in 2012) which is a 50% decrease over the previous year. This capital expense was largely from Agri Business for field development. Net cash used in financing activities was a negative Rs.606 Mn (2012 – Rs.561 Mn). This decrease was mainly due to the repayment of borrowings in the Agri Business Sector.

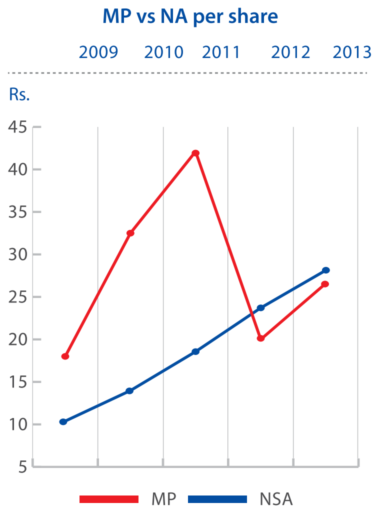
The Group retired debt amounting to Rs.1,002 Mn. during the year, and net cash proceeds received from new borrowings amounted to Rs.593 Mn.

Investments

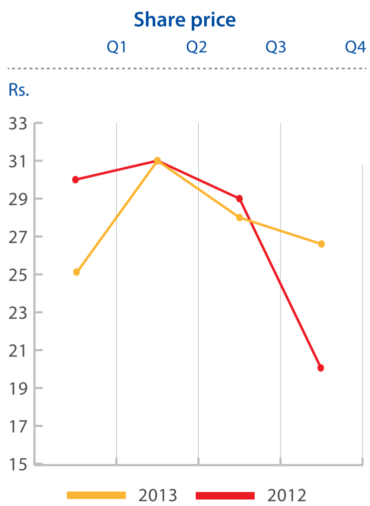
During the year, the company invested Rs.43 Mn. in its subsidiary Sunshine Energy Limited, thus no change in its shareholding in the company to 60.59%.

Market Price per Share and Market Capitalization

Capitalization. The market price of the company's share at year end was Rs.26.60 compared with Rs.20.00 at the end of the previous financial year. The lowest price at which the share traded during the year under review was Rs.18.10 whilst the highest traded price was Rs.34.00. The total value of the shares traded during the year amounted to Rs.67 Mn. Market Capitalization of Sunshine Holdings PLC at financial year end was Rs.3.5 Bn., a 33% increase over the previous year.



SUN Market share

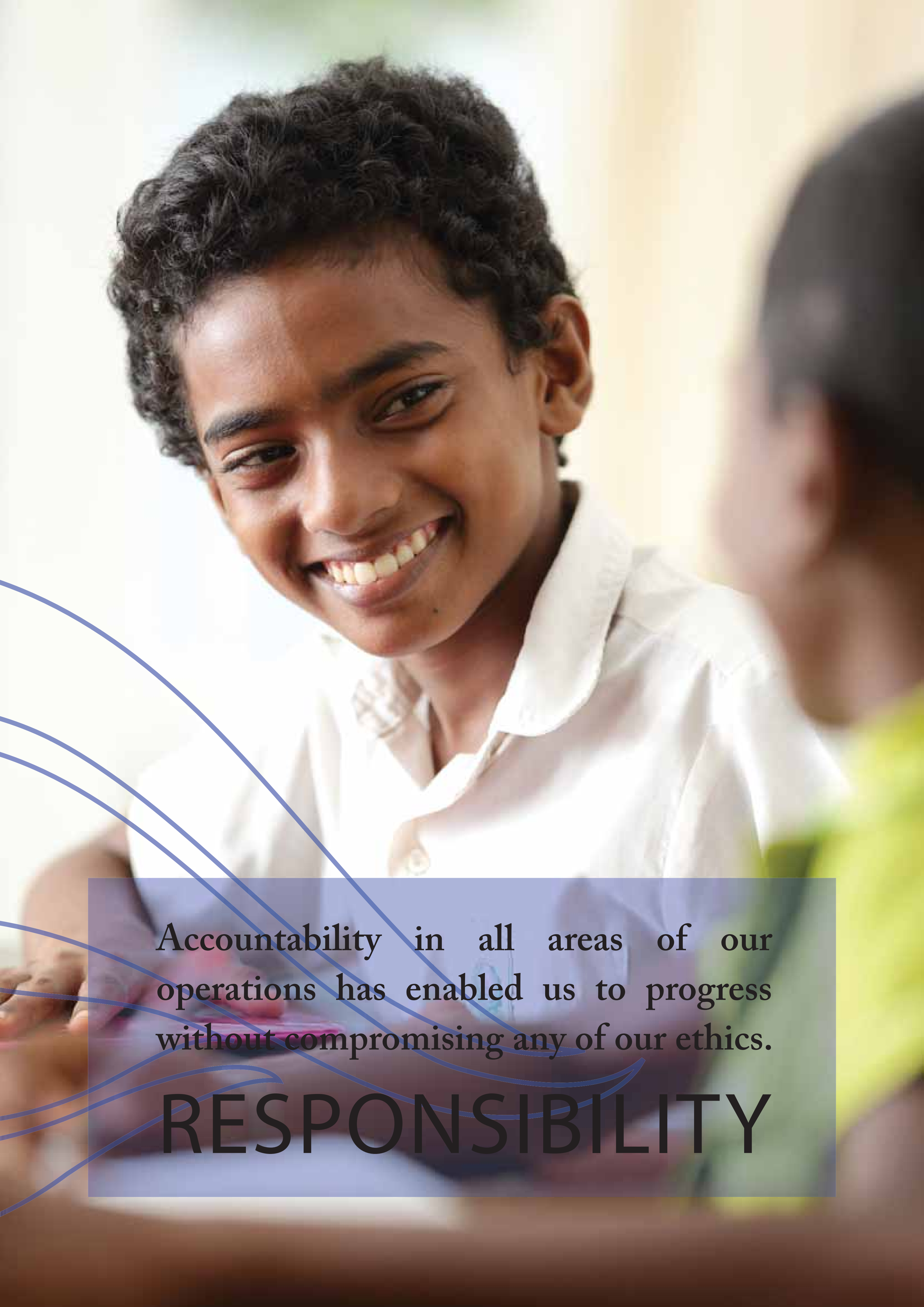


The Colombo Stock Exchange (CSE) witnessed a correction in 2012/13; the high level of market volatility in the face of liquidity constraints, diminishing foreign participation, and unexpected devaluation of currency resulted in sharp falls in valuations. The ASPI decreased by 8% while the MPI decreased by 25%. .

Price Earnings Ratio

The Price Earnings ratio of the company at financial year end was 6.1 X compared to 5.4 X as at previous year end.

CORPORATE GOVERNANCE



Accountability in all areas of our operations has enabled us to progress without compromising any of our ethics.

RESPONSIBILITY

PROFILE OF THE BOARD OF DIRECTORS

Seated left to right:
S. Piyaratna, R. T. Wijetilleke, U. L. Kadurugamuwa, G. Sathasivam.

Standing left to right:
A. Hollingsworth, S. Sathasivam, V. Govindasamy, N. B. Weerasekera, B. A. Hulangamuwa, S. Haddegoda.

Absent:
M. Shaikh

R. T. Wijetilleke
Chairman

Mr. R. 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.

R. 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.

G. Sathasivam
Director

Mr. G. Sathasivam began his career in the pharmaceutical sector and during 45 years of dedicated success in service and innovation, he established Swiss Biogenics Limited (SBL) 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.

Profile of The Board of Directors *(Contd.)*

V. Govindasamy
Group Managing Director

Mr. V. Govindasamy pioneered the Group's diversification into newer but key economic sectors such as Renewable energy, telecommunications, FMCG, and financial services. 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.

M. Shaikh
Director

Mr. M. Shaikh was the 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 was the senior partner of F. J. & G. de Saram Attornys at Law and Notaries Public. He 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. N. B. Weerasekera is the Managing Director responsible for Sri Lanka and Bangladesh of The Abraaj Group, a leading investor in growth markets managing US$ 7.5 Bn. in assets, operating through 31 offices in Asia, Africa, Latin America and the Middle East. 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.
S. Piyaratna **Director**	Mr. S. 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.
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.
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.
S. G. Sathasivam **Director**	Mr. S. G. Sathasivam is the Managing Director of Swiss Biogenics Limited (SBL) and a Director of Sunshine Packaging Limited. He graduated from London School of Economics & Political Science, UK and holds a Masters in Business Administration from Kellogg School of Management, USA.
S. Haddegoda **Jt. Company Secretary**	Ms. S. 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.

PROFILE OF THE EXECUTIVE COMMITTEE MEMBERS

Seated left to right:
V. Govindasamy, D. V. Seevaratnam, V. Wickramarathne.

Standing left to right:
B. M. Joseph, D. M. U. Dissanayake, D. S. Ratnasingham, S. G. Sathasivam, A. Vaithyalingam, P. Mendis, M. Senanayake, I. M. Ali, S. Haddegoda, A. Pararajasingham, WDPL Vithanage, B. A. Hulangamuwa.

Profile of The Executive Committee Members *(Contd.)*

V. Govindasamy Group Managing Director	Refer page no 54.
B. A. Hulangamuwa Director – Sunshine Holdings PLC	Refer page no 55.
S. G. Sathasivam Director – Sunshine Holdings PLC	Refer page no 55.
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 and 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 August 2011, bringing his strong Investment Banking knowledge, ability to raise funds and identify growth opportunities in South East Asia and India, which is 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 Group Head of IT – Sunshine Holdings PLC	Mr. Mendis holds a MBA from the University of Colombo and a B.Sc in Mathematics from the University of Peradeniya. He counts for 28 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. 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. He joined the Sunshine Holdings Group in 2008.
Dr. D. V. Seevaratnam Chief Executive Officer – Watawala Plantations PLC	Dr. Dan Seevaratnam has traversed the plantation industry for an illustrious period of over 40 years, beginning his career as a Trainee Assistant Manager in a Sterling Company and rising to the position of Chief Executive Officer. Prior to re-privatization, he has served as Director in the Cluster and Regional Boards of the Janatha Estates Development Board. At present he is the Chairman of Ceylon Planters' Provident Society, Consultative Committee on Estates & Advisory (TRI) and also the Plantation Committee of the National Chamber of Commerce, Sri Lanka. He serves as a Director of the Plantation Human Development Trust. He also serves as a member of the Tea Research Board, Coconut Research Board, Board of Governors of National Institute of Plantation Management, Standing Committee on Agriculture, Veterinary Medicine & Animal Sciences of the University Grants Commission, Consultative Committee on Research (TRI) and the CARE National Advisory Board. He is a Fellow of the National Institute of Plantation Management, Sri Lanka and also of the Australian Institute of Management. He was awarded DSc. (Honoris Causa) by the University of Wayamba, in recognition of his outstanding contribution to the plantation industry.

	He is a proud winner of the Lifetime Gold Award awarded by the Institute of Personnel Management, Sri Lanka, and also the Lifetime Achievement Award, awarded by the Asia Pacific HRM Congress last year. The latest achievement is that he was awarded the Global 'CEO of the Year' award at the Global HR Excellence Award 2012, organized by the World HRD Congress early this year.
D. S. Ratnasingham **Director – Watawala Tea Ceylon Ltd** **Director – Swiss Biogenics Ltd**	Mr. Ratnasingham has over 30 years' experience in export and plantation industries. He Holds a Science degree from the University of Madras. He began his career at Harrison's and Crossfield Export Division in the year 1978 and continued until 1992. He joined Kahawatte Plantations in 1992 and was joined Watawala Plantations PLC in 1996.
V. Wickramarathne **Chief Executive Officer – Watawala Tea Ceylon Ltd**	Mr. Wickramarathne counts over 30 years of experience in three main leading multinational companies in Sri Lanka and holds an MBA from the University of Bucks, UK. In the year 2001, he joined Watawala Plantations PLC as the Head of Sales and Marketing. Today, he is the Chief Executive Officer of Watawala Tea Ceylon Limited. He was instrumental in making "Zesta" and "Watawala Kahata" the 02 top most preferred tea brands and thereby making Watawala Tea Ceylon Limited the second largest branded tea company in Sri Lanka.
B. M. Joseph **Chief Operating Officer – Swiss Biogenics Ltd**	Mr. Joseph is a First Class Graduate in Zoology with further Post Graduate qualifications in Marketing and Sales, CIM – UK, and an MBA in Marketing. He has vast experience in General Management, sales and marketing of pharmaceuticals, surgicals, diagnostics and nutraceuticals both in Sri Lanka and abroad.
A. Vaithylingam **Head of Group Operations – Sunshine Holdings PLC and Director Operations – Sunshine Packaging Ltd.**	Mr. Vaithylingam is a graduate from one of the leading Universities in India. He fulfills dual roles in the Group and has several years of experience in managing plantations, exports, shipping/logistics and purchasing.
I. M. Ali **Head of Operations – Healthguard Pharmacy 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 Pharmacy Limited. Since then he has held several positions within the Sunshine Holdings Group.
D. M. U. Dissanayake **Head of Supply Chain – Swiss Biogenics Ltd**	Mr. Dissanayake has 20 years of experience in the private sector and specializes in retail management. He started his career as a management trainee at John Keells Holdings PLC and holds a Bachelor of Science degree from the University of Kelaniya.
M. Senanayake **Group Head of Human Resources – Sunshine Holdings PLC**	Mrs. Senanayake holds an MBA in Human Resource Management from the University of Sri Jayawardenepura. She counts over 17 years of experience with a well-known Multinational Company. She is an IPMA certified HR Professional and has experience in the disciplines of operations management, compliance, risk management and people development. She is a member of the Society for Human Resource Management, USA. She joined the Group in 2012.
S. Haddegoda **Director – Secretaries and Financial Services (Pvt) Ltd**	Refer page no 55.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 40th 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 31st March 2013. 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 and Powerful Beliefs

The company's Powerful Vision and 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 2013. 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 30 to the financial statements.

Financial Statements

The Financial Statements which include the Statement of comprehensive income, Statement of financial position, Statement of Cash Flow, 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 2013 are set out on pages 108 to 160.

Audit Reports

The Report of the Independent Chartered Accountants on the Financial Statements is given on page 107 to 160.

Significant Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 112 to 124. 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 2012/13.

Directors

The Board of Directors of the company as at 31st March 2013 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, retire by rotation and being eligible offer themselves for re-election.

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

In accordance article 91 of the articles of association of the Company Mr. G. Sathasivam and Mr. N. B. Weerasekera retire by rotation and being eligible, offer 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 31st March 2013 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 2013 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. M. Shaikh
Mr. U. L. Kadurugamuwa
Mr. B. A. Hulangamuwa

The biographical details of the Directors are given on pages 54 to 55. In accordance with the Company's Article of Association, Mr. G. Sathasivam and N. B. Weerasekara shall retire by rotation and be eligible for re-election.

Directors Interest in Contracts and Proposed Contracts

Except as stated in Note 31 to these Financial Statements, during and at the end of the financial year 2013, none of the directors were directly interested in contracts or proposed contracts connected with the Company's business.

Annual Report of The Board of Directors *(Contd.)*

Directors and Key Management Remuneration

The Directors and the Key management remuneration, in respect of the Company and the Group for the financial year 2013, are given in Note 33 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:

	2013	2012
Mr. R. T. Wijetilleke	1,000	1,000
Mr. G. Sathasivam	1,000	1,000
Mr. V. Govindasamy	3,330	3,330
Mr. S. G. Sathasivam	1,000	1,000
Mr. S. Piyaratna	1,000	1,000
Mr. A. Hollingsworth	–	–
Mr. M. Shaikh	–	–
Mr. N. B. Weerasekera	–	–
Mr. U. L. Kadurugamuwa	–	–
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.230 Mn. (2012 - Rs.190 million), whilst group revenue amounted to Rs.13,068 Mn. (2012 - Rs.10,859 million). Contribution to group revenue, from the different business segments is provided in Note 5 to the financial statements.

Result and Appropriation

The total comprehensive income of the holding company was Rs.179 Mn. (2012 - Rs.131 million) whilst the group profit attributable to owners of the parent for the year was Rs.631 Mn. (2012 - Rs.431 million). Results of the company and of the group are given in the statement of comprehensive income.

The results for the year under review and change in Equity are stated in the in the statement of comprehensive income and in the statement of changes in equity on pages 108 and 110 respectively.

Detailed description of the results and appropriations are given below.

	GROUP		COMPANY	
	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Revenue	13,067,664,329	10,859,486,197	230,073,381	190,134,023
Profit & Appropriations				
Profit Before Interest & income tax	1,712,747,392	1,083,599,445	165,957,234	112,197,331
Less: Net finance cost	(210,359,937)	(116,475,782)	11,249,403	1,814,778
Profit Before income tax	1,502,387,455	967,123,663	177,206,637	114,012,109
Less: Income tax	(299,952,674)	(300,914,098)	–	–
Profit for the year	**1,202,434,781**	**666,209,565**	**177,206,637**	**114,012,109**
Other comprehensive income (net of tax)	51,423,000	(100,844,923)	2,124,123	16,703,238
Total comprehensive income	**1,253,857,781**	**565,364,642**	**179,330,760**	**130,715,347**
Less: Profit for non-controlling Shareholders	622,806,412	134,427,242	–	–
Profit for Owners of the Parent	**631,051,369**	**430,937,400**	**179,330,760**	**130,715,347**
Less: Appropriations				
Dividend Paid	–	39,999,999	–	39,999,999
Proposed Dividend	66,666,665	–	66,666,665	–
Balance carried Forward for 2014	**564,384,704**	**390,937,401**	**112,664,095**	**90,715,348**

Dividend

The Directors recommend that a final dividend of Rs.66,666,665 equivalent to Rs.0.50 per ordinary share (2011/12 Rs.39,999,999 equivalents to Rs.0.30 per ordinary share) be paid 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.0.50 per share.

Property, Plant & Equipment

The carrying value of property, plant and equipment as at the balance sheet

Annual Report of The Board of Directors *(Contd.)*

date amounted to Rs.753,193 (2012 - Rs.763,825) and Rs.3,308,579,037 (2012 - Rs.3,360,721,237) for the company and group respectively. Capital expenditure for the company and group amounted to Rs.414,535 (2012 – Rs.789,083) and Rs.642,744,547 (2012 - Rs.1,287,433,978), respectively. Details of property, plant and equipment and their movements are given in Note 12 to the financial statements.

Investments

Investments of the company in subsidiaries, and other external equity investments amounted to Rs.860,698,768 (2012 - Rs.817,752,548) and Rs.297,905,868 (2012 - Rs.295,781,725), respectively. Detailed description of the long term investments held as at the financial position date, are given in Note 16 to the financial statements.

Shareholders' Fund

Total shareholders' fund as at 31st March 2013 for the company and group amounted to Rs.1,356,050,084 (2012 - Rs.1,216,719,323) and Rs.3,752,394,574 (2012 - Rs.3,161,343,208), 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 issued ordinary share capital of the Company during the year are set out in Note 24 to the Consolidated Financial Statements.

The Issued share capital as at 31st March 2013 was Rs.679,999,949 divided into 133,333,330 shares. (2012 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.

The Articles contain certain restrictions on the transfer of ordinary shares and on the exercise of voting rights attached to them, including where the Company has exercised its right to prohibit transfer following the omission of their holder or any person interested in them to provide the Company with information requested by it in accordance with the Companies Act No. 7 of 2007

Share Information

Information relating to the composition and distribution of shareholders of the Company as at 31st March 2013 is given on pages 162 to 163 of this Report. The percentage of shares held by the public was 8.69% (2012 – 10.95%).

Events after the Reporting date

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 36 to the Accounts.

Related Party Transactions

Related party transactions in respect of the Group and the Company, for the financial year ended 31st March 2013 are given in Note 32 of the Financial Statements, on page 151 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 84.

Contingent Liabilities and Capital Commitment

The Contingent Liabilities and Commitments made on account of capital expenditure as at 31st March 2013 are given in Note 34 to 35 to the Financial Statements.

Summary of Financial Information

A summary of the published results and of the assets and non controlling interests of the Group for the last nine financial years as extracted from the Audited Financial Statements and reclassified as appropriate is set in page no 168.

Directors' Interest and the Interest Register

The relevant interest of each Director in the share 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 SUN interests register 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 62 under the Directors' Shareholding.

Board Committees

The composition of Board and other Committees as at 31st March 2013, are given below:

Audit Committee

Mr. S. Piyaratna
Mr. M. Shaikh
Mr. B. A. Hulangamuwa

Remuneration Committee

Mr. R. T. Wijetilleke
Mr. G. Sathasivam
Mr. N. B. Weerasekara

Annual Report of The Board of Directors *(Contd.)*

Corporate Governance

Directors' declarations

The Directors declare 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 all endeavor's 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. Employee ownership in the company is facilitated through the employee share option plan. 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 reporting date have been paid or, where relevant provided for, except as specified in Note 7 to the financial statements, covering contingent liabilities.

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 four firms of Chartered Accountants across the group, namely, KPMG, Pricewaterhouse Coopers, Ernst & Young and Kreston & Co. Details of audit fees are set out in Note 7 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 103 to 104 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 internal auditors are also reviewed by the Committee on matters pertaining to the company.

GOING CONCERN

The Directors are satisfied that the company, 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 29th May 2013. 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 01st July 2013.

ANNUAL GENERAL MEETING

The Annual General Meeting will be held at the Taj Hotels of Colombo of Sri Lanka, Galle Road, Colombo 3, on Wednesday, 24th July at 10.30 a.m. The notice of meeting appears in the Supplementary Information section of the integrated Annual Report.

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

R. T. Wijetilleke
Chairman

V. Govindasamy
Group Managing Director

Secretaries & Financial Services (Pvt.) Ltd.
Secretaries

29th May 2013.

REPORT OF THE NOMINATING AND REMUNERATION COMMITTEE

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

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

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

R. T. Wijetilleke
Chairman - Remuneration Committee.

29th May 2013.

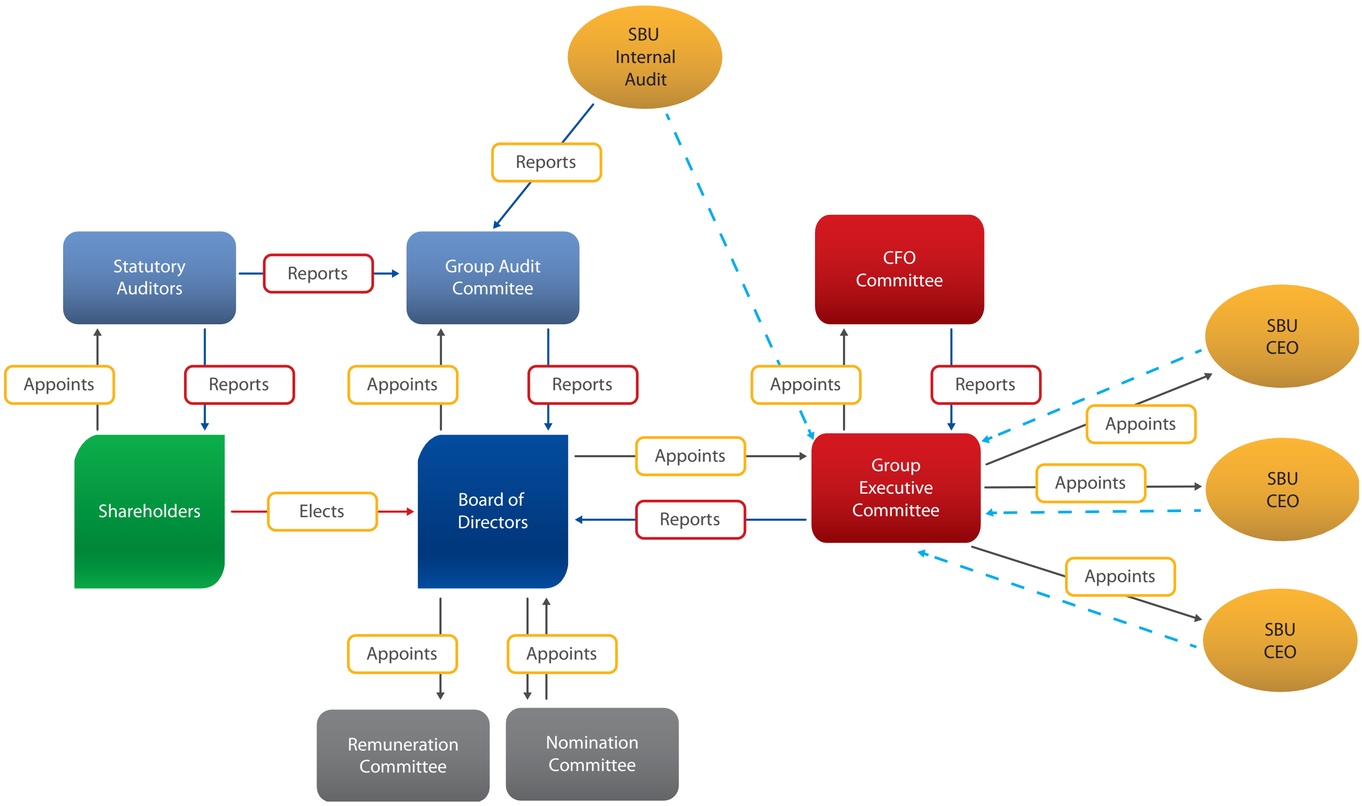
CORPORATE GOVERNANCE

Sunshine Holdings PLC is the holding company of five subsidiaries namely Swiss Biogenics Limited, Estate Management Services (Pvt.) Limited, Sunshine Packaging Limited, Sunshine Energy Limited and Sunshine Travels & Tours Limited. The Businesses of the subsidiaries are given on pages 144 to 145 of this report.

The Sunshine Group believes that the best way to communicate to 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 to comply 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.



Corporate Governance (Contd.)

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 the annual budget and discussed and approved by the ex-com before presenting 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.

Group Forums

Group Ex-com

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 financials & 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 Forum

The CFO forum is held monthly to discuss financial issues within the group, good accounting practices and 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 whilst transparency and accountability is maintained. The Board also reviews and monitors the Company's activities.

Business Performance

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

Management of Risks

With the consultation of the Audit Committee a risk management system was developed and periodically and extensively reviewed. Review of the risk management is depicted in Page 82 of this report. Further, the Audit Committee report is also given in Page 103.

Code of Business Conduct and Ethics

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

Financial Performance of the Company

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

Investor Rights and Relations:

The Company communicates regularly with its shareholders updating them on the company's position and performance through the quarterly reports. The Annual Report provided a comprehensive assessment of the Company's performance during the year.

Audit

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

Budget

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 financial year ended 31st March 2013. The attendances of Directors at these Meetings were as follows:

	Attendance	
Name of Director	No.	%
Mr. R. T. Wijetilleke	04/04	100%
Mr. G. Sathasivam	04/04	100%
Mr. V. Govindasamy	04/04	100%
Mr. S. Piyaratna	02/04	50%
Mr. S. G. Sathasivam	04/04	100%
Mr. N. B. Weerasekera	04/04	100%
Mr. U. L. Kadurugamuwa	01/04	25%
Mr. B. A. Hulangamuwa	04/04	100%
Mr. M. Shaikh	04/04	100%
Mr. A. Hollingsworth	02/04	50%

Financial Acumen

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

Board Balance

The Board as at the date of this statement consists of ten (10) members. Six (6) members are Non-executive Directors (including the Chairman) and three (3) are executive Directors. All Non-Executive Directors are independent as defined under the Listing Rules of the Colombo Stock Exchange.

The Non-Executive Independent Directors are:

Mr. R. T. Wijetilleke
Mr. S. Piyaratna
Mr. N. B. Weerasekera
Mr. A. Hollingsworth
Mr. U. L. Kadurugamuwa
Mr. M. Shaikh

Corporate Governance (Contd.)

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

The Remuneration Committee 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 33 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 ensuring year, capital expenditure requirements, future prospects and risks, cash flows and borrowings facilities, have a reasonable expectation of the company's existence in the foreseeable future. Therefore, the going concern basis is adopted in the preparation of the financial Statements.

Internal Control

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

Communication with Stakeholders

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

Shareholders may bring up concerns they have, either with the Chairman and Group Managing Director as appropriate. Sunshine Holdings PLC website (www.shl.lk) 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, various Board Committees are established. The function and terms of reference of the Board Committee are clearly defined and where applicable, comply with the recommendations of the code of best practice on corporate governance. The group has two Board Sub Committees:

1. Audit Committee
2. Remuneration Committee

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

Corporate Governance *(Contd.)*

Membership of Board Sub Committees are listed below:

	Appointment to The Board	Nominating and remuneration 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	●	
M. Shaikh	16/07/2010		●
U. L. Kadurugamuwa	18/12/2010		
N. B. Weerasekara	21/11/2008	●	
S. Piyaratna	28/08/2006		●
A. Hollingsworth	28/02/2006		
Non-Executive			
B. A. Hulangamuwa	01/02/2002		●

Audit Committee

The Audit Committee review issues of accounting policy and presentation for external financial reporting, monitors the work of the internal audit function and ensures that an objective and professional relationship is maintained with the external auditors. Its principle function is to assists 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 103 and the duties of the Audit Committee are included therein.

Remuneration Committee

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

Corporate Governance Disclosure

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

Major Transaction

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

The following section covers the compliance with rules and requirements of the Code of Best Practice on Corporate Governance issued by the Securities and 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	54
	A 1.1	Regular Board meetings	Complied	Composition and attendance	71
	A 1.2	Responsibilities	Complied	Board Responsibility	102
	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	60
	A 1.4	Access to Company Secretary	Complied	Communication with stakeholders	73
	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.	60
	A 1.6	Dedication of adequate time and effort	Complied	The Directors allocate reasonable time for group matters and attend to the meeting and sub meeting with relevant readings and 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.	71
Chairman and CEO	A 2	Chairman and CEO and division of responsibilities to ensure a balance power and authority	Complied	Chairman does not get involved in day to day operation of the group and act as an independent non-executive director. CEO executes powers given to him the board and run 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.	74
	A 3.1	Ensure Board proceedings are conducted in a proper manner	Complied	The chairman is responsible for the effective participation of both executive and non-executive directors, their contribution for the benefit of the group, balance power between executive and 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	54-55

Corporate Governance (Contd.)

Subject	Rule/Code No	Compliance Requirement	Compliance Status	Section	Page No
Board Balance	A 5.1	Non-Executive Directors	Complied	Seven out of ten are Non-Executive Directors	71
	A 5.2	Independent Non-Executive Directors	Complied	Six out of seven Non-Executive Directors are independent	71
	A 5.3	Independence of Non-Executive directors	Complied	All independent Non-Executive Directors are in fact free of any business with the group and are not involved any activity that would affect to the independence.	71
	A 5.4	Annual Declaration	Complied	Submitted the declarations as prescribed	65
	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.	71
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	71
	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.	71
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	65
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied		
	A 7.2	Assessment of the capability of Board to meet strategic demands of the company	Complied	Profile of the Board	55
	A 7.3	Disclosure of New Board member profile and interests	Complied	Profile of the Board	55
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	71
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	65
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	55
Appraisal of CEO	A 11 - 11.2	Appraisal of the CEO against the set strategic targets	Complied	Evaluation is done by the chairman and remuneration committee based on the year beginning financial and non-financial targets set with the discussion of the committee.	65

Subject	Rule/Code No	Compliance Requirement	Compliance Status	Section	Page No
Directors' Remuneration	B 1	Establishment of the Remuneration Committee			65
	B 1 - 1.3	Membership of the remuneration to be disclosed and should only comprise of Non-Executive Directors	Complied	Discussed under sub committees	65
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Discussed under sub committees	65
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.	173
	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.	173
	C 1.3	Heads of Board subcommittees to be available to answer queries	Complied	Sub-committee chairman are participated for the AGM	171
	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 21 days prior to the date of the AGM.	171
	C 1.5	Summary of procedures governing voting at General meetings to be informed	Complied	Circulated through Notice of the Annual General Meeting	171
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.	65
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	60
	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	60
	D 1.3	Statement of Directors' responsibility	Complied	Directors' Responsibility report	102
	D 1.4	Management Discussion and Analysis of the businesses	Complied	Segment Analysis	144

Corporate Governance *(Contd.)*

Subject	Rule/Code No	Compliance Requirement	Compliance Status	Section	Page No
Internal Control	D 2.1	Annual review of effectiveness of system of internal control.	Complied	At Ex-com and GEC review meeting evaluates the effectiveness of internal control system in operations and advice necessary changes/ improvements to the current system and get feedback as well.	73
Audit Committee	D 3.1	Audit committee composition	Complied	Composition of Audit Committee	74
	D 3.2	Terms of reference, duties and responsibilities	Complied	Clearly documented to Audit Committee charter	74
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 and provided to the Colombo Stock Exchange.	74

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

Subject	Rule No.	Applicable Requirement	Compliance Status	Details	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 Directors are Non-Executive Directors	74
Independent Directors	7.10.2 (a)	Two or one-third of Non-Executive Directors, whichever is higher should be independent	Complied	All Non-Executive Directors 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 declarations	74
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Please refer page 74	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	Please refer page 54	54
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	65

Subject	Rule No.	Applicable Requirement	Compliance Status	Details	Page No
Composition of Remuneration Committee	7.10.5 (a)	Shall comprise Non-Executive directors a majority of whom will be independent	Complied	As above	74
Remuneration Committee Functions	7.10.5 (b)	Shall recommend the remuneration of the Chief Executive Officer and the Executive Directors	Complied	As above	74
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	Please refer page 74	74
		Statement of Remuneration Policy.	Complied	Please refer page 74	74
		Aggregated remuneration paid to Executive and Non-Executive Directors.	Complied	Please refer page 74	74
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Please refer Report of the Audit Committee on pages	74
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	74
		A Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an independent Non-Executive Director	74
		Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings	Complied	Chief Executive Officer and Chief Financial Officer attend meetings by invitation	74
		The Chairman of the Audit Committee or one member should be a member of a professional Accounting body	Complied	All members of the Audit Committee are Chartered Accountants	74
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	74
Disclosure in the Annual Report relating to Audit Committee	7.10.6 (c)	a. Names of the Directors comprising the Audit Committee	Complied	Please refer page 74	74
		b. The Audit Committee shall make a determination of the independence of the Auditors and disclose the basis for such determination.	Complied	Please refer Audit Committee Report on pages 74	74
		c. The Annual Report shall contain a Report of the Audit Committee setting out of the manner of compliance with their functions.	Complied	Please refer Audit Committee Report on pages 74	74

SUSTAINABILITY & RISK MANAGEMENT

Risk Assessment and Management

Sustainability Report

People count on us… and we continue to exceed their expectations day after day, by taking the utmost care and responsibility to deliver what is expected of us and more. Dependability is one of the key attributes of our success.

DEPENDABILITY

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

Risk Category	Risk	Corporate Impact	Mitigating Actions	Risk Rating
	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 Calliandra, 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
	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

SUSTAINABILITY REPORT

"The Sunshine Group will endeavor to make our 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 our profitability requires a win-win approach."

~ **Vish Govindasamy** - *Group Managing Director*

Sustainability underscores the importance of taking a longer-term perspective about our business, and about the consequences of today's activities, and of global cooperation amongst countries to reach viable solutions. It is also about the importance of commitment to ethics and good governance.

Sustainable Development albeit seemingly a buzzword today, is 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 favourably it impacts communities and the environment which it is a part of. This report is an account of how we engaged with our Communities and People in 2012, and how we strive to impact the Environment favourably.

Beyond "doing the right thing", we also believe in "doing things right":

ETP Membership:

All of the Group's Tea gardens have gained membership in the Ethical Tea Partnership (ETP). 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. ETP's social and environmental standards are closely aligned with Fairtrade, Rainforest Alliance and UTZ Certifications whilst the Labour standards are based on the Ethical Trade Initiative (ETI) Base Code which encompasses the International Labour Organization's (ILO) core conventions. The ETP membership is thus an endorsement that the Tea we produce has been manufactured in accordance with these standards.

Fairtrade Certification

Fairtrade Certification is based on the value that trade must not merely be limited to the narrow confines of "how much" wealth but also look at 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 favorably. Towards this end are specific standards, such as, a minimum price to ensure producers receive fair prices and a Fairtrade labelling system to guarantee a premium to producer organisations or worker bodies to invest in social, economic or environmental improvements. For Sunshine Holdings Group, just as much it reflects our values, it is also pretty much in sync with the long term perspective we have in business. The certification is awarded by FLO International and the certification body FLO-CERT after an independent audit of producers to verify if agreed on standards is met. It thus enables buyers across the world to identify products that meet agreed environmental, labour and developmental standards. Your Group's Abbostleigh estate was the first tea factory in the country to receive this certification and today six of our plantations are Fairtrade certified

Our Quest for Quality

With the Group's key businesses being in the realm of Healthcare and Food & Beverage, we are acutely aware of the importance of quality; and the importance of the quality of our processes to ensure highest quality in our products highest quality. We have hence adopted an approach of continuous innovation and improvement of the Group'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 processes of obtaining management information.

Seven of our Group's plantations are ISO 22000 certified through the Sri Lanka Standards Institute that whilst three more estates are in the process of obtaining certification.

SOCIAL

Community Initiatives

Sunshine supports English Language Teaching Project

Sunshine Holding PLC sponsored stage III of the English Language Teaching Project organized by the Council for Business with Britain (CBB) and conducted by the British Council in Sri Lanka. It is a project in one of the Group's thrust areas in CSR – Education.

Since 2005, the CBB has been working through the British Council to deliver its successful and well regarded English Language Teaching (ELT) Project. The overall goal of the programme is to upgrade the English skills of pupils and this is achieved by building the capacity of local English teachers so that they deliver lessons that are more effective.

Teachers use the new knowledge and inspiration gained from the training to deliver more motivating lessons with a communicative focus so that pupils' real language skills are improved. By the end of 2012 the programme completed training over 1000 teachers from the Ministry of Education's Regional English Support Centres (RESCs), which in turn has impacted more than 100,000 students Island wide covering the North, East and the South of Sri Lanka as well.

The project has trained a cadre of mentors from the Ministry of Education's Regional English Support Centres (RESCs) ensuring a wide geographical coverage across Sri Lanka. The mentors deliver in-service teacher training to teachers in their areas using a distance learning course (branded as 'the CBB distance training course') which leads to the internationally recognised University of Cambridge Teaching Knowledge Test (TKT). Teachers following the training also receive a CBB / British Council (BC) Certificate.

The project therefore functions on two levels: training mentors to facilitate the CBB distance training course and training teachers through the CBB distance training course. It is run in association with the National Institute of Education (N.I.E) and the Ministry of Education and has been built up and refined over a number of years.

Infrastructure Development

Socio economic Infrastructure is an essential ingredient for sustainable economic development of a nation. Your Group thus continues to develop infrastructure in the many locales it is present in, and the plantations in particular.

Renovation and Maintenance of the Children's Ward at Udugama Base Hospital

Our Homadola Estate management and staff together with the estate Associates undertook the task of renovating the children's' ward at the Udugama base hospital at a cost of Rs. 275,275. The ward which treats thousands of children from many economically disadvantaged homes in the area received a much needed face-lift. And now in contrast to its former state, offers an environment which is conducive to healing children who come with whatever illness or sickness they have. The Homadola Estate also continues to maintain this ward.

A new Water supply scheme

Other projects carried out during the year included the funding of a new water supply scheme on Elgin Division of Lippakelle Estate at a total cost of Rs.20 Mn. The project was aided by the Government of Australia and implemented by World Vision Lanka. The scheme was opened on 29th January 2013 in the presence of Hon. Robyn Mudie the High Commissioner for Australia.

Awareness programme on child abuse, teenage pregnancy & reproductive health

The Company addressed a need of the hour by arranging awareness programmes on "Child Abuse, Teenage Pregnancy and Reproductive Health". One such programme was held on Abbostleigh Estate with the participation of 230 students - aged 12 years and above, and teachers of Abbotsleigh Tamil School. The programme held on 3rd of December, 2012 was organized by the Ministry of Child Development and Women's Affairs at the request of the Management of Abbotsleigh Estate and was funded by the UNICEF. All the participants were also given refreshments, exercise books and pens. The programme was conducted by Dr. Nihal Weerasooriya – the Deputy Director of Health for the Nuwara Eliya District; and was timely, informative and educational, with many participants also making use of the time given for a questions & answer session and discussion.

Mr. B. Raheem (Senior Manager of Plantation sector operations of Berandina Development Services) visited the five Child Development Centers and ceremoniously presented the baby cots, were accepted with much joy by the members of the staff.

The Prize Giving and Concert by the Abbotsleigh Estate's Child Development Centre located in Marske Division.

Another on "Preventing Teen pregnancies' was held on our Talangaha Estate for girls between the ages of 16 to 24. The programme conducted by Dr. Ms. Madubashni and held at the Talangaha Training Center in December, benefitted more than 30 attendees.

A similar programme was arranged by the Tangakelle Estate on the topic of "Child abuse and Gender-Based Violence", on 07th of August, 2012 at the Tangakelle Sports Club. This educational programme on an important topic conducted by Mrs. Anoja Rathnayake (an Advisor of Nuwara Eliya's Zonal Education office) was much appreciated by its participants who included youth, and adults including Divisional estate union leaders. The programme which was funded by the International Institute of Developmental Training (IIDT) was coordinated by the officials of Lindula Police station on the request of the management of Tangakelle Estate.

The Group's Tangakelle Estate Management was able to obtain the support of the Berandina Development Services of Ginigathhena to provide 35 light-weight baby cots to the Estate's Child Development Centers.

The Carolina Estate Child Development Centre held its annual concert to celebrate World Children's' Day, on 22nd of December. The event held at the main hall of the Carolina Tamil School was jointly organized by the Estate's Welfare Team and the Officers in charge of the Child Development Centres. Seeing their little children sing and dance on stage brought much joy to the parents who watched with pride. The children were also presented with school bags and a gift parcel by the Berendina Development Services.

The Child Development Centre on Group's Abbotsleigh Estate held their annual Prize Giving and a Concert on 28th November. The Concert consisting of many cultural items was also to felicitate and bid farewell to 40 older children who were leaving the centre. And each of these 40 children was provided with a school bag, exercise books, pens, pencils and erasers with the financial support from the Company's Management and Berandina Development Services..

Supporting the differently abled

The Group's Agri business subsidiary continued to fund, manage and further develop the Vocational Training Centre on its Kenilworth Estate in Ginigathena. Since its launch in 2001, the centre provides a remarkable service to the differently abled individuals and their families who live on the estates and the neighboring communities, inspiring all -who learn of its objectives, how it impacts and what it continues to achieve.

The differently abled individuals in any society are compelled to depend on others, not only for a livelihood but often for his/her care and day to day needs, thus also placing considerable psychological burden on the caregivers. These challenges faced by a marginalised group of people and their families are made that much more severe by economic deprivation. Estates and surrounding communities are such groups perhaps more severely burdened than elsewhere, by the lack of opportunity, awareness and economic and psycho–social support for the differently abled individuals and families. The centre has thus offered significant relief to the caregivers of these individuals by relieving them of the responsibility of attending to them during the day. And it is found to have greatly reduced the feelings of isolation and despondency these caregivers had felt over the years. The centre thus, most fundamentally, offers a safe place for these individuals to spend the day. And also offers so much more by enabling them to develop their talents, to become productive individuals who can earn an income and enjoy recreational facilities. The centre also arranges regular health checks for these individuals who otherwise rarely receive medical attention due to neglect or being confined to their homes.

In addition to providing a building and other infrastructure, we continued to sponsor the trainers, provide an attendance allowance, meals and transport to these individuals who are trained to produce Greeting Cards, envelopes, environmentally friendly paper bags and Tea pouches. These products are now sold amongst the Group's plantations. The Kenilworth team's objective to make it a self sustaining venture, as mentioned in our previous report, was achieved during the year under review and the Centre hopes to expand into the manufacture of other products over the next year.

During the year under review, the Company was able to arrange a donation of US 5,000 for the Centre from Mr. Frank Vanden Heuvel of Smart Trade Group of Netherlands who visited the center on the 30th January 2013. The Centre was able to utilise this contribution during the year to purchase a bus to meet the transportation requirements of these individuals.

Facilitating healthcare and health awareness for the differently abled

The Group's Homadola, Talangaha and Nakiyadeniya Rubber and Nakiyadeniya Oil Palm estates also organised a programme for differently abled children, their parents and welfare staff on 26th Oct. 2012. The programme which included 32 differently abled children facilitated the consultation services of several physiotherapists who provided treatment and educated the children on prevention of non-infectious deceases.

Empowering youth

Youth are our hope for the future and the strength for today, and your Group each year engages in a number of activities to build leadership and team spirit amongst youth on its estates as well as neighbouring communities.

The Company held a number of career guidance seminars for these youth to decide on their stream of education and a career and to find employment to match their education qualifications. A programme was conducted very successfully on the Nakiyadeniya Estate with the support of a number of private sector organisations; which also enabled children of a number of "Associates" to find employment with these organisations. In addition, the Company developed and renovated Cricket and Volley Ball grounds located on its estates.

Encouraging education

It is most encouraging to see a rapidly changing trend amongst our estate communities where the younger population, unlike the older generations are beginning to value education and even see it as a necessity. And this is despite the fact that the geographic location of the estates make access to higher education difficult. Your Group continued to build on its initiatives to encourage the pursuit of school and higher education amongst its estate community.

We continued the scholarship programme for GCE (A/L) and undergraduate studies. Additionally, we began the contribution of a monthly payment Rs.2,500 per school going child of estate Managers and Assistant Managers to offset part of their expenses; and to other categories of minor staff the Company makes a payment of pay Rs.5,000 per annum per child to buy school books, bags, uniforms and shoes etc. During the year under review the Group supported a total of 15 school children investing Rs. 360,000.

WP PLC, in collaboration with Asia Foundation also established three libraries for the benefit of its Associates and their children to encourage knowledge gathering and enhance literacy levels. Three libraries were established in the up-country region, on Carolina, Dickoya and Waltrim Estates and one library at Homadola Estate in Udugama.

WP PLC also conducted a Legal Clinic on its Abbotsleigh Estate in November, 2012. This clinic, conducted by officials of the Legal Aid Commission (Hatton Branch) and the Women's Development Officer of the Divisional Secretariat (Ambagamuwa Korale, Ginigathhena) enabled about 120 members of the Abbotsleigh Estate community to resolve a wide range of issues; from simple issues relating to Birth Certificates, National Identity Cards and Death Certificates, to the more complex issues connected to the Divisional Secretariat and other relevant organisation. Solutions were provided for most of the issues. Moreover, the clinic also held a discussion and an awareness program on important issues such as child abuse, sexual harassment and gender-based violence.

Senior Citizens

The Group's Lonach Estate, in collaboration with the Berandina Foundation organised a Sports Meet for senior citizens in its estate community. The meet, held on 20th October at the estate's playground consisted of 12 events and provided a valuable platform for senior citizens who, over the many decades have contributed much to the industry. The occasion was an opportunity for the elders to demonstrate their talents as well as enjoy themselves, and for us to show our appreciation to them.

Promoting nutrition amongst estate communities

WP PLC conducted a programme to survey the nutritional levels of the estate children, and with the support of NCM Lanka began a programme to provide Samaposha and Biscuits to children on the estates. The estate management is also currently in the process of addressing the issues identified through the survey.

In addition, the Health Officers of Abbotsleigh Estate conducted a programme on "Good Food Habits and Preparation of Low Cost Nutritious Food" at the estate's Child Development Center on the 22nd of December, 2012. The programme conducted for mothers and their children emphasised the importance of following a balanced diet, the importance of home gardening and the negative impact of junk food. It also discussed many other areas related to food habits. The Crèche fund also gifted bottles and lunch boxes to the children who attended the programme ,which also had the participation of NCM Lanka.

The Women's Development section of the Ambagamuva Divisional Secretariat initiated a project to provide a glass of milk to each child in the Hatton/Watawala region. The programme, which initially began with the children in the Carolina, Kenilworth and Strathdon Estates' Child Development Centres, was later extended to children on Lonach, Vellai Oya and Abbotsleigh estates and the Binnoya Division on Wigton estate.

Children's Day Celebrations on Talangaha Estate

The Group's Talangaha estate organised a special programme for its Estate's children on the 20th of October, 2012, to celebrate Children's Day. "Suranga Maama", a popular personality from a children's TV show entertained the children; he also had the children dancing along with him and making sure that everyone involved enjoyed themselves. Amongst the activities were a magic show and an art competition, with children who were placed first, second and third being rewarded with prizes. One of the highlights was that Suranga Maama selected one of the paintings to use as the cover for his next book.

Healthcare

Cataract Surgeries

The Group's Healthcare subsidiary Swiss Biogenics for the 2nd consecutive year, sponsored Cataract surgeries for 250 patients under the Vision 2020 programme - the National Programme for Prevention and

Control of Avoidable Blindness of the National Secretariat for Vision 2020 of the Ministry of Health. Cataract is one of the priority areas identified in the National Eye Care Programme for intervention. The Company, through the Vision 2020 Secretariat distributed lenses and the accessories amongst the following hospitals.

No	Surgeon	Hospital	Qty
1	Dr. Darshana Darmadasa	DGH Hambantota	10
2	Dr. K. R. Dayawansa	DGH Polonnaruwa	40
3	Dr. Binara Amarasinghe	TH Ragama	10
4	Dr. Mahinda Weerasekara	GH Matara	40
5	Dr. I. P. Iddawela	TH Anuradhapura	25
6	Dr. Chaya Samarasinghe	BH Dickoya	15
7	Dr. Mahinda Herath	DGH Trincomalee	20
8	Dr. P. Dias	GH Batticoloa	40
9	Dr. Kala Sivayoganathan	DGH Nuwara Eliya	20
10	Dr. Pathmini Halpitage	BH Panadura	10
11	Dr. Chaya Samarasinghe	BH Dickoya	20

Our Plantations subsidiary, WP PLC, also conducted several Health & Medical camps to benefit its associates and their family members. Eye camps and Dental clinics were held on several of its estates whilst prevention of oral cancers and HIV/Aids and sex education were amongst the topics covered by the preventive health and educational programmes.

An Eye Camp funded by the Berandina Foundation was conducted on Abbotsleigh estate. It was able to screen 82 estate Associates out of whom 57 were prescribed spectacles, and these are to be made available through the Divisional Secretariat, Ambagamuwa Korale. Another 25 Associates were identified for Cataract operations.

Abbostleigh Estate's management also arranged a Dental clinic at the premises of the estate's dispensary. The mobile clinic conducted by the Ministry of Health and Indigenous Medicine of the Central Province and coordinated by the Plantations Housing Development Trust (PHDT) of Hatton in November 2012, treated 137 Associates and their families consisting of elders and children.

Lonach estate, under the sponsorship of the Rotary Club of Dickoya, organised a medical camp conducted by a medical team of seven doctors from Korea, and was able to treat 300 estate "Associates" and their family members. Identified patients were prescribed drugs and provided with spectacles free of charge.

Blood donation programme

Our Health care subsidiary held the annual blood donation campaign this year as well on 10th November 2012 at the Sales and Supply Chain Complex in Mattakkuliya. It had 110 employees volunteering to donate blood.

OUR PEOPLE

"As the spiral formation inside the Conch Symbolises infinity, let us work to realise the infinite potential as individuals, and collectively as Sunshine Holidays Group"

~ **Vish Govindasamy** - *Group Managing Director*

In our Agri business we understand the challenge of managing and inspiring the commitment and dedication of a 12,000 strong and diverse workforce. The sense of responsibility WP PLC adopts towards its people on the plantations is well established. The Plantation industry is both unique and complex because it employees a large workforce living their entire lives within the estates on which they work. The plantation thus also becomes home to their families. For WP PLC the "people" it indirectly impacts and strives to uplift include over 50,000, made up of the young and the old, infants and children and both female and male.

Creating an uplifting work environment

People are ultimately the driving force of any business and being in the labour intensive industry of Plantation Agriculture we are more cognizant of this fact than most others. We understand how the quality of the work environment impacts long term commitment, individual performance, and motivation. The long term perspective we have in business thus prompts us to continuously enhance not just the physical work space but the ethos which is made up of interactions and relationships, to best reflect the Group's values.

Our Plantations sector management pledged to commit themselves to a "Conducive Work Environment for all Associates". Some of these simple but important steps which can have a profound impact in the medium to long term include the following: a commitment to be polite in all our interactions and banning the use of slang language and to address all people on the plantations (including the children in Crèches) by name; abolishing "chasing "; ensuring equal gender participation in all estate level committees; to a rule that all discussions must only take place in a conducive environment with seating facilities for all; to handover wages directly to the Associate; a commitment to give nursing mothers preference; provide a minimum of one day's training per Associate; steps to ensure zero maternal mortality and zero infant mortality; ensure 100% institutional births amongst our Associates; ensure one hundred percent primary education for every child of our Associates; ensure 100% of children of our Associates have primary education; afford excursions for our Associates and thus provide them opportunities to gain an exposure to other parts of Sri Lanka; avoid confrontation at all times and resort to conflict resolution through negotiation and inculcate a win-win mind set and create a participatory management process with Associates and Unions.

Occupational Health & Safety

In addition, the estate also conducted awareness programmes on occupational health and safety aspects for the Associates who are engaged in Tea plucking, Rubber tapping and Oil Palm harvesting. WP also invested in new safety equipment and trained the associates on proper use of them. Identifying the importance of a knowledge of First Aid, we also took necessary steps to disseminate knowledge on First Aid practices.

During the year, six of WP's employees, comprising Assistant Managers, Estate and Factory Executives and Staff attended the first ever Advanced Certificate Course in Occupational Health and Safety (OSH) conducted by the National Institute of Occupational Safety and Health – a programme that equipped them with the necessary knowledge and skills to strengthen the health and safety practices at their places of work. The programme was funded by the World University Service of Canada and ETP.

WP also took steps to maintain medical files for its employees who work in high risk areas such as factories the herbicide and chemical spraying.

Breaking the glass ceiling on our tea estates

The position of field supervisor (Kangani) has been restricted to males and has remained so until last year. As enumerated in our last report, we have set ourselves a target of having 100 female "Kanganies" by year 2015. In this context it is a commendable achievement that our estates had 50 female "Kanganies" as at 31st March 2013.

Celebrating innovation by our employees

A number of our employees demonstrated their innovative spirit and creative talents as well as their zeal and commitment with several significant innovations during the year. These included small process improvements to mechanical inventions.

The Mechanical/Technical team from Carolina Estate consisted of the following members:

1. **Mr. R. M. Chaminda Ratnayake** – Junior Technical Officer
2. **Mr. W. M. N. N. Weerasinghe** – Electrician
3. **Mr. S. Sivaperumal** – Mechanic
4. **Mr. S. Mahendran** – Assistant Mechanic
5. **Mr. W. M. S. P. Wijesinghe** – Assistant CTC Lathe Operator

1. A CTC Machinery Bearing Housing Puller:

The break through invention of "the Puller" by Chaminda and his team.

The invention of a "Puller", by the Technical team headed by Mr. R. M. Chaminda Ratnayake (Junior Technical Officer), helps to carefully pull out the CTC Machinery Bearing Housing without causing damage to the unit. By eliminating the damage that was caused until now due to the force exerted to remove the housing,, this invention has become a significant invention addressing an issue that has been a significant one for the entire CTC industry.

2. kVA CONTROLLER/Power Factor Controller

The kVA Controller is an invention by Mr. W. M. N. N. Weerasinghe (team electrician) and the Technical team. Still in the experimental stage, the controller is estimated to cost approximately Rs.100,000 to manufacture/install which the Company can recover in six months as it is expected to reduce electricity consumption by nearly 20 – 25 units per month which (at Rs.850 a unit) amounts to a saving of Rs.17,000 per month.

The kVA Controller

3. Cyclone Ducting

By equipping all wet Cyclones with separate connections to the main ducting, the Technical team was able to overcome a number of issues which the factory had with its Two Kilburn Driers. The team was thereby able to achieve an improvement in the output of both Driers, from 160 Kg/Hr to 240 Kg/Hr and also reduce the Drier blow out.

Moreover, the team did its own construction by using the G.I. sheets removed from the old ducting to fashion the required connections thereby saving the Company Rs.1.6 Mn.

4. Hot Air Intake for the Ex. Dickoya Drier

The ex-Dickoya Drier was found malfunctioning due to shortcomings in installation at its intake point and a block in the radiator cone had resulted in the drier being unable to obtain the required temperature for charging.

The Technical Team solved this problem by adding an extra duct (that was fitted with a fine mesh) at the intake point, and thereby prevented any future blockage from entering the Drier.

5. Tractor Trailer Chassis

Mr. Sivaperumal, a member of the Technical team, constructed a Tractor Trailer chassis making use of scrap iron that was available in the factory. Mr. Sivaperumal's resourceful creation which is now being utilised eliminated the need for the factory to buy one.

The Tractor trailer Chassis built by Mr. Sivaperumal

6. Leaf Charging Shoot from 3rd Loft to Rotorvane

The technical team's construction of a leaf shoot for the 3rd loft which, hitherto did not have one, has enabled the factory to save two man days per day as it now requires only two Associates to charge the Leaf.

The Group facilitates employee interaction via formal as well as informal channels. Some of the informal activities which facilitated employee fellowship at the many different locations of the Group , during the year under review are presented below.

Recognising the long serving

Several employees of our subsidiary Swiss Biogenics were felicitated and rewarded with gifts for their long service of 30 years, 25 years, 20 years and 15 years at a special ceremony, during the year.

Religious initiatives by employees

An annual pirith ceremony was this year as well in succession on 22nd January at Swiss Biogenics which also had the participation of the Group's Chairman.

Amongst the other employee spearheaded religious initiatives was the construction of a Buddha statue in front of the Nakiyadeniya Palm Oil Mill – by the its Associates, Staff and Executives with the main objective of providing a place of worship for estate Associates and the neighboring community and creating a pleasant first impression to those who entered the Mill. The statue was unveiled following an overnight Pirith ceremony and a morning almsgiving for twenty-four Buddhist priests. The funding, of approximately Rs.500,000 for the construction of the statue was made up of contributions –both in cash and kind – from the Watawala Plantations employees; the community, and temples in the area.

Some of the other activities during the year included staff trips and sports events. Over 1,000 members of SBL participated in an annual family day at Leisure world, Hanwella. It was much looked forward to and once again a much appreciated event this year as well.

An Inter-Divisional Cricket Tournament organised by the Management and Staff of Carolina Estate was held in December 2012 at Binoya grounds. Five teams from the five divisions of Agarawatte, Trafalgar, Carolina, Kadawela and Binoya took part and the day ended with a match between the Management and Associates.

Employee Welfare

Group's subsidiary Sunshine Packaging (SPL) also held an eye camp as one of the Company's employee welfare projects. The one day camp was held at its factory premises on 15th June 2012. 93 employees including management level employees were screened by staff of Six by Six opticians. 36 employees were prescribed spectacles which the opticians offered at a discounted price. Additionally, SPL also facilitated a three month installment scheme under which one third of the required amount was deducted from employee salaries and remitted to the Optician, thus enabling those who were unable to afford the full payment at once, to still obtain the spectacles they needed.

SPL also donated packs of dry rations worth Rs.1,000 each, to its employees prior to the Sinhala Hindu New Year festival, in April 2012.

Moreover, SPL also facilitated a sale of household goods at concessionary rates for its staff at the factory premises in Ratmalana. The sale of items by a third party held for two days, enabled employees to purchase a range of products such as electrical items which included blenders, refrigerators, mixers, CD players, television sets and fans as well baby items and bicycles on easy installment payment terms.

Distribution of School Books

Sunshine Packaging continued with its annual distribution of books to employees' children, for the 5th consecutive year. SPL distributed 66 parcels of books valuing Rs.50,000 to children from Grade 1 to 13 in January 2013.

The Group also responds with financial support to employees who are faced with a sudden calamity, an unexpected tragedy or a critical illness in the immediate family. During the year under review the Group decided to provide a monthly allowance of Rs.2,500 to one of its Associates –Ms. Thanaletchumy, whose 5 year-old daughter Sagasra Rajendran has been suffering from blood cancer since her birth. The mother, who takes her daughter to the Maharagama Cancer Hospital for treatment. Once a month, has to forego about three or four days' earnings. This allowance we hope would help alleviate at least part of the family's financial burden.

Photo shows the first payment being made in May 2012

THE ENVIRONMENT

"The conch is also a gift from the ocean, as the sound of the ocean that it emits from within, our new identity also resonates with the Group's care for the environment"

~ **Vish Govindasamy** - *Group Managing Director*

Your Group as a custodian of the earth's natural resources of land is always mindful of the responsibility it has, to ensure the sustainability of these resources for future generations. We are always driven to add value and to strive to leave the planet for future generations in the way that we would have liked to have discovered it.

Briquetting project continues to add to a double bottom line

The Group's subsidiary WP PLC continued the Briquetting project that was launched last year, on its Waltrim and Tangakelle estates in the Lindula region, with two machines, in The Group also made initiatives to expand the project with the order of two more machines which are to be used at Henfold and Kenilworth Estates. The arrival of the two new machines is expected to enable our factories to fulfill energy requirements with these more environment friendly and economical alternative to firewood.

The Briquettes have several significant benefits over the alternatives of firewood or fossil fuels in our factories. Whilst maintaining identical heat-generating ability, it leaves behind 15 times less ash and smoke and hence has minimal environmental impact vis a vis the fossil fuel of coal. They are also more economical compared with other fuels because of their low moisture content, low ash content and high density. Moreover they are much easier to handle, convenient for transport and storage. They are also cheaper than heavy furnace oil, steam, coal and fire wood and extremely low in Sulphur.

Since the use of fossil fuel has become uneconomical over the past few years, almost 90% 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; which has lead to a rapid rise in demand for firewood and hence, an increase in felling of trees as well as rise in cost of firewood. The escalation in costs of firewood combined with our continuous search for ways to minimise our Carbon footprint prompted investments in this environment friendly technology – a classic case in point of targeting two of our triple bottom lines and of Profit & Planet.

Our Energy Plantations and targeting self sufficiency in Fuel wood

During the year under review, WPL's energy plantations was able to provide 25% of the fuel wood requirements at its factories.

Having recognised the importance of bio-mass fuel on plantations and having set ourselves the target of achieving self sufficiency in firewood by 2015, we continued to expand our forestation programmes of Short Rotation Coppicing (SRC) trees launched in 2009. The trees that are being planted are Calliandra and Gliricidia as short rotation crops (SRC), and Eucalyptus as high value timber. The short life cycle of these trees- of six to eight months, grown specifically for the purpose of energy generation ensures a continuous supply whilst eliminating the adverse environmental impacts that result from felling of other species of trees for firewood. During the year under review, the company planted 28 hectares of Eucalyptus bringing the total extent of Eucalyptus on up-country estates to 268 hectares. The Group also planted 28 hectares of Calliandra bringing the total extent of Calliandra on up-country estates to 488.5. The Calliandra trees can be harvested for fuel wood by lopping periodically for rejuvenation and girthing without requiring to be destroyed by being cut at its base for fuel wood as in the case of other trees.

Moreover, Gliricidia, is also being promoted by our Agri Business sector to reduce energy costs as well as to help generate an additional income for estate workers who harvest this wood during their spare time. The lands used for this purpose are those that are unsuitable for the cultivation of tea and other crops.

The harvesting of timber on these forests we plant is carried out according to the strictly observed guidelines of the Central Environmental Authority (CEA) and after clearance from CEA who conducts the Initial Environmental Examination and an Environmental Impact Assessment. These guidelines also apply to our replanting programmes.

Producing Renewable Energy

The need for renewable energy is being emphasized globally and locally. Sri Lanka's dependence on imported oil, which costs one fifth of Sri Lanka's export earnings annually, underscores the need for alternative sources of energy.

Your Group's strategy 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 hydro power plant now adds 1.6 Mega Watts of power to the national grid; whilst two more plants are expected to come on board during the next financial year.

For a developing world country like Sri Lanka, Biomass is one of the most viable and appropriate sources of renewable energy. During the year, the Group enhanced the capacity of its bio gas project at its Palm Oil Mill which generates electricity using its agricultural wastes such as the empty fruit bunches and mill fiber. The energy thus generated will help to reduce the organisation's reliance on Diesel-fired generators and hence, its 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, this initiative has helped us to eliminate Methane emission thereby reducing GHG emission. The Natural fertiliser is used in the fields. The installation of a bio gas generator is also in progress as the farm generates about 100 m3 of bio gas per day which could generate 140 kWH electricity per day.

Water Conservation

Agri Business is a key contributor in the Group's portfolio and hence, the importance of water on the Group's environmental agenda cannot be overstated. And being in plantation agriculture where our estates are also home to a large population, water sustainability also becomes a priority because of basic human consumption and sanitation needs.

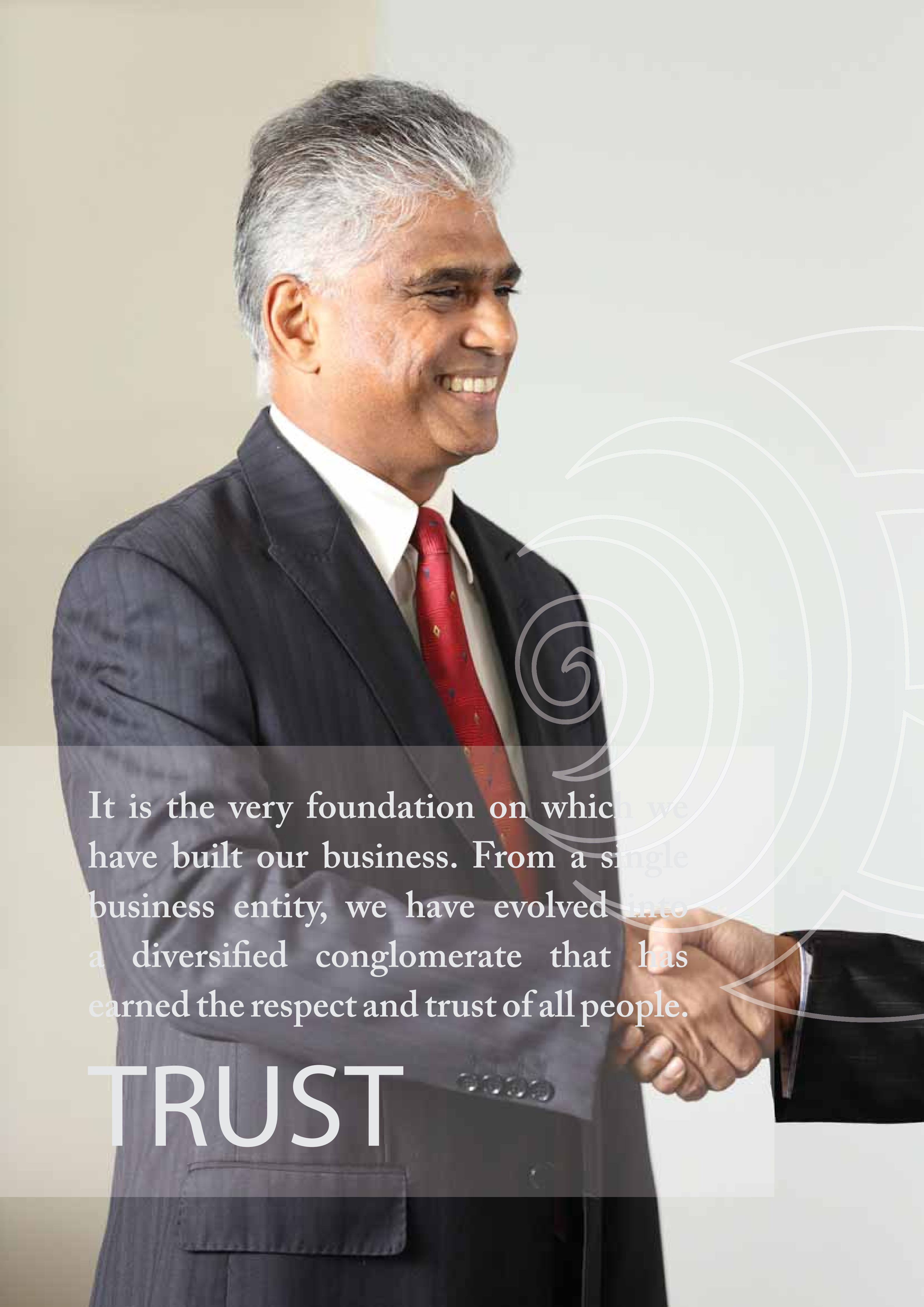
Some of the measures our plantations have undertaken to ensure water sustainability include rain water harvesting and water retention techniques such as providing both high and low shade to reduce evaporation, reducing ground temperature and micro biological activity, construction of deep drains to retain water for drought periods, forking of soil to encourage the percolation of rain water in order to replenish receding ground water table. And growing of live hedges of Vettiver and similar crops which help to restrict the surface flow of rain water and thereby restrain soil erosion.

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.

Combining growing green with growing healthy

Our companies continued with Tree Planting campaigns. During the year under review, Homadola estate conducted a novel tree planting campaign involving school children, to plant Jack trees at its Carbela division, on 15th November. 800 trees were planted by 80 children with each tree dedicated to the child who planted, and his or her name tag placed next to the tree. The child was also given the responsibility of caring for his or her plant and of experiencing the reward of seeing the plant grow. The programme targeted two objectives; of growing green to help reduce the Carbon foot print on the one hand and promoting the consumption of Jack fruit amongst school children as a healthier substitute to foods such as Wheat, on the other hand. It aims to promote better health amongst the younger generation by reducing the occurrences of deceases such as Diabetes which is said to be due to excessive consumption of Wheat and processed foods. The project also had the support of the Divisional Secretariat of Nagoda and the "Karuna Trust".

Environmental initiatives at Sunshine Group will continue to be integrated into our business strategy as reflected by some of the above initiatives such as the Energy Plantations, renewable energy and water conservation. Simultaneously, we will also take measures to minimise our Carbon footprint always mindful that every little footstep counts.



It is the very foundation on which we have built our business. From a single business entity, we have evolved into a diversified conglomerate that has earned the respect and trust of all people.

TRUST

FINANCIAL INFORMATION

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 2013 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 2013.

Report of the Audit Committee

The Audit Committee was established in 2006. The Committee consists entirely of two Independent Directors with one Non-Independent Director. One member is a Senior Chartered Accountant and the Committee is chaired by Mr. S. Piyaratna. Secretaries and Financial Services (Pvt) Ltd., the Company Secretaries functions as the Secretaries to the Audit Committee. The Group Managing Director attends meetings by invitation. The Chief Financial Officer of Watawala Plantations PLC & Swiss Biogenics Ltd and Senior Accountants of Sunshine Packaging Ltd & Sunshine Travels & Tours Ltd attend meetings as and when required. The input of statutory auditors are 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 annually and updates it to reflect the views of the members of the Audit Committee. As specified in rule 7.10.6 of the listing rules of the Colombo Stock Exchange, the Board is of the opinion that the two independent members of the Audit Committee satisfy the requirements of independance.

Meetings

The Audit Committee met four (4) times during the year. Attendance of the Committee members at each of these meetings are as follows.

	Attendance
S. Piyaratna (Chairman) Independent	04 of 04 meetings.
B. A. Hulangamuwa (Member) Non-Independent	04 of 04 meetings.
S. Munir (Member) Independent	04 of 04 meetings

The Audit Committee and its Responsibilities

The main objective of the Audit Committee is to ensure that the Company complies with applicable financial standards and laws and execute their responsibilities given in the Audit Committee Charter. It sets out standards for corporate disclosure, corporate responsibility, integrity and accountability to the shareholders. The Audit Committee obtains representations from the Group Managing Director and 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 on, 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, 2013. Reviewed the management's representations to ensure that the consolidated financial statements are prepared in accordance with generally accepted accounting principles and 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 to 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, all other independent reporting Accountants of all subsidiaries and all individuals and organisations who have assisted the Audit Committee in discharging its duties and responsibilities.

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 2013

Group Managing Director's and Chief Financial Officer's Responsibility Statement

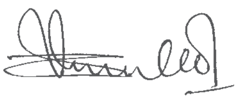
The Consolidated Financial Statements of Sunshine Holdings PLC are prepared in compliance with Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka, Companies Act, No 07 of 2007, Sri Lanka Accounting and Auditing Standards Act No.15 of 1995, and the Listing Rules 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 other than the ones that are stated specifically. Comparative information has been reclassified wherever necessary to comply with the current presentation.

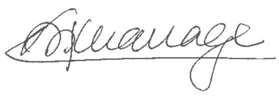
The significant accounting policies and estimates that involve a high degree of judgment and complexity were discussed with our External Auditors and the Audit Committee. The Board of Directors, the Audit Committee and the Chief Financial Officer of the Company accept responsibility for the integrity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

The Consolidated Financial Statements of the company were audited by Messrs. KPMG, Chartered Accountants and their report is given on page 107 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 in order to ensure that the provision of such services does not impair the External Auditor's independence. We confirm that the Company have complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company other than those disclosed in the Financial Statements in the Annual Report.





V. Govindasamy

WDPL Vithanage

29th May 2013

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"), which comprise the statements of financial position as at 31st March 2013, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information set out on pages 108 to 160 of the 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 2013 and the financial statements give a true and fair view of the financial position of the Company as at 31st March 2013, and of its financial performance and its cash flow for the year then ended in accordance with Sri Lanka Accounting Standards.

Opinion – Group

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries dealt with thereby as at 31st March 2013, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

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

KPMG

Chartered Accountants
29th May 2013

Colombo,
Sri Lanka

Statement of Comprehensive Income

		GROUP		COMPANY	
For the year ended 31st March	Note	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Revenue	5	**13,067,664,329**	**10,859,486,197**	**230,073,381**	**190,134,023**
Cost of sales		(9,748,618,793)	(8,426,914,008)	–	–
Gross profit		**3,319,045,536**	**2,432,572,189**	**230,073,381**	**190,134,023**
Other income	6	165,518,833	198,852,035	–	–
Selling & distribution expenses		(614,474,760)	(497,541,829)	–	–
Administrative expenses		(1,157,342,217)	(1,050,282,950)	(64,116,147)	(77,936,692)
Profit from operating activities	7	**1,712,747,392**	**1,083,599,445**	**165,957,234**	**112,197,331**
Finance income		64,089,441	32,663,681	11,573,442	1,814,778
Finance costs		(274,449,378)	(149,139,463)	(324,039)	–
Net finance income/(costs)	9	**(210,359,937)**	**(116,475,782)**	**11,249,403**	**1,814,778**
Profit before tax		**1,502,387,455**	**967,123,663**	**177,206,637**	**114,012,109**
Tax expense	10	(299,952,674)	(300,914,098)	–	–
Profit for the year		**1,202,434,781**	**666,209,565**	**177,206,637**	**114,012,109**
Other comprehensive income					
Fair value change in Available for Sales Financial Assets	17.1	2,124,123	16,703,238	2,124,123	16,703,238
Exchange gain/(Loss)		(783,803)	122,473	–	–
Defined benefit plan actuarial gain/(loss)		87,419,337	(148,935,595)	–	–
Income tax on other comprehensive income	10	(37,336,657)	31,264,961	–	–
Total other comprehensive income/(expense) for the year (net of tax)		**51,423,000**	**(100,844,923)**	**2,124,123**	**16,703,238**
Total comprehensive income for the year		**1,253,857,781**	**565,364,642**	**179,330,760**	**130,715,347**
Profit attributable to:					
Owners of the company		611,652,484	448,486,942	177,206,637	114,012,109
Non–controlling interest		590,782,297	217,722,623	–	–
Other comprehensive income attributable to:					
Owners of the company		19,398,885	(17,549,542)	2,124,123	16,703,238
Non-controlling interest		32,024,115	(83,295,381)	–	–
Total comprehensive income for the year		**1,253,857,781**	**565,364,642**	**179,330,760**	**130,715,347**
Earnings per share	11	4.59	3.36	1.33	0.86

The Accounting Policies and Notes form pages 112 to 160 an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Financial Position

		GROUP			COMPANY		
As at 31 March	Note	2013 Rs.	2012 Rs.	1st April 2011 Restated Rs.	2013 Rs.	2012 Rs.	1st April 2011 Rs.
Assets							
Property,plant & equipments	12	3,308,579,037	3,360,721,237	2,707,419,603	753,193	763,825	156,165
Leasehold right to bare land	13	226,613,000	233,648,000	240,683,000	–	–	–
Biological assets	14	2,880,079,000	2,766,583,000	2,460,320,000	–	–	–
Intangible assets	15	143,633,919	134,829,240	120,728,232	–	–	–
Investments in subsidiaries	16	–	–	–	860,698,768	817,752,548	817,752,548
Other investments	17	297,905,848	295,781,725	279,078,487	297,905,848	295,781,725	279,078,487
Investment in gratuity fund	18	127,267,000	42,641,000	–	–	–	–
Deferred tax assets	19	86,445,883	85,734,448	46,412,333	–	–	–
Total non-current assets		**7,070,523,687**	**6,919,938,650**	**5,854,641,655**	**1,159,357,809**	**1,114,298,098**	**1,096,987,200**
Inventories	20	2,121,577,830	1,846,767,279	1,481,795,670	–	–	–
Income tax receivable		11,154,161	4,917,934	3,262,506	3,158,748	3,158,728	3,158,728
Trade & other receivables	21	1,774,846,586	1,445,759,833	1,368,779,129	74,678,896	14,095,266	7,412,102
Amounts due from related parties	22	19,888,933	8,823,100	10,758,568	38,853,312	39,717,474	5,417,463
Cash & cash equivalent	23	769,629,789	870,357,582	468,270,460	94,609,245	54,151,973	18,573,345
Total current assets		**4,697,097,299**	**4,176,625,728**	**3,332,866,333**	**211,300,201**	**111,123,441**	**34,561,638**
Total assets		**11,767,620,986**	**11,096,564,378**	**9,187,507,988**	**1,370,658,010**	**1,225,421,539**	**1,131,548,838**
Equity							
Stated capital	24	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949
Reserves		1,257,725	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725
Exchange Equalization Reserve		(181,270)	33,570	–	–	–	–
Retained earnings		3,071,318,173	2,480,051,964	2,014,947,427	674,792,410	535,461,649	444,746,301
Equity attributable to owners of the company		**3,752,394,577**	**3,161,343,208**	**2,696,205,101**	**1,356,050,084**	**1,216,719,323**	**1,126,003,975**
Non-controlling interests		2,972,805,083	2,457,276,937	2,531,624,546	–	–	–
Total equity		**6,725,199,660**	**5,618,620,145**	**5,227,829,647**	**1,356,050,084**	**1,216,719,323**	**1,126,003,975**
Liabilities							
Loans and borrowings	25	1,149,423,616	1,528,283,410	847,366,850	–	–	–
Employee benefits	26	890,050,437	893,461,764	697,435,588	6,285,163	3,778,569	1,992,436
Deferred income and capital grants	27	234,585,000	244,935,000	255,798,000	–	–	–
Deferred tax	19	122,281,294	85,510,661	27,129,000	–	–	–
Total non-current liabilities		**2,396,340,347**	**2,752,190,835**	**1,827,729,438**	**6,285,163**	**3,778,569**	**1,992,436**
Bank overdraft	23	674,274,750	667,246,258	454,425,173	20,160	946,776	–
Income tax payable		120,993,511	99,354,472	116,278,131		–	–
Loans and borrowings	25	254,216,168	315,377,368	198,869,712	–	–	–
Trade and other payables	28	1,596,270,924	1,643,769,643	1,360,848,434	2,763,847	3,976,871	3,552,427
Amounts due to related parties	29	325,626	5,657	1,527,453	5,538,756	–	–
Total current liabilities		**2,646,080,979**	**2,725,753,398**	**2,131,948,903**	**8,322,763**	**4,923,647**	**3,552,427**
Total liabilities		**5,042,421,326**	**5,477,944,233**	**3,959,678,341**	**14,607,926**	**8,702,216**	**5,544,863**
Total equity and liabilities		**11,767,620,986**	**11,096,564,378**	**9,187,507,988**	**1,370,658,010**	**1,225,421,539**	**1,131,548,838**
Net assets per share		28.14	23.71	18.56	10.17	9.13	8.45

Figures in brackets indicate deductions.

The Accounting Policies and Notes set out on pages 112 to 160 form an integral part of these Financial Statements.

It is certified that the Financial Statements have been prepared in compliance with the require-ments of the Companies Act No. 7 of 2007.

Group Chief Financial Officer

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

Approved and signed for and on behalf of the Board,

Chairman

Group Managing Director

29th May 2013

Statement of Changes In Equity

	Attributable to owners of the company							
Group	Stated Capital Rs.	Capital Accretion Reserve Rs.	General reserve Rs.	Exchange Equalization Reserve Rs.	Retained Earnings Rs.	Total Rs.	Non-controlling Shareholders Interest Rs.	Total Equity Rs.
Balance as at 31st March 2011	679,999,949	399,837	857,888	–	1,930,676,701	2,611,934,375	2,586,911,774	5,198,846,149
Restatement adjustment - Note A	–	–	–	–	84,270,726	84,270,726	(84,270,726)	–
Restatement adjustment - Note B	–	–	–	–	–	–	28,983,498	28,983,498
Balance as at 1st April 2011 - Restated	679,999,949	399,837	857,888	–	2,014,947,427	2,696,205,101	2,531,624,546	5,227,829,647
Total comprehensive income for the year								
Profit for the year	–	–	–	–	448,486,941	448,486,941	217,722,623	666,209,564
Total other comprehensive income for the year	–	–	–	33,570	(17,583,112)	(17,549,542)	(83,295,381)	(100,844,923)
Total comprehensive income for the year	**–**	**–**	**–**	**33,570**	**430,903,829**	**430,937,399**	**134,427,242**	**565,364,641**
Transactions with owners of the company								
Dividend paid to owners for 2010/11	–	–	–		(39,999,999)	(39,999,999)	–	(39,999,999)
Changes in ownership interests in subsidiaries								
Gain on acquisition of Healthguard Pharmacy Limited	–	–	–	–	9,056,240	9,056,240	–	9,056,240
Adjustment for increase in holding % of Healthguard Pharmacy Limited	–	–	–	–	–	–	(39,080,546)	(39,080,546)
Adjustment for increase in holding % of Watawala Tea Ceylon Limited	–	–	–	–	65,144,467	65,144,467	(65,144,467)	–
Total transactions with owners of the company	**–**	**–**	**–**	**–**	**34,200,708**	**34,200,708**	**(104,225,013)**	**(70,024,307)**
Dividend payments to non-controlling shareholders	–	–	–	–	–	–	(104,549,838)	(104,549,838)
Balance as at 31st March 2012	**679,999,949**	**399,837**	**857,888**	**33,570**	**2,480,051,964**	**3,161,343,208**	**2,457,276,937**	**5,618,620,145**
Total comprehensine income for the year								
Profit for the year	–	–	–	–	611,652,484	611,652,484	590,782,297	1,202,434,780
Total other comprehensive income for the year	–	–	–	(214,840)	19,613,725	19,398,885	32,024,115	51,423,000
Total comprehensive income for the year	**–**	**–**	**–**	**(214,840)**	**631,266,209**	**631,051,369**	**622,806,412**	**1,253,857,780**
Transactions with owners of the company								
Dividend paid to owners for 2011/12	–	–	–	–	(39,999,999)	(39,999,999)	–	(39,999,999)
Total contributions by and distributions to owners of the company	**–**	**–**	**–**	**–**	**(39,999,999)**	**(39,999,999)**	**–**	**(39,999,999)**
Non Controlling Interest arising from the Sunshine Energy Limited Share Issue	–	–	–	–	–	–	27,966,992	27,966,992
Dividend payments to non-controlling shareholders	–	–	–	–	–	–	(135,245,258)	(135,245,258)
Balance as at 31st March 2013	**679,999,949**	**399,837**	**857,888**	**(181,270)**	**3,071,318,173**	**3,752,394,577**	**2,972,805,083**	**6,725,199,660**

Note-A Equity attributable to the equity holders of the Company amounting to Rs. 84,270,726/- as of 1st April 2011 was included in the Non Controlling Interest. The difference have been adjusted to the equity as of 1st April 2011 and Financial Statements have been restated in line with LKAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Note-B Non controlling interest arising from recognition of brand value of Healthguard Pharmacy Limited, which is more fully discribed in Note 38, has been adjusted retrospective to the Financial Statements.

Company	Stated Capital Rs.	Capital Accretion Reserve Rs.	General reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 1st April 2011	679,999,949	399,837	857,888	444,746,301	1,126,003,975
Total Comprehensive Income for the Year					
Profit for the Year	–	–	–	114,012,109	114,012,109
Total Other Comprehensive income for the Year	–	–	–	16,703,238	16,703,238
Total comprehensive income for the year				**130,715,347**	**130,715,347**
Transactions with Owners of the Company					
Dividend Paid to owners (2010/2011)	–	–	–	(39,999,999)	(39,999,999)
Balance as at 31st March 2012	**679,999,949**	**399,837**	**857,888**	**535,461,649**	**1,216,719,323**
Total Comprehensive Income for the Year					
Profit for the Year				177,206,637	177,206,637
Total Other Comprehensive income for the Year				2,124,123	2,124,123
Total comprehensive income for the year				**179,330,760**	**179,330,760**
Transactions with Owners of the Company					
Dividend Paid to owners (2011/2012)				(39,999,999)	(39,999,999)
Balance as at 31st March 2013	**679,999,949**	**399,837**	**857,888**	**674,792,410**	**1,356,050,084**

The Accounting Policies and Notes form pages 112 to 160 an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Statement of Cash Flow

		GROUP		COMPANY	
For the year ended 31st March	Note	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
Cash flows from operating activities					
Profit before tax for the year		1,502,387,455	967,123,663	177,206,637	114,012,109
Adjustments for:					
Interest Income	9	(64,089,441)	(32,663,681)	(11,573,442)	(1,814,778)
Profit on Disposal of Property, Plant & Equipment	6	(34,456,435)	(23,309,822)	–	–
Gain/(Loss) on fair value of biological assets	6	19,886,000	(27,507,615)	–	–
Interest Expense	9	274,449,378	149,139,463	324,039	–
Depreciation & Amortisation	12/14/15	396,677,766	312,125,656	425,167	181,423
Provision/(Reversal) for Bad and Doubtful Debts		(12,196,397)	(30,800,748)	–	–
Bad debt written off		5,768,445	7,971,349	–	–
Amortisation of Deferred Income & Capital Grants	27	(10,350,000)	(10,863,000)	–	–
Amortisation of leasehold right	13	7,035,000	7,035,000	–	–
Timber fair valuation charged against timber proceeds	14.2	94,440,000	23,312,000	–	–
Provision for Gratuity Excluding Actuarial Gain/(Loss)	26	160,859,432	146,849,223	2,506,594	1,786,133
Exchange Gain /(Loss)		274,336	(4,840,975)	–	–
		2,340,685,539	**1,483,570,513**	**168,888,995**	**114,164,887**
Changes in:					
Inventories		(274,810,551)	(364,971,609)	–	–
Trade and other receivables		(316,890,356)	(726,115,361)	(60,583,630)	(6,683,164)
Amounts due from related parties		(12,123,992)	1,935,468	864,162	(34,300,011)
Trade and other payables		(59,692,719)	263,019,369	(1,213,024)	424,444
Amounts due to related parties		319,969	(1,521,796)	5,538,756	–
Cash generated from operating activities		**1,677,487,890**	**1,305,916,584**	**113,495,259**	**73,606,156**
Interest paid		(256,588,714)	(142,475,698)	(324,039)	–
Income tax paid		(284,656,312)	(233,680,957)	–	–
Employee benefits paid	26	(76,851,423)	(99,758,642)	–	–
Net cash from operating activities		**1,059,391,441**	**830,001,287**	**113,171,220**	**73,606,156**
Cash flows from investing activities					
Interest Received		64,089,441	32,663,681	11,573,442	1,814,778
Bad Debt written off		(5,768,445)	(7,971,349)	–	–
Investment of Subsidiary		–	–	(42,946,240)	–
Investment in Gratuity fund	18	(84,626,000)	(42,641,000)	–	–
Field development expenditure		(293,728,000)	(353,394,000)	–	–
Acquisition of Property, Plant & Equipment	12	(333,697,555)	(891,844,991)	(414,535)	(789,083)
Acquisition of Intangible Assets	15	(15,318,992)	(17,564,109)	–	–
Proceeds from Disposal of Property, Plant & Equipment		108,232,737	49,224,160	–	–
Net cash from/(used in) investing activities		**(560,816,814)**	**(1,231,527,608)**	**(31,787,333)**	**1,025,695**
Cash flows from financing activities					
Proceeds from issue of Shares to Non-controlling shareholders		27,966,992	–	–	–
Receipts of Interest Bearing Borrowings	25	593,352,075	1,296,454,366	–	–
Repayments of Interest Bearing Borrowings	25	(1,002,167,892)	(500,901,814)	–	–
Lease Rentals Paid	25	(50,236,829)	(60,210,357)	–	–
Dividend Paid		(39,999,999)	(39,999,999)	(39,999,999)	(39,999,999)
Payments to Non-controlling Shareholders		(135,245,259)	(104,549,838)	–	–
Net cash from/(used in)financing activities		**(606,330,912)**	**590,792,358**	**(39,999,999)**	**(39,999,999)**
Net increase/(decrease) in cash and cash equivalents		**(107,756,285)**	**189,266,037**	**41,383,888**	**34,631,852**
Cash & cash equivalents at the beginning of the year		203,111,324	13,845,287	53,205,197	18,573,345
Cash & cash equivalents at 31st March	23	**95,355,039**	**203,111,324**	**94,589,085**	**53,205,197**

The Accounting Policies and Notes form pages 112 to 160 an integral part of these Financial Statements.

Figures in brackets indicate deductions.

Notes to the Financial Statements

1. REPORTING ENTITY

Sunshine Holdings PLC (the "company") is a company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the 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 Sunshine Holdings PLC as at and for the year ended 31st March 2013 encompass 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 and selling of food and tea cans and generation of power.

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

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

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The consolidated financial statements have been prepared in accordance with the Sri Lanka Accounting and Auditing Standards Act No. 15 of 1995, which requires compliance with Sri Lanka Accounting Standards (SLFRS's and LKAS's) issued by the Institute of Chartered Accountants of Sri Lanka (ICASL), and with the requirements of the Companies Act No. 7 of 2007.

These are the Group's first consolidated financial statement prepared in accordance with SLFRS's and SLFRS 1 - First time adoption of Sri Lanka Accounting Standards has been applied. An explanation of how the transition to SLFRS's has affected the reported financial position, financial performance and cash flows of the Group and Company is provided in Note 39.

The financial statements were authorized for issue by the directors on 29th May 2013.

2.2 Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis, except for the following material items in the statement of financial position.

- Other long term investments available for sale which are measured at fair value.
- Retirement benefit obligations which are measured at the present value of the defined benefit plans.
- Biological assets are measured at fair value less costs to sell.
- Leasehold right to bare land of JEDB/SLSPC estates has been revalued as at 18th June 1992
- Immovable estate assets on finance lease from JEDB/SLSPC has been revalued as at 18th June 1992

Where appropriate, the specific policies are explained in the succeeding Notes. No adjustments have been made for inflationary factors in the Consolidated 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.

2.4 Use of Estimates and management Judgments in applying accounting policies

The preparation of financial statements in conformity with LKAS'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 is revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group entities to all periods presented in the Consolidated Financial Statements and in preparing the opening SLFRS Statement of Financial Position as at 1st April 2011 for the purpose of the transition to SLFRSs, unless otherwise indicated.

3.1 Basis of Consolidation

The Consolidated Financial Statements (referred to as the "Group") comprise the Financial Statements of the Company and its subsidiaries.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

As part of its transition to SLFRSs, the Group elected to restate only those business combinations that occurred on or after the transition date (January 01, 2011).

3.1.1 Business Combination

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that currently are exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss. Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion the cash-generating unit retained.

3.1.2 Subsidiaries

Subsidiaries are those entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. Entities that are subsidiaries of another entity which is a subsidiary of the Company are also treated as subsidiaries of the Company. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

3.1.3 Non Controlling Interest

The interest of outside shareholders in Group Companies is disclosed separately under the heading of "Non- controlling Interest". Non-controlling Interest is measured at the proportionate share of the acquiree's identifiable net assets. Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

The non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the ordinary shareholders of the Company. Non-controlling interests in the profit or loss of the Group are disclosed separately in the consolidated statement of comprehensive income.

3.1.4 Equity Accounted Investees

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

3.1.5 Transactions eliminated on consolidation

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

3.1.6 Foreign Currency

3.1.6.1 Foreign Currency Transactions

In preparing the Financial Statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the closing rate. Non-monetary items measured at fair value are translated at the rates on the date when the fair value was determined. Non-monetary items measured at historical cost are translated at the rates that prevailed on the date of transaction.

3.1.6.2 Foreign operations

The results and financial position of all Group entities that have a functional currency other than the Sri Lanka Rupee are translated into Sri Lanka Rupees as follows:

- Assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on the acquisition , are translated to Sri Lanka Rupees at the exchange rate at the reporting date;
- Income and expenses are translated at the average exchange rates for the period.
- Foreign currency differences are recognised in other comprehensive income.
- When a foreign operation is disposed of, the relevant amount in the translation is transferred to profit or loss as part of the profit or loss on disposal. On the partial disposal of a subsidiary that includes a foreign operation, the relevant proportion of such cumulative amount is reattributed to non-controlling interest. In any other partial disposal of a foreign operation, the relevant proportion is reclassified to profit or loss.
- Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognised in other comprehensive income in the translation reserve.

3.2 Assets and bases of their valuation

Assets classified as current assets in the Statement of Financial Position 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 year end, whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond a period of one year from the Financial Position date.

3.2.1 Property, Plant and Equipment

3.2.1.1 Recognition and measurement

Property, Plant and Equipment are recorded at cost less accumulated depreciation and accumulated impairment losses if any.

3.2.1.2 Freehold Assets

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. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and borrowing costs on qualifying assets for which the commencement date for capitalisation is on or after 1st April 2011.

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

The assets' residual values, useful lives and methods of depreciation

Notes to the Financial Statements *(contd.)*

are reviewed at each financial year end and adjusted prospectively, if appropriate.

Restoration Costs

Repairs and maintenance are charged to the Statement of Comprehensive Income 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.

3.2.1.3 Capital work-in-progress

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

3.2.1.4 Leasehold Assets

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

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

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

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

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

3.2.1.5 Subsequent costs

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

3.2.1.6 De-recognition

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

3.2.1.7 Depreciation

Depreciation is recognised in Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of each part of an item of property, plant & equipments.

Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets unless it is reasonably certain that the Group will have ownership by the end of the lease term. Expected useful life of lease assets are determined by reference to comparable owned assets or over the term of lease, which is shorter.

As no finite useful can be determined related carrying value of freehold land is not depreciated though it is subject to impairment testing.

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

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

Freehold Assets	
Buildings - Plantations	40 Years
Buildings –-Others	15 Years
Roads & bridges	40 Years
Sanitation, water & electricity	20 Years
Plant & Machinery	13 Years
Furniture & Fittings	05 - 10 Years
Equipment	05 - 08 Years
Computer Equipment	04 - 05 Years
Computer software	06 Years
Motor Vehicles	04 - 05 Years
Electrical Equipment	02 Years
Diagnostics and Analyzer Equipment	04 Years
Medical Equipment	04 Years
Hydro power plant	20 Years
Fence and security lights	03 Years

Leasehold Assets	
Bare Land	53 Years
Roads & Bridges	40 Years
Improvements to Land	30 Years
Vested Other Assets	30 Years
Buildings	25 Years
Plant & Machinery	13 Years
Sanitation, water & electricity	20 Years
Water Supply System	20 Years
Mini-hydro Power Plant	10 Years
Motor Vehicles	04 – 05 Years

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

3.2.1.8 Biological Assets

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

3.2.1.8.1 Livestock

Livestock are measured at their fair value less estimated costs to sell with any change their in recognized in Statement of Comprehensive Income. Estimated cost to sell includes all costs that would be necessary to sell the assets such as transport cost, commission etc.

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

3.2.1.8.2 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.

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

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

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

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

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

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

3.2.1.8.3 Timber Plantation

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

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

3.2.1.9 Impairment of Assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the Statement of Comprehensive Income in the year in which the expenditure is incurred.

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

The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible assets.

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

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

3.2.2.1 Goodwill

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

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

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

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

3.2.2.2 Research and development costs

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

a. The technical feasibility of completing the intangible asset so that it will be available for use or sale

b. Its intention to complete and its ability to use or sell the asset

c. How the asset will generate future economic benefits

Notes to the Financial Statements *(contd.)*

d. The availability of resources to complete the asset

e. The ability to measure reliably the expenditure during development

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

3.2.2.3 Brand Name

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

3.2.2.4 Computer Software

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

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

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

3.2.2.5 Hydropower License

The cost incurred to acquire the electricity selling license for Elgin Hydropower (Private) Limited and Upper Waltrim Hydropower (Private) Limited, subsidiaries of the Company, have been capitalised as project development cost. These costs are amortised over their estimated useful lives and carried at its cost less accumulated amortization and accumulated impairment losses. Costs associated with maintaining computer software programs are recognized as expense incurred.

3.2.2.6 Subsequent expenditure

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

3.2.2.7 Amortization

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

Acquired computer software license	02 - 05 Years
Computer software development cost	02 – 05 Years

3.2.3 Current Assets

Assets classified as current assets on the Balance Sheet are cash and bank balances and those which are expected to be realised in cash during the normal operating cycle or within one year from the reporting date, whichever is shorter.

3.2.3.1 Inventories

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

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

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

- Raw materials and consumables are valued at cost on a weighted average basis
- Nurseries are valued at cost.
- Agricultural produce harvested from biological assets are measured at fair value less cost to sell at the point of harvest.
- Medical Items are valued at actual cost, on first in first out basis.
- Other Sundry Stocks are valued at actual cost, on first in first out basis

3.2.3.2 Trade and other Receivables

Trade receivables are amount due from customers for goods and services provided in the ordinary course of business. Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivable is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables.

The amount of the provision for impairment of trade receivable is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the Statement of Comprehensive Income within other operating expenses. The carrying amount of the asset is reduced through the use of an allowance account. When trade receivables are uncollectible it is written off as other operating expenses in the Statement of Comprehensive Income. Subsequent recoveries of amounts previously written off, are credited against other operating expenses in the Statement of Comprehensive Income.

3.2.3.3 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Statement of Cash Flows.

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 Statement of Cash Flow, which has been prepared based on the indirect method.

3.2.4 Impairment of assets

3.2.4.1 Impairment of financial assets

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

3.2.4.2 Calculation of recoverable amount

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

3.2.4.3 Impairment/ Reversal of impairment

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.2.5 Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.2.6 Financial Instruments

3.2.6.1 Non derivative financial assets

Financial assets within the scope of LKAS 39 are classified as financial assets at fair value through Statement of Comprehensive Income, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through Statement of Comprehensive Income.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

The Group's financial assets include cash and short-term deposits, trade and other receivables, loans and other receivables, quoted and unquoted financial instruments and derivative financial instruments.

3.2.6.2 Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments as defined by LKAS 39.

Financial assets at fair value through profit and loss are carried in the statement of financial position at fair value with net changes in fair value recognised in finance income or finance costs in the Statement of Comprehensive Income.

Financial assets designated upon initial recognition at fair value through profit and loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied. The Group has not designated any financial assets at fair value through profit or loss.

The Group evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near term is still appropriate. When in rare circumstances the Group is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset. This evaluation does not affect any financial assets designated at fair value through profit or loss using the fair value option at designation, these instruments cannot be reclassified after initial recognition.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the Statement of Comprehensive Income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

b. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest rate method (EIR) , less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognized in the Statement of Comprehensive Income in finance costs for loans and in other operating expenses for receivables.

c. Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to maturity when the Group has the positive intention and ability to hold them to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest rate, less impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the Statement of Comprehensive Income. The losses arising from impairment are recognized in the Statement of Comprehensive Income in finance costs.

d. Available-for-sale financial investments

Available-for-sale financial investments include equity investments and debt securities. Equity investments classified as available-for-sale are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

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After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealised gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is derecognised, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for sale reserve to the Statement of Comprehensive Income in finance costs. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate method.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intention to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or until maturity. Reclassification to the held-to-maturity category is permitted only when the entity has the ability and intention to hold the financial asset accordingly.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortized cost and any previous gain or loss on the asset that has been recognized in equity is amortized to profit or loss over the remaining life of the investment using the EIR. Any difference between the new amortized cost and the maturity amount is also amortized over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the Statement of Comprehensive Income.

3.2.6.3 De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

3.2.6.4 Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.2.6.5 Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Income. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income in the Statement of Comprehensive Income. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in the Statement of Comprehensive Income.

3.2.6.6 Available-for-sale financial investments

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. When there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Comprehensive Income – is removed from other comprehensive income and recognised in the Statement of Comprehensive Income. Impairment losses on equity investments are not reversed through the Statement of Comprehensive Income; increases in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Comprehensive Income.

Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the Statement of Comprehensive Income, the impairment loss is reversed through the Statement of Comprehensive Income.

3.2.7 Financial liabilities

3.2.7.1 Initial recognition and measurement

Financial liabilities within the scope of LKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, bank overdrafts, loans and borrowings, financial guarantee contracts, and derivative financial instruments.

3.2.7.2 Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

a. **Financial liabilities at fair value through profit or loss**

   Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by LKAS 39. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

   Gains or losses on liabilities held for trading are recognized in the Statement of Comprehensive Income.

   Financial liabilities designated upon initial recognition at fair value through profit and loss so designated at the initial date of recognition, and only if criteria of LKAS 39 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss as at reporting date.

b. **Loans and borrowings**

   After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the EIR amortisation process.

   Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Comprehensive Income.

c. **Financial guarantee contracts**

   Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortisation.

3.2.7.3 De-recognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the de-recognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

3.2.7.4 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts and
- There is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

3.2.7.5 Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include:

- Using recent arm's length market transactions
- Reference to the current fair value of another instrument that is substantially the same
- A discounted cash flow analysis or other valuation models.

3.2.8 Stated capital

3.2.8.1 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

3.2.9 Liabilities and Provisions

Liabilities classified as current liabilities in the statement of financial position are those obligations payable on demand or within one year from the financial position date. Liabilities classified as noncurrent 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.

3.2.9.1 Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds and the redemption value is recognized in the Statement of Comprehensive Income over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities is capitalized as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

3.2.9.1.1 Borrowing costs

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

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

Notes to the Financial Statements *(contd.)*

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

All other borrowing costs are recognized in Statement of Comprehensive Income in the period in which they are incurred. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization.

3.2.9.2 Government grants

An unconditional government grant related to a biological asset is measured at its fair value less costs to sell and recognized in the Statement of Comprehensive Income as other income when the grants become receivable.

The Government grants relating to the purchase of Property, Plant and Equipment and biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses, are recognized initially as deferred income at fair value when there is a reasonable assurance that they will be received and the group will comply with the conditions associated with the grant and are then recognized in Statement of Comprehensive Income as other income on a straight line basis over the expected lives of the related assets.

The grants that compensate the group expenses or losses already incurred are recognized in Statement of Comprehensive Income as other income of the period in which it becomes receivable and when the expenses are recognized.

3.2.9.3 Accounting for leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the period of lease. Associated costs such as maintenance and insurance are expensed as incurred.

Lease of property, plant and equipments where the group has substantially all the risk and rewards of ownership are classified as finance charges. Classification of a lease as a finance lease is based on the substance of the transaction rather than the form of the contract. Group tend to classify a lease as a finance lease if the lessor transfers ownership of the assets to the group by end of the lease term or the group has the option to purchase asset at sufficiently lower price than its fair value at the date the option becomes exercisable or the group acquires economic benefits of the use of the asset for the major part of the economic life of the asset.

Finance leases are capitalised at the commencement of the lease at lower of the fair value of the leased property and the present value of the minimum lease payments. Initial direct costs incurred in connection with the lease are added to the amount recognise as an asset.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligation, net of finance charges are included in other long term payables. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The property, plant and equipments acquired under finance lease is depreciated over the shorter of the useful life of the asset and the lease term, consistent with the depreciation policy the group adopts for depreciable assets that are owned.

3.2.9.4 Employee benefits

3.2.9.4.1 Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to Provident and Trust Funds covering all employees are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

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

3.2.9.4.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The group follows both projected unit credit and formula method recommended by LKAS 19 – "Employee Benefits" in calculating the defined benefit liability.

Projected Unit Credit (PUC) method

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates 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 liability. The present value of the defined benefit obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions.

Provision has been made for retirement gratuities from the first year of service for all employees, in conformity with LKAS 19 on employee benefit. However, under the Payment of Gratuity Act No. 12 of 1983, the liability to an employee arises only on completion of 5 years of continued service.

a. Company

Provisions are made for Retirement Gratuity from the first year of service of the employee in conformity with Sri Lanka Accounting Standards –19 "Employee Benefits", using formula method.

The liability is not externally funded nor actuarially valued.

b. Subsidiaries

Watawala Plantaions 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 partially funded. Provision for gratuity is made by the Company taking account of the recommendation of an independent qualified actuaries firm, Messrs. Actuarial & Management Consultants (Private) Limited who carry out actuarial valuation of the plan every two years.

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position 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 Standard 19 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 Other Comprehensive Income in full Statement of Comprehensive Income 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 Statement of Comprehensive Income so as to spread the regular cost over the service lives of employees in accordance with the advice of actuaries. The retirement benefit obligation is measured as the present value of the estimated future cash flows using interest rates of government securities.

Swiss Biogenics Ltd has also adopted projected unit credit method in determining the liability at the end of financial year. However, Sunshine Travels and Tours Ltd, Sunshine Packaging limited and Watawala Tea Ceylon Limited provisions are made for retirement gratuity from the first year of services of the employee in conformity with LKAS 19 -"Employee Benefits" using formula method and all defined benefit plans are unfunded.

3.2.9.4.4 Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

3.2.9.5 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payables are classified as current liabilities if payment is due within one year or less. If not they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortised cost using the effective interest method.

3.2.9.6 Provisions

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

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

3.2.9.7 Warranties

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

3.2.9.8 Current and deferred income tax

Tax is recognized in the Statement of Comprehensive Income except to the extent that it relates to items recognized in other comprehensive income or directly in equity.

3.2.9.8.1 Current income tax

The current income tax charge is calculated on the basis of the tax law enacted or substantially enacted by end of the reporting period in the countries where the group operates and generates taxable income. Management periodically evaluates position taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Current tax payable also includes any tax liability arising from the declaration of dividends.

3.2.9.8.2 Deferred tax

Deferred tax is recognized using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amount in the financial statements. Deferred tax is not recognized for;

- Temporary differences on initial recognition of assets or liabilities in a transaction that is not a business combination and that affect neither accounting nor taxable profit nor loss.
- Temporary differences related to investment in subsidiaries, branches and associates and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future and
- Taxable temporary differences arising on the initial recognition of goodwill

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

Deferred income tax asset is recognized for unused tax losses, tax credits and deductible temporary differences only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset when there is legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entities where there is an intention to settle the balances on a net basis.

3.2.9.9 Value added tax

Revenues, expenses and assets are recognized net of the amount of value added tax except,

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or part of the expense as applicable
- Receivables and payables that are stated with the amount of value added tax included

The net amount of value added tax recoverable from or payable to the taxation authority is included as part of the receivables or payables in the statement of financial position.

3.2.9.10 Contingent Liabilities

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

3.2.9.11 Capital Commitments

Capital expenditure commitments as at the date of statement of financial position have been disclosed in the notes to the Financial Statements.

3.3 Statement of Comprehensive Income

3.3.1 Revenue

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made. Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be

Notes to the Financial Statements *(contd.)*

estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

Revenue from services rendered is recognised in profit and loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

The group has adopted following policies and methods to determine the time at which the entity transfer the significant risks and rewards of ownership of goods.

a) Dividend income

Sunshine Holdings PLC's revenue comprises net dividends received from Group companies and other equity investments. Dividend income is recognised in Statement of Comprehensive Income on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

b) Perennial Crops

Revenue from Perennial Crops comprises the invoice value net of brokerage, public sale expenses, blending charges and other levies related to revenue.

- ***Sale of tea at auction***
  As per the Tea by laws and conditions issued by the Ceylon Tea Traders' Association (section 17) the highest bidder is accepted and a sale shall be completed at the fall of the hammer. The sale is valued at the price and quantity agreed up on and raising the sale note.
- ***Sale of rubber at auction***
  As per the Rubber by laws and conditions issued by the Colombo Rubber Traders' Association the highest bidder is accepted and a sale shall be completed at the fall of the hammer. The sale is valued at the price and quantity agreed up on and raising the sale note.
- ***Sale of palm oil***
  The revenue is recognized when the cash is received and the oil is ready for delivery to the buyer. Usually buyer arranges the transport while acknowledging the quantity.
- ***Exports***
  If the export is on FOB terms the revenue is recognized when the goods been cleared the port of shipment and the documents of title are delivered to buyer and incase of LC when the documents are handed over to the local bank. The group's responsibility over the goods being export will end when the goods are actually loaded in the ship at the port of shipment.

  If the export is on CIF terms the group delivers the goods to the port of shipment providing export clearance while arranging and paying for the carriage and insurance. Since the group bears the cost of transit the group bears the risk until the goods reaches the buyer's destination. Hence the revenue is recognized on delivery to the buyer or transfer of the documents of title to the goods, whichever is earlier.

  Also, if the buyer is the named beneficiary for the insurance, revenue is recognized when the goods are loaded in the ship at the port of shipment and if the group is the named beneficiary for insurance, the revenue is recognized when the goods are unloaded at the port of destination.

c) Live stock

Revenue from the sale of livestock is measured at the fair value of the consideration received or receivable.

d) Harvesting of timber plantation

Revenue from sale of timber is recognized when legal ownership and the risk of loss transfer to the buyer and the quantity sold is determinable. Revenue on harvesting of timber is recognized in two different instances.

Under a pay-as-cut contract the buyer acquires the right to harvest specified timber on a tract, at an agreed-to price per unit. The sale and any related advances are recognized as revenue as the buyer harvests the timber on the tract.

Under a lump-sum sale, the parties agree to a purchase price for all the timber available for harvest on a tract of land. Normally the purchase price is paid when the contract is signed. Title to the timber and risk of loss transfers to the buyer as the timber is cut. Therefore the revenue under lump-sum sale is recognized each month based on the timber harvested compared to total estimated timber available to be harvested on a tract of land over the term of the contract.

e) Commission Income

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the commission made by the Group and income is recognized on completion of job on an accrual basis.

f) Room revenue is recognized on the rooms occupied on daily basis.

g) Food and Beverage revenue is recognized at the time of sales

h) Rental income is recognized in profit and loss as it accrues.

i) Wholesale and Retail

Wholesale and retail revenue is recognized on an accrual basis at the point of invoicing.

3.3.2 Finance and other Income

Interest and all other income are recognized on an accrual basis.

3.3.3 Gains and losses on disposal of an item of property, plant & equipments

Profit or loss is determined by comparing the net sales proceeds with the carrying amounts of property, plant & equipments and are recognised net within "other operating income" in profit and loss.

3.3.4 Grants

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

3.3.5 Gains and losses on the disposal of investments

Such gains and losses are recognized in profit and loss.

3.4 Expenses

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

3.4.1 Borrowing costs

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

3.4.2 Operating leases

Leases where the lessor effectively retains substantially all the risks and rewards of ownership over the lease term are classified as operating leases. Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease.

3.4.3 Finance cost

Finance costs comprise interest expense on borrowings, changes in the fair value of financial assets at fair value through profit or loss, and losses on hedging instruments that are recognised in profit or loss. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

The interest expense component of finance lease payments is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Foreign currency gains and losses are reported on a net basis.

3.4.4 Tax Expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

3.4.4.1 Current Tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the reporting date and any adjustments to tax payable in respect of previous years.

Current tax relating to items recognized directly in equity is recognized in equity and not in the Statement of Comprehensive Income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

3.4.4.2 Deferred Tax

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

3.4.5 Withholding tax on Dividends

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

3.5 General

3.5.1 Events after the Reporting Period

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

3.5.2 Earnings per share

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

3.6 Segment Reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

All operating segments' operating results are reviewed regularly by the CODM to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Segment results that are reported to the Chairman include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipments, and intangible assets other than goodwill.

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 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 period.

The Group comprises the following main business segments.

Sunshine Holdings PLC	Investment
Swiss Biogenics Limited	Whole sale and Retail (Pharmaceutical items)
Watawala Plantations PLC	Plantation
Sunshine Travels & Tours Limited	Travels & Tour Operational Services
Sunshine Packaging Limited	Packaging
Estate Management Services (Private) Ltd	Management Services
Sunshine Power (Pvt) Limited	Hydro power generation
Sunshine Energy Limited	Investments
Healthguard Pharmacy Limited	Retail pharmacy
Watawala Tea Ceylon Limited	Manufacturing & retail

The activities of the segments are described on pages xx & xx in the notes to the Financial Statements.

3.7 Statement of Cash Flow

The Statement of Cash Flow has been prepared using the "indirect method".

Interest paid is classified as an operating cash flow. Grants received, which are related to purchase and construction of property, plant & equipments are classified as investing cash flows. Dividend and interest income are classified as cash flows from investing activities.

Dividends paid are classified as financing cash flows. Dividends received by Sunshine Holdings PLC, which is an investment company, are classified as operating cash flows and are not disclosed separately in the Company Statement of Cash Flow.

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.

4. FIRST TIME ADOPTION OF SLFRS

These financial statements, for the year ended 31st March 2013, are the first the Group has prepared in accordance with SLFRS. For periods up to and including the year ended 31st March 2011, the Group prepared its financial statements in accordance with Sri Lanka Accounting Standards (SLAS).

Accordingly, the Group has prepared financial statements which comply with SLFRS applicable for periods ending on or after 31st March 2013, together with the comparative period data as at and for the year ended 31st

Notes to the Financial Statements *(contd.)*

March 2012, as described in the accounting policies. In preparing these financial statements, the Group's opening statement of financial position was prepared as at 1st April 2011, the Group's date of transition to SLFRS. This Note explains the principal adjustments made by the Group in restating its SLASs statement of financial position as at 1st April 2011 and its previously published SLASs financial statements as at and for the year ended 31st March 2012.

4.1 Exemptions applied

SLFRS 1 First-Time Adoption of Sri Lanka Financial Reporting Framework allows first-time adopters certain exemptions from the retrospective application of certain SLFRS.

The group has applied the following exemptions:

a. Fair value or revaluation as deemed cost

The Group has elected to regard the values carried in the statement of financial position prepared in accordance with previous SLAS as deemed cost at the date of the transition to SLFRS since they were broadly comparable to fair value.

Certain freehold lands have been measured at fair value at the date of transition to SLFRS.

b. Business combinations

SLFRS 3 Business Combinations has not been applied to acquisitions of subsidiaries, which are considered businesses for SLFRS or of interests in equity accounted investees that occurred before 1st April 2011. Use of this exemption means that the carrying amounts of assets and liabilities as per SLAS is their deemed cost at the date of the acquisition.

The Group has not applied LKAS 21 retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SLFRS. Such fair value adjustments and goodwill are treated as assets and liabilities of the parent rather than as assets and liabilities of the acquiree.

c. Estimates

The estimates as at 1st April 2011 and at March 31st, 2012 are consistent with those made for the same dates in accordance with SLAS apart from the following items where application of SLAS did not require estimation:

- Biological assets – timber

d. Investment in subsidiaries

The basis of measurement of an investment in a subsidiary is at its deemed cost in the separate SLFRS/LKAS financial statements of the subsidiary. The group has applied the previous carrying value under SLAS on 1 April 2011 as the deemed cost of such investments.

		GROUP		COMPANY	
For the Year ended 31st March	Note	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
5. REVENUE					
Investments		230,073,381	190,134,023	230,073,381	190,134,023
Healthcare		5,375,479,485	4,706,568,916	–	–
Plantation		5,434,779,000	4,279,461,000	–	–
FMCG		2,005,001,325	1,757,419,878	–	–
Energy		99,933,595	3,341,066	–	–
Management Services		143,438,000	49,331,000	–	–
Packaging		207,826,209	217,155,417	–	–
Leisure		45,990,361	30,332,479	–	–
Gross Revenue		**13,542,521,355**	**11,233,743,779**	**230,073,381**	**190,134,023**
Less: Inter Company Revenue		(473,485,037)	(372,821,152)	–	–
		13,069,036,318	**10,860,922,627**	**230,073,381**	**190,134,023**
Less: Revenue Related Taxes		(1,371,989)	(1,436,430)	–	–
Net Revenue		**13,067,664,329**	**10,859,486,197**	**230,073,381**	**190,134,023**

6. OTHER INCOME

Profit on Disposal of Property, Plant and Equipment	34,456,435	23,309,822	–	–
Amortization of Capital Grants	10,350,000	10,864,000	–	–
Hydro Power (Note 6.2)	28,826,000	18,241,000	–	–
Sale of Trees (Note 6.1)	90,338,000	84,145,000	–	–
Exchange Gain/(Loss)	(274,336)	4,840,975	–	–
Lease Rent - Bungalow & others	–	3,826,781	–	–
Scrap Sales	7,552,297	7,862,064	–	–
Royalty	3,325,967	2,156,029	–	–
Sundry Income	10,830,470	15,796,364	–	–
Biological assets gain/(loss) on fair value	(19,886,000)	27,810,000	–	–
	165,518,833	**198,852,035**	**–**	**–**

6.1 Income from sale of trees of Watwala Plantations PLC, a subsidiary of the Company, represents the disposal of trees recognised as consumable biological assets. The gain/(loss) on fair value of trees represent the unrealized gain from valuation of trees/timber at the reporting date.

6.2 Hydro power income generated by the Watawala Plantations PLC, a subsidiary of the Company, include income from Mark Hydro (Private) Limited - Rs 2,285,311/ - (2012 - Rs 3,159,799/-), Unit Energy Lanka (Private) Limited - Rs 10,480,106/- (2012 - Rs 9,287,770/-) , Upper Agaraoya Hydro Power Limited - Rs 6,938,457/- (2012 - 5,793,433/-) and Sunshine power (Private) Limited- Rs 9,122,181.

7. EXPENSES BY NATURE

Employee benefit expenses	8	3,269,136,709	3,063,446,330	37,015,847	43,727,527
Statutory audit fees – KPMG		2,249,350	1,640,000	725,000	615,000
– Other Auditors		2,794,500	3,235,933	–	–
Audit related – KPMG		175,000	180,000	175,000	–
Non audit – KPMG		75,000	130,000	75,000	60,000
– Other Auditors		276,000	597,000	–	–
Provision /(Reversal) for doubtful debts		(12,196,397)	30,800,748	–	–
Depreciation and Amortisation		403,712,766,	312,125,658	425,167	181,423
Bad Debt write off		5,768,445	7,971,349	–	–

8. EMPLOYEE BENEFIT EXPENSES

Defined Benefit Plan (Gratuity)	160,859,432	146,849,223	2,506,594	1,786,133
Defined Contribtion EPF & ETF	264,542,130	257,074,592	2,439,719	3,306,633
Salaries, wages & other staff cost	2,843,735,147	2,659,522,515	32,069,534	38,634,761
	3,269,136,709	**3,063,446,330**	**37,015,847**	**43,727,527**

Notes to the Financial Statements *(contd.)*

For the Year ended 31st March	Note	GROUP 2013 Rs.	GROUP 2012 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.
9. FINANCE INCOME AND FINANCE COST					
Interest Income from Related Companies		–	–	5,062,343	1,661,801
Interest Income on Others deposits		64,089,441	32,663,681	6,511,099	152,977
Finance income		**64,089,441**	**32,663,681**	**11,573,442**	**1,814,778**
Interest on Overdrafts & Loans		209,116,978	116,190,129	324,039	–
Interest capitalised		–	(26,013,000)	–	–
Interest on Debenture		3,370,850	325,000	–	–
Interest on Finance Lease		31,677,550	9,271,334	–	–
Contingent Lease series of payments		30,284,000	49,366,000	–	–
Finance cost		**274,449,378**	**149,139,463**	**324,039**	**–**
Net finance income/(cost)		**(210,359,937)**	**(116,475,782)**	**11,249,403**	**1,814,778**

9.1 The Watawala Plantation PLC, a subsidiary of the Company, has not capitalised any interest during the year. However in 2011/2012, the Company has capitalised a borrowing cost of Rs. 26,013,000/- using an average capitalisation rate of 10.3% p.a.

For the Year ended 31st March	GROUP 2013 Rs.	GROUP 2012 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.
10. INCOME TAX EXPENSE				
Current tax expense				
Current income tax expense (Note 10.2)	321,362,863	210,747,562	–	–
Under provision/(Over provision) in respect of previous year	(20,132,728)	39,842,029	–	–
Deferred taxation charge/(Reversal) for the year (Note 19)	36,059,196	19,059,546	–	–
	337,289,331	**269,649,137**	**–**	**–**
Tax on Other comprehensive income	(37,336,657)	31,264,961		
Total income tax for the year	**299,952,674**	**300,914,098**	**–**	**–**

10.1 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% (2012 - 28%) on its taxable income.

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

b) Group

In accordance with the 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 2013	Tax Rate 2012
Swiss Biogenics Limited		28%	28%
Sunshine Travels & Tours Limited		12%	12%
Estate Management Services (Private) Limited	– Management Fee	12%	12%
	– Interest Income	28%	28%
Watawala Plantations PLC	– Profits from Cultivation	10%	10%
	– Profits from other activities	28%	28%
Healthguard Pharmacy Limited.		28%	28%
Watawala Tea Ceylon Limited.		28%	28%
Sunshine Packaging Limited.		28%	28%
Sunshine Energy Limited.		28%	28%
Sunshine Power Limited.		28%	28%
Watawala Tea Australia Pty Ltd. is liable for Income Tax at 30% as per the Tax regulation in Australia.			

Pursuant to the agreement entered in to with the Board of Investments (BOI) of Sri Lanka, profit of the Sunshine Power (Pvt) Ltd., is exempt from Income Tax for a period of 5 years reckoned from the year of assessment as may be determined by the Board, in which the subsidiary commences to make profits or any year of assessment not later than 2 years from the date of commencement of commercial operations of the subsidiary, whichever is earlier. As such, the exemption period would commence from financial year 2014/15 at the earliest.

For the Year ended 31st March	Note	GROUP 2013 Rs.	GROUP 2012 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.
10.2 Reconciliation between Accounting Profit and Taxable Profit					
Accounting Profit before Tax		1,502,387,455	967,123,663	177,206,637	114,012,109
Inter Group Adjustments		486,431,938	580,576,305	–	–
		1,988,819,393	**1,547,699,968**	**177,206,637**	**114,012,109**
Aggregate Disallowable Items		885,710,545	637,530,159	9,694,024	23,604,867
Aggregate Allowable Items		(950,314,587)	(1,356,813,227)	–	(243,345)
Aggregate Exempt Income		(763,767,562)	(214,627,809)	(230,073,381)	(190,134,023)
Profit / (Loss) from Business		**1,160,447,789**	**613,789,091**	**(43,172,720)**	**(52,760,392)**
Less Tax Loss Utilised during the year		(127,421,992)	(8,120,940)	–	–
Taxable Profit		**1,033,025,797**	**605,668,151**	**(43,172,720)**	**(52,760,392)**
Taxation of the Subsidiary @ 28%		294,300,326	205,160,636	–	–
Taxation of the Subsidiary @ 12%		–	165,568	–	–
Taxation of the Subsidiary @ 30%		202,660	788,358	–	–
Taxation of the Subsidiary @ effective rates		26,859,877	4,633,000	–	–
Current tax expense		**321,362,863**	**210,747,562**	**–**	**–**

10.3 Reconciliation of Tax Loss					
Tax Loss Brought Forward		1,154,679,752	612,285,333	127,392,913	74,632,521
Tax Loss for the Year of Assessment		72,447,326	550,515,359	43,172,721	52,760,392
Set off against the Current Taxable Income		(127,421,992)	(8,120,940)	–	–
Tax Loss Carried Forward		**1,099,705,086**	**1,154,679,752**	**170,565,634**	**127,392,913**

For the Year ended 31st March	Note	GROUP 2013 Rs.	GROUP 2012 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.
11. EARNINGS PER SHARE					
The earnings per share is computed on the profit attributable to ordinary shareholders after tax and Non Controlling Interest divided by the weighted average number of ordinary shares during the year.					
Profit attributable to ordinary shareholders (basic)		611,652,484	448,486,942	177,206,637	114,012,109
Weighted average no of ordinary shares (basic)		133,333,330	133,333,330	133,333,330	133,333,330
Earnings per share		**4.59**	**3.36**	**1.33**	**0.86**

Notes to the Financial Statements *(contd.)*

	Balance as at 01.04.2011 Rs	Balance as at 01.04.2012 Rs .	Additions Rs.	Disposal Rs.	Balance as at 31.03.2013 Rs
12. PROPERTY, PLANT & EQUIPMENTS					
12.1 Group					
12.1.1 Cost					
Freehold Assets					
Land	248,525,775	248,525,775	–	–	248,525,775
Buildings	865,334,345	929,008,677	7,579,122	–	936,587,799
Access Road	–	–	743,036	–	743,036
Plant & Machinery	1,206,803,978	1,334,317,293	29,010,124	(16,991,824)	1,346,335,593
Power Plant	–	575,171,204	12,187,645	–	587,358,849
Furniture & Fittings	98,608,276	115,291,630	1,712,124	(13,200,101)	103,803,653
Equipments	156,574,395	181,930,303	31,186,832	(781,402)	212,335,733
Computer Equipments	51,202,582	66,020,371	8,519,947	(2,390,475)	72,149,843
Motor Vehicles	348,380,852	398,492,393	202,556,293	(81,894,060)	519,154,626
Fittings and Partitions	–	1,975,000	–	–	1,975,000
Electrical Equipments	7,866,174	15,389,017	2,485,741	(1,060,955)	16,813,803
Capital Work In Progress	128,655,454	18,557,000	27,564,070	–	46,121,070
Medical Equipments	12,684,833	51,944,291	10,152,621	–	62,096,912
Other	144,378,000	152,043,435	–	–	152,043,435
	3,269,014,664	**4,088,666,389**	**333,697,555**	**(116,318,817)**	**4,306,045,127**
Leasehold Assets					
Roads & Bridges	484,000	484,000	–	–	484,000
Improvements to Land	3,340,000	3,340,000	–	–	3,340,000
Vested Other Assets	3,305,000	3,305,000	–	–	3,305,000
Buildings	93,279,000	93,279,000	–	–	93,279,000
Water Supply System	3,838,000	3,838,000	–	–	3,838,000
Machinery	32,506,000	32,506,000	–	–	32,506,000
Mini-hydro power Plant	1,540,000	1,540,000	–	–	1,540,000
Motor Vehicles	63,391,353	86,249,388	–	(20,765,525)	65,483,863
Mature Plantations	406,633,000	406,633,000	–	–	406,633,000
	608,316,353	**631,174,388**	**–**	**(20,765,525)**	**610,408,863**
Total Cost	**3,877,331,017**	**4,719,840,777**	**333,697,555**	**(137,084,342)**	**4,916,453,990**
12.1.2 Accumulated Depreciation					
Freehold Assets					
Buildings	77,497,184	101,559,658	21,625,293	–	123,184,951
Access Road	–	–	9,288	–	9,288
Plant & Machinery	358,865,232	424,313,491	88,000,159	(7,706,630)	504,607,020
Power Plant	–	2,396,547	29,096,842	–	31,493,389
Furniture & Fittings	53,462,547	58,314,742	14,804,371	(3,095,915)	70,023,198
Equipments	92,842,204	120,007,681	24,321,252	(394,104)	143,934,829
Computer Equipments	25,333,924	28,742,925	9,672,493	(2,227,502)	36,187,916
Motor Vehicles	174,859,930	190,800,372	98,750	–	190,899,122
Fittings and Partitions	–	98,750	74,850,567	(45,321,480)	29,627,837
Electrical Equipments	6,105,756	9,222,693	4,907,748	(798,375)	13,332,066
Medical Equipments	512,609	7,659,126	13,166,064	–	20,825,190
Other	27,398,000	33,373,181	5,870,804	–	39,243,985
	816,877,386	**976,489,166**	**286,423,631**	**(59,544,006)**	**1,203,368,791**

	Balance as at 01.04.2011 Rs	Balance as at 01.04.2012 Rs .	Additions Rs.	Disposal Rs.	Balance as at 31.03.2013 Rs
12.1.2 Accumulated Depreciation *(Cont.)*					
Leasehold Assets					
Roads & Bridges	223,000	234,000	11,000	–	245,000
Improvements to Land	2,084,000	2,195,000	111,000	–	2,306,000
Vested Other Assets	845,000	889,000	44,000	–	933,000
Buildings	70,031,000	73,786,000	3,754,000	–	77,540,000
Water Supply System	3,580,000	3,766,000	186,000	–	3,952,000
Machinery	32,506,000	32,506,000	–	–	32,506,000
Mini-hydro power Plant	1,540,000	1,540,000	–	–	1,540,000
Motor Vehicles	20,230,028	32,179,374	7,992,822	(3,764,034)	36,408,162
Mature Plantations	221,995,000	235,535,000	13,541,000	–	249,076,000
	353,034,028	**382,630,374**	**25,639,822**	**(3,764,034)**	**404,506,162**
Total Accumulated Depreciation	**1,169,911,414**	**1,359,119,540**	**312,063,453**	**(63,308,040)**	**1,607,874,953**
12.1.3 Carrying amount	**2,707,419,603**	**3,360,721,237**			**3,308,579,037**

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

12.1.5 The assets shown above include assets vested in the Watawala Plantations PLC, a subsidiary of the Company by Gazettes notifications on the date of formation of the subsidiary (18th June 1992) and all the investments made in the fixed assets by the subsidiary since its formation.

12.1.6 Investment by the Group on mature and immature plantations is shown separately under Biological assets - bearrer in Note 14.1.

12.1.7 Borrowing costs capitalised during the year is nil (2012 - Rs. 26,012,919, capitalisation rate is 10.32%). The interest incurred on borrowings obtained to meet expenses relating to field development expenditure has been capitalised as a part of immature plantations.

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

	Balance as at 01.04.2011 Rs	Balance as at 01.04.2012 Rs .	Additions Rs.	Disposal Rs.	Balance as at 31.03.2013 Rs
12.2 Company					
12.2.1 Cost					
Freehold Assets					
Furniture & fittings	3,200	3,200	8,938	–	12,138
Computer Equipments	444,181	1,233,264	405,597	–	1,638,861
Total Cost	**447,381**	**1,236,464**	**414,535**	**–**	**1,650,999**
12.2.2 Accumulated Depreciation					
Freehold Assets					
Furniture & fittings	3,200	3,200	54	–	3,254
Computer Equipments	288,016	469,439	425,113	–	894,552
Total Accumulated Depreciation	**291,216**	**472,639**	**425,167**	**–**	**897,806**
12.2.3 Carrying amount	**156,165**	**763,825**	**–**	**–**	**753,193**

Notes to the Financial Statements *(contd.)*

		2013 Rs.	2012 Rs.	2011 Rs.
13	**LEASEHOLD RIGHT TO BEAR LAND**			
	Cost/Revaluation			
	As at 01st April	372,840,000	372,840,000	372,840,000
	As at 31st March	**372,840,000**	**372,840,000**	**372,840,000**
	Accumulated Depreciation			
	As at 01st April 2011	139,192,000	132,157,000	125,122,000
	Charge for the period	7,035,000	7,035,000	7,035,000
	Transfer from Sub Lease	–	–	–
	As at 31st March	**146,227,000**	**139,192,000**	**132,157,000**
	Carrying amount	**226,613,000**	**233,648,000**	**240,683,000**

The lease of JEDB/SLSPC estates handed over to the subsidiary, Watawala Plantation PLC for the period of 53 years are all executed. The leasehold rights to the land on all these estates are taken in to the books of the subsidiary as at 18 June 1992 immediately after formation of the subsidiary Watawla Plantation PLC. The bare land are revalued at the value establised for this land by valuation speciaists, DR Wickramasinghe,just prior to the formation of the subsidiary.

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

14.	**BIOLOGICAL ASSETS**			
	Carrying value			
	Biological assets – bearer (14.1)	2,316,658,000	2,115,980,000	1,825,149,000
	Biological assets – consumables (14.2)	531,190,000	630,566,000	615,816,000
	Biological assets – livestock (14.3)	32,231,000	20,037,000	19,355,000
		2,880,079,000	**2,766,583,000**	**2,460,320,000**

		Immature Plantations	Mature Plantations	Total
14.1	**Biological assets – bearer**			
	Cost			
	As at 1 April 2011	**792,935,000**	**1,337,943,000**	**2,130,878,000**
	Additions	363,646,000	–	363,646,000
	Impairment losses and write-downs	–	–	–
	Transfers	(10,252,000)	–	(10,252,000)
	As at 31 March 2012	**1,146,329,000**	**1,337,943,000**	**2,484,272,000**
	Additions	302,065,000	–	302,065,000
	Impairment losses and write-downs	(8,337,000)	–	(8,337,000)
	Transfers	(426,363,000)	411,413,000	(14,950,000)
	As at 31 March 2013	**1,013,694,000**	**1,749,356,000**	**2,763,050,000**
	Accumulated depreciation			
	As at 1 April 2011	–	305,729,000	305,729,000
	Charged for the year	–	62,563,000	62,563,000
	As at 31 March 2012	**–**	**368,292,000**	**368,292,000**
	Charged for the year	–	78,100,000	78,100,000
	As at 31 March 2013	**–**	**446,392,000**	**446,392,000**
	Carrying value			
	As at 1 April 2011	792,935,000	1,032,214,000	1,825,149,000
	As at 31 March 2012	1,146,329,000	969,651,000	2,115,980,000
	As at 31 March 2013	**1,013,694,000**	**1,302,964,000**	**2,316,658,000**

a. Investments in biological assets -plantations since the formation of the Company have been classified as shown above and includes bearer biological assets comprising mainly tea, rubber and palm oil plantations as allowed under government gazette Extra ordinary number 1786 /1, bearer biological assets together with any unmanaged biological assets are stated at cost.

b. Borrowing costs capitalised during the year is nil (2012 - Rs.26,012,919, capitalisation rate is 10.32%). The interest incurred on borrowings obtained to meet expenses relating to field development expenditure has been capitalised as a part of immature plantations.

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

		Immature Plantations Rs.	Mature Plantations ons Rs.	Total Rs.
14.2	**Biological assets - consumables**			
	Cost			
	As at 1 April 2011	**35,786,000**	**580,030,000**	**615,816,000**
	Gain/(loss) arising from changes in fair value less costs to sell	4,971,000	33,091,000	38,062,000
	Decrease due to harvest	–	(23,312,000)	(23,312,000)
	As at 31 March 2012	**40,757,000**	**589,809,000**	**630,566,000**
	Gain/(loss) arising from changes in fair value less costs to sell	8,779,000	(13,715,000)	(4,936,000)
	Decrease due to harvest	–	(94,440,000)	(94,440,000)
	Transfers	–	–	–
	As at 31 March 2013	**49,536,000**	**481,654,000**	**531,190,000**

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

- Expected rate of return pf 16% [2012 - 16%]
- Maturity for harvesting - 25 years [2012 - 25 years]
- Discounting factor

Age of tree	Discount factor
6 – 10 years	0.05
11 – 15 years	0.11
16 – 20 years	0.23
21 – 25 years	0.48

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

14.3 Biological assets - livestock

Livestock is measured on initial recognition at each reporting date at its fair values less point of sale costs. Fair value of livestock is determined at the best available estimates for livestock with similar attributes. Any gain or loss arising on initial recognition of livestock at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs is included in profit or loss in the period in which it arises.

	2013 Rs.	2012 Rs.	2011 Rs.
Cost			
As at 1 April	20,037,000	19,355,000	11,212,000
Increase due to purchases	348,000	–	4,411,000
Increase due to births	2,440,000	1,569,000	1,880,000
Decrease due to sales	(1,759,000)	(4,896,000)	(2,700,000)
Decrease due to deaths	(2,425,000)	(1,200,000)	(350,000)
Change in fair value less costs to sell:			
Due to price and physical changes	13,590,000	5,209,000	4,902,000
As at 31 March	**32,231,000**	**20,037,000**	**19,355,000**

As at 31 March 2013 livestock comprised 143 cattle (2012 : 113 cattle). During the year Company sold 8 cattle (2012 : 25 cattle). In valuing the livestock, the Group has not considered the 22 calves born in-house and their agedate is less than six months as of the statement of financial position date sheet.

		GROUP			COMPANY		
	As at 31st March	**2013 Rs.**	**2012 Rs.**	**1st April 2011 Rs.**	**2013 Rs.**	**2012 Rs.**	**1st April 2011 Rs.**
15.	**INTANGIBLE ASSETS**						
	Software (Note 15.1)	14,933,562	14,153,716	52,708	–	–	–
	Goodwill (Note 15.2)	61,525,524	61,525,524	61,525,524	–	–	–
	Brand (Note 15.3)	59,150,000	59,150,000	59,150,000	–	–	–
	Project development cost (Note 15.4)	8,024,833	–	–	–	–	–
		143,633,919	**134,829,240**	**120,728,232**	**–**	**–**	**–**

Notes to the Financial Statements *(contd.)*

	As at 31st March	GROUP 2013 Rs.	GROUP 2012 Rs.	GROUP 1st April 2011 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.	COMPANY 1st April 2011 Rs.
15.1	**Software**						
	Cost						
	Balance at the beginning of the year	17,619,109	55,000	–		–	–
	Additions	7,294,159	17,564,109	55,000		–	–
	Balance at the end of the year	**24,913,268**	**17,619,109**	**55,000**	**–**	**–**	**–**
	Amortisation						
	Balance at the beginning of the year	3,465,393	2,292	–		–	–
	Charge during the year	6,514,313	3,463,101	2,292		–	–
	Balance at the end of the year	**9,979,706**	**3,465,393**	**2,292**	**–**	**–**	**–**
	Carrying amount	**14,933,562**	**14,153,716**	**52,708**	**–**	**–**	**–**
15.2	**Goodwill**						
	Cost						
	Balance at the beginning of the year	61,525,524	61,525,524	91,692,024		–	–
	Adjustment (Note 38)	–	–	(30,166,500)		–	–
	Balance at the end of the year - Restated	61,525,524	61,525,524	61,525,524	–	–	–
15.3	**Brand**						
	Balance at the beginning of the year	59,150,000	59,150,000	–		–	–
	Additions	–	–	59,150,000		–	–
	Balance at the end of the year	**59,150,000**	**59,150,000**	**59,150,000**	**–**	**–**	**–**

15.3.1 Brand Acquisition

Note:

The Company has recognised the brand "HEALTHGUARD" upon the acquisition of Healthguard Pharmacy Limited, on 10th December 2010 and the brand has been valued by an independant brand valuer, Quasar Capital Advisors (Pvt) Ltd. As of the reporting date, the value of the brand is tested for impairment and no impairment is recognised.

15.4 Project Development Cost

The cost incurred to acquire the electricity selling license for Elgin Hydropower (Private) Limited and Upper Waltrim Hydropower (Private) Limited, subsidiaries of the Company, have been capitalised as project development cost.

	2013			2012			2011		
	Holding %	No of Shares	Cost Rs.	Holding %	No of Shares	Cost Rs.	Holding %	No of Shares	Cost Rs.
16 INVESTMENT IN SUBSIDIARIES									
16.1 Company									
Unquoted									
Sunshine Travels & Tours Ltd.	100%	600,000	6,000,000	100.00%	600,000	6,000,000	100.00%	600,000	6,000,000
Swiss Biogenics Ltd.	100%	7,359,184	186,657,168	100.00%	7,359,184	186,657,168	100.00%	7,359,184	186,657,168
Estate Management Services (Pvt.) Ltd.	51%	15,973,200	151,745,400	51.00%	15,973,200	151,745,400	51.00%	15,973,200	151,745,400
Sunshine Energy Ltd.	60.59%	13,832,308	159,796,180	60.59%	11,684,998	116,849,980	60.59%	11,684,998	116,849,980
Elgin (Pvt.) Ltd.	50%	1	10	–	–	–	–	–	–
Upper Waltrim (Pvt.) Ltd.	50%	1	10	–	–	–	–	–	–
Sunshine Packaging Ltd.	100%	35,650,000	356,500,000	100.00%	35,650,000	356,500,000	100.00%	35,650,000	356,500,000
			860,698,768			**817,752,548**			**817,752,548**

	2013 Group Holding %	2012 Group Holding %	2011 Group Holding %
16.2 Group			
Indirect Holdings			
Watawala Plantation PLC	27.41%	27.41%	27.41%
Watawala Tea Ceylon Ltd.	51.00%	51.00%	51.00%
Healthguard Pharmacy Ltd.	100.00%	100.00%	100.00%
Sunshine Power (Pvt.) Ltd.	60.59%	60.59%	60.59%
Watawala Tea Australia Pty. Ltd.	27.41%	27.41%	–

	Secretaries & Financial Services (Pvt.) Ltd. Rs.	Lanka Commodity Brokers Ltd. Rs.	TATA Communication Lanka Ltd. Rs.	Total Rs.
17 OTHER INVESTMENTS				
17.1 Group & Company				
Unquoted - non current investments				
Cost as of 01st April 2011	**10**	**67,024,950**	**75,000,000**	**142,024,960**
Fair Value Adjustment as of Transition date	–	6,996,986	130,056,541	137,053,527
	10	**74,021,936**	**205,056,541**	**279,078,487**
Fair Value Adjustment for year 2011/2012	–	14,822,749	1,880,489	16,703,238
Carrying Value as of 31st March 2012	**10**	**88,844,685**	**206,937,030**	**295,781,725**
Fair Value Adjustment for year 2012/2013	–	2,794,141	(670,018)	2,124,123
Carrying Value as of 31st March 2013	**10**	**91,638,826**	**206,267,012**	**297,905,848**

	31 March 2013 Rs.	31 March 2012 Rs.	1 April 2011 Rs.
18 INVESTMENT IN GRATUITY FUND			
As at 1 April	42,641,000	–	–
Investments made during the year	84,626,000	42,641,000	–
As at 31 March	**127,267,000**	**42,641,000**	**–**
Funds are invested in short term deposits which bear interest between 14% - 17%.			

Notes to the Financial Statements *(contd.)*

As at 31st March	GROUP 2013 Rs.	GROUP 2012 Rs.	GROUP 1st April 2011 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.	COMPANY 1st April 2011 Rs.
19 DEFERRED TAX						
19.1 Asset						
Balance at the beginning of the year	85,734,448	46,412,333	36,712,570	–	–	–
Charge / (Reversal) for the year	711,435	39,322,115	9,699,763	–	–	–
Balance at the end of the year	**86,445,883**	**85,734,448**	**46,412,333**	**–**	**–**	**–**
19.2 Liability						
Balance at the beginning of the year	85,510,661	27,129,000	–	–	–	–
Charge / (Reversal) for the year	36,770,633	58,381,661	27,129,000	–	–	–
Balance at the end of the year	**122,281,294**	**85,510,661**	**27,129,000**	**–**	**–**	**–**
Net deferred tax asset/(liability)	**(35,835,411)**	**223,787**	**19,283,333**	**–**	**–**	**–**

	2013 Temporary Difference Rs.	2013 Tax effect on Temporary Difference Rs.	2012 Temporary Difference Rs.	2012 Tax effect on Temporary Difference Rs.	2011 Temporary Difference Rs.	2011 Tax effect on Temporary Difference Rs.
GROUP						
On Property, Plant & Equipment	(586,347,295)	(117,269,459)	(761,577,234)	(154,785,065)	(313,610,242)	(43,664,974)
On Biological Assets - Bearer	(2,316,658,000)	(277,500,000)	(2,115,980,000)	(289,868,000)	(1,825,149,000)	(210,647,000)
On Biological Assets - Consumable	(531,190,000)	(42,707,000)	(630,566,000)	(52,664,000)	–	–
On Retirement Benefit Obligation	890,050,437	141,690,325	893,461,764	144,088,146	697,435,588	96,067,688
On Capital Grants	234,585,000	65,684,000	244,935,000	68,582,000	255,798,000	71,623,000
On Tax Losses Carried Forward	1,099,705,086	194,266,723	1,154,679,752	284,870,706	612,285,334	105,904,619
	(1,209,854,772)	**(35,835,411)**	**(1,215,046,718)**	**223,787**	**(573,240,320)**	**19,283,333**
COMPANY						
On Property Plant & Equipment	(418,325)	(117,131)	(763,825)	(213,871)	(156,165)	(43,726)
On Retirement Benefit Obligation	6,285,163	1,759,846	3,778,569	1,057,999	1,992,436	557,882
On Tax Losses Carried Forward	170,565,633	47,758,377	127,392,913	35,670,016	74,632,521	20,897,106
	176,432,471	**49,401,092**	**130,407,657**	**36,514,144**	**76,468,792**	**20,811,262**

The Company have not recognized Deferred Tax Assets of Rs. 49,401,092/- (Rs. 36,514,144/- in 2012) as the management is of opinion that the reversal of deferred tax will not be crystalised in the foreseable future.

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

As at 31st March	GROUP 2013 Rs.	GROUP 2012 Rs.	GROUP 1st April 2011 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.	COMPANY 1st April 2011 Rs.
20. INVENTORIES						
Medical Items	1,108,571,248	1,073,637,389	668,590,491	–	–	–
Harvested Crop	533,281,000	365,506,000	454,396,000	–	–	–
Input Materials, Spares and Consumables	371,535,346	344,694,623	329,615,488	–	–	–
Finished Goods	71,639,315	30,141,801	4,310,837	–	–	–
Work in Progress	32,211,376	27,622,514	22,014,813	–	–	–
Goods in Transit	258,378	1,234,918	1,206,237	–	–	–
Machinery Spares	4,081,167	3,930,034	1,661,804	–	–	–
	2,121,577,830	**1,846,767,279**	**1,481,795,670**	**–**	**–**	**–**

	As at 31st March	GROUP 2013 Rs.	GROUP 2012 Rs.	GROUP 1st April 2011 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.	COMPANY 1st April 2011 Rs.
21	**TRADE AND OTHER RECEIVABLES**						
	Trade Receivables	1,228,564,085	1,152,742,911	1,063,353,857	–	–	–
	Less: Provision for Bad Debts	(21,987,868)	(34,184,265)	(64,985,013)	–	–	–
		1,206,576,217	**1,118,558,646**	**998,368,844**	**–**	**–**	**–**
	Staff Loan Recoverable (Note 21.1)	6,161,512	6,345,670	6,055,488	2,363,216	2,610,000	1,820,000
	Other Receivables	181,678,584	50,453,178	52,431,784	–	3,951,979	–
	Withholding Tax Recoverable	4,565,259	3,009,673	4,189,719	3,481,348	2,596,461	2,497,006
	Interest Income Rececivables	2,827,246	1,925,023	1,370,819	2,804,167	142,876	134,578
	ESC Recoverable	52,441,967	47,395,050	27,342,834	5,561,709	4,692,022	2,790,647
	ACT Recoverable	48,692,103	48,692,104	48,692,103	–	–	–
	VAT Recoverable	51,768,480	43,712,730	41,449,633	–	–	–
	Progress payment On machinery	79,558	–	–	–	–	–
	Advances and Deposits	220,055,660	125,667,759	188,877,905	60,468,456	101,928	169,871
		1,774,846,586	**1,445,759,833**	**1,368,779,129**	**74,678,896**	**14,095,266**	**7,412,102**
21.1	**Staff Loan Recoverable**						
	Balance at the beginning of the year	6,345,670	6,055,488	5,485,236	2,610,000	1,820,000	50,000
	Add: Loans granted during the year	1,815,500	5,197,602	5,687,763	1,815,500	1,800,000	2,000,000
	Less: Repayments made during the year	(1,999,658)	(4,907,420)	(5,117,511)	(2,062,284)	(1,010,000)	(230,000)
	Balance at the end of the year	**6,161,512**	**6,345,670**	**6,055,488**	**2,363,216**	**2,610,000**	**1,820,000**

		GROUP 2013 Rs.	GROUP 2012 Rs.	GROUP 1st April 2011 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.	COMPANY 1st April 2011 Rs.
22	**AMOUNTS DUE FROM RELATED PARTIES**						
	Swiss Biogenics Ltd.	–	–	–	–	19,606,041	–
	Sunshine Travels & Tours Ltd.	–	–	–	–	6,978,221	1,067,443
	Bosanquet Skrine Ltd.	–	1,500	–	–	–	–
	Sunshine Packaging Ltd.	–	–	–	33,251,000	8,323,192	–
	Sunshine Energy Ltd.	–	–	–	–	4,810,020	4,350,020
	Elgin Hydropower (Pvt.) Ltd.	–	3,006,730	1,387,105	3,493,854	–	–
	Upper Waltrim Hydropower (Pvt.) Ltd.	–	2,300,229	1,128,729	1,972,550	–	–
	Sunshine Agri Investment Ltd.	135,908	–	–	135,908	–	–
	Tetley Group Ltd.	11,950,000	–	4,016,000	–	–	–
	TATA Communication Lanka Ltd.	66,198	81,259	402,603	–	–	–
	Secretaries and Financial Services (Pvt.) Ltd.	60,580	–	66,406	–	–	–
	Healthylife (Pvt.) Ltd.	–	–	1,875	–	–	–
	Sunshine Tea (Pvt.) Ltd.	7,676,247	3,433,382	3,490,111	–	–	–
	Technology Consultancy Service (Pvt.) Ltd.	–	–	265,739	–	–	–
		19,888,933	**8,823,100**	**10,758,568**	**38,853,312**	**39,717,474**	**5,417,463**

		GROUP 2013 Rs.	GROUP 2012 Rs.	GROUP 1st April 2011 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.	COMPANY 1st April 2011 Rs.
23	**CASH AND CASH EQUIVALENTS**						
	Bank balances	101,091,842	732,737,151	264,411,262	17,836,593	53,146,148	17,285,938
	Fixed deposits	661,938,100	134,326,568	201,255,300	76,771,227	1,005,478	1,285,640
	Bank guarantee	–	300,000	300,000	–	–	–
	Cash in hand	6,599,847	2,993,863	2,303,898	1,425	347	1,767
		769,629,789	**870,357,582**	**468,270,460**	**94,609,245**	**54,151,973**	**18,573,345**
	Bank overdraft	(674,274,750)	(667,246,258)	(454,425,173)	(20,160)	(946,776)	–
		95,355,039	**203,111,324**	**13,845,287**	**94,589,085**	**53,205,197**	**18,573,345**

Notes to the Financial Statements *(contd.)*

As at 31st March	GROUP 2013 Rs.	GROUP 2012 Rs.	GROUP 1st April 2011 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.	COMPANY 1st April 2011 Rs.
24 STATED CAPITAL						
No of Shares						
Balance at the beginning of the year	133,333,330	133,333,330	133,333,330	133,333,330	133,333,330	133,333,330
Issues during the year	–	–	–	–	–	–
Balance at the end of the year	**133,333,330**	**133,333,330**	**133,333,330**	**133,333,330**	**133,333,330**	**133,333,330**
Value						
Balance at the beginning of the year	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949
Issues during the year	–	–	–	–	–	–
Balance at the end of the year	**679,999,949**	**679,999,949**	**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.

As at 31st March	GROUP 2013 Rs.	GROUP 2012 Rs.	GROUP 1st April 2011 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.	COMPANY 1st April 2011 Rs.
25 LOANS AND BORROWINGS						
Amount repayable after one year						
Loans (Note 25.1)	773,117,448	1,120,366,455	437,273,321	–	–	–
Finance Lease Obligations (Note 25.2)	22,013,168	47,663,955	44,533,529	–	–	–
SLSPC / JEDB Lease Creditors (Note 25.3)	354,293,000	360,253,000	365,560,000	–	–	–
	1,149,423,616	**1,528,283,410**	**847,366,850**	**–**	**–**	**–**
Amount repayable within one year						
Loans (Note 25.1)	218,118,415	202,010,893	131,115,339	–	–	–
Finance Lease Obligations (Note 25.2)	21,458,223	21,492,611	17,441,373	–	–	–
SLSPC/JEDB Lease Creditors (Note 25.3)	5,750,000	5,310,000	5,313,000	–	–	–
Trust Receipt Loan/Money Market Loans (Note 25.4)	8,889,530	41,563,864	45,000,000	–	–	–
Packing Credit Loan (Note 25.5)	–	45,000,000	–	–	–	–
	254,216,168	**315,377,368**	**198,869,712**	**–**	**–**	**–**
	1,403,639,784	**1,843,660,778**	**1,046,236,562**	**–**	**–**	**–**

As at 31 March	GROUP 2013 Rs.	GROUP 2012 Rs.	GROUP 1st April 2011 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.	COMPANY 1st April 2011 Rs.
25.1 Loans						
Balance at the beginning of the year	1,322,377,348	568,388,660	492,749,925	–	–	–
Add: Loans obtained during the year	236,252,740	1,203,724,043	704,483,000	–	–	–
Less: Repayment during the year	(567,394,225)	(449,735,355)	(628,844,265)	–	–	–
Balance at the end of the year	991,235,863	1,322,377,348	568,388,660	–	–	–
Amount repayable within one year	**218,118,415**	**202,010,893**	**131,115,339**	–	–	–
Amount repayable after one year	**773,117,448**	**1,120,366,455**	**437,273,321**	–	–	–
25.2 Finance Lease Obligations						
Balance at the beginning of the year	79,041,219	70,756,208	48,218,514	–	–	–
Addition/(Disposal) made during the year	–	48,175,368	49,776,620	–	–	–
Repayment during the year	(29,913,829)	(39,890,357)	(27,238,926)	–	–	–
Balance at the end of the year	49,127,390	79,041,219	70,756,208	–	–	–
Interest in suspense	(5,655,999)	(9,886,653)	(8,781,306)	–	–	–
Net Lease Obligation	**43,471,391**	**69,154,566**	**61,974,902**	–	–	–
Amount repayable within one year	**21,458,223**	**21,490,611**	**17,441,373**	–	–	–
Amount repayable after one year	**22,013,168**	**47,663,955**	**44,533,529**	–	–	–
25.3 SLSPC / JEDB Lease Creditors						
Balance at the beginning of the year	670,560,000	690,880,000	711,200,000	–	–	–
Repayment during the year	(20,320,000)	(20,320,000)	(20,320,000)	–	–	–
Balance at the end of the year	650,240,000	670,560,000	690,880,000	–	–	–
Interest in suspense	(290,197,000)	(304,997,000)	(320,007,000)	–	–	–
Net Lease Obligation	**360,043,000**	**365,563,000**	**370,873,000**	–	–	–
Amount repayable within one year	**5,750,000**	**5,310,000**	**5,313,000**	–	–	–
Amount repayable after one year	**354,293,000**	**360,253,000**	**365,560,000**	–	–	–

The annual lease series of payments payable by Watawala Plantations PLC, a subsidiary of the Compnay, 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. Since this agreement lapsed on 31st March 2008, the subsidiary continued to adopt the same terms and conditions until such time the fresh terms and conditions are negotiated and agreed. The gross liability to the lesser represents the total basic lease series payable by the Company for the remaining term of the lease. The net liability to the lesser is the present value of annual basic lease series of payments over the remaining tenure of the lease. The discount rate used is 6% p.a.

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

As at 31 March	GROUP 2013 Rs.	GROUP 2012 Rs.	GROUP 1st April 2011 Rs.	COMPANY 2013 Rs.	COMPANY 2012 Rs.	COMPANY 1st April 2011 Rs.
25.4 Trust Receipt Loan/Money Market Loans						
Balance at the beginning of the year	41,563,864	45,000,000	7,449,451	–	–	–
Loan obtained during the year	357,099,335	92,730,323	55,989,468	–	–	–
Repayment during the year	(389,773,669)	(96,166,459)	(18,438,919)	–	–	–
Balance at the end of the year	8,889,530	41,563,864	45,000,000	–	–	–
Amount repayable within one year	**8,889,530**	**41,563,864**	**45,000,000**	–	–	–
Amount repayable after one year	–	–	–	–	–	–
25.5 Packing Credit & Other Loans						
Balance at the beginning of the year	45,000,000	45,000,000	–	–	–	–
Addition/(Disposal) made during the year	–	–	–	–		
Repayment during the year	(45,000,000)	–	–	–		
Balance at the end of the year	–	45,000,000	–	–	–	–
Amount repayable within one year	–	**45,000,000**	–	–	–	–
Amount repayable after one year	–	–	–	–	–	–

Notes to the Financial Statements *(contd.)*

25.6 Details of Interest Bearing Borrowings

25.6.1 Company/Lender	Interest Rate p.a.	Current Rs.	Non-current Rs.	Balance 31.03.2013 Rs.	Current Rs.	Non-current Rs.	Balance 31.03.2012 Rs.
TERM LOANS							
Subsidiary							
Swiss Biogenics Limited							
Public Bank Berhard	BPLR + 1%	2,529,702	12,126,952	14,656,654	2,642,709	7,257,291	9,900,000
		2,529,702	**12,126,952**	**14,656,654**	**2,642,709**	**7,257,291**	**9,900,000**
Healthguard Pharmacy Limited							
Public Bank Berhard	BPLR + 1.25%	1,260,000	2,125,000	3,385,000	1,260,000	3,385,000	4,645,000
Hatton National Bank PLC	AWPLR + 0.5%	–	–	–	–	–	–
		1,260,000	**2,125,000**	**3,385,000**	**1,260,000**	**3,385,000**	**4,645,000**
Watawala Plantation PLC							
Commercial Bank of Ceylon PLC	11.50%	–	–	–	–	–	–
	11.50%	968,000	–	968,000	2,968,000	451,000	3,419,000
	11.50%	6,005,000	–	6,005,000	6,005,000	6,005,000	12,010,000
	11.50%	2,507,000	1,253,000	3,760,000	2,507,000	3,760,000	6,267,000
	11.50%	4,666,000	5,833,000	10,499,000	4,666,000	10,500,000	15,166,000
	11.50%	–	–	–	–	–	–
	9.74%	6,804,000	18,135,000	24,939,000	6,804,000	24,939,000	31,743,000
	9.74%	6,606,000	22,587,000	29,193,000	6,606,000	29,193,000	35,799,000
	9.74%	148,630	582,825	731,455	148,000	701,000	849,000
	8.50%	–	–	–	–	–	–
	8.50%	–	–	–	–	–	–
	6.50%	1,050,000	–	1,050,000	4,200,000	1,050,000	5,250,000
	6.50%	1,728,000	–	1,728,000	2,592,000	1,760,000	4,352,000
	AWPLR – 6%	–	–	–	30,010,000	46,337,000	76,347,000
		30,482,630	**48,390,825**	**78,873,455**	**66,506,000**	**124,696,000**	**191,202,000**
Hatton National Bank PLC	8.50%	–	–	–	–	–	–
	6.50%	8,333,000	8,334,000	16,667,000	8,333,000	16,667,000	25,000,000
		8,333,000	**8,334,000**	**16,667,000**	**8,333,000**	**16,667,000**	**25,000,000**
ICICI Bank Limited	SLIBOR +5% (1 year)	10,000,000	19,167,000	29,167,000	10,000,000	29,167,000	39,167,000
	SLIBOR +5% (2-5 years)	10,000,000	19,167,000	29,167,000	10,000,000	29,167,000	39,167,000
		20,000,000	**38,334,000**	**58,334,000**	**20,000,000**	**58,334,000**	**78,334,000**
Public Bank Berhad	11.00%	1,026,000	3,845,000	4,871,000	939,000	4,835,000	5,774,000
	11.00%	339,000	1,270,000	1,609,000	311,000	1,599,000	1,910,000
		1,365,000	**5,115,000**	**6,480,000**	**1,250,000**	**6,434,000**	**7,684,000**
		60,180,630	**100,173,825**	**160,354,455**	**96,089,000**	**206,131,000**	**302,220,000**
Sunshine Packaging Limited							
Peoples Bank PLC	AWPLR + 2%	24,812,464	24,101,822	48,914,303	30,000,000	–	30,000,000
Hatton National Bank PLC	AWPLR + 2%	77,420,249	–	77,420,249	70,826,305	32,378,000	103,204,305
		102,232,713	**24,101,822**	**126,334,552**	**100,826,305**	**32,378,000**	**133,204,305**
Sunshine Power (Private) Limited							
Hatton National Bank PLC	AWPLR+0.5% - (3 mts avg.)	1,915,370	334,589,849	336,505,219	–	366,609,043	366,609,043
		1,915,370	**334,589,849**	**336,505,219**	**–**	**366,609,043**	**366,609,043**
Estate Management Services (Private) Limited							
ICICI Bank Limited		50,000,000	300,000,000	350,000,000	–	500,000,000	500,000,000
		50,000,000	**300,000,000**	**350,000,000**	**–**	**500,000,000**	**500,000,000**
Sunshine Energy Limited							
Hatton National Bank PLC		–	–	–	1,192,879	4,607,121	5,800,000
		–	**–**	**–**	**1,192,879**	**4,607,121**	**5,800,000**
Total Group		**218,118,415**	**773,117,448**	**991,235,880**	**202,010,893**	**1,120,366,455**	**1,322,378,348**

Current Rs.	Non-current Rs.	Balance 01.04.2011 Rs.		Repayment Terms Equal Monthly Installments	Commencing Date	Purpose	Security
11,333,339	25,333,321	36,666,660	Year - 2008	60	Dec 2008		Primary floating mortgage over land bearing assessment No. 75, Noris Canel Road, Colombo 10.
11,333,339	**25,333,321**	**36,666,660**					
1,260,000	4,645,000	5,905,000	Year - 2007	96	Jan. 2008		A corporate gurantee of Rs.10 Mn given by Sunshine Holdings PLC
2,759,000	–	2,759,000	Year - 2011	12	Feb. 2011		
4,019,000	**4,645,000**	**8,664,000**					
1,952,000	–	1,952,000	Year - 1996	40	Jun. 2002	For field development activities from commercial banks under ADB re-finance scheme:	
2,968,000	3,419,000	6,387,000	Year - 1997	40	May 2003		
6,005,000	12,010,000	18,015,000	Year - 2000	40	May 2004		
2,507,000	6,267,000	8,774,000	Year - 2000	40	Nov. 2000		
4,666,000	15,166,000	19,832,000	Year - 2001	40	Sep. 2004	For processing development, vehicles and equipments from commercial banks under ADB re-finance scheme:	
1,839,000	–	1,839,000	Year - 1996	40	Jun. 2002		
6,804,000	31,743,000	38,547,000	Year - 2000	40	Nov. 2001		Leasehold rights on specified estates and machinery purchased under Environmental Friendly scheme
6,606,000	35,799,000	42,405,000	Year - 2006	48			
148,000	849,000	997,000	Year - 2007	48	Jun. 2009		
167,000	–	167,000				To fund working capital requirements of 12 Tea factories from Commercial Bank under Tea Relief Package	
1,010,000	–	1,010,000					
4,200,000	5,250,000	9,450,000	Year - 2007	48	Jun. 2009		
2,592,000	4,352,000	6,944,000	Year - 2007	48	Nov. 2009		
30,011,000	76,348,000	106,359,000	Year - 2009	59			
71,473,000	**191,203,000**	**262,676,000**					
956,000	–	956,000	Year - 2001	96	Jan. 2004	For environment friendly activities from Hatton National Bank PLC:	Machinery purchased under Environmental Friendly scheme and leasehold rights on specified estates.
8,333,000	25,000,000	33,333,000	Year - 2008	72	Mar. 2009		
9,289,000	**25,000,000**	**34,289,000**					
10,000,000	39,167,000	49,167,000	Year - 2011	60	Mar. 2011		
10,000,000	39,166,000	49,166,000	Year - 2011	60	Mar. 2011		
20,000,000	**78,333,000**	**98,333,000**					
–	–	–	Year - 2012	60	Mar. 2012	For purchase of vehicle	
–	–	–	Year - 2012	60	Mar. 2012		
–	**–**	**–**					
100,762,000	**294,536,000**	**395,298,000**					
–	–	–					
15,000,000	59,024,000	74,024,000	Year - 2009	60	May 2009		Primary mortgage over project land and building at No.75 Kandawala Road, Ratmalana for Rs. 111.25 M
15,000,000	**59,024,000**	**74,024,000**					
–	53,735,000	53,735,000	Year - 2011				
–	**53,735,000**	**53,735,000**					
–	–	–	Year - 2012	20	June 2012	For invest in subsidiary	Corporate Gurantee of the Sunshine Holdings PLC
–	–	–					
–	–	–	Year - 2011	48	May 2009	For purchase of vehicle	Primary mortgage bond for Rs. 5.8 Million over the vehicle
–	–	–					
131,115,339	**437,273,321**	**568,388,660**					

Notes to the Financial Statements *(contd.)*

25.6.2 BANK OVERDRAFT FACILITY

Company/Lender	Balance 31.03.2013 Rs	Balance 31.03.2012 Rs	Balance 01.04.2011 Rs	
Company				
MCB Bank Limited	20,160	946,776	–	
	20,160	946,776	–	
Subsidiary				
Swiss Biogenics Limited				
MCB Bank Ltd.	45,469,816	202,539,606	110,393,709	Facility I - Overdraft facility of Rs. 52 Million security lien over deposit in the name of the company for Rs.52 million, Current and post dated cheques for Rs.55 Million (not exceeding 45 days) and concurrent mortgage over stocks & book debts for Rs.150 Million.
Standard Chartered Bank Ltd.	–	60,509	–	
Nations Trust Bank PLC	611,353	903,163	1,471,060	
Hongkong & Shanghai Banking Corporation Ltd.	9,281,720	11,456,690	13,800,569	
Commercial Bank PLC	77,500	3,000,000	207,000	
Sampath Bank PLC	–	69,491	–	
Hatton National Bank PLC	77,481,620	–	–	
ICICI Bank Ltd.	75,157,147	–	–	
NDB Bank Ltd.	162,809	–	–	
	208,241,965	**218,029,459**	**125,872,338**	
Healthguard Pharmacy Limited				
Hatton National Bank PLC	302,168	3,512,252	211,826	
Nation Trust Bank PLC	4,523,879	–	–	
	4,826,047	**3,512,252**	**211,826**	
Sunshine Travels & Tours Limited				
Hatton National Bank PLC	14,518,874	10,732,514	15,639,567	
	14,518,874	**10,732,514**	**15,639,567**	Movable assets, stock in trade and an assignment of book debts.
Watawala Plantation PLC				
Hatton National Bank PLC	81,596,000	74,394,000	89,796,000	Leasehold rights on specified estates.
Sampath Bank PLC	–	–	9,078,000	Leasehold rights on specified estates.
Commercial Bank of Ceylon PLC	674,000	26,962,000	11,778,000	
Standard Chartered Bank Ltd.	–	38,568,000	–	
Hongkong & Shanghai Banking Corporation Ltd.	–	–	1,282,000	
Citi Bank Ltd.	223,924,000	131,430,000	4,107,000	
Peoples bank PLC	–	406,000	–	
ICICI Bank Ltd.	5,987,000	–	70,830,000	
MCB Bank Ltd.	93,581,000	131,259,000	97,901,000	
Nations Trust Bank PLC	–	–	832,000	
	405,762,000	**403,019,000**	**285,604,000**	
Estate Management Services (Pvt.) Ltd.				
Commercial Bank PLC	1,005,000	–	–	
	1,005,000	–	–	
Watawala Tea Ceylon Ltd.				
Hatton National Bank PLC	2,009,067	–	–	
	2,009,067	**–**	**–**	
Sunshine Packaging Ltd.				
Hatton National Bank PLC	36,222,478	31,006,257	26,091,280	
	36,222,478	**31,006,257**	**26,091,280**	
Sunshine Power (Pvt) Ltd.				
Hatton National Bank PLC	1,669,159	–	1,006,162	
	1,669,159	–	1,006,162	
Total Group	**674,274,750**	**667,246,258**	**454,425,173**	

As at 31st March	GROUP 2013 Rs.	2012 Rs.	1st April 2011 Rs.	COMPANY 2013 Rs.	2012 Rs.	1st April 2011 Rs.
26 EMPLOYEE BENEFITS						
Balance at the beginning of the year	893,461,764	697,435,588	680,629,687	3,778,569	1,992,436	1,048,000
Provision made during the year	73,440,095	295,784,817	80,212,614	2,506,594	1,786,133	944,436
Payments made during the year	(76,851,422)	(99,758,641)	(63,406,713)	–	–	–
Balance at the end of the year	**890,050,437**	**893,461,764**	**697,435,588**	**6,285,163**	**3,778,569**	**1,992,436**
Present Value of Unfunded obligations	890,050,437	893,461,764	697,435,588	6,285,163	3,778,569	1,992,436
Present Value of Funded obligations	–	–	–	–	–	–
Total Present Value of obligations	**890,050,437**	**893,461,764**	**697,435,588**	**6,285,163**	**3,778,569**	1,992,436
Fair Value of Plan Assets	–	–	–	–	–	–
Present Value of net obligations	**890,050,437**	**893,461,764**	**697,435,588**	**6,285,163**	**3,778,569**	1,992,436
Unrecognised actuarial (gain)/loss	–	–	–	–	–	–
Recognised liability for defined obligation	**890,050,437**	**893,461,764**	**697,435,588**	**6,285,163**	**3,778,569**	1,992,436
The movement in the defined benefit obligation over the year is as follows						
As at 01st April	893,461,764	697,435,588	680,629,688	3,778,569	1,992,436	1,048,000
Current Service Cost	64,388,473	72,181,496	79,306,267	2,098,990	1,114,407	625,628
Interest Cost	96,470,959	74,667,727	252,686	407,604	208,653	115,280
Transitional (asset)/liability	–	–	203,528	–	463,073	203,528
Actuarial Loss/(gain)	(87,419,337)	148,935,595	450,132	–	–	–
Benefits Paid	(76,851,422)	(99,758,642)	(63,406,713)	–	–	–
As at 31st March	**890,050,437**	**893,461,764**	**697,435,588**	**6,285,163**	**3,778,569**	**1,992,436**
The amount recognised in the statement of comprehensive income and other comprehensive income are as follows						
Current Service Cost	64,388,473	72,181,496	79,509,795	2,098,990	1,577,480	829,156
Interest Cost	96,470,959	74,667,726	252,687	407,604	208,653	115,280
Actuarial Loss/(gain)	(87,419,337)	148,935,595	450,132	–	–	–
Total included in the staff cost & other comprehensive income	**73,440,095**	**295,784,817**	**80,212,614**	**2,506,594**	**1,786,133**	**944,436**

	2013	2012	2011
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			
Rate of interest	11.00%	11.00%	11.00%
Rate of salary increase	10.00%	10.00%	10.00%
Staff Turnover factor	13.33%	13.33%	13.33%
Retiring age	65 Years	60 Years	60 Years
Subsidiaries			
Watawala Plantations PLC			
The key assupmtion used by messrs Acturial & Management Consultant (Pvt.) Ltd. include the following			
Rate of interest(net of tax)	12%	11%	11%
Rate of salary increase			
– tea estate workers (every two years)	19%	20%	19%
– rubber estate workers (every two years)	19%	20%	19%
– oil palm factory workers (every two years)	19%	20%	19%
– estate staff (every three years + 2.5% per annum)	20%	20%	20%
– estate management & head office staff (every year)	7.5%	7.5%	7.5%
Retiring age	60 years	60 years	60 years
The company will continue as going concern			

Notes to the Financial Statements *(contd.)*

	2013	2012	2011
Subsidiaries *(Cont.)*			
Swiss Biogenics (Private) Limited			
The Company applied formula method and used the following key assumptions in arriving at the retirement benefit liability under projected Unit Credit (PUC) method			
Rate of interest	12.25%	11%	11%
Rate of salary increase	10%	10%	10%
Staff Turnover factor	15%	16.5%	20%
Retiring age	55 years	60 years	60 years
Sunshine Travels & Tours Limited			
The Company applied formula method and used the following key assumptions in arriving at the retirement benefit liability under projected Unit Credit (PUC) method			
Rate of interest	12.5%	11%	11%
Rate of salary increase	15%	15%	10%
Staff Turnover factor	20.0%	20.8%	10%
Retiring age	60 years	60 years	60 years
Sunshine Packaging Limited			
The Company applied formula method and used the following key assumptions in arriving at the retirement benefit liability under projected Unit Credit (PUC) method			
Rate of interest	11%	11%	11%
Rate of salary increase	2.5%	2.5%	10%
Staff Turnover – staff	31%	17%	24%
– workers	14%	12%	26%
Retiring age	55 years	55 years	55 years
Watawala Tea Ceylon Limited			
The Company applied formula method and used the following key assumptions in arriving at the retirement benefit liability under projected Unit Credit (PUC) method			
Rate of interest	11.80%	11%	11%
Rate of salary increase	10%	10%	15%
Retiring age	55 years	55 years	55 years
Healthguard Pharmacy Limited			
Rate of interest	11%	11%	11%
Rate of salary increase	15%	15%	15%
Staff Turnover factor	10%	10%	10%
Retiring age	55 years	55 years	55 years

	GROUP			COMPANY		
As at 31st March	**2013 Rs.**	**2012 Rs.**	**1st April 2011 Rs.**	**2013 Rs.**	**2012 Rs.**	**1st April 2011 Rs.**
27 DEFERRED INCOME AND CAPITAL GRANTS						
Balance at the beginning of the year	244,935,000	255,798,000	228,732,000	–	–	
Received during the year	–	–	38,554,000	–	–	
Amortised during the year	(10,350,000)	(10,863,000)	(11,488,000)	–	–	
Balance at the end of the year	**234,585,000**	**244,935,000**	**255,798,000**	**–**	**–**	

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

28 TRADE AND OTHER PAYABLES

	GROUP			COMPANY		
As at 31st March	**2013 Rs.**	**2012 Rs.**	**1st April 2011 Rs.**	**2013 Rs.**	**2012 Rs.**	**1st April 2011 Rs.**
Trade payables - related parties	1,049,328,909	1,243,119,590	800,532,803	–	–	–
Interest payables	632,998	803,630	617,772	632,998	803,630	617,773
Sales representatives security deposits	15,801,483	14,912,565	14,829,475	–	–	–
Retention payable to contractors	–	–	–	–	–	–
Business turnover tax payable	–	–	–	–	–	–
NBT Payable	–	–	–	–	–	–
Withholding tax payables	7,375,189	165,874	379,633	–	4,000	45,064
Accrued expenses & other payables	523,132,345	384,767,984	544,488,751	2,130,849	3,169,241	2,889,590
	1,596,270,924	**1,643,769,643**	**1,360,848,434**	**2,763,847**	**3,976,871**	**3,552,427**

29 AMOUNTS DUE TO RELATED PARTIES

Sunshine Travels & Tours Limited	–	–	–	5,538,756	–	–
Secretaries & Financial Service (Pvt) Limited	321,626	5,657	–	–	–	–
SKS Logistics (Pvt) Limited	–	–	93,453	–	–	–
Sunshine Teas (Pvt) Limited	4,000	–	1,434,000	–	–	–
	325,626	**5,657**	**1,527,453**	**5,538,756**	**–**	**–**

Notes to the Financial Statements *(contd.)*

	INVESTMENT		HEALTHCARE	
For the year ended 31st March	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
30 SEGMENT ANALYSIS				
REVENUE	**230,073,381**	**190,134,023**	**5,374,107,496**	**4,705,132,486**
RESULT				
Operating profit	165,957,234	112,197,331	557,163,042	557,295,304
Net finance cost	11,249,403	1,814,778	(34,429,212)	(11,091,915)
Income Tax	–	–	(163,032,031)	(115,080,287)
Profit for the year	**177,206,637**	**114,012,109**	**359,701,798**	**431,123,103**
Other comprehensive income (Net of tax)	2,124,123	16,703,238	4,920,943	(2,268,910)
Total comprehensive income	**179,330,760**	**130,715,347**	**364,622,741**	**428,854,193**
BALANCE SHEET				
Assets				
Non Current Assets	1,159,357,809	1,114,298,098	532,772,350	584,641,996
Current Assets	211,300,201	111,123,441	2,085,398,889	2,021,180,997
Total Assets	**1,370,658,010**	**1,225,421,539**	**2,618,171,239**	**2,605,822,993**
Equity & Reserves				
Shareholders' Fund	1,356,050,084	1,216,719,323	1,391,763,106	1,159,605,803
	–	–	–	–
Sub Total	**1,356,050,084**	**1,216,719,323**	**1,391,763,106**	**1,159,605,803**
Non Current Liabilities				
Long Tem Borrowings	–	–	33,141,424	52,641,793
Other Liabilities	6,285,163	3,778,569	51,902,746	47,995,265
Sub Total	**6,285,163**	**3,778,569**	**85,044,170**	**100,637,058**
Current Liabilities				
Short Term Borrowings	20,160	946,776	244,953,188	286,207,160
Other Liabilities	8,302,603	3,976,871	896,410,775	1,059,372,972
Sub Total	**8,322,763**	**4,923,647**	**1,141,363,963**	**1,345,580,132**
Total Equity & Liabilities	**1,370,658,010**	**1,225,421,539**	**2,618,171,239**	**2,605,822,993**
Other Information				
Depreciation	425,167	181,423	68,149,097	55,408,416
Capital Expenditure	(414,535)	(789,083)	(43,258,989)	(92,971,585)

PLANTATIONS		FMCG		ENERGY	
2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.	2013 Rs.	2012 Rs.
5,434,779,000	**4,279,461,000**	**2,005,001,325**	**1,757,419,878**	**99,933,595**	**3,341,066**
806,885,000	766,225,000	245,374,321	278,970,884	33,656,703	(12,715,859)
(77,530,000)	(111,103,000)	11,365,109	4,213,193	(46,434,026)	2,463,734
(49,111,000)	(89,836,000)	(58,479,258)	(46,289,693)	–	–
680,244,000	**565,286,000**	**198,260,172**	**236,894,384**	**(13,377,321)**	**(10,252,126)**
44,968,000	(115,617,000)	(100,395)	–	–	–
725,212,000	**449,669,000**	**198,159,777**	**236,894,384**	**(13,377,321)**	**(10,252,126)**
5,108,441,000	4,928,424,000	271,835,521	236,137,782	562,601,404	586,381,774
1,523,573,000	1,330,386,000	516,104,338	633,394,752	46,510,289	20,427,959
6,632,014,000	**6,258,810,000**	**787,939,859**	**869,532,534**	**609,111,693**	**606,809,733**
3,843,488,000	3,320,258,000	650,219,904	696,687,912	268,957,531	212,539,874
–	–	–	–	20	–
3,843,488,000	**3,320,258,000**	**650,219,904**	**696,687,912**	**268,957,551**	**212,539,874**
454,861,000	570,978,000	–	–	336,505,220	371,216,164
1,154,814,000	1,143,723,000	17,842,372	13,714,795	241,286	–
1,609,675,000	**1,714,701,000**	**17,842,372**	**13,714,795**	**336,746,506**	**371,216,164**
475,902,000	551,457,000	2,009,067	–	1,674,452	–
702,778,000	672,394,000	117,868,516	159,129,827	1,733,184	23,053,696
1,178,891,000	**1,223,851,000**	**119,877,583**	**159,129,827**	**3,407,636**	**23,053,696**
6,632,014,000	**6,258,810,000**	**787,939,859**	**869,532,534**	**609,111,693**	**606,809,734**
241,001,000	214,035,000	37,654,630	22,460,556	31,926,311	3,929,003
(452,385,000)	(586,454,000)	(84,868,910)	(73,833,997)	(22,913,750)	(499,933,420)

Notes to the Financial Statements *(contd.)*

	MANAGEMENT		PACKAGING	
For the year ended 31 March	**2013**	**2012**	**2013**	**2012**
30 SEGMENT ANALYSIS *(Cont.)*				
REVENUE	**143,438,000**	**49,331,000**	**207,826,209**	**217,155,417**
RESULT				
Profit from Operating Activities	404,233,000	85,378,000	(11,292,175)	20,906,569
Finance Cost	(44,680,000)	15,886,000	(28,538,062)	(17,808,059)
Income Tax Expense	6,216,000	(16,352,000)	9,050,359	1,777,392
Profit for the year	**365,769,000**	**84,912,000**	**(30,779,879)**	**4,875,902**
Other comprehensive income (Net of tax)	–	–	(134,640)	–
Total comprehensive income	**365,769,000**	**84,912,000**	**(30,914,519)**	**4,875,902**
BALANCE SHEET				
Assets				
Non Current Assets	1,122,690,000	1,122,690,000	359,690,214	351,403,724
Current Assets	175,863,000	37,570,000	201,229,247	209,059,015
Total Assets	**1,298,553,000**	**1,160,260,000**	**560,919,461**	**560,462,739**
Equity & Reserves				
Shareholders' Fund	922,651,000	643,012,020	343,489,367	374,403,885
Non-controling interests	–	–	–	–
Sub Total	**922,651,000**	**643,012,020**	**343,489,367**	**374,403,885**
Non Current Liabilities				
Long Tem Borrowings	300,000,000	500,000,000	24,915,556	33,446,453
Other Liabilities	10,990,000	10,990,000	3,175,031	2,338,904
Sub Total	**310,990,000**	**510,990,000**	**28,090,586**	**35,785,357**
Current Liabilities				
Short Term Borrowings	50,000,000	–	102,487,448	132,087,297
Other Liabilities	14,912,000	6,257,980	86,852,060	18,186,200
Sub Total	**64,912,000**	**6,257,980**	**189,339,508**	**150,273,497**
Total Equity & Liabilities	**1,298,553,000**	**1,160,260,000**	**560,919,461**	**560,462,739**
Other Information				
Depreciation	–	–	15,656,084	14,413,737
Capital Expenditure	–	–	(14,891,190)	(27,590,954)

TRAVELS		INTER COMPANY		GROUP	
2013	2012	2013	2012	2013	2012
45,990,361	**30,332,479**	**(473,485,037)**	**(372,821,152)**	**13,067,664,329**	**10,859,486,197**
(3,842,796)	3,452,816	(484,786,939)	(728,110,600)	1,712,747,392	1,083,599,445
(1,363,148)	(759,371)	–	(91,142)	(210,359,937)	(116,475,782)
219,485	(77,504)	(44,816,228)	(35,056,006)	(299,952,674)	(300,914,098)
(4,986,459)	**2,615,942**	**(529,603,166)**	**(763,257,748)**	**1,202,434,781**	**666,209,565**
428,772	–	(783,803)	337,149	51,423,000	(100,844,923)
(4,557,687)	**2,615,942**	**(530,386,969)**	**(762,919,999)**	**1,253,857,781**	**565,364,642**
566,006	9,612,166	(2,047,430,637)	(2,013,650,890)	7,070,523,687	6,919,938,650
31,734,889	28,286,055	(94,616,535)	(214,802,491)	4,697,097,299	4,176,625,728
32,300,895	**37,898,221**	**(2,142,047,171)**	**(2,228,453,381)**	**11,767,620,986**	**11,096,564,378**
4,486,897	9,044,586	(5,028,711,312)	(4,470,928,195)	3,752,394,577	3,161,343,208
–	–	2,972,805,063	2,457,276,937	2,972,805,083	2,457,276,937
4,486,897	**9,044,586**	**(2,055,906,249)**	**(2,013,651,258)**	**6,725,199,660**	**5,618,620,145**
–	–	417	1,000	1,149,423,616	1,528,283,410
1,285,685	1,366,814	380,448	79	1,246,916,731	1,223,907,425
1,285,685	**1,366,814**	**380,865**	**1,079**	**2,396,340,347**	**2,752,190,835**
14,518,874	10,732,514	(301,750)	1,192,874	928,490,918	982,623,626
12,009,439	16,754,307	(86,220,036)	(215,996,081)	1,717,590,061	1,743,129,772
26,528,313	**27,486,821**	**(86,521,786)**	**(214,803,202)**	**2,646,080,979**	**2,725,753,398**
32,300,895	**37,898,221**	**(2,142,047,171)**	**(2,228,453,381)**	**11,767,620,986**	**11,096,564,378**
1,607,785	1,697,521	–	–	396,677,766	312,125,656
(27,590,954)	(5,860,939)	–	–	(642,744,547)	(1,262,803,100)

Notes to the Financial Statements *(contd.)*

	GROUP			COMPANY		
Financial Assestes	**31.03.2013**	**31.03.2012**	**01.04.2011**	**31.03.2013**	**31.03.2012**	**01.04.2011**
31 FINANCIAL INSTRUMENTS						
31.1 Financial Instruments - Statement of Financial Position						
Fair value through profit and loss						
The Group and the Company does not hold any Financial Asset which falls to the category of Fair Value through Profit and Loss						
Held-to-maturity						
SOFP Line Item:						
Investment in Gratuity fund	127,267,000	42,641,000	–	–	–	–
Cash and cash equivalent	661,938,100	134,626,568	201,355,300	76,771,227	1,005,478	1,285,640
Total	**789,205,100**	**177,267,568**	**201,355,300**	**76,771,227**	**1,005,478**	**1,285,640**
Loans and receivabale						
SOFP Line Item :						
Trade and other receivabale	1,397,243,561	1,338,710,510	1,056,406,935	5,167,382	6,704,856	1,954,578
Amounts due from related parties	19,888,933	8,823,100	10,758,568	38,853,312	39,717,474	5,417,463
Income tax receivable	11,154,161	4,917,934	3,262,506	3,158,748	3,158,728	3,158,728
Total	**1,428,286,655**	**1,352,451,544**	**1,070,428,009**	**47,179,442**	**49,581,058**	**10,530,769**
Availabale-for-sale						
SOFP Line Item:						
Investment in subsidiaries	–	–	–	860,698,748	817,752,548	817,752,548
Other Investments	297,905,848	295,781,725	279,078,487	297,905,848	295,781,725	137,053,527
Total	**297,905,848**	**295,781,725**	**279,078,487**	**1,158,604,596**	**1,113,534,273**	**954,806,075**
Cash and Cash Equivalents	107,691,689	735,731,014	266,715,160	17,838,018	53,146,495	17,287,705
	2,623,689,292	**2,561,231,851**	**1,817,776,956**	**1,300,393,283**	**1,217,267,304**	**983,910,189**
Financial Liabilities						
Fair value through profit and loss						
The Group and the Company does not hold any Financial Liabilities which falls to the category of Fair Value through Profit and Loss						
Other Financial Liabilities						
SOFP Line Item :						
Interest Bearing borrowings – Non Current	1,149,423,616	1,528,283,410	847,366,850	–	–	–
Interest Bearing borrowings – Current	254,216,168	315,377,368	198,869,712	–	–	–
Trade and other Payabales	1,596,270,924	1,643,769,643	1,360,848,434	2,763,847	3,976,872	3552427
Amounts due to related parties	325,626	5,657	1,527,453	5,538,756	–	–
Income Tax payable	120,993,511	99,354,472	116,278,131	–	–	–
Total	**3,121,229,845**	**3,586,790,550**	**2,524,890,580**	**8,302,603**	**3,976,872**	**3,552,427**
Bank Overdrafts	674,274,750	667,246,258	454,425,173	20,160	946,776	
	3,795,504,595	**4,254,036,808**	**2,979,315,753**	**8,322,763**	**4,923,648**	**3,552,427**

31.2 Financial Instruments - Statement of Comprehensive Income

	31.03.2013		31.03.2012	
	Gains/ Income	**Lossess/ Expenses**	**Gains/ Income**	**Lossess/ Expenses**
GROUP				
Held-to maturity Investments	64,089,441	–	32,663,681	–
Loans and Receivables	12,196,397		30,800,748	
Asset Classified as available for sale	2,124,123	–	16,703,238	–
Other financial liabilities	–	274,449,378	–	149,139,463
Total	**78,409,961**	**274,449,378**	**80,167,667**	**149,139,463**
COMPANY				
Held-to maturity Investments	6,511,099	–	1,814,778	–
Loans and Receivables	5,062,343			
Asset Classified as available for sale	2,124,123	–	16,703,238	
Other financial liabilities	–	324,039	–	–
Total	**13,697,565**	**324,039**	**18,518,016**	–

Financial Assestes	GROUP 31.03.2013	GROUP 31.03.2012	GROUP 01.04.2011	COMPANY 31.03.2013	COMPANY 31.03.2012	COMPANY 01.04.2011

31.3 Financial Instruments Carried at Fair Value

31.3.1 Carrying value of Financial Instrument Carried at Fair Value

	GROUP 31.03.2013	GROUP 31.03.2012	GROUP 01.04.2011	COMPANY 31.03.2013	COMPANY 31.03.2012	COMPANY 01.04.2011
Available -for-sale Financial Assets - unquoted equity instruments	297,905,848	295,781,725	279,078,487	297,905,848	295,781,725	137,053,527
	297,905,848	**295,781,725**	**279,078,487**	**297,905,848**	**295,781,725**	**137,053,527**

The fair value of unquoted investment was determined by discounting the estimated free cash flows of the investee entities.

The rate used to discount the estimated cash flows is significantly based on the Company's weigted average cost of capital of 16.5%

Fair Value Hierarchy

Level 01 : Quoted prices (unadjusted) in active market for identical assets or liabilities.
Level 02 : Input other than quoted prices included within level 01 that are observable for the assets or liabilities either directly or indirectly.
Level 03 : Inputs for the assets or liabilities that are not based on observable market data.

The unquoted equity investments, which are carried at fair value fall under the level 3 of fair value hierarchy where the valuation inputs are not based on observable market data.

31.4 Financial Risk Management

Overview

The Group has exposure to the following risks from its use of financial instruments:

* Liquidity risk

* Market risks (Including currency risk and interest rate risk)

This Note present qualitative and quantitative information abount the Group's exposure to each of the above risks, The Group's objectives, policies and procdeses for measuring and managing risk.

Risk Management Framework

The board of directors has overall resposibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risk faced by the Group, to set appropriate risk limits and controls, and to monitor risk and adhearence to limits. Risk management policies and systems are reviewd regulary to reflect changes in market conditions and the Group's activities

31.4.1 Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counter party to a financial instrument fails to meet it's contractual obligation, and arises principally from the group's receivabales from customers and investments.

Group's credit exposure is closely monitored. Credit given is reviewd with the pre-determine approval procedures and contractual agreement made for every high value transactions.

The carrying amount of financial assest represent the maximum credit exposure. The maximum exposure to the credit risk as at 31.03.2013 is

Financial Assets	Carrying Amount Group	Carrying Amount Company
Availabale-for-sale financial assets	297,905,848	1,158,604,596
Held to maturity investmets	789,205,100	76,771,227
Loans and receivabales	1,428,286,655	47,179,442
Cash and cash equivalents	107,691,689	17,838,018
	2,623,089,292	**1,300,393,283**

	Group Carrying Amount 31.03.2013	Group Impairment 31.03.2013	Company Carrying Amount 31.03.2013	Company Impairment 31.03.2013
Loans and receivable	1,428,286,655	21,987,868	47,179,422	–
	1,428,286,655	**21,987,868**	**47,179,422**	**–**

The movement in the allowance for impairment in respect of loans and receivables during the year was as follows.

	2013	2013
Balance as at 01st April	34,184,265	–
Reversal of Impairment	(12,196,397)	–
Balance as at 31st March	**21,987,868**	–

Notes to the Financial Statements *(contd.)*

31.4.2 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

To measure and mitigate liquidity risk, Group will closely monitor its net operating cash flow, maintained a level of cash and cash equivalents and secured committed funding facilities from financial institutions.

Financial Liability	Note	Carrying Value	Contractual Cash Flow	Less Than One Year	More Than One Year
GROUP					
Interest bearing borrowings	25	1,403,639,784	1,403,639,784	254,216,168	1,149,423,616
Trade and other payabales	28	1,596,270,924	1,596,270,924	1,596,270,924	–
Income tax payable		120,993,511	120,993,511	120,993,511	–
Bank overdraft	23	674,274,750	674,274,750	674,274,750	–
		3,795,178,969	**3,795,178,969**	**2,645,755,353**	**1,149,423,616**
COMPANY					
Interest bearing borrowings	25	–	–	–	–
Trade and Other Payabales	28	2,763,847	2,763,847	2,763,847	–
Amounts due to related parties	29	5,538,756	5,538,756	5,538,756	–
Bank overdraft	23	20,160	20,160	20,160	–
		8,322,763	**8,322,763**	**8,322,763**	**–**

31.4.3 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, Interest rates and ect; will affect the Group's income or the value of its holidings of financial instruments.

The objective of the market risk management is to manage and control market risk exposures within acceptabale parameters while optimising the returns.

31.4.3.1 Currency Risk

The Group is exposed to currency risk on sales, purchases, borrowings and investments that are denominated in a currency other than the functional currency which is Sri Lankan Rupees.

This risk is minimised by hedging naturally by a matching sales and purchases or matching assets and liabilities of the same currency and amounts. Where feasible, contracts are executed on a basket of currencies, minimising the potential risks.

The pricipal exchange rates used by the Group for conversion of foreign currency balances and transactions, for the year ended 31.03.2013 are as follows

		Closing Rate	
	Average rate	**Buying**	**Selling**
U.S Dollar	126.85	125.27	128.43
Australian Dollar	131.85	129.32	134.38

31.4.3.2 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments fluctuate because of changes in market interest rates. The Group exposure to the risk of changes in market interest rates relates primarilly to the Group's long term debt obligation and Investments with floting Interest rates.

The group utilises various financial instruments to manage exporsures to interest rate risks arising due to Financial instruments.

Name of the Company		Nature of the transaction	Amount received/(paid) 2013 Rs.	2012 Rs.
32. RELATED PARTY TRANSACTIONS				
Sunshine Holdings PLC			Rs.	Rs.
(i) Swiss Biogenics Limited	(a)	Dividend received	132,465,438	158,957,519
		Interest received	3,097,428	593,137
(ii) Estate Management Services (Pvt) Limited	(b)	Dividend received	43,926,300	11,979,900
(iii) Secretaries & Financial Services (Private) Limited	(C)	Professional fees	(415,397)	(1,013,634)
(iv) Sunshine Packaging Limited	(d)	Advance given	(42,000,000)	(20,000,000)
		Interest received	1,809,399	507,959
(v) Watawala Plantations PLC	(e)	Advance given	–	(30,000,000)
		Interest received	–	223,562
(Vi) Sunshine Travels and Tours (Pvt.) Limited	(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 Swiss Biogenics Limited.

(b) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Estate Management Services (Pvt.) Limited.

(c) Messrs. B.A. Hulangamuwa and V.Govindasamy are Directors of the Company are also Directors of Secretaries and Financial Services (Pvt.) Limited.

(d) Messrs. S. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Packaging Limited.

(e) Messrs. G. Sathasivam,V. Govindasamy and B. A. Hulangamuwa are Directors of the Company are also Directors Watawala Plantations PLC.

(v) Messrs. G. Sathasivam, B. A. Hulangamuwa,V. Govindasamy and S. G. Sathasivam are Directors of the Company are also Directors of SunshineTravels & Tours Limited.

Swiss Biogenics Limited				
(i) Sunshine Holdings PLC	(g)	Dividend Paid	132,465,438	(158,957,519)
		Interest Paid	(3,097,428)	(593,137)
(ii) Sunshine Travels & Tours Limited	(h)	Service provided	(7,489,626)	(6,035,324)
(iii) Watawala Plantation PLC	(i)	Security Consultancy Fee	(547,580)	–
(iv) Sunshine Packaging Limited	(j)	Purchase of Goods	(12,282,348)	(3,405,944)
(v) Healthguard Pharmacy Limited	(k)	Sale of Goods	71,498,228	48,522,887
		Service Rendered	(396,543)	(91,800)
(vi) Sunshine Tea (Pvt.) Limited	(l)	Store Rent	3,039,600	–
		Other services	(1,158,336)	–
(vii) Watawala Tea Ceylon Limited	(m)	Purchase of Goods	(466,083)	–

(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 Limited.

(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 Directors of Sunshine Packaging Limited.

(k) Messrs. S. G. Sathasivam, WDPL Vithanage and B. A. Hulangamuwa are Directors of the Company are also Directors of Healthguard Pharmacy Limited.

(l) Messrs. S. G. Sathasivam, V. Govindasamy and B. A. Hulangamuwa are Directors of the Company are also Directors of Sunshine Tea (Pvt.) Limited.

(m) Messrs. G. Sathasivam, S.G.Sathasivam and WDPL Vithanage are Directors of the Company are also Directors of Watawala Tea Ceylon Limited.

Notes to the Financial Statements *(contd.)*

Name of the Company			Nature of the transaction	Amount received/(paid) 2013 Rs.	2012 Rs.
Watawala Plantations PLC					
(i)	Sunshine Tea (Pvt.) Limited	(n)	Sales	12,953,000	2,581,000
			Purchases	(17,157,000)	(17,493,000)
(ii)	Sunshine Travels & Tours Limited	(o)	Sales	3,254,000	4,552,000
			Purchases	(5,168,000)	(5,924,000)
(iii)	Secretaries & Financial Services (Pvt.) Limited	(p)	Sales	–	81,000
			Purchases	(7,546,000)	(6,169,000)
(iv)	Sunshine Packaging Limited	(q)	Purchases	(80,643)	(253,001)
(v)	Swiss Biogenics Limited	(r)	Sales	547,580	977,000
			Purchases	–	(455,000)
(vi)	Estate Management Services (Pvt.) Limited	(s)	Management fee	(143,437,651)	(58,699,000)
(vii)	Healthguard Pharmacy Limited	(t)	Purchases	–	(1,416,000)
(viii)	Sunshine Holdings PLC	(u)	Sales	–	297,000
			Purchases	–	(4,282,000)

(n) Messrs. B. A. Hulangamuwa and V. Govindadsamy are Directors of the Company is also a Director of Sunshine Tea (Pvt) Limited.

(o) Messrs. G. Sathasivam, V. Govindasamy and B. A. Hulangamuwa are Directors of the Company are also Directors of Sunshine Travels & Tours Limited.

(p) Messrs. B. A. Hulangamuwa and V. Govindasamy are Directors of the Company are also Directors of Secretaries and Financial Services (Pvt.) Limited.

(q) Messrs. V. Govindasamy is Director of the Company are also Director of Sunshine Packaging Limited.

(r) Messrs. G. Sathasivam and B. A. Hulangamuwa are Directors of the Company are also Directors of Swiss Biogenics Limited.

(s) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Estate Managment Services (Pvt.) Limited.

(t) Messrs. B. A. Hulangamuwa is Director of the Company are also Director of Healthguard Pharmacy Limited.

(u) Messrs. G. Sathasivam, B. A. Hulangamuwa and V. Govindasamy are Directors of the Company are also Directors Sunshine Holdings PLC.

Name of the Company			Nature of the transaction	2013 Rs.	2012 Rs.
Sunshine Travels & Tours Limited					
(i)	Swiss Biogenics Limited	(v)	Sales	7,489,626	6,035,324
(ii)	Sunshine Packaging Limited	(w)	Sales	351,738	796,818
(iii)	TATA Communication Lanka Limited	(x)	Sales	3,242,511	2,585,650
(iv)	Estate Management Services (Pvt.) Limited	(y)	Sales	–	964,337
(v)	Watawala Plantations PLC	(z)	Sales	5,168,000	4,552,000
(vi)	Watawala Tea Ceylon Limited	(aa)	Sales	5,222,246	3,168,588
(vii)	Sunshine Holdings PLC	(ab)	Sales	–	2,152,488
(vii)	Sunshine Power (Pvt.) Limited	(ac)	Sales	–	808,003
(vii)	Sunshine Tea (Pvt.) Limited	(ad)	Sales	–	5,675,443

(v) Messrs. G. Sathasivam, S.G. Sathasivam, B. A. Hulangamuwa and V. Govindasamy are Directors of the Company are also Directors of Swiss Biogenics Limited.

(w) Mr. V. Govindasamy is a Director of the Company is also a Director Sunshine Packaging Limited.

(x) Mr V. Govindasamy is a Director of the Company is also a Director TATA Communication Lanka Limited

(y) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Estate Managment Services (Pvt) Limited.

(z) Messrs. G. Sathasivam, V. Govindasamy and B. A. Hulangamuwa are Directors of the Company are also Directors of Watawala Plantations PLC.

(aa) Messrs. G. Sathasivam, S. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Watawala Tea Ceylon Limited.

(ab) Messrs. G. Sathasivam, V. Govindasamy, S. G. Sathasivam and B. A. Hulangamuwa are Directors of the Company are also Directors of Sunshine Holdings PLC.

(ac) Messrs. G. Sathasivam, V. Govindasamy and B. A. Hulangamuwa are Directors of the Company are also Directors of Sunshine Power (Pvt.) Limited.

(ad) Messrs. G. Sathasivam, V. Govindasamy and B. A. Hulangamuwa are Directors of the Company are also Directors of Sunshine Tea (Pvt.) Limited.

Name of the Company		Nature of the transaction	Amount received/(paid) 2013 Rs.	2012 Rs.
Sunshine Packaging Limited				
(i) Sunshine Holdings PLC		Loan Obtained	42,000,000	20,000,000
		Interest Paid	(1,809,399)	(613,452)
(ii) Sunshine Travels & Tours Limited		Purchases	(351,738)	(835,759)
(iii) Watawala Plantations PLC		Sales	80,643	188,295
(iv) Swiss Biogenics Limited		Sales	12,282,348	3,405,944
(v) Watawala Tea Ceylon Limited	(ae)	Sales	3,102,819	13,552,476
(vi) Secretaries Financial Services (Pvt.) Limited	(af)	Purchases	(169,313)	(211,577)

(ae) Messrs. S. G. Sathasivam, V. Govindasamy and WDPL Vithanage are Directors of the Company are also Directors of Watawala Tea Ceylon Limited.

(af) Messrs. V. Govindasamy is Director of the Company are also Director of Secretaries & Financial Services (Pvt.) Limited.

Name of the Company		Nature of the transaction	2013 Rs.	2012 Rs.
Estate Management Services (Pvt) Limited				
(i) Watawala Plantation PLC	(ag)	Management Fee received	143,437,651	58,699,000
(ii) Sunshine Holdings PLC	(ah)	Dividend Paid	(43,926,300)	(11,979,900)
(iii) Sunshine Travels & Tours Limited	(ai)	Purchase of Goods	–	(964,337)

(ag) Messrs.G. Sathasivam, R. K. Krishnakumar and V. Govindasamy are Directors of the Company are also Directors of Watawala Plantations PLC.

(ah) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Holdings PLC.

(ai) Messrs. G. Sathasivam and V. Govindasamy are Directors of the Company are also Directors of Sunshine Travels & Tours Limited.

Name of the Company	Nature of the transaction	2013 Rs.	2012 Rs.
Watawala Tea Ceylon Limited			
(i) Sunshine Packaging Limited	Purchase of Goods	3,102,819	44,288,108
(ii) Sunshine Travels & Tours Limited	Purchase of Goods	5,222,246	5,980,257
(iii) Sunshine Tea (Pvt.) Limited	Purchase of Goods	(27,325,413)	5,244,395
(iv) Watawala Plantation PLC	Purchase of Goods	111,490	35,258,344
(v) Swiss Biogenics Limited	Purchase of Goods	466,083	172,275
Healthguard Pharmacy Limited			
(i) Watawala Plantation PLC	Sale of Goods	–	413,756
(ii) Watawala Tea Ceylon Limited	Purchases	–	1,548,187
(iii) Sunshine Tea (Pvt) Limited	Services	–	715,000
	Space Rent	–	15,000
	Sale of Goods	–	40,978
(iv) Secretaries and Financial Services (Pvt.) Limited	Service fee		
(v) Swiss Biogenics Limited	Purchases	(71,498,228)	62,671,596
	Service fee	396,543	–
(vi) Sunshine Packaging Limited	Purchases	–	–
(vii) Sunshine Travels and Tours Limited	Service fee	–	366,751

Nation Trust Bank PLC

Mr. Sarath Piyarathne is a Director of the Company is also a Director of Nation Trust Bank PLC.

Refer the Note 25.4.1 and 25.4.2 for the details of loans and overdraft facilities obtained by the Group respectively from Nation Trust Bank PLC.

Notes to the Financial Statements *(contd.)*

33 TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

According to Sri Lanka Accounting Standard LKAS-24 - "Related Party Disclosure", Key Management Personnel, are those having and responsibility for planning, directing and controlling the activities of the entity. Accordingly, the Board of Directors (including executive and non-executive directors) have been classified as key management personnel of the Company/group.

Company

(i) Loans to the Directors

No loans have been granted to the Directors of the Company

(ii) Compensation paid to Key Management Personnel

For the year ended 31st March	2013 Rs.	2012 Rs.
Salaries & other employee benefits	21,427,158	32,461,993

(iii) Other Transactions with Key Management Personnel

There were no other transactions with Key Management Personnel other than those disclosed above.

Group

(i) Loans to the Directors

No loans have been granted to the Directors of the Group

(ii) Compensation paid to Key Management Personnel

For the year ended 31st March	2013 Rs.	2012 Rs.
Salaries & other employee benefits	168,318,388	167,819,836

(iii) Other Transactions with Key Management Personnel

There were no other transactions with Key Management Personnel other than those disclosed in Note 32 to these Financial Statements.

33.1 Employees Share Purchase Scheme (ESPS)

The Board of Directors of the Company has decided to implement an Employee Share Purchase Scheme (ESPS) enabling the senior management inclusive of directors of the company and its subsidiaries to purchase ordinary shares of 5 million in numbers of which the initial offer (1st tranche) would be for 2,000,000 shares in numbers to be completed by 30th June 2013.

34 CAPITAL COMMITMENTS

Company

There were no material capital commitments outstanding as at reporting date.

Group

Watawala Plantations PLC

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

For the year ended 31st March	2013 Rs.	2012 Rs.
Approved and contracted for	531,392,000	573,292,000

There were no other capital commitments as at 31st March 2013. The budgeted capital expenditure but not committed by the Watawala Plantations PLC for the financial year 2013/14 is Rs. 479,429,000/-.

There werer no other material commitments as at the reporting date which requires the adjustment to or disclosure in the Financial Statements.

35 CONTINGENCIES

Company

The contingent liabilities as at 31st March 2013 on gurantee given by the Company to banks and other institutions on behalf of subsidiaries to facilities obtained are as follows,

As at 31st March	Amount (Rs) 2013	Amount (Rs) 2012
Swiss Biogenics Limited		
People's Leasing Co. Limited	–	55,000,000
Hatton National Bank	100,000,000	100,000,000
Hongkong and Shanghai Banking Corporation	150,000,000	150,000,000
MCB Bank	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	350,000,000	–
	1,480,000,000	**1,185,000,000**
Sunshine Packaging Limited		
Hatton National Bank	105,000,000	105,000,000
	105,000,000	105,000,000
Sunshine Travels & Tours Limited		
Hatton National Bank	20,000,000	20,000,000
	20,000,000	**20,000,000**
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**

However, the above corporate guarantees given on top of the collateral already vested by the respective subsidiaries.

Subsidiary

Watawala Plantations PLC, a subsidiary of the Company, has given Bank guarantees amounting to Rs. 1,137 million to the Sri Lanka Customs to facilitate the subsidiary to import green tea. As at the year the subsidiary is in compliance with the terms and conditions of the imports.

There were no other material contingent liabilities outstanding as at the year end that require adjustments to or disclosure in the Financial Statements, other than disclosed above.

36 EVENTS OCCURRING AFTER THE REPORTING PERIOD

Company

The Directors have proposed the payment of dividend of Rs. 0.50 per share on ordinary shares amounting to Rs. 66,666,665 for the year ended 31st March 2013 (2012 - 39,999,999/-) at the meeting held on the 24th July 2013.

The Company has disposed 75% of its investment in Sunshine Travels and Tours Ltd. on 29th April 2013.

There have been no material events occurring after the reporting date that require adjustments to or disclosure in the Financial Statements other than those disclosed above.

37 COMPARATIVE INFORMATION

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

38 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:

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

Notes to the Financial Statements *(contd.)*

39 TRANSITION TO SLFRS/LKAS

As stated in Note 2.1, these are the Group's first Consolidated Finacial Statements prepared in accordance with SLFRS. The accounting policies set out in Note 3, have been applied in preparing the Financial Statement for the year ended 31st March 2013. The comparative information presented in these Financial Statements for the year ended 31st March 2012 and in the preparation of and opening SLFRS Statement of Financial Position as at 01st April 2011.(the Group's date of transition). in preparing its opening SLFRS Statement of Financial Position, the Group has adjusted amount reported previously in Fianacial Statements prepared in accordance with SLAS (previous GAAP). An explanation of how the transition from previous SLASs to SLFRSs has affected the Group's Financial Position, financial performance and cash flows is set out in the following tables and the notes that accompanying the tables.

		GROUP					
As at 31st March	Note	As per SLAS 2011 Rs.	Adjustments 2011 Rs.	As per SLFRS 2011 Rs.	As per SLAS 2012 Rs.	Adjustments 2012 Rs.	As per SLFRS 2012 Rs.
39.1 Statement of Financial Position							
Assets							
Property,plant & equipments		2,707,419,603	–	2,707,419,603	3,306,721,237	–	3,360,721,237
Leasehold right to bare land		240,683,000	–	240,683,000	233,648,000	–	233,648,000
Biological assets	(a)	1,886,476,000	573,844,000	2,460,320,000	2,175,079,000	591,504,000	2,766,583,000
Intangible assets		120,728,232	–	120,728,232	134,829,240	–	134,829,240
Other investments	(b)	142,024,960	137,053,527	279,078,487	142,024,960	153,756,765	295,781,725
Deferred tax assets	(c)	44,594,888	1,817,445	46,412,333	84,795,210	939,238	85,734,448
Investment in gratuity fund		–	–	–	42,641,000	–	42,641,000
Non-current assets		**5,141,926,683**	**712,714,972**	**5,854,641,655**	**6,173,738,647**	**746,200,003**	**6,919,938,650**
Inventories	(a)	1,518,737,670	(36,943,000)	1,481,795,670	1,896,872,279	(50,105,000)	1,846,767,279
Income tax receivables		3,262,506	–	3,262,506	4,917,934	–	4,917,934
Trade & other receivables	(d)	1,375,407,830	(6,628,701)	1,368,779,129	1,450,550,255	(4,790,422)	1,445,759,833
Amounts due from related parties		10,758,568	–	10,758,568	8,823,100	–	8,823,100
Cash & cash equivalent		468,270,460	–	468,270,460	870,357,582	–	870,357,582
Current assets		**3,376,437,034**	**(43,571,701)**	**3,332,866,333**	**4,231,521,150**	**(54,895,422)**	**4,176,625,728**
Total assets		**8,518,363,718**	**669,143,271**	**9,187,507,988**	**10,405,259,797**	**691,304,581**	**11,096,564,378**
Equity							
Stated capital		679,999,949	–	679,999,949	679,999,949	–	679,999,949
Reserves	(e)	112,530,480	(111,272,755)	1,257,725	119,521,085	(118,229,790)	1,291,295
Retained earnings	(g)	1,532,102,493	482,844,934	2,014,947,427	2,076,911,937	403,140,027	2,480,051,964
Equity attributable to owners of the Company		**2,324,632,922**	**371,572,179**	**2,696,205,101**	**2,876,432,971**	**284,910,237**	**3,161,343,208**
Non-controling interests	(g)	2,209,054,455	322,570,091	2,531,624,546	2,103,546,593	353,730,344	2,457,276,937
Total equity		**4,533,687,377**	**694,142,270**	**5,227,829,647**	**4,979,979,564**	**638,640,581**	**5,618,620,145**
Liabilities							
Loans and borrowings		847,366,850	–	847,366,850	1,528,284,410	–	1,528,282,410
Employee benefits		697,435,588	–	697,435,588	893,461,764	–	893,461,764
Deferred income and capital grants		255,798,000	–	255,798,000	244,935,000	–	244,935,000
Deferred tax	(c)	27,129,000	–	27,129,000	32,846,661	52,664,000	85,510,661
Non-current liabilities		**1,827,729,438**	**–**	**1,827,729,438**	**2,699,527,835**	**52,664,000**	**2,752,190,835**
Bank overdraft		454,425,173	–	454,425,173	667,246,258	–	667,246,258
Income tax payables		116,278,130	–	116,278,130	99,355,472	–	99,355,472
Loans and borrowings		198,869,712	–	198,869,712	315,377,368	–	315,375,368
Trade and other payables	(f)	1,385,847,434	(24,999,000)	1,360,848,434	1,643,769,643	–	1,643,769,643
Amounts due to related parties		1,527,453	–	1,527,453	5,657	–	5,657
Current liabilities		**2,156,947,902**	**(24,999,000)**	**2,131,948,903**	**2,725,752,398**	**–**	**2,725,753,398**
Total liabilities		**3,984,677,340**	**(24,999,000)**	**3,959,678,341**	**5,425,280,233**	**52,664,000**	**5,477,944.233**
Total equity and liabilities		**8,518,363,717**	**669,143,271**	**9,187,507,988**	**10,405,259,797**	**691,304,581**	**11,096,564,378**

For the year ended 31st March	Note	GROUP As per SLAS 2012 Rs.	Adjustments 2012 Rs.	As per SLFRS 2012 Rs.
39.2 Statement of Comprehensive Income				
Revenue	(h)	11,219,541,197	(360,055,000)	10,859,486,197
Cost of sales	(h)	(8,935,640,008)	508,726,000	(8,426,914,008)
Gross profit		**2,283,901,189**	**148,671,000**	**2,432,572,189**
Other income	(a)	194,354,036	4,497,949	198,852,035
Selling & distribution expenses	(d)	(499,380,107)	1,838,278	(497,541,829)
Administrative expenses	(i)	(1,051,182,547)	899,597	(1,050,282,950)
Results from operating activities		**927,692,571**	**155,906,874**	**1,083,599,445**
Finance income		32,663,681	–	32,663,681
Finance costs	(h)	(123,504,463)	(25,635,000)	(149,139,463)
Net finance income/(cost)		**(90,840,782)**	**(25,635,000)**	**(116,475,782)**
Profit before tax		**836,851,789**	**130,271,874**	**966,224,067**
Tax expense	(j)	(223,063,965)	(77,850,134)	(300,914,098)
Profit for the year from continuing operation		**613,787,824**	**52,421,740**	**666,209,565**
Other comprehensive income				
Fair value changing availabe for sale financial assets	(k)	–	16,703,238	16,703,238
Exchange game/(loss)	(k)	–	122,472	122,473
Defined benefit plan actuarial gain/(loss)	(k)	–	(148,935,595)	(148,935,595)
Tax on other comprehensive income	(k)	–	31,264,961	31,264,961
Total other comprehensive income/(expence) for the year (Not of tax)		**–**	**(100,844,923)**	**(100,844,923)**
Total comprehensive income for the year		**613,787,824**	**(48,423,183)**	**565.364.642**
Profit attributable to:				
Owners of the company		426,337,940	–	448,486,942
Non-controlling interest		187,449,884	–	217,722,623
Total comprehensive income attributable to:				
Owners of the company		–	–	(17,549,542)
Non-controlling interest		–	–	83,295,381
Total comprehensive income for the year		**–**	**–**	**565,364,642**

For the year ended 31st March	Note	COMPANY As per SLAS 2012 Rs.	Adjustments 2012 Rs.	As per SLFRS 2012 Rs.
39.3 Statement of Comprehensive Income				
Revenue		190,134,023	–	190,134,023
Cost of sales		–	–	–
Gross profit		**190,134,023**	**–**	**190,134,023**
Other income		1,814,778	–	1,814,778
Selling & distribution expenses		–	–	–
Administrative expenses		(77,936,692)	–	(77,936,692)
Management fees		–	–	–
Results from operating activities		**114,012,109**	**–**	**114,012,109**
Finance income		–	–	–
Finance costs		–	–	–
Net finance income/(cost)		**–**	**–**	**–**
Profit before tax		114,012,109	–	114,012,109
Tax expense		–	–	–
Profit for the year		**114,012,109**	**–**	**114,012,109**
Total other comprehensive income				
Fair value changing availabe for sale financial assets	(b)	–	16,703,238	16,703,238
Total other comprehensive income for the year		**–**	**16,703,238**	**16,703,238**
Total comprehensive income for the year		**114,012,109**	**16,703,238**	**130,715,347**

Notes to the Financial Statements *(contd.)*

			COMPANY					
	As at 31st March	**Note**	**As per SLAS 2011 Rs.**	**Adjustments 2011 Rs.**	**As per SLFRS 2011 Rs.**	**As per SLAS 2012 Rs.**	**Adjustments 2012 Rs.**	**As per SLFRS 2012 Rs.**
39.4	**Statement of Financial Position – Company**							
	Assets							
	Property,plant & equipments		156,165	–	156,165	763,825	–	763,825
	Investments in subsidiaries		817,752,548	–	817,752,548	817,752,548	–	817,752,548
	Other investments	(b)	142,024,960	137,053,527	279,078,487	142,024,960	153,756,765	295,781,725
	Non-current assets		**959,933,673**	137,053,527	**1,096,987,200**	**960,541,333**	153,756,765	**1,114,298,098**
	Income tax receivable		3,158,728	–	3,158,728	3,158,728	–	3,158,728
	Trade & other receivables		7,412,102	–	7,412,102	14,095,266	–	14,095,266
	Amounts due from related parties		5,417,463	–	5,417,463	39,717,474	–	39,717,474
	Cash & cash equivalent		18,573,345	–	18,573,345	54,151,973	–	54,151,973
	Current assets		**34,561,638**	**–**	**34,561,638**	**111,123,441**	**–**	**111,123,441**
	Total assets		**994,495,311**	**137,053,527**	**1,131,548,838,**	**1,071,664,774**	**153,756,765**	**1,225,421,539**
	Equity							
	Stated capital		679,999,949	–	679,999,949	679,999,949	–	679,999,949
	Reserves		1,257,725	–	1,257,725	1,257,725	–	1,257,725
	Retained earnings	(b)	307,692,774	**137,053,527**	**444,746,301**	**381,704,884**	**153,756,765**	**535,461,649**
	Equity attributable to owners of the company		**988,950,448**	**137,053,527**	**1,126,003,975**	**1,062,962,558**	**153,756,765**	**1,216,719,323**
	Liabilities							
	Employee benefits		1,992,436	–	1,992,436	3,778,569	–	3,778,569
	Non-current liabilities		**1,992,436**	**–**	**1,992,436**	3,778,569	**–**	3,778,569
	Bank overdraft		–	–	–	946,776	–	946,776
	Income tax payable		–	–	–	–	–	–
	Trade and other payables		3,552,428	–	3,552,428	3,976,872	–	3,976,871
	Amounts due to related parties		–	–	–	–	–	–
	Current liabilities		**3,552,428**	**–**	**3,552,428**	**3,552,428**	**–**	**4,923,647**
	Total liabilities		**5,544,864**	**–**	**5,544,864**	**5,544,864**	**–**	**8,702,216**
	Total equity and liabilities		**994,495,311**	**137,053,527**	**1,131,548,838,**	**1,131,548,838,**	**153,756,765**	**1,225,421,539**

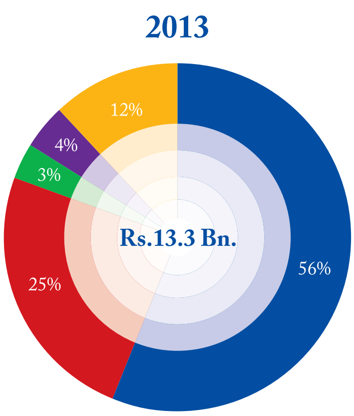
	GROUP		COMPANY	
	31.03.2012	01.04.2011	31.03.2012	01.04.2011
(a) Immature and mature plantations as per SLAS 32 included both Bearer biological assets and the Consumable biological assets as one asset category “Immature/mature plantations”. With the implementation of the LKAS 41 and as per the ruling issued by the Institute of Chartered Accountants of Sri Lanka, the immature and mature plantations are separated as Bearer biological and Consumable biological assets. Under LKAS 41 Consumable Biological assets are measured on initial recognition and at the end of each reporting period at its fair value less cost to sell. The fair value gain as of 01st April 2011 amounting to Rs. 536,901,000/- and 31st March 2012 amounting to Rs. 541,399,000/- have been adjusted in the Statement of Financial Position and the difference between those two valuations amounting to Rs. 4,497,999/-, which has arisen by the adoption of LKAS 41, has been included in the other operating income of statement of comprehensive income for the year ended 31st March 2012.				
STATEMENT OF FINANCIAL POSITION				
Biological Assets Bearer				
Transferred from Inventory to Biological Assets - Immature Plantation	50,105,000	36,943,000	–	–
Transferred to Consumer Biological Assets	(89,167,000)	(78,915,000)		
Total adjustment to Biological Assets Bearer	**(39,062,000)**	**(41,972,000)**	**–**	**–**
Biological Assets Consumer				
Transferred from Biological Assets Bearer	89,167,000	78,915,000	–	–
Fair value Adjustment for Consumer Biological Assets	541,399,000	536,901,000		
Total adjustment to Biological Assets Consumable	**630,566,000**	**615,816,000**	**–**	**–**
Inventory				
Transferred to Biological Assets Bearer	(50,105,000)	(36,943,000)	–	–
Total adjustment to the Inventory	**(50,105,000)**	**(36,943,000)**	**–**	**–**
Statement of Comprehensive Income				
Other Operating Income				
Impact on fair value of consumable biological assets	4,497,999	–	–	–
Total adjustment to other operating income	**4,497,999**	**–**	**–**	**–**
(b) Under SLASs, the Company and Group accounted investment in unquoted equity shares at cost. Under SLFRSs the Company and Group has designated those investments as available for sale financial assets, measured at fair value. The fair value differences have been recognised as a seperate component of equity.				
Other long Term Investment				
Other Long Term Investments-available for sale financial assets	153,756,765	137,053,527	153,756,765	137,053,527
Total adjustment to Other Long Term Investments	**153,756,765**	**137,053,527**	**153,756,765**	**137,053,527**
Statement of Other Comprehensive Income				
Fair Value Gain on Other Long Term Investments - Financial Assets - Available for Sale	16,703,238	–	16,703,238	–
Total adjustment	**16,703,238**	**–**	**16,703,238**	**–**
(c) The various transitional adjustments lead to different temporary differences. Accordingly defred tax adjustments were recognised in correlation to the underlying transactions either in retained earnings or statement of comprehensive income as applicable				
DEFERRED TAX				
Deferred Tax Asset				
Deferred Tax Impact on Adjustment of Impairment provision for Trade and Other Receivables	939,238	1,817,445	–	–
Total adjustment to Deferred Tax Asset	939,238	1,817,445	–	–
Deferred Tax Liability				
Deferred Tax Impact on Fair Value of Consumer Biological Assets	52,664,000	–	–	–
Total adjustment to Deferred Tax Liability	**52,664,000**	**–**	**–**	**–**

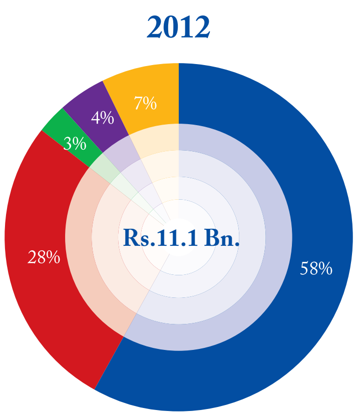
Notes to the Financial Statements *(contd.)*

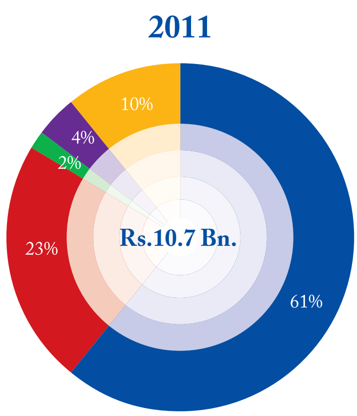
		GROUP		COMPANY	
		31.03.2012	01.04.2011	31.03.2012	01.04.2011
(d)	Allowance for bad and doubtful debts made under previous standards consisted of both a specific amount for incurred losses and a general amount for expected future losses. SLFRS does permit recognition of impairment for expected future losses and instead required on a collective as well as individual basis assessment based on objective evidence that there has been an impairment. Based on such requirments, an adjustment of Rs. 6,628,701/- was made at the date of transition and Rs. 4,790,422/- as of 31st march 2012 in the Statement of Financial Position and Rs. 1,838,278/- for the year ended 31st March 2012 in the Statement of Comprehensive Income.				
	Trade and other receivables				
	Adjustment to the impairment provision for Trade and other receivables	4,790,422	6,628,701	–	–
	Adjustment to the Trade and other Receivables	4,790,422	6,628,701	–	–
	Selling and distribution expenses				
	Reversal of provision for impairement of debtors	1,838,278	–	–	–
	Total adjustment to Selling and distribution expenses	**1,838,278**	**–**	**–**	**–**
(e)	The company has elected to measure Land and Building of property, plant and equipment at cost which was accounted at revalued amount at the date of transition to SLFRS. The recognized revaluation reserve at the transition date has been recognised against retained earnings.				
	Revaluation reserve				
	Reversal of Revaluation reserve	(118,229,790)	(111,272,755)	–	–
	Total adjustment to Revaluation reserve	**(118,229,790)**	**(111,272,755)**	**–**	**–**
(f)	Watawala Plantation PLC, a subsidiary of the company , wrote back the long outstanding payable amounting to Rs. 24,999,000/- as of the transition date through the retained earnings				
	Trade and Other Payables				
	Write back of Long outstanding liabilities	–	24,999,000	–	–
	Total adjustment to Trade and other payables	**–**	**24,999,000**	**–**	**–**
(g)	All the adjustments except reclassification items pertaining to the transition to SLFRS/LKAS, were recognised against retained earnings as of transition date.				
	Retained earnings				
	Fair Value of Consumer biological assets	541,399,000	536,901,000	–	–
	Impairment of Debtors	(4,790,422)	(6,628,701)	–	–
	Write back of Long outstanding liabilies	–	24,999,000	–	–
	Deferred tax impact on fair valuation of Consumer biological assets	(52,664,000)	–	–	–
	Deferred tax impact on adjustment of impairment provision for Trade and other receivables	939,238	1,817,445	–	–
	Adjustment of Revaluation reserve	118,229,790	111,272,755	–	–
	Fair Value adjustment of Other Long term investment	153,756,765	137,053,527	153,756,765	137,053,527
	Total	**756,870,371**	**805,415,026**	**153,756,765**	**137,053,527**
	Adjustment to Non controlling interest	**353,730,344**	**322,570,092**	**–**	**–**
	Adjustment to Retained earnings	**403,140,027**	**482,844,934**	**153,756,765**	**137,053,527**
(h)	There are no material differences between the Group and Company Statement of Cash Flows presented under SLFRS and the Statement of Cash Flows presented under SLASs.				

Economic Value Statement

For the year ended 31st March	2013 Rs.	2012 Rs.	2011 Rs.
Direct economic value generated			
Revenue	13,067,664,329	10,859,486,197	10,281,930,865
Interest income	64,089,441	32,663,681	18,733,374
Profit on sale of assets	34,456,435	23,309,822	9,817,969
Other income	131,062,398	175,542,214	404,461,857
	13,297,272,603	**11,091,001,913**	**10,714,944,064**
Economic value distributed			
Payments to external sources for materials & services			
- Operating cost	7,478,740,374	6,443,777,464	6,768,973,301
	7,478,740,374	**6,443,777,464**	**6,768,973,301**
Payments to employees			
- Salaries, Wages & Other benefits	3,262,147,370	3,054,373,925	2,516,713,403
	3,262,147,370	**3,054,373,925**	**2,516,713,403**
Payments to providers of funds			
- Interest to money lenders	274,449,378	149,139,463	110,309,956
- Dividend to minority shareholders	135,245,259	134,574,147	41,608,945
- Dividend to owners of parent	39,999,999	39,999,999	39,999,999
	449,694,636	**323,713,609**	**191,918,900**
Payment to government			
- Income tax	284,656,312	233,680,957	228,223,130
- Value Added tax	133,446,718	133,446,718	92,763,768
- Nation Building Tax	37,681,327	35,952,015	59,796,000
- JEDB/SLSPC lease rentals	55,990,000	55,990,000	50,958,000
- ESC & other taxes	24,380,318	12,576,925	8,107,262
	536,154,675	**471,646,615**	**439,848,160**
Economic value retained			
- Profit after dividend	1,173,857,782	485,364,644	922,974,276
- Depreciation & amortisation	396,677,766	312,125,656	256,264,962
Retained for reinvestment/growth	**1,570,535,548**	**797,490,300**	**1,179,239,238**







Operating cost
Payments to employees
Payments to providers of funds
Payment to government
To Expansion & Growth

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	2,044	
Total No of Shares	133,333,330	(as at 31st March 2013 - 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	1,348	700,520	0.53%	5	2,900	0.00%	1,353	703,420	0.53%
1,001	5,000	466	1,223,380	0.92%	11	36,704	0.03%	477	1,260,084	0.95%
5,001	10,000	91	753,232	0.56%	2	18,999	0.01%	93	772,231	0.58%
10,001	50,000	82	1,903,838	1.43%	6	132,152	0.10%	88	2,035,990	1.53%
50,001	1,000,000	25	5,042,044	3.78%	1	100,000	0.08%	26	5,142,044	3.86%
Over	1,000,000	4	48,087,831	36.07%	3	75,331,730	56.50%	7	123,419,561	92.56%
	Total	**2,016**	**57,710,845**	**43.28%**	**28**	**75,622,485**	**56.72%**	**2,044**	**133,333,330**	**100.00%**

Analysis of Shareholders	31st March 2013			31st March 2012		
	No of Shareholders	No. of Shares	%	No of Shareholders	No. of Shares	%
Individuals	110	126,208,629	94.66%	114	125,413,544	94.06%
Institutions	1,934	7,124,701	5.34%	2,079	7,919,786	5.94%
Total	2,044	133,333,330	100.00%	2,193	133,333,330	100.00%

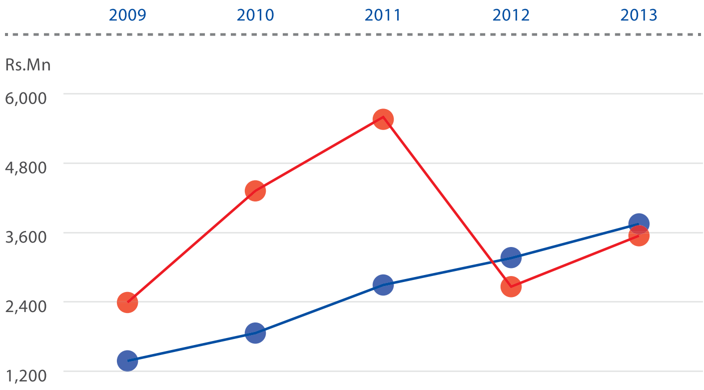
PUBLIC SHARE HOLDING

The percentage of shares held by the public 10.96% (2012 - 10.95%)

SHARE TRADING INFORMATION FROM 1ST APRIL 2012 TO 31ST MARCH 2013

	2013	2012	2011	2010	2009
Highest (Rs.)	34.00 on 07.09.2012	32.00 on 25.01.2012	57.00	900.00	180.00
Lowest (Rs.)	18.10 on 10.04.2012	17.00 on 15.02.2012	42.00	141.00	115.00
As at 31st March (Rs.)	26.60	20.00	42.10	325.00	180.00
No. of transactions	1794	939	2,756	1,346	27
No. of shares traded	2,574,012	1,852,621	5,857,600	1,020,700	1,042,900
Value of shares traded (Rs.)	67,442,412	43,113,108	299,084,260	295,456,625	130,405,350

Market Capitalisation vs Shareholder's Fund

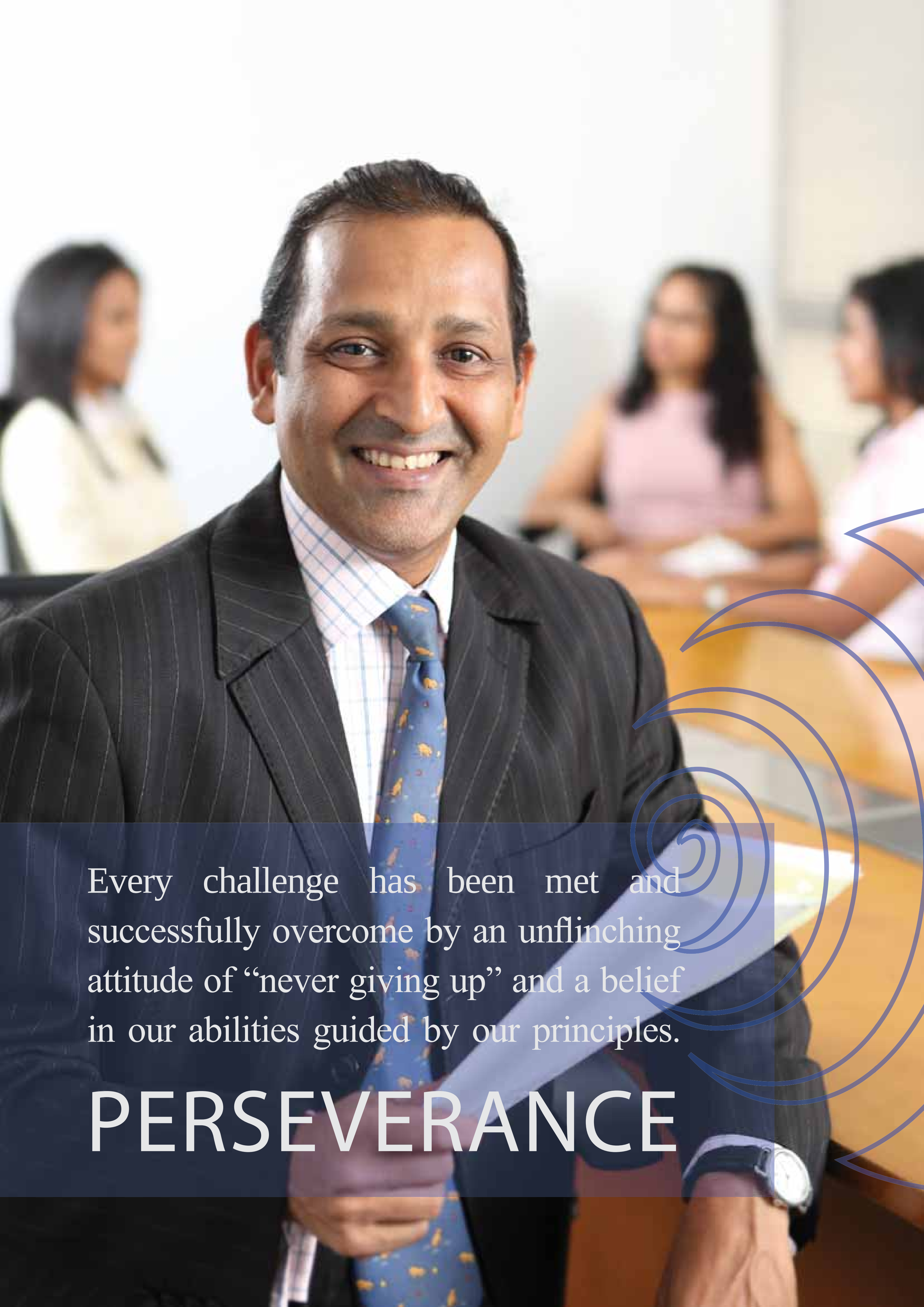


DIVIDENDS

	2013	2012	2011	2010
Proposed & Final Dividend (Rs.)	66,666,665	39,999,999	39,999,999	39,999,999
Dividend per share (Rs.)	0.50	0.30	0.30	0.30
Dividend payout ratio (%)	37.2	30.6	36.1	34.9

TWENTY (20) LARGEST SHAREHOLDERS AS AT

NAME	31st March 2013 No of Shares Held	%	31st March 2012 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 (Pvt.) 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	1,679,611	1.26%	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 (Pvt) Limited	500,000	0.38%	500,000	0.38%
Bank of Ceylon AC No 2	424,100	0.32%	424,100	0.32%
National Savings Bank	318,200	0.24%	318,200	0.24%
Deutsche Bank AG - Comtrust Equity Fund	270,000	0.20%	280,000	0.21%
Commercial Bank of Ceylon PLC/Devi Holdings (Pvt.) Limited	250,000	0.19%	250,000	0.19%
Arunodhaya (Pvt.) Limited	180,000	0.14%	–	–
Arunodhaya Industries (Pvt.) Limited	180,000	0.14%	–	–
Arunodhaya Investments (Pvt.) Limited	180,000	0.14%	–	–
Mr. C P De Silva	156,900	0.12%	156,900	0.12%
Bank of Ceylon A/C Cey Bank Century Growth Fund	142,697	0.11%	140,200	0.11%
Mr. E Thavagnanasundaram	123,600	0.09%	123,600	0.09%
Sub Total	**127,521,858**	**95.64%**	**126,967,150**	**95.23%**
Others	**5,811,472**	**4.36%**	**6,366,180**	**4.77%**
Total	**133,333,330**	**100.00%**	**133,333,330**	**100.00%**



Every challenge has been met and successfully overcome by an unflinching attitude of "never giving up" and a belief in our abilities guided by our principles.

PERSEVERANCE

OTHER INFORMATION

Milestones

1967

Entrepreneurial quest begins as Lanka Medical

1992

Joint Venture with Tata Tea (Tata Global Beverages), by setting up Estate Management Services

1996-98

Acquired Watawala Plantations, a regional plantation company listed on the CSE

Entered into the Branded Tea business with Zesta

2002

Launched the popular Tea brand Watawala Kahata

Diversified into Travel & Leisure by acquiring Sunshine Travels & Tours

Adopted the name 'Sunshine Holdings' as the holding company for its various vibrant subsidiaries

2003

Established Healthguard Pharmacy, a top of the line, value-added Health, Wellness & Beauty outlets in Greater Colombo

2005

Diversified into Printing and Packaging solutions for Beverages and Confectionery industry via acquisition of Sunshine Packaging

2008

Diversified into Telecommunications by acquiring 10% of Tata Communications Lanka

Aureos Capital acquired 25% stake in Sunshine Holdings

Watawala Plantations achieved Super Brand status

Launched edible oil brand Oliate

Developed the 1st Palm Oil refinery by a Plantation company in Sri Lanka

2010

Sunshine Holdings announced a 1:10 stock split

Established Sunshine Energy

2011-12

Entered into the Wellness segment by launching Surelife Wellness brands

Launched 1st own Wellness brand: 'Pedia Plus'

Commissioned the Group's 1st Renewable Energy plant at Lower Waltrim mini-hydro plant

2012-13

Group adopted a new visual identity

Launched three additional Wellness brands : 'Mama Plus', 'Enlive Plus' and 'Diabeta Plus'

Proposed partnership with Pyramid Wilmar Pvt Ltd to strengthen Agri Business & FMCG

Decade at a Glance

	2013		2012		2011		2010	
Year ended 31st March	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
Operating Results								
Revenue	13,067,664,329	230,073,381	10,859,486,197	190,134,023	10,281,930,865	134,837,248	9,437,275,477	137,486,763
Gross profit	3,319,045,536	230,073,381	2,432,572,189	190,134,023	2,416,637,850	134,837,248	1,814,375,896	113,136,003
Profit Before interest & Tax	1,712,747,392	165,957,234	1,083,599,445	112,197,331	1,857,390,036	110,973,985	957,249,732	114,532,406
Profit before tax	1,502,387,455	177,206,637	967,123,663	114,012,109	1,725,163,080	110,973,985	834,067,131	114,346,874
Income Tax	(299,952,674)	–	(300,914,098)	–	(219,814,038)	–	(108,401,185)	–
Profit for the year	**1,202,434,781**	**177,206,637**	**666,209,565**	**114,012,109**	**1,505,349,042**	**110,973,985**	**725,665,946**	**114,346,874**
Other comprehensive income	51,423,000	2,124,123	(100,844,923)	16,703,238	56,345,000	–	–	–
Total comprehensive income	**1,253,857,781**	**179,330,760**	**565,364,642**	**130,715,347**	**1,561,694,042**	**110,973,985**	**725,665,946**	**114,346,874**
Profit Attributable to owners of parent company	631,051,369	179,330,760	430,937,400	130,715,347	650,465,999	110,973,985	395,816,236	114,346,874
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 & other Reserves	1,076,455	1,257,725	1,291,295	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725
Retained Profit	3,071,318,173	674,792,410	2,480,051,964	535,461,649	2,014,947,427	444,746,301	1,183,395,365	236,718,788
Shareholders' fund	**3,752,394,577**	**1,356,050,084**	**3,161,343,208**	**1,216,719,323**	**2,696,205,101**	**1,126,003,975**	**1,864,653,039**	**917,976,462**
Non-controlling Interest	2,972,805,083	–	2,457,276,937	–	2,531,624,546	–	1,609,021,951	–
Total Equity	**6,725,199,660**	**1,356,050,084**	**5,618,620,145**	**1,216,719,323**	**5,227,829,642**	**1,126,003,975**	**3,473,674,990**	**917,976,462**
Non Current Liabilities	2,396,340,347	6,285,163	2,752,190,835	3,778,569	1,827,729,438	1,992,436	1,768,197,677	1,048,000
Current Liabilities	2,646,080,979	8,322,763	2,725,753,398	4,923,647	2,131,948,903	3,552,427	1,717,405,816	4,556,635
Total Equity & Liabilities	**11,767,620,986**	**1,370,658,010**	**11,096,564,378**	**1,225,421,539**	**9,187,507,988**	**1,131,548,838**	**6,959,278,483**	**923,581,097**
Assets								
Property, Plant & Equipments	3,535,192,037	753,193	3,594,369,237	763,825	2,948,102,603	156,165	4,066,958,966	–
Biological assets	2,880,079,000	–	2,766,583,000	–	2,460,320,000	–	–	–
Intangible Assets	143,633,919	–	134,829,240	–	120,728,232	–	36,712,570	–
Investments in subsidiaries	–	860,698,768	–	817,752,548	–	817,752,548	–	649,402,568
Other Investments	297,905,868	297,905,868	295,781,725	295,781,725	279,078,487	279,078,487	116,465,010	92,025,010
Investment in Gratuity fund	127,267,000	–	42,641,000	–	–	–	–	–
Deferred tax	86,445,883	–	85,734,448	–	46,412,333	–	–	–
Current Assets	4,697,097,276	211,300,181	4,176,625,728	111,123,441	3,332,866,333	34,561,638	2,739,141,937	182,153,519
Total Assets	**11,767,620,986**	**1,370,658,010**	**11,096,564,378**	**1,225,421,539**	**9,187,507,988**	**1,131,548,838**	**6,959,278,483**	**923,581,097**
Key Indicators								
Earnings Per Share	4.59	1.33	3.51	0.86	4.76	0.83	2.97	0.86
Dividends Per Share	0.50	0.50	0.30	0.30	0.30	0.30	0.3	0.3
Net Assets Per Share	28.14	10.17	23.71	9.13	18.56	8.45	13.98	6.9
Return on Equity (ROE)	18.25%	13.94%	14.75%	11.16%	23.88%	11.64%	24.36%	13.03%
Current Ratio	1.7	25.3	1.5	22.5	1.5	9.7	1.59	40.44
Dividend Payout Ratio	5.3%	37.2%	7.1%	30.6%	6.3%	36.1%	10.10%	34.90%

2009		2008		2007		2006		2005		2004	
Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
7,407,485,607	96,742,686	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
1,296,472,609	88,690,009	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
594,068,588	92,518,915	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
444,573,375	84,679,270	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
(128,847,482)	(668,686)	(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)
315,725,893	**84,010,584**	**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**
–	–	–	–	–	–	–	–	–	–	–	–
315,725,893	**84,010,584**	**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**
171,643,672	84,010,584	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
679,999,949	679,999,949	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
703,812,085	155,705,249	555,207,961	96,694,663	479,926,318	79,351,871	378,136,540	22,370,549	136,249,172	28,842,194	89,408,604	26,405,421
1,385,069,759	**836,962,923**	**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**
1,520,382,041	–	1,407,283,124	–	965,864,263	–	856,647,103	–	666,512,987	–	528,538,583	–
2,905,451,800	**836,962,923**	**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**
1,409,457,451	555,000	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
1,731,273,370	14,335,794	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
6,046,182,621	**851,853,717**	**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**
3,296,917,650	6,976	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
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	15,934,341	–	15,934,341	–	–	–	–	–
125,001,473	417,402,568	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
25,000,000	96,061,473	15,934,341	194,869,735	203,416,000	100,000,000	205,820,000	101,443,835	–	113,156,678	–	117,902,435
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
2,599,263,498	338,382,700	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
6,046,182,621	**851,853,717**	**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**
14.37	7.03	20.54	3.23	9.81	7.2	14.34	0.35	12.69	4.24	7.22	2.58
2.5	2.5	2.5	2.5	1.5	1.5	1.5	1.5	2.5	2.5	2.5	2.5
103.88	62.77	72.65	26.8	65.12	25.06	54.94	19.36	30.74	20.01	26.07	19.77
12.39%	10.04%	28.22%	12.07%	15.07%	28.72%	26.09%	1.82%	41.26%	21.21%	27.70%	13.04%
1.5	24.14	1.47	0.66	1.15	1.27	1.12	0.41	1.08	5.83	0.97	2.57
17.40%	35.60%	12.20%	77.40%	15.30%	20.80%	10.50%	428%	19.70%	58.90%	34.60%	96.90%

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 debt

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

Non-controlling 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 period 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 Fortieth (40th) Annual General Meeting of Sunshine Holdings PLC will be held at "On Golden Pond" Taj Samudra Hotel, Galle Face, Colombo 03, on 24th July 2013 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 2013.
2. To re-appoint Mr. R. T. Wijetilleke, who retires having attained the age of seventy three 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 three 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 one years and the Company has received a special notice to pass the under noted ordinary resolution in compliance with Section 211 of the Companies Act No 07 of 2007 in relation to his appointment.

Ordinary Resolution 2

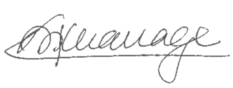
That Mr. U. L. Kadurugamuwa a retiring Director who has attained the age of seventy one years be and is hereby re-appointed a Director of the Company and it is hereby declared that the age limit of seventy years referred in Section 210 of the Companies Act No 07 of 2007 shall not apply to the appointment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

4. To re-elect Mr. G. Sathasivam who retires in terms of Article 104 of the Articles of Association of the Company, as a Director.
5. To re-elect Mr. N. B. Weerarasekara who retires in terms of Article 104 of the Articles of Association of the Company, as a Director.
6. To declare a Final Dividend of Rs. 0.50 per share as recommended by the Directors.
7. To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company and authorize the Directors to determine their remuneration.
8. To authorize the Directors to determine contributions to charities.

Note:

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

By Order of the Board



Secretaries & Financial Services (Pvt) Ltd
Secretaries

29th May 2013
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

2012/2013	Date of Release
01st Quarter 2012/2013	10th August 2012
02nd Quarter 2012/2013	07th November 2012
03rd Quarter 2012/2013	07th February 2013
04th Quarter 2012/2013	30th May 2013

2011/2012	Date of Release
01st Quarter 2011/2012	04th August 2011
02nd Quarter 2011/2012	06th November 2011
03rd Quarter 2011/2012	01st February 2012
04th Quarter 2011/2012	30th May 2012

Annual Report	Date of Release	Meetings
28th Annual General Meeting	11th September 2001	06th November 2001
29th Annual General Meeting	25th May 2002	06th September 2002
30th Annual General Meeting	18th July 2003	18th September 2003
31st Annual General Meeting	21st June 2007	17th September 2004
32nd Annual General Meeting	12th July 2005	25th August 2005
33rd Annual General Meeting	26th June 2006	26th July 2006
34th Annual General Meeting	20th June 2007	27th July 2007
35th Annual General Meeting	30th June 2008	31st July 2008
36th Annual General Meeting	09th July 2009	30th July 2009
37th Annual General Meeting	23rd June 2010	16th July 2010
38th Annual General Meeting	04th July 2011	29th July 2011
39th Annual General Meeting	04th July 2012	27th July 2012
40th Annual General Meeting	01st July 2013	24th July 2013

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 24th July 2013 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 2013.		
02	To re-appoint Mr. R. T. Wijetilleke, who retires having attained the age of seventy three 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 one years, a Director by passing the Ordinary Resolution set out in the Notice.		
04	To re-elect Mr. G. Sathasivam who retires in terms of Article 104 of the Articles of Association of the Company as a Director.		
05	To re-elect Mr. N. B. Weerasekara who retires in terms of Article 104 of the Articles of Association of the Company as a Director.		
06	To declare a Final Dividend of Rs. 0.50 per share as recommended by the Directors.		
07	To re-appoint Messrs. KPMG, Chartered Accountants as Auditors of the Company and authorize the Directors to determine their remuneration.		
08	To authorize the Directors to determine contributions to charities.		

Dated this ______ day of ________________ 2013

____

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

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

sunshine

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