sunshine

sunshine holdings plc

ANNUAL REPORT 2013-14

WE MAKE THINGS

BETTER

THE FUTURE

WE ASPIRE TO BE THE MOST ADMIRED CONGLOMERATE IN SRI LANKA

THE PURPOSE

GROWING OUR ENTERPRISES TO BE INDUSTRY LEADERS

VALUES

INNOVATION
continuous improvement through change

PERSEVERANCE
never give up

TRUST
the foundation upon which we grow

RESPONSIBILITY
accountable to all stakeholders

INTEGRITY
honest, open and transparent

OUR BELIEFS ARE GUIDED BY OUR

HERIT

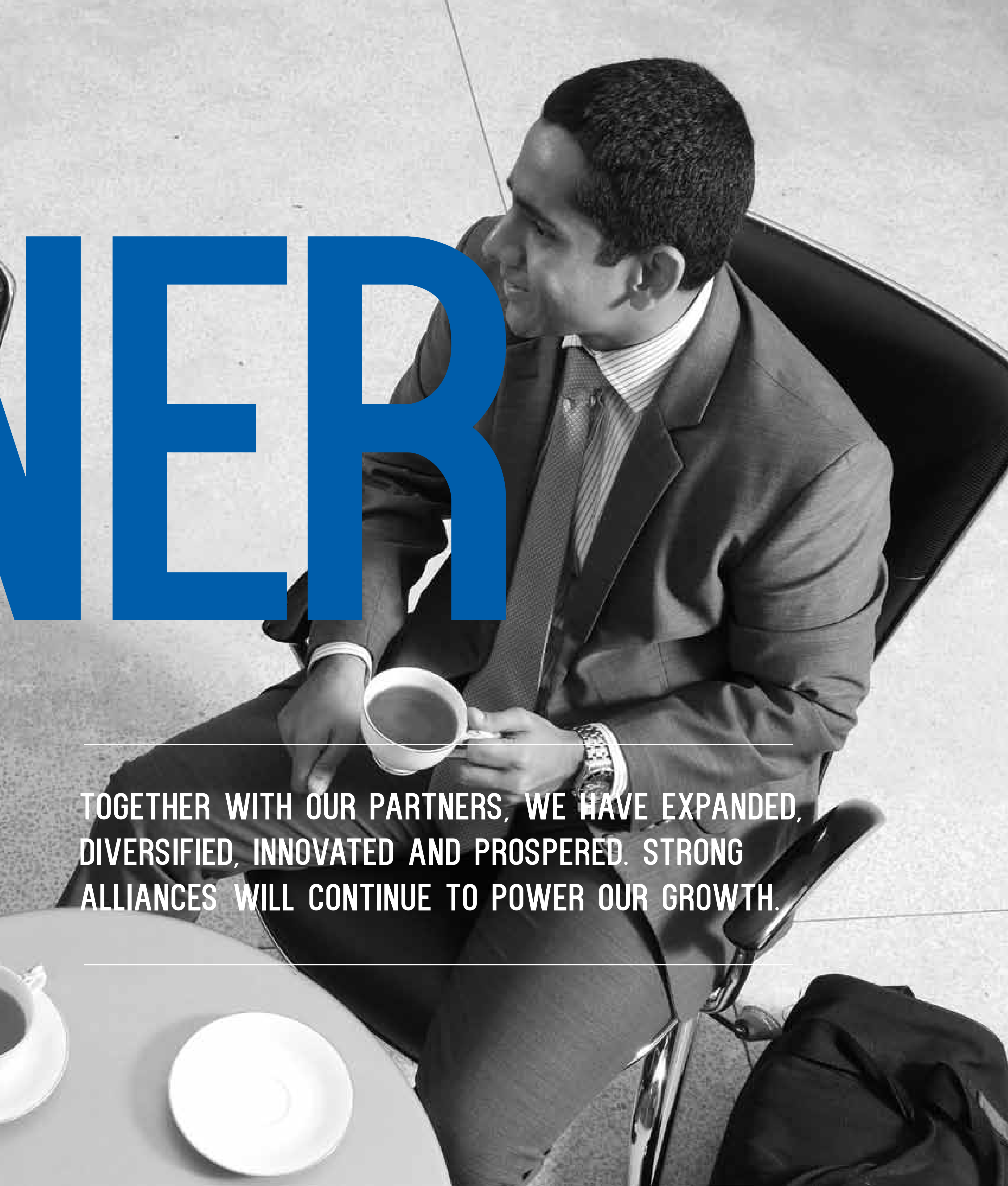
TAGE

IT IS NOT THE HONOR THAT YOU TAKE WITH YOU,
BUT THE HERITAGE YOU LEAVE BEHIND.
— BRANCH RICKEY

OUR

PARTN
SHIPS

HAVE MADE US A POWERHOUSE



NER

TOGETHER WITH OUR PARTNERS, WE HAVE EXPANDED, DIVERSIFIED, INNOVATED AND PROSPERED. STRONG ALLIANCES WILL CONTINUE TO POWER OUR GROWTH.

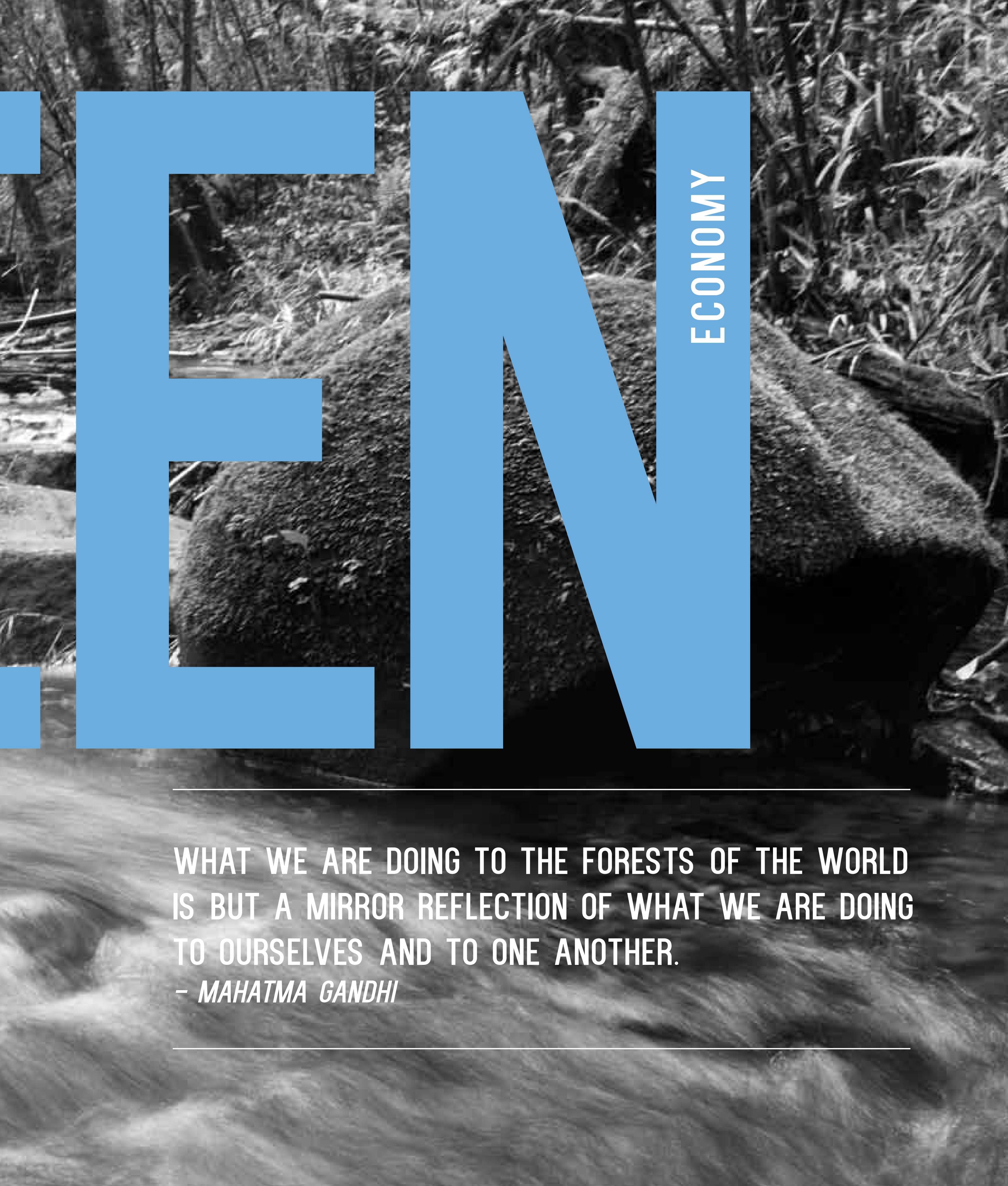
PROFE
ALISM

SSION

IS THE ENGINE OF OUR BUSINESS

OUR EXPERTS HAVE LED THE WAY TO SUCCESS. IT IS THEIR SKILL, DEDICATION AND ACUMEN THAT DRIVE OUR COMPANY FORWARD.


GRE



EN

ECONOMY

WHAT WE ARE DOING TO THE FORESTS OF THE WORLD IS BUT A MIRROR REFLECTION OF WHAT WE ARE DOING TO OURSELVES AND TO ONE ANOTHER.

– MAHATMA GANDHI


WE MAKE
LIFE
BETTER FOR OUR PEOPLE AND OUR NATION

WE ARE ONE OF SRI LANKA'S LARGEST EMPLOYERS. WE ENGAGE IN BUSINESSES THAT ARE ESSENTIAL TO THE WELL-BEING OF OUR FELLOW CITIZENS. WE TAKE PRIDE IN OUR CONTRIBUTIONS TO OUR COUNTRY AND ITS FUTURE.

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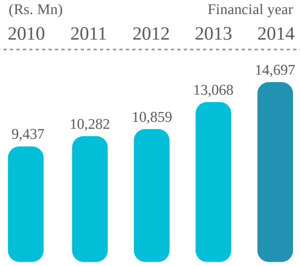
GROUP AT A GLANCE

GROUP

Revenue

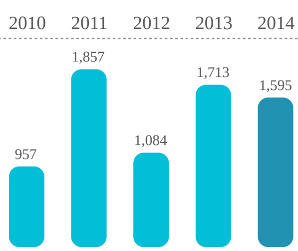
(Rs. Mn) Financial year



	Rs. Mn
Revenue	14,697
EBIT	1,595
PAT	1,168
Profit for Equity Holders	688
Total Assets	13,500
# Employees	12,023

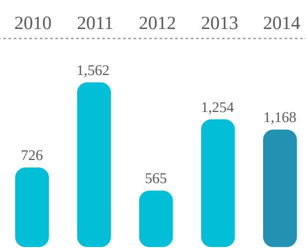
EBIT

(Rs. Mn) Financial year



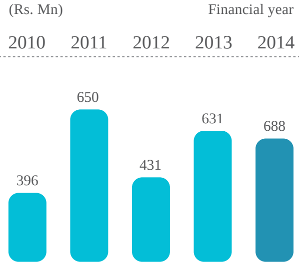
PAT

(Rs. Mn) Financial year



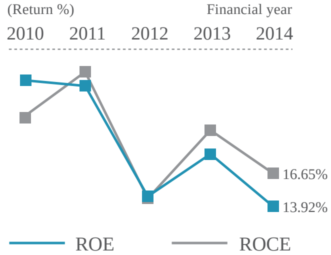
Profit for Equity Holders

(Rs. Mn) Financial year



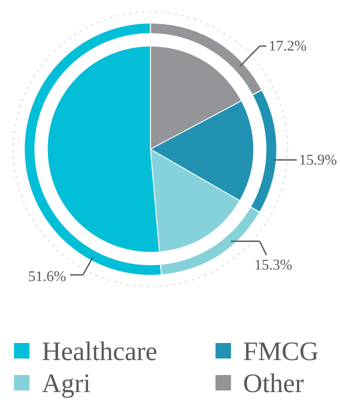
ROE & ROCE

(Return %) Financial year



Profit for Equity Holders - Segments

(Contribution %)

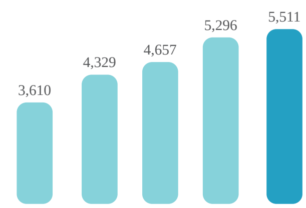


SEGMENTS

Healthcare
(Rs. Mn)

Revenue	5,511
EBIT	510
PAT	355
Total Assets	2,785
# Employees	714

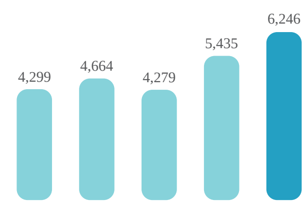
Revenue
(Rs. Mn) Financial year
2010 2011 2012 2013 2014



Agri
(Rs. Mn)

Revenue	6,246
EBIT	678
PAT	434
Total Assets	7,061
# Employees	11,035

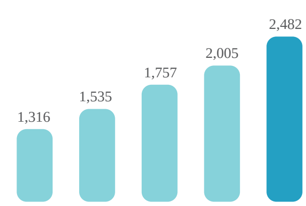
Revenue
(Rs. Mn) Financial year
2010 2011 2012 2013 2014



FMCG
(Rs. Mn)

Revenue	2,482
EBIT	349
PAT	311
Total Assets	916
# Employees	120

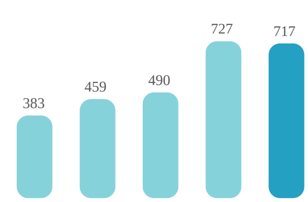
Revenue
(Rs. Mn) Financial year
2010 2011 2012 2013 2014



Other
(Rs. Mn)

Revenue	717
EBIT	1,347
PAT	1,402
Total Assets	5,731
# Employees	154

Revenue
(Rs. Mn) Financial year
2010 2011 2012 2013 2014



FINANCIAL HIGHLIGHTS

	GROUP		COMPANY	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Results for the year				
Revenue	14,696,587,869	13,067,664,329	232,691,759	230,073,381
Gross Profit	3,510,997,629	3,319,045,536	232,691,759	230,073,381
Gross Profit Margin %	**23.89%**	**25.40%**	–	–
EBIT	**1,595,297,083**	**1,712,747,392**	**1,018,312,994**	**165,957,234**
Net Finance Cost	(145,396,692)	(210,359,937)	91,567,845	11,249,403
Profit Before Tax	1,450,026,167	1,502,387,455	1,109,880,839	177,206,637
Income Tax	(324,141,236)	(299,952,674)	(6,218,055)	–
Profit for the year	**1,125,884,931**	**1,202,434,781**	**1,103,662,784**	**177,206,637**
Other Comprehensive Income (net of tax)	42,414,470	51,423,000	107,525,886	2,124,123
Total Comprehensive Income	**1,168,299,401**	**1,253,857,781**	**1,211,188,670**	**179,330,760**
Net Profit Margin %	**7.95%**	**9.60%**	–	–
Profit for Equity Holders	687,648,524	631,051,369	1,211,188,670	179,330,760
At the Year End				
Stated Capital	690,993,533	679,999,949	690,993,533	679,999,949
Shareholders' Funds	4,848,499,080	3,752,394,577	2,511,319,069	1,356,050,084
Non-controlling Interest	3,422,806,466	2,972,805,083	–	–
Total Equity	**8,271,305,546**	**6,725,199,660**	**2,511,319,069**	**1,356,050,084**
Long Term Liabilities				
– Debt	1,285,115,794	1,149,423,616	–	–
– Other	1,431,878,371	1,246,916,731	8,800,364	6,285,163
Current Liabilities				
– Debt	804,748,440	928,490,918	–	20,160
– Other	1,706,575,404	1,717,590,061	11,343,067	8,302,603
Total Equity & Liabilities	**13,499,623,555**	**11,767,620,986**	**2,531,462,500**	**1,370,658,010**
Non-current Assets	7,772,362,259	7,070,523,687	1,473,047,232	1,159,357,809
Current Assets				
– Cash & Cash Equivalent	1,437,545,412	769,629,789	940,945,873	94,609,245
– Other	4,289,715,884	3,927,467,510	117,469,395	116,690,956
Total Assets	**13,499,623,555**	**11,767,620,986**	**2,531,462,500**	**1,370,658,010**

	GROUP		COMPANY	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
For the Year Ended				
Cash Generated from Operations	1,770,588,015	1,677,487,890	158,638,625	113,495,259
Income Tax paid	(263,315,674)	(284,656,312)	–	–
Interest Paid	(286,196,190)	(261,830,675)	(7,848,199)	(324,039)
Gratuity Paid	(104,625,110)	(76,851,422)	(171,150)	–
Net Cash Generated from Operations	**1,116,450,641**	**1,054,149,481**	**150,619,276**	**113,171,220**
Capital Expenditure	(825,530,886)	(637,502,588)	(2,661,683)	(414,535)
Net Cash Generated from/(used in) Investing Activities	(642,514,496)	(555,574,855)	751,657,196	(31,787,333)
Dividend Paid				
– Owners of Parent	(66,913,269)	(39,999,999)	(66,913,269)	(39,999,999)
– Non-controlling Shareholders	(65,731,738)	(135,245,258)	–	–
Net Cash Generated from/(used in) Financing Activities	577,109,624	(606,330,911)	(55,919,685)	(39,999,999)
Net Increase/(Decrease) in Cash	**1,051,045,769**	**(107,756,285)**	**846,356,787**	**41,383,888**
Per Ordinary Share				
EPS	4.47	4.59	8.25	1.33
Net Assets	36.23	28.14	18.77	10.17
Market Value	28.70	26.60	–	–
DPS	0.50	0.30	–	–
Ratios				
Debt: Equity Ratio	25.27%	30.90%	–	–
ROE	13.92%	17.69%	57.08%	13.91%
ROCE	16.65%	20.22%	52.66%	12.90%
Interest Cover	5.31x	6.24x	–	–
Liquid Assets Ratio	2.28x	1.78x	93.31x	14.30x
P/E Ratio	6.42x	5.80x	–	–
Market Capitalization (Rs.)	3,840,821,612	3,546,666,578	–	–
Enterprise Value (Rs.)	4,493,140,432	4,854,951,385	–	–


WE ARE
POSITIVE

CHAIRMAN'S MESSAGE

Your Group values it's contribution to nation building by creating value in vital sectors of the Sri Lankan economy.

Dear Stakeholder,

It is my pleasure to welcome you to the 41st Annual General Meeting of Sunshine Holdings PLC. and to present to you the Annual Report and Audited Financial Statements for the year ended 31st March 2014.

Corporate Performance and Context

The Group performed reasonably well amidst several constraints during the year. Group revenues grew by 12.5% to Rs. 14.70 billion. In comparison to last year in which profits grew significantly, profits for the year under review amounted to Rs. 1.17 billion.

The context of the economic environment is discussed at length in the Management Review & Preview. Let me provide a broader overview of a few salient points that became the backdrop for the performance of your Group.

The economy revived in 2013 with real GDP growing by a more robust 7.3% compared with a growth of 6.3% in 2012. Stronger growth is expected to continue into 2014, which as per the Central Bank's projections is to average 8.0% in 2014. Sri Lankan government policy to a large extent has remained stable and combined with low inflation and a low interest rate regime, the year 2013 offered an environment which was very conducive to business. Some drawbacks did however continue to burden the economy and the consumer. Despite low overall inflation, energy prices continued to increase and thereby reduce disposable incomes, impacting consumer demand across the board, and directly impacting your Company's FMCG and Healthcare sectors. Higher energy prices once again also directly impacted the Group's Packaging business. The global economy which began to show signs of recovery in 2013 has continued to pick up in the first quarter of 2014 and growth is expected to strengthen in the year ahead, thus having a positive impact on the local economy. Some possible challenges to world growth in 2014 which could dampen prospects include an escalation of geo political tensions in the Middle East and Ukraine thus impacting oil prices and Sri Lanka's exports and Tea in particular.

Foreign Direct Investment will be a vital factor in determining the medium and long term growth prospects for Sri Lanka. It is thus encouraging that post war Sri Lanka is becoming increasingly more adept at marketing its potential as an attractive destination for investment. The pace of infrastructure development in thrust areas of the economy such as Transportation, Tourism, Health & Medical sectors also augurs well for growth and we remain buoyant on the prospects for Sri Lanka as it continues to move in the direction of realizing its true potential.

I've enumerated in my previous messages and consider worthy of re-emphasis, that Sri Lanka's high dependence on petroleum derived thermal power has continued to be a strain on the country's finances. Rising energy prices during the past few years have hence emphasized the importance and the urgency of the need for alternative sources of renewable energy in the world, and for Sri Lanka in particular.

Sunshine Holdings PLC. will continue to strengthen its core businesses... it will also seek to diversify its portfolio into other growth sectors to facilitate a more broad based contribution to Group's growth and profitability.

Governance

Your Group believes that the highest standards in governance is indispensable to creating long term value to its stakeholders and must be pursued uncompromisingly. Corporate Governance is about engendering trust and hence, about effective, transparent and accountable governance by the management, including the Board - the highest governing body. The ultimate responsibility for good governance rests with the Board of Directors. In order to effectively fulfill this responsibility, The Sunshine Holdings PLC. Board has a governing structure and a process to monitor its effectiveness. A robust system of internal control ensure professionalism, integrity and the commitment of the Board of Directors, the management and the employees. The Audit Committee and the Remuneration and Nomination Committee, together with the Group Executive Committee also play a vital role towards this end.

Looking ahead

Whilst Sunshine Holdings PLC. will continue to strengthen its core businesses which create value in vital sectors of the Sri Lankan economy, it will also seek to diversify its portfolio into other growth sectors to facilitate a more broad based contribution to Group's growth and profitability.

Buoyed by the country's potential to attract foreign direct investment, your Group will harness its core strengths in its respective businesses to bring in new investment partners with whom it can build synergies and enhance access to international markets. The partnership with Wilmar International Group established during the year under review is the Group's most recent joint venture. Wilmar International is Asia's leading Agri business group and the world's largest processor and merchandiser of Palm Oil. Your Group thus enthusiastically looks to harness the significant potential this partnership presents to create sustainable value not just for your Group but for the Plantations and Agriculture sector of the Country. Our partnership with the global giant TATA Global Beverages which commenced in 1992 has exceeded expectations. Your Group has moved up the value chain from plantations to branded teas and it would continue to be a key platform in the Group's strategies for expansion and innovation for sustainable growth.

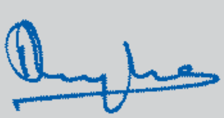
The Group also seeks to expand its geographic presence, and the establishment of its first overseas subsidiary, Sunshine Holdings International Pte Ltd., in Singapore during the year under review, is intended to be a springboard to explore opportunities internationally.

Reflecting our Triple Bottom Line focus, the Group will continue to integrate social and environmental value creation into its business strategy. It will leverage on and continue to strengthen relationships with all its stakeholders which include customers, partners, principals, investors, employees and the society at large.

As we look to the year ahead and beyond we will continue to review our strategies in keeping with changing dynamics of the economic, social, technological and natural environments and explore alternatives whilst continuing with those strategies that serve us well and continue to remain relevant.

Acknowledgements

I would like to convey my sincere appreciation to my colleagues on the Board for their valuable support and guidance and to the entire team of employees led by the Group Managing Director, whose unreserved efforts and commitment have been the corner stone of the Group's success. I also wish to extend my sincere gratitude to the shareholders for their support and the confidence placed in us.



Rienzie T. Wijetilleke
Chairman

21st May 2014


WE
BELIEVE
IN WHAT WE DO

GROUP MANAGING DIRECTOR'S REVIEW

It gives me great pleasure to present to you the Annual Report and Accounts of your Company for the year ended 31st March 2014.

Corporate Performance

Sunshine Holdings Group's revenues grew by 12.5% to Rs. 14.70 billion. Profits After Tax (PAT) however, contracted this year by 6.8% to Rs. 1.17 billion, mainly owing to the decline in the Tea sub-sector due to the impact of the 20.0% YoY wage increase. The key contribution to Group revenues came from the Agri and Healthcare sectors which contributed 42.5% and 37.5% respectively.

Group's profits attributable to equity holders contracted marginally by 2.1% YoY to stand at Rs. 598.6 million, a decrease which was significantly less than the 6.8% decline in PAT. Sunshine's shareholding in the Healthcare sector, being considerably higher than its share in the Agri sector which declined in profitability, helped to sustain shareholder earnings with marginal impact. The contribution to Profits Attributable to shareholders from the Healthcare sector was 59.2% during the year. Earnings Per Share was at Rs. 4.47 compared with Rs. 4.59 in 2012-13.

We are heartened by several external accolades we received during the year for our efforts to constantly refine and enhance the ways in which we strive to 'Make Things Better' for our stakeholders. Amongst the awards received during the year under review, the most important were:

- Gold award for the Best Annual Report in the Agriculture Sector from the South Asian Federation of Accountants. (WATA)
- The Silver award for Business Excellence (in the Agriculture & Plantations category) from the National Chamber of Commerce. (WATA)
- Gold award for the 6th consecutive year for the Best Annual Report, from the Chartered Institute of Accountants of Sri Lanka. (WATA)
- Bronze award for the Best Annual Report for Diversified Holdings (upto 5 subsidiaries) by for its Annual Report from the Chartered Institute of Accountants of Sri Lanka. (SUN)
- Bronze award at the JASTECA awards for Best CSR project for the Vocational Training Centre for the differently abled on Kenilworth estate. (WATA)

Sector Performance

Healthcare Sector

The Group's Healthcare sector posed a restrained performance in a market which grew well below projections, with the subdued demand impacting the country's Pharmaceuticals sub segment in particular. Profitability of Sunshine's Healthcare sector declined over last year with Profit After Tax contracting by 2.7% to Rs. 354.6 million, albeit performing above the market's growth of 2.7%. Your Group continues to be one of the top two players in the market and has a presence in all the growth segments as well as every operating theatre in the country. It is also noteworthy that the Group increased its market share in all four of its business segments.

Our Healthcare retailing arm - Healthguard pharmacies, achieved a revenue growth of 11.4% vis-a-vis the market's growth of 4.0%. Profits After Tax grew by 3.6% to Rs. 16.5 million. A new outlet was opened during the year under review whilst two outlets which

Strategic Alliances with global giants in TATA Global Beverages and Wilmar International Group which position us well for vertical and horizontal integration.

were unprofitable were discontinued, bringing the total number of stand alone outlets to 10 and Shop in Shop outlets to 6 as at year end.

Agri business

The Group's Agriculture subsidiary Watawala Plantations achieved a remarkable performance due to the contribution from the Oil Palm sub sector. The Tea sub-sector also saw a revenue increase, and both these sub-sectors were able to reap the rewards of the seeds we've sown in terms of good agronomic practices, field level innovations, and the many environmental and social sustainability measures we have assiduously practiced over the past few years. Revenues in the Agri Business sector grew 14.9% whilst Profits After Tax decreased by 40.1% to Rs. 434.0 million mainly owing to an increase in Costs of Production of our Tea and Rubber due to the 20.0% wage increase as well as a drop in crop output due to adverse weather.

We are happy to share that our Agri business sector has come to exemplify a Triple Bottom Line focused business; of how a sustainable win-win approach, towards the environment and all our stakeholders also enhances the bottom line of an enterprise. Some of these measures to preserve the environment as well as the communities that the respective sub-sectors are engaged with, are enumerated in the management discussion that follows.

The Group's Tea sub sector, despite several challenges which impacted the industry as a whole, continued to achieve the highest production in the country for the 3rd consecutive year with a production of 9.9 million kgs. Revenues in the sub-sector increased by 13.9% to Rs. 4.16 billion. However the sub-sector was unable to achieve profitability mainly due to the impact of the 20.0% YoY wage hike which became effective in April 2013 and Tea crop losses due to adverse weather during the first few months of the year under review. The resulting net loss was Rs. 235.2 million in comparison to a Profit After Tax of Rs. 85.4 million the previous year.

The Palm Oil sub-sector achieved an excellent performance this year as well, with a 20.7% growth in PAT to Rs. 648.5 million, and revenue increasing by 5.1% to Rs. 1.39 billion. Your Group continued to achieve the highest production and be the most productive in the country for the 5th consecutive year . Continuing on the trend, total production increased by 9.0% whilst the yield per hectare increased to 16.8 tonnes per hectare compared with an industry average (as per data available) of 13.8 tonnes per hectare during the year. The performance of the sector was also supported by a 1.4% rise in prices supported by an increasing demand in the domestic market.

> We are happy to share that our Agri business sector has come to exemplify a Triple Bottom Line focused business;

The performance of the Group's Rubber sub sector, reflecting that of the country's, declined during the year under review, mainly due to torrential rains during the first two quarters of the year, higher costs of production, continuing low land and labor productivity and a lower Net Sales Average. Your Group's Rubber sub-sector hence faced a loss of Rs. 22.6 million compared with a loss Rs. 1.6 million the previous year and its production declined by 6.3% to 490,097 kgs.. Profitability was also impacted by the wage increase which applies every two years and a decline in the Net Sales Average from Rs. 384 per kg to Rs. 373 per kg.

FMCG

The FMCG sector recorded an exceptional performance in a market which largely remained stagnant. Revenue reached Rs. 2.48 billion mainly driven by growth in our tea brands. It is my pleasure to note increased visibility in our premium brands Zesta and Watawala Tea, which together with the brand Ran Kahata contributed to bottom line growth.

The sector also initiated a brand integrated CSR project during the year by joining hands with the Diabetes Association of Sri Lanka, to communicate a message on Diabetes awareness to the general public. 'Zesta', 'Watawala Tea' and 'Ran Kahata' tea packets now carry the above logo and the slogan - "Life is sweeter with less sugar" on the rear of the pack to educate the public to use minimum amount of sugar in their cup of tea.

Energy

The Group's hydropower plant in Lindula (Waltrim Lower) continued to generate 1.62 MW of power, providing energy to the national grid. The sector posted a revenue of 96.8 million which was adequate to generate a marginal profit for 2013-14 against a loss of Rs. 13.4 million in the previous year. The Company also obtained approval to begin construction of its two new hydro plants at Upper Waltrim and Elgin which, once commissioned will increase the Group's total capacity to 7 MW.

Our Sustainable Approach in Business and a new approach to reporting

This year's Annual Report is your Group's first to follow an integrated format of reporting. Although this is our first Integrated Report, we have long since recognised that sustainable value creation is an integrated process, and is a result of interplay between all its capitals- financial, human, intellectual, natural and manufactured, and the society within which it operates. We believe that 'Making Things Better' must take a holistic approach and need not be for one group of stakeholders at the expense of another or the ability of future generations to meet their needs.

We also see our enterprise from a wider perspective, and contributing to nation building and the country's economic growth is intrinsic to the Triple Bottom Line approach to enterprise that we have adopted. It is not merely about being abreast with global trends in business and governance but one that truly springs from our belief that sustainability of an entity's profits ultimately depend on the sustainability of the community and environment that it is part of.

The Group's sustainable practices have been intrinsic to its performance and in the Agriculture sector in particular where sustainable agri practices and social engagement have begun to yield more concrete and immediate benefits. Some of these are discussed in the ensuing Management Review and Preview which provides an analysis of the performance of the Group, the sectors and the industry environment.

Dividend

The Directors have proposed a final dividend of Rs. 0.95 per share.

Outlook & Strategies

Our entrepreneurial journey began in 1967, in Healthcare. In more than four decades of business, and in the last twenty

In more than four decades of business, and in the last twenty years in particular, the Group has grown rapidly and diversified to become one of Sri Lanka's leading conglomerates.

The key contribution to Group revenues came from the Agri and Healthcare sectors which contributed 42.5% and 37.5% respectively.

years in particular, the Group, driven by an approach of professionalism and expertise in each of its businesses, has grown rapidly and diversified to become one of Sri Lanka's leading conglomerates. It thus seems a natural progression that we now explore the potential in the global market. We will actively pursue avenues to diversify our geographic presence in the coming years.

Our journey over the years has also been supported by valued strategic partnerships. And the Group's success in building enduring relationships with customers, principals, partners, employees and communities is today a core strength. We will continue to nurture and strengthen these relationships and also look to forge new alliances in the coming years.

Sunshine Holdings' Healthcare sector represents 38 leading multinational Pharmaceutical companies, 16 of whom have been partners for more than 20 years. In our Agri business we have fostered Strategic Alliances with global giants in TATA Global Beverages and Wilmar International Group which position us well for vertical and horizontal integration as well as expansion into new markets.

The Group continues to benefit from the strength in the diversity of its portfolio. As has been enumerated before, a downturn in one sector or a sub sector, has been offset by the upturn in another. One of our strategic imperatives for the year ahead is to increase the diversity of our portfolio in order to strengthen the Group's resilience to market volatilities and mitigate risks and thus, ensure sustainable value creation for all our stakeholders. Your Group's business sectors being those which are less vulnerable to recessionary conditions has also helped, in ensuring consistent returns to our stakeholders.

The strategies specific to each sector are discussed in the Management Review and Preview that follows.

Conclusion

As we look to the year ahead with new vigour to capitalize on the numerous opportunities that the vibrant economic environment offers, there are many; I would like to convey my heartfelt gratitude, to all those whose contributions have been the fuel behind your Group's ability to imagine, create and meet opportunities and exceed expectations, in its constant quest to 'Make Things Better'. My sincere appreciation to my colleagues on the Board for their guidance, constant support and the confidence placed in me, the 12,023 members that make up our team, for their unwavering commitment and tireless efforts, our customers, shareholders, business Associates, and other stakeholders for their continued support and inspiration.

V. Govindasamy
Group Managing Director

21st May 2014

MANAGEMENT REVIEW & PREVIEW

INTRODUCTION

This year's report is Sunshine Group's first "Integrated Annual Report". Although this is our first year in Integrated Reporting, we have long since recognised that sustainable value creation is an integrated process, and is a result of the interplay between all types of capital employed - financial, human, intellectual and manufactured, as well as the natural environment and society within which it operates.

Following the introduction of integrated reporting during the year, your Company adopted a process to identify material topics which the directors and management believe will enable the Group to sustain growth into the future. This process has been informed by the Group's values and vision encapsulated in its business philosophy, as well as the interests of the six key stakeholders, namely customers, shareholders, our employees, the regulators, the society and the natural environment. This year's report thus, does not present its Financial Review or the Sustainability Report as a separate section but has integrated it into this Management Preview and Review, which looks at the quality, availability and effective management of the interplay between all types of capital we employ, including nature and the society at large.

This Integrated Annual Report contains statements which relate to the future performance and results of the operations of the Group.

These statements by their nature involve risk and uncertainty as they relate to events and depend on circumstances that may occur in the future. Factors that could cause actual results to differ materially from those in the outlook are not limited to, global and national economic conditions, changes in industry environment, interest rates, credit and the associated risk of lending, inventory levels, gross and operating margins achieved and competitive and regulatory factors.

OUR CONTRIBUTION TO THE NATION

Provide direct employment to 12,023 people

Provide livelihoods to 40,000+ resident population

Second largest private healthcare marketing company in the country

Largest Palm Oil producer in the country

Single largest Tea producer in the country for the 3rd consecutive year

Account for 30% market share of the country's branded teas

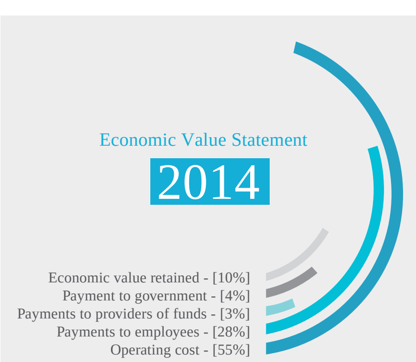
Contribute Energy to the National grid

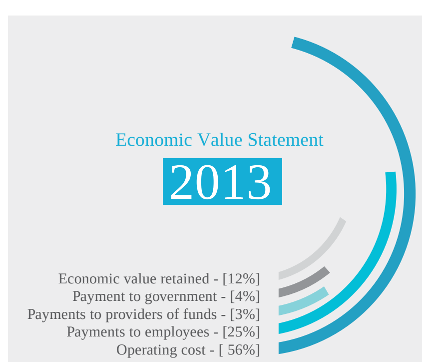
Amongst the largest corporate tax payers

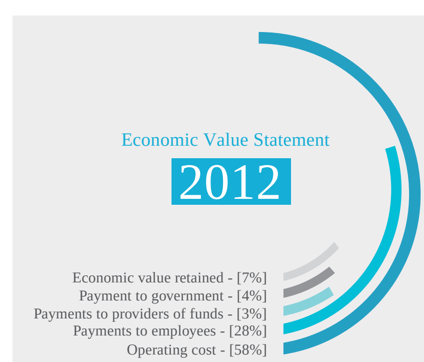
In addition, how the Group created value and contributed to the national economy is enumerated in the table below:

ECONOMIC VALUE CREATION BY THE GROUP

For the year ended 31st March	2014 Rs.	2013 Rs.	2012 Rs.
Direct economic value generated			
Revenue	14,696,587,869	13,067,664,329	10,859,486,197
Interest income	155,106,085	64,089,441	32,663,681
Profit on sale of assets	13,692,263	34,456,435	23,309,822
Other income	107,994,199	131,062,398	175,542,214
	14,973,380,416	**13,297,272,603**	**11,091,001,913**
Economic value distributed			
Payments to external sources for materials & services			
- Operating cost	8,291,372,086	7,478,740,374	6,445,927,464
	8,291,372,086	**7,478,740,374**	**6,445,927,464**
Payments to employees			
- Salaries, Wages & Other benefits	4,256,394,735	3,262,147,370	3,054,373,925
	4,256,394,735	**3,262,147,370**	**3,054,373,925**
Payments to providers of funds			
- Interest to money lenders	300,502,776	274,449,378	149,139,463
- Dividend to minority shareholders	65,731,738	135,245,259	134,574,147
- Dividend to owners of parent	66,913,269	39,999,999	39,999,999
	433,147,783	**449,694,636**	**323,713,609**
Payment to government			
- Income tax	263,315,674	284,656,312	233,680,957
- Value Added tax	46,139,274	133,446,718	131,296,718
- Nation Building Tax	82,920,324	37,681,327	35,952,015
- JEDB/SLSPC lease rentals	64,188,140	55,990,000	55,990,000
- ESC & other taxes	76,519,082	24,380,318	12,576,925
	533,082,494	**536,154,675**	**469,496,615**
Economic value retained			
- Profit after dividend	1,035,654,394	1,173,857,782	485,364,644
- Depreciation & amortisation	423,728,924	396,677,766	312,125,656
Retained for reinvestment/growth	**1,459,383,318**	**1,570,535,548**	**797,490,300**





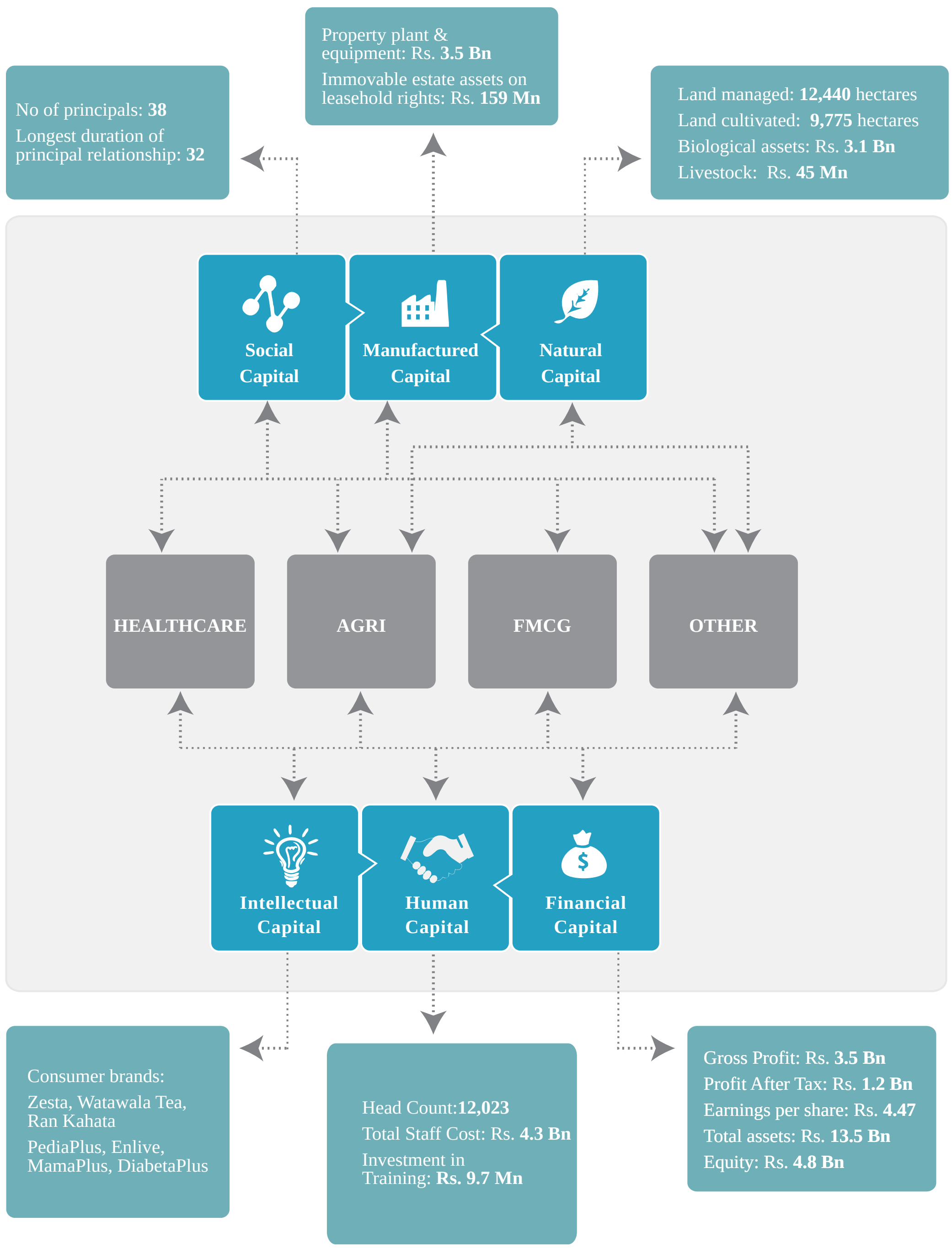


STRATEGIES FOR SUSTAINABLE GROWTH OF SUNSHINE HOLDINGS PLC

Strategies	Relevance to Group	Action in 2013-14
Increase the diversity of the Group's portfolio to maximize returns and mitigate risks.	To reduce over reliance on one sector. Healthcare currently accounts for 31.8% of the Group's PAT and 37.5% of its revenue. SUN intends to increase the contribution from other sectors/new sectors.	Explored diversification into other avenues of harnessing the Group's natural capital such as crop diversification.
Increase our geographic presence.	To reduce dependence on the Sri Lankan market and on Rupee earnings. The Group targets to increase its foreign currency earnings substantially by harnessing the potential of our partnerships with two global giants – TATA Global Beverages Ltd. and Wilmar International Limited.	Established a subsidiary – Sunshine Holdings International, in Singapore, as a launch pad to explore opportunities internationally for all sectors of the Group.
Enhance wealth for all stakeholders and remain amongst the top conglomerates in Return on Equity (ROE).	SUN is currently the best performing listed conglomerate in terms of ROE on a 5 year average and retaining this position to reflect enhanced shareholder returns is a key objective.	Earnings volatility to the equity holder has been reduced due to diversification.
Seek inorganic growth in selective areas which will add to the synergies and harness the Group's core strengths.	Harnessing our strengths of successful management of relationships with partners and principals, build on the Group's core strengths in its respective businesses to forge new partnerships which will bring in synergies and enhance access to international markets.	Established a partnership with Pyramid Wilmar Plantations, subsidiary of Wilmar International, Asia's leading Agri business group who is the world's largest processor and merchandiser of Palm Oil.
Enhance the value of our human and natural capital.	A reflection of the Triple Bottom Line approach by the Company; one of the Group's core strengths is its people which number 12,023 as at year end. The success of our Agri business is directly depended on the productivity of the land and other natural capitals on its estates. The Group's natural capital of land amounts to 12,440 hectares and Rs. 2.68 billion in value.	Enhanced measures to encourage professional qualifications by employees. Continued support for education of children of employees such as the provision of scholarships. Good agronomic practices, Inland Fisheries project as a Triple Bottom Line initiative. Renewable energy projects (Pages 86 to 87 for more info)

Strategies	Relevance to Group	Action in 2013-14
Leverage on and continue to strengthen relationships with all our stakeholders which include customers, partners, principals, investors, employees and society at large.	The opportunity to harness the potential of our partnerships with two global giants – TATA Global Beverages and Wilmar International Group. ***Investors:*** Need to address gap in market perceptions and improve PER. Increase public holding in the Group. ***Customers:*** Widening the FMCG portfolio; value addition and branding in Agri business, Reputation and Relationship based marketing in Healthcare, growing the pharmacy channel. Principals & Partners: One of the Group's core strengths has been its success in building relationships, partnerships with some of the leading multinationals spanning over 30 years. Increasing geographic presence and reaching the next level as a conglomerate will see further strengthening of these partnerships and forging of new ones. ***Communities:*** Reflects the Company's Triple Bottom Line approach and long term perspective in business. The win-win impact of engaging communities on our plantations. The success of our business, for Agriculture in particular, depends on the progress of the communities we are part of. Specific short to medium term impacts sought: improve worker retention and productivity on the tea plantations.	Established working committee to explore new growth opportunities. ***Investors:*** Established a dividend policy and expectations of a minimum rate of returns to the sectors, which will be implemented in the next financial year. Revamped the Group's quarterly press releases to a more informative format and created an investor presentation which is regularly shared with prospective investors and other entities. Launched new products and brands in Healthcare; re-branded 2 of the tea brands as "Ran Kahata" and "Watawala Tea" Initiated psycho-social projects to reduce alcohol abuse and improve the Quality of Life of the plantation families and saw immediate results of improved productivity. (page 78 for more info) Continued to support education (description on page 84) of employee children and donate housing. (details on page 80) Triple Bottom Line impact through Inland Fisheries project (Details on page 79)

VALUE CREATION DIAGRAM



VALUE CREATION PROCESS

Sunshine Holdings and its subsidiaries have identified six strategic imperatives as important for the Group to reach its next tier in sustainable value creation and move towards its vision to be the most admired conglomerate in Sri Lanka. The Group's strategies have been formulated taking into account its commitment to the Triple Bottom Line approach, the stakeholder needs and other key risks identified through our risk management process. These strategies are also the most likely to influence key stakeholders and their relationships with the Group. Strategic imperatives specific to the diverse business sectors of the Group and their sub sectors, have been formulated considering the objectives, strengths and weaknesses of each of the sectors as well as the holding company, and the opportunities and risks in the environment they operate in.

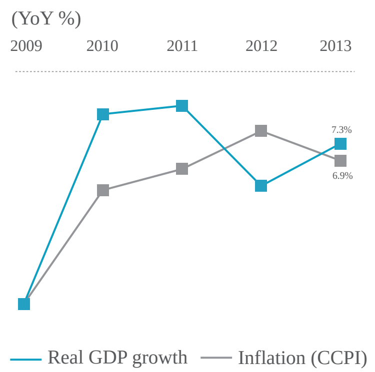
HOW THE GROUP CREATED VALUE IN 2013–14

Value creation by an enterprise occurs in the context of its operating environment and hence is a reflection of the economic environment.

OPERATING ENVIRONMENT

Sri Lanka's economy

GDP vs Inflation graph



*Source, Central Bank of Sri Lanka; *IMF forecasts*

Sri Lanka's economy rebounded with GDP growing by 7.3% in 2013 compared with a growth of 6.3% in 2012, and the growth was broad based with contributions from all sectors. The stable macroeconomic conditions that prevailed in the country, with relatively low inflation and interest rates together with the stable exchange rate, impacted positively on growth.

Significant expansion in high value added Hydropower Generation supported by favorable weather and the continued infrastructure development programme of the government also contributed to achieve the expansion in economic activity. Externally, the sluggish economic growth in advanced economies impacted negatively during the first half of the year. However, the second half of the year saw a turnaround in external demand with the gradual improvement in advanced economies including the United States and the European Union, which are Sri Lanka's major export destinations. This supported high growth in the second half of 2013.

The Agriculture sector bounced back strongly in the second half of 2013 to record growth of 4.7% in 2013 when compared to a growth of 5.2% recorded in 2012. The growth was especially impressive since flooding had severely impacted most agricultural crops and the paddy cultivation in the Maha season with agri output contracting during the first half. Growth was mainly due to an impressive paddy harvest in the secondary Yala season, supported by an increases in other food crops and the fishing sub sectors, despite the decline in coconut and rubber production.

The Industry sector recorded the highest sectoral expansion achieving a strong growth of 9.9% during 2013, largely driven by Construction and Manufacturing sub-sectors. The Construction sub-sector continued to expand at a relatively high rate in 2013, although the growth rate moderated compared to the significantly high expansion in the previous year. The Manufacturing sub-sector also recorded a healthy growth in 2013 supported by strong external demand, from the second half of the year. The higher value addition from the utilisation of hydropower for electricity generation also contributed to the significant expansion in the Industry sector.

The Services sector which continued to be the dominant sector of the economy with a share of 58.1% of GDP, grew by 6.4% during 2013 compared with a 4.6% growth in 2012. The growth in the sector was buoyed by the noteworthy expansion of all major sub sectors. The expansion of the Transport sub-sector in line with increased internal mobility was a main contributor to growth. The strong recovery of the Wholesale and Retail Trade sub-sector spearheaded by the revival of external trade activities due to the improved sentiments in the global markets, especially during the second half of the year, together with the expansion in domestic trade activities, also supported growth during 2013.

GDP Growth (YoY %)

1996-2005 avg	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
4.3	4.7	6.8	6.0	3.5	8.0	8.2	6.3	7.3	7.0	6.5*	6.5*

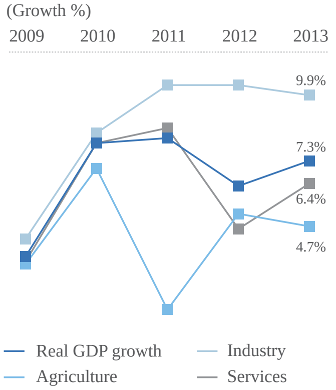
** Projections*

Looking ahead, the Sri Lankan economy is expected to continue its growth momentum in the medium term underpinned by increased investment, improved macroeconomic stability and improving global economic conditions. The International Monetary Fund (IMF) projects Sri Lanka's annual real GDP to grow by 7.0% in 2014 and 6.5% in both 2015 and 2016, and the World Bank by 7.3% in 2014 whilst the Central Bank of Sri Lanka (CBSL) estimates GDP growth to be 8.0% in 2014.

Domestic output is expected to increase in response to changing lifestyles of people and increasing penetration into global markets. In order to increase the production capacity of the country, the CBSL projects investment activities to expand continuously while greater emphasis on manufacturing output is also expected to stimulate demand for services such as Trade, Transportation, Communication and Banking. The growth potential of the sub-sector of Tourism and related services is also expected to contribute.

Real GDP growth

(Growth %)



Exports & Imports

Sri Lanka's exports responded positively to the favourable developments in the global economy, to grow by 6.4% in 2013. Meanwhile, import expenditure declined by 6.2% mainly due to lower petroleum imports enabling a significant improvement in the trade balance. The expansion in domestic economic activities, a favourable investment climate and conducive external trade policies also supported the growth in exports in 2013.

USA remained the largest export destination in 2013 followed by the UK and India, while India remained the largest source of imports followed by China and Singapore. India remains the leading trading partner of Sri Lanka with bilateral trade in 2013 exceeding US $ 3.7 billion.

Sri Lanka's export earnings are also forecast to increase in 2014, by 12.7% to US $ 11.2 billion supported by the recovery of Sri Lanka's main export markets. This growth is expected to be driven by all sectors, and it is encouraging that Industrial exports, which account for the largest share of exports, are expected to increase significantly. This growth is largely due to the expected recovery in the US and EU economies, which continue to be the main markets for Sri Lanka's Industrial exports. Agricultural exports are also expected to increase supported by higher prices and volumes for tea, rubber and coconut exports, while exports of minor agricultural products and spices are expected to increase due to improved promotional activities in international markets and higher global demand due to changing consumption patterns in major markets. Meanwhile, expenditure on imports is expected to increase by 13.1% to US $ 21.6 billion in 2014 reflecting an increase in all categories. Increased consumer spending due to economic growth and higher per capita incomes, higher imports of intermediate goods for production of exports and power generation as well as an increase in imports of investment goods for infrastructure development will drive import expenditure in 2014. As expenditure on imports is expected to increase at a higher rate than the increase in earnings from exports, the trade deficit is expected to increase in 2014.

Consumer Price Inflation

Inflation which has remained at single digit levels for four consecutive years (since February 2009) declined to record low levels in 2013 with YoY Inflation measured by the Colombo Consumers Price Index (CCPI) at 4.7% in December 2013. It was a sharp decline in comparison to the 9.2% recorded in December 2012. The lagged effect of the tight monetary policy stance, moderation of global commodity prices, together with the improvements in supply of domestic agricultural commodities, contributed to inflation remaining within single digits during the year. It is noteworthy that YoY inflation has been contained at a single digit level for nearly five straight years, the longest period of single digit inflation after the economy was liberalised in 1977.

However, inflation reached upper single digit levels during the first two months of the year, reaching 9.8% in January, due

HOW THE GROUP CREATED VALUE IN 2013-14 *(CONTD.)*

to supply disruptions caused by adverse weather conditions that prevailed in major agricultural areas, increase in gas and fuel prices and the low base in 2012. The upward adjustment of the electricity tariff which was effective from April 2013 and the upward revisions of import duty of several food commodities had some bearing on inflation during the year. Meanwhile, annual average core inflation, which represents the underlying long-term trend in inflation in the economy, decelerated continuously from June 2013. YoY core inflation moved on a declining path from March 2013 and reached 2.1% in December 2013, the lowest level recorded since its inception in 2007. The headline inflation rate came in at its slowest pace in almost two years at 4.7% in December 2013.

Inflation is projected by the CBSL to remain at mid-single digit levels during 2014 and below 6% at end 2014. Global inflation has moderated and is expected to remain subdued with the easing of commodity prices and continued negative output gaps in advanced economies. However, there are possible risks to inflation that could emerge due to a depreciation of the rupee or from rising global oil prices as a result of a rise in geo political tensions in the Middle-East and Ukraine.

Interest Rates

The relaxed monetary policy stance adopted by the CBSL in December 2012 continued in 2013 facilitated by mild inflation and inflation expectations. The decline in Sri Lanka's inflation has structural as well as cyclical roots, and this is likely to continue to keep downward pressure on interest rates in the year ahead. The perceived slow adjustment in market interest rates after the initial policy rate reduction in December 2012 prompted the Central Bank to further reduce policy interest rates each by 50 basis points (bps) once in May and again in October 2013. Once again, in January 2014, the CBSL reduced its reverse repo rate by 50 basis points to an all-time low of 8.00% while leaving the repo rate unchanged at 6.50%. This latest move narrowed the policy rate corridor from 200bps to 150bps and extended the current easing cycle to 175bps. The Bank thus aimed to cushion any weakness in economic growth and spur private sector credit growth, which remains relatively subdued after a sharp deceleration last year. The continuing drop in government 2 year bond yields could also indicate that further rate cuts are likely.

Exchange Rate

The CBSL's exchange rate policy in 2013 focused on maintaining flexibility in determining the external value of the Sri Lankan Rupee. The Rupee depreciated against the US $ by only 2.75% to reach Rs. 130.75 at end December 2013 (compared with a depreciation of 10.43% in 2012) while the Annual Average Exchange rate against the US dollar was at Rs. 129.11, a depreciation of 1.17% compared with a depreciation of 13.35% in 2012. Reflecting cross currency exchange rate movements, the Sri Lanka Rupee showed a mixed performance against other major currencies in 2013. It depreciated against the Pound Sterling by 4.69% and by 6.83% against the Euro whilst appreciating significantly against the Indian Rupee by 10.66% and the Japanese Yen by 18.78%. The Sri Lankan Rupee is expected to remain fairly stable against the US dollar over the coming months, as the recent improvement seen in the external sector will lend support to the currency. BMI estimates the current account deficit to narrow to 5.0% of GDP this year and forecasts the Rupee to trade within the current range of Rs. 130.00-131.50 per US$ during 2014.

Financial inflows into Sri Lanka have increased despite concerns over tapering of the Quantitative Easing (QE) programme in the US, reflecting the growing international interest in Sri Lanka's growth prospects. While the bulk of inflows into the Sri Lankan financial account are portfolio inflows, and this represents a relatively unstable form of international borrowing, there has been seen noteworthy progress regarding foreign direct investment (FDI), and fixed investment inflows into the country are expected to continue over the medium term.

While the Sri Lankan Rupee is expected to be fairly stable in 2014, there are also downside risks to this forecast which remain acute. For one, Sri Lanka's current account deficits continue to be largely financed by government borrowing from abroad, as its FDI is inadequate to finance the large deficits. This is unsustainable in the long run and is bearish for the currency, as the government is already burdened by high external debt.
Sri Lankan government's external debt as a share of GDP is currently around 37.0% of GDP. Global events such as

a flare-up in sovereign risk in the EU could also quickly unwind the improved performance in the external sector and exert downward pressure on the Rupee.

Whilst the Sri Lankan economy is on a sound footing, the fiscal deficit and the balance of payments remain challenging which the country needs to address for stable growth.

THE GLOBAL ECONOMY

The recovery of the global economy which began to take hold in October 2013 is not only strengthening further but is also projected to be more broad-based in 2014 according to the latest conclusions by the International Monetary Fund (IMF). The world economy is expected to grow at 3.6% in 2014 and at 3.9% in 2015, compared with a growth of 3.3% in 2013 and this growth is expected to be largely on account of recovery in the advanced economies. The Advanced Economies as a whole are estimated (by the IMF) to grow by 2.2% in 2014 and 2.3% in 2015, considerably higher than the growth of 1.3% in 2013. In many emerging markets and developing economies, stronger external demand from advanced economies is expected to increase growth which augurs well for Sri Lanka's exports. The United States economy is projected to grow at 2.8% in 2014 and the Euro area by 1.0% in 2014 and 1.4% in 2015 compared with a decline of -0.4% and -0.7% in 2012 and 2013 respectively. The United Kingdom is estimated to grow by 2.9 %, Germany by 1.7% and Japan by 1.4%. The ongoing crisis between Russia and Ukraine remains of concern and particularly to Sri Lanka as its escalation could see a rise in global oil prices and an adverse impact on Sri Lanka's tea as Ukraine remains a key destination of our teas. Additionally, an escalation of geo political tensions in the Middle East also could also impact world oil prices and hence Sri Lanka's economy.

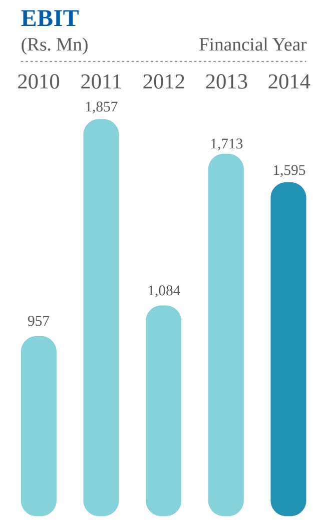
As the IMF cautions, despite the envisaged strengthening of global activity in 2014, several downside risks exist and effective and appropriate policy measures to manage these vulnerabilities and robust growth are still identified as global priorities. Some of the risks include risks to activities associated with very low inflation in advanced economies, increased exposure of emerging and developing economies to foreign currency liabilities, as well as portfolio shifts and capital market reversals from emerging markets to the advanced economies.

GROUP FINANCIAL PERFORMANCE

The key contributors to Group revenue growth were Healthcare, Agri business and FMCG sectors despite the challenging industry environments they operated in. It must be noted that on an effective holding, Healthcare remained the largest business for the Group.

Group's five year Revenue CAGR (Compound Annual Growth Rate) stood at 11.7%. Group's foreign currency denominated revenue in the year amounted to Rs. 621.1 million which was a 70.9% increase from the Rs. 363.4 million in the previous year. This only represents 4.2% of the Group's revenue in the year, and hence, as noted in the summary of strategic priorities, the Group will seek to increase its share of foreign currency earnings.

Operating Profit (EBIT)



The Group EBIT dropped 6.9% YoY to Rs. 1.60 billion in financial year 2013-14 compared to Rs. 1.71 billion reported in the previous year. EBIT margin contracted to 10.9% in financial year 2013-14, against 13.1% last year. The main causes for the dip in profitability are; the wage impact and the gratuity adjustment, and the crop loss due to adverse weather conditions during the first part of the year, both in the Agri sector. But compared to financial years 2009-10 and 2011-12, which were also wage years, financial year 2013-14 saw some incremental improvement in EBIT margin due to the strong performance in its Palm Oil business. The Healthcare sector also saw a slight dip in profitability due to lower than expected revenue growth as a result of weak consumer demand for branded pharmaceuticals (Source: IMS).

HOW THE GROUP CREATED VALUE IN 2013-14 *(CONTD.)*

GROUP PERFORMANCE

HIGHLIGHTS:

- Group's consolidated revenue reached Rs. 14.70 billion, growing by 12.5% over the previous year's of Rs. 13.07 billion.
- Profits Before Tax and Profits After Tax however, declined by 3.4% and 6.8% respectively, mainly due to the impact of wage increases in the Agri business segment and reduced margins in Healthcare.
- Profits Before Tax amounted to Rs. 1.45 billion whilst Profits After Tax amounted to Rs. 1.17 billion.
- Profits to Equity holders declined by 2.1% to Rs. 598.6 million.
- The Agri sector remained the largest contributor on a consolidated basis, accounting for a 42.5% of the Group's revenue followed by Healthcare with a contribution of 37.5% and FMCG accounting for 16.9%.
- Established its first international subsidiary - Sunshine Holdings International Limited in Singapore, as a vehicle for its strategy to widen its geographic presence.
- Our financial reporting received recognition as it won the Bronze, in its category of "Diversified Holdings with under 5 subsidiaries", at the Annual Report Awards in 2013, by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

Finance Cost

Net finance cost amounted to Rs. 145.4 million during the year, which was a 30.9% decline from the Rs. 210.4 million of last year. The decrease is attributable to a dip in market interest rates, as well as an interest income from the excess cash balance resulting from the EMSPL transaction.

Profit to Equity Holders

Profits attributable to equity holders or Profit After Tax and Minority Interest (PATMI) contracted by 2.1%, to Rs. 598.6 million during the year. This represents a PATMI margin of 4.1% for the year which is 60 basis points down compared to a PATMI margin of 4.7% last year. Despite a 6.9% decrease in EBIT, PATMI only reduced by 2.1% due to lower effective holding of WATA.

Financial Position

Total assets amounted to Rs. 13.50 billion as at 2013-14 year end higher by Rs. 1.73 billion (14.7%) mainly due to a Rs. 701.8 million increase in non-current assets and Rs. 667.9 million increase in cash. Total non-current assets stood at Rs. 7.77 billion which was an increase of 9.9% YoY. Capital expenditure during the year amounted to Rs. 846.6 million.

Net Asset Value (NAV) per share amounted to Rs. 36.23, up 28.8% from the Rs. 28.14 at the beginning of the year.

Working Capital

Net working capital amounted to Rs. 2.63 billion in the year, a marginal increase from the Rs. 2.30 billion at the beginning of the year. The working

Receiving Bronze for "Diversified Holdings under 5 subsidiaries", at the Annual Report Awards in 2013, by the Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka).

capital cycle for the Group increased to 67 days compared with 59 days the previous year as a result of lower creditor days in the Healthcare sector.

	2014	2013
Debtor days	44	45
Inventory days	74	74
Creditor days	52	61
Working Capital Cycle	66	58

Cash Flow and Cash Balance

Net operating cashflow for 2013-14 amounted to Rs. 1.07 billion, a slight increase from Rs 1.06 billion in the previous year. An additional Rs. 387.2 million was invested to increase working capital to match the expansion or operations.

Net movement in interest bearing debt amounted to an inflow of Rs. 421.5 million. In 2012-13, it was a net outflow of Rs. 408.8 million.

The cash balance stood at Rs. 1.44 billion as at financial year end compared with Rs. 0.77 billion in 2012-13. The increase is mainly attributable to the transaction in EMSPL. Rs. 1.43 billion of the total balance has been invested in interest generating investments.

Capital Structure

Group capital employed amounted to Rs. 10.36 billion in 2013-14, of which 79.8% was funded through shareholders' equity and minority interest which amounted to Rs. 8.27 billion. The remaining 20.8% was funded by interest bearing debt.

Debt

Total interest bearing debt amounted to Rs. 2.09 billion at the end of the financial year, which is an increase of Rs. 11.9 million, a marginal increase YoY from what was at the beginning of the year. The Group borrowed an additional Rs. 1.01 billion during 2013-14 whilst repaying Rs. 588.1 million.

Return to Shareholders

Return on Equity (ROE) for the Group stood at 13.9% in the year under review compared to 17.7% in 2013, and the decline was due to the drop in net margin to 4.1% from 4.7% reported in the financial year 2013. There was a marginal increase in Asset Turnover from 1.1x in 2013 to 1.2x in the year under review. Leverage has decreased to 2.9x in the year, from 3.3x in 2013.

	2014	2013
ROE	13.9%	17.7%
PATMI margin	4.1%	4.7%
Asset T/o	1.2x	1.1x
Leverage	2.9x	3.3x

Share Price and Market Capitalization

The share price increased by 7.9% YoY from Rs. 26.60 at the beginning of the year to Rs. 28.7 as at the end of 2013-14.

Dividend per Share and Dividend Yield

The Company declared a dividend of Rs. 0.95 per share for the year, compared with Rs. 0.50 per share in financial year 2013 Current year's dividend represents an adjusted payout ratio of 36.1% (compared with 37.2% in 2013) at the company level, and a dividend yield of 3.3% (1.9% in 2013) based on the year end share price.

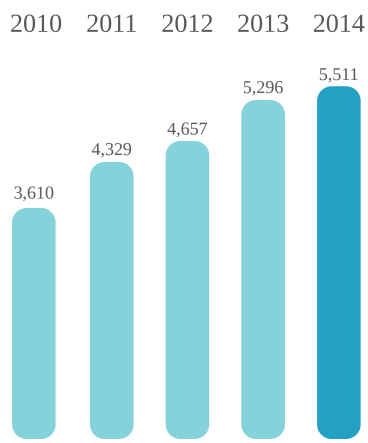
HEALTHCARE

BUILT ON A STRONG DISTRIBUTION NETWORK AND ENDURING RELATIONSHIPS

The Group's Healthcare business consists of Swiss Biogenics Limited (SBL) and Healthguard Pharmacy Limited. Established in 1967, SBL is the partner of choice for international healthcare companies seeking to grow their business in Sri Lanka, in the areas of pharmaceuticals, surgicals, diagnostics, medical devices and wellness products. SBL is a leading market expansion services provider, with the largest specialised healthcare team in the country.

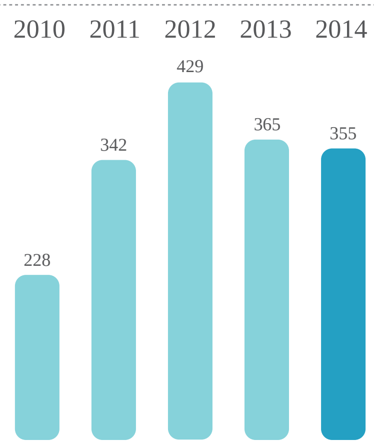
Revenue

(Rs. Mn) Financial Year



Profitability

(Rs. Mn) Financial Year



Highlights

No. of Healthguard outlets	16
No.of new products launched	63
International principals represented	38

Performance in 2013-14

- Sector revenue grew by 4.1% during the year to Rs. 5.51 billion.
- Profits After Tax declined by 2.7% over the previous year mainly due to a decline in the overall healthcare sector in Sri Lanka.
- Sri Lankan Healthcare market growth was only 2.7% (IMS Dec 2013) while it was 13.5% last year.
- The Company introduced 63 new products during the year, bringing in an additional contribution of Rs. 108 million and launched 3 new brands in the Wellness range.
- The Company retained its number 2 position in Sri Lanka's healthcare market.

Strategies

- Strengthen relationships with existing partners and forge new partnerships especially in niche product categories.
- Pharmaceutical segment currently accounts for a majority of the sector's profits, take steps to increase the share of the other segments, namely Diagnostics, Surgical and Wellness (OTC)
- Ensure that the portfolio remains broad-based to mitigate risks, with a considerable contribution from many principals.
- Launch new products of principals.
- Focus on key brands.
- Explore organic as well as inorganic growth.

Objectives/plans 2014-15

- Invest in product knowledge training across medical teams.
- Add to our Wellness portfolio with new brands in identified growth segments.
- Improve supply chain efficiency.
- Launch new molecules in fast growing therapeutic classes.

Challenges

- Low market growth due to escalating costs of healthcare.
- Increasing costs of talent retention due to the severe competition for trained sales and marketing people in the industry.
- Possibilities of restrictions on the number of products for each category following the proposed National Medicinal Drug Regulatory Act.

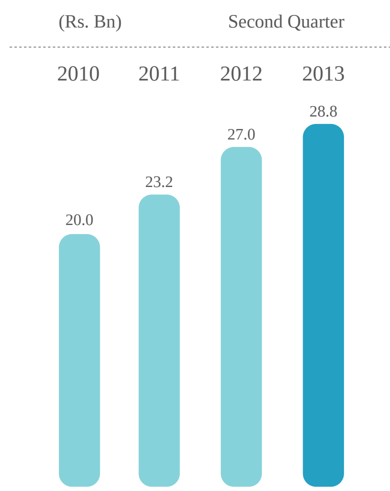
Opportunities

- Greater interest in preventive care and wellness products.
- Increasing demand for self monitoring healthcare devices.
- Increasing demand for Oncology products.
- Rise in surgical intervention.
- Increasing average life spans.
- Demographic changes of an ageing population, (with Sri Lanka estimated to have the fastest ageing population in South Asia).

Industry Environment

Spending on healthcare services accounted for 3.3% of Sri Lanka's GDP in 2012. This was below the regional and global averages, but above that of neighbouring India. Although healthcare expenditure is forecast to increase in absolute terms over the next decade, the BMI predicts spending as a percentage of national wealth to decrease to 2.9% of GDP by 2017.

Healthcare Market



Totaling Rs. 138.33 billion (US $ 1.08 billion) in 2012, and accounting for 54.9% of total expenditure, the private sector accounts for the majority of healthcare spending in Sri Lanka. Out-of-pocket payments represent the primary channel. Private sector spending by both Non-Government Organisations (NGOs) and insurance plans is minimal.

As per BMI findings, a booming economy is said to be a key driver of medicines sales in Sri Lanka. In 2011, GDP growth came in at 8.2%, followed by 6.3% in 2012 and 7.3% in 2013. And the expected growth trajectory should thus support Pharmaceutical sales in the next few years.

Healthcare spending in Sri Lanka is expected to increase from Rs. 252.10 billion (US $ 1.98 billion) in 2012, to Rs. 430.0 billion (US $ 3.21 billion) by 2017. The key driver of growth is to be a strong economy, underpinned by newly established political stability, although inflation will also play a part.

According to BMI's drug expenditure forecast model, sales of Pharmaceuticals in Sri Lanka are expected to increase from Rs. 59.86 billion (US $ 469 million) in 2012, to Rs. 99.28 billion (US $ 739 million) in 2017, experiencing a CAGR of 10.6% in local currency terms and 9.5% in US dollar terms.

Strategies in Action

Group's Healthcare sector was once again the highest contributor to Group's Profits Attributable to Shareholders with a Profit After Tax of Rs. 354.6 million contributing 59.2%. Pharmaceuticals which is the largest had lower growth due to the overall Pharmaceuticals sector in Sri Lanka. With a workforce of 714 personnel and a total asset base of Rs 2.79 billion, 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. Pharmaceuticals currently accounts for majority of this sector's profits and in keeping with the Group's strategies summarized above, your company would take steps to increase the share of all its domains - Pharmaceuticals, Diagnostics, Surgicals and Wellness.

The Company added 63 new products to its portfolio with 4 products in the Diagnostics segments, 45 in Pharmaceuticals, 8 Surgical products and 6 in the Wellness range, contributing an additional revenue of Rs. 108.0 million in 2013. It also launched three new brands in the Wellness range, Diabeta nutritional supplement for those with Diabetes, and Enlive Senior, a nutritional supplement designed for those over 50 years of age.

In 2013, the Group added 63 new product units & 3 own brands of wellness products

A key to the strong distribution network of the Group's Healthcare sector has been its people. One of the challenges our Healthcare arm faced during the year was the intense competition for well-rained people in the industry. The quality of the training that SBL is reputed for in the industry has made the Company's sales people particularly attractive to competition. The Human Resource Department took several measures to address this issue.

One of the operational issues was more than expected occurrences of stock outs due to delayed shipments, and the Company has taken measures to ensure that adequate stocks are ordered with higher lead times, to meet possible shipping delays.

During the year we also focused on enhancing the workplace culture, and as an important initial step, commissioned a culture survey by RCB, an independent consulting firm, which gave the Company valuable insight on what was required to move towards its goal to be amongst one of the 'Great Places to Work". The Company began the implementation of several measures in response to the findings.

Outlook

The government's new regulatory Act is currently pending cabinet approval. Some of the policy measures are geared towards the local manufacture of medicines and we are encouraged by the government's focus on increasing local production of medicines, both at a national level and by inviting foreign investment. All products registered by the CDDA have been notified under the Consumer Affairs Act and as such any price increase requires CAA approval.

Developments in the Sri Lankan market support growth and augur well for your Company. Sri Lanka's market trends has seen a rise in the demand for diagnostics, reflecting increased sophistication in the approach to treatment prompted by greater need for accuracy, prevention and early detection of diseases. Your Company continues to be the market leader in the Diagnostics segment. The rising demand for Diagnostics is being catered to by an increasing supply, as the recent past has seen a proliferation of testing centres across the country with Diagnostics no longer being limited to the Colombo metropolis. And most of the leading private hospitals and laboratories continue to open branches or collection centres Islandwide.

Moreover, non-communicable diseases such as Diabetes, High Blood Pressure, Cholesterol and Cardiovascular disorders are estimated to be on the rise due to factors such as changing life styles urbanization and an ageing population.

An ageing population combined with an increase in average life spans would see a rise in demand for preventive and therapeutic Geriatric products, Neuropsychiatry products, painkillers and other well being products such as Vitamins.

On the supply side, we have identified an escalation in costs of Healthcare as one of the challenges we will face. Cost of care will continue to rise, impacting demand as well. 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. And your company is well suited to respond and keep abreast, as the principals it represents are some of the world renowned brands who spearhead R&D and the latest in technology.

SBL is also present in and is a market leader in all the segments identified as "growth segments" in Sri Lanka's Healthcare market, namely, Cardio Vascular, Pain Management, the Gastro intestinal range, Surgicals and Diagnostics. And it is significant that atleast one of our products are present in every surgery in the country.

Represents 38 International Principals

In the context of the current pace of economic growth, demographic changes and trends in the Sri Lankan healthcare market, this sector is well poised to sustain growth and remain the largest contributor to Group's profitability. The sector's key strengths of a strong distribution network and enduring network of relationships with partners and principals will be key internal factors which positions it well for sustainable growth.

HEALTHGUARD

ON A STRONGER PLATFORM, PRIMED FOR GROWTH.

Healthguard Pharmacies is a fully owned subsidiary of SBL, and is the sector's retailing arm, which has established new benchmarks in healthcare retailing since 2003. This modern pharmacy brand offers a range of pharmaceuticals, wellness and beauty products in 16 outlets located across the Western province.

Performance Highlights in 2013-14

- Healthguard achieved a Profit After Tax of Rs. 16.5 million. in a market that performed below expectations.
- With 11.4% growth in revenue, it performed better than the market which grew at 2.7%.
- Opened a new outlet at Orion City and discontinued two outlets which were unprofitable, bringing the total number of stand alone Healthguard outlets to 10 and Shop in Shop outlets to 6, at financial year end.
- The Company focused on strengthening its internal processes and systems to better deliver on its strategies of service excellence. The Company hence initiated measures to strengthen the capacities of its people, with specific focus on training on customer service and improving the organisational environment.
- Talent retention was identified as a challenge. An Employee Climate survey and the implementation of several measures contributed to help reduce attrition levels to 31%, from previous year's of 40%.
- The newly opened outlet at Thalawathugoda performed extremely well exceeding expectations.
- The outlets at Pitakotte and Castle Street were the highest performers during the year.

Objectives/plans 2014-15

- Focus on developing the competencies of our people.
- Launch online sales starting with the Beauty and Wellness range and Over The Counter (OTC) products.
- Strengthen talent retention and reduce the employee attrition rate from 31% to 28%.
- Open 3 new outlets as part of our expansion plans.
- Implement a more holistic and strategic marketing communications campaign to enhance brand visibility.
- Further strengthen brand equity via increased brand visibility and enhanced delivery of brand values and attributes.

Strategies

- Achieve cross functional business excellence.
- Leverage on strong brand equity.
- Continuously increase the integration of technology in customer engagement and keep abreast of evolving market standards and technology.
- Establish our proposition of 'more than a pharmacy' - as a provider of solutions for Wellness and Beauty (in addition to Health).

Challenges

- Finding the right fit in talent, as a key determinant of the success of an outlet is the attitude, commitment and competencies of its employees.
- Low market growth due to escalating costs of Healthcare.
- The loyalty building index in Pharmaceuticals tend to be low.
- Expanding peoples' perceptions of a pharmacy to one that could also offer effective beauty solutions.

Opportunities

- Growth opportunities in the Wellness and Beauty segments due to increasing awareness and changing life styles.
- Growth opportunities in Herbal and Ayurveda products.
- The likelihood of more stringent monitoring and implementation of regulations (for pharmacies) by the authorities, that would be favorable to legally compliant and regulated players like Healthguard, placing us on a more level playing field whilst also raising the bar for the industry.
- Changing demographics of an ageing population and a resulting rise in demand for pharmaceutical products.

Strategies in Action

Healthguard pharmacies - the retailing arm of the Group's Healthcare business retained its market position amongst the top three pharmaceutical chains in the country. Its PAT at Rs. 16.5 million, was a 3.6% growth over last year in a market that performed well below expectations, but it is noteworthy that revenue grew by 11.4% vis-a-vis the market's revenue growth of 2.7% during the year. This growth was mainly driven by our new outlets at Thalawathugoda and Orion City.

Healthguard focused on strengthening its processes to place the Company on a stronger platform for growth in the year ahead. Our Human capital as we recognise, is the most important factor in the success of our business model. The attitudes, competencies and commitment of our people are made all the more important by our brand proposition – of service excellence. Thus, building the capacities of our people and retaining talent received priority during the year as the company moves towards one of its missions to be "the most preferred employee in the Pharma sector by 2016". The initiatives focused on training on customer service and product knowledge, and finding out possible reasons for a high level of attrition via an Employee Climate Survey. Improvement in Human Capital, Supply Chain reliability and IT system were amongst the operational enhancements made during the year to support Healthguard's goal to become the industry leader in the next few years.

We also see customisation and a personalised service with greater customer engagement, as keys to sustaining a competitive advantage in our market. Some of the HR and technological measures in the years ahead will focus on supporting this strategy.

The Company also identified improvements it could make in the implementation of its promotional and marketing campaigns as well as in the process of selecting locations for its outlets. While there was greater strategic input and analysis in the selection of outlets, it also adopted a more holistic and strategic approach to enhancing brand visibility

Outlook

In keeping with its brand strategy, Healthguard in the short to medium term will look at larger Full Service Outlets with more floor space to better facilitate the envisioned ambience and superior service as well as a more comprehensive service as "a beauty solutions provider". We will also look at a home delivery service of the beauty and wellness range to enhance customer convenience.

Retail market trends in the past few years have demonstrated an increasing blurring of product based dividing lines, and we find book shops selling coffee and coffee shops selling music. Trends such as these will grow and we are mindful of the opportunities they create as well as the importance of constantly adapting to such evolving trends. We have also made it a priority to continuously monitor and enhance the integration of technology, not just for operational excellence but in customer engagement.

Your company as its medium to long term plans will also look at meeting the need for qualified pharmacists with entry into the realm of providing formal training and qualification as an initiative that would not merely benefit the Group and the Healthcare sector but the country as well.

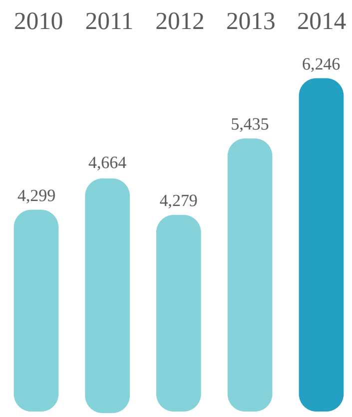
AGRI BUSINESS

TRIPLE BOTTOM LINE GROWTH WITH A TRULY INTEGRATED MODEL OF VALUE CREATION

The Group's Agri business, managed by its subsidiary Watawala Plantations PLC. (WATA) engages in the cultivation, manufacture and sale of Tea, Rubber and Palm Oil and has a total land extent of 12,440 hectares, of which 35.8% is Tea, 5.6% is in Rubber and 23.5% is Oil Palm. WATA continues to be amongst the top three private sector Regional Plantation Companies (RPC's) in the country and continued to hold the record as the highest producer of Tea and Oil Palm amongst RPC's in 2013, for the third successive year and the fifth successive year respectively. A new partnership formed with Asia's leading Agri Group - Wilmar International Limited will provide a platform for the Company to integrate further into the value chain and be well positioned for sustained growth and profitability.

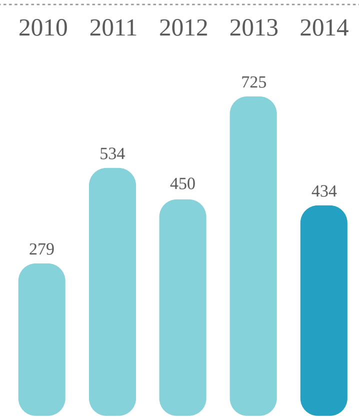
Revenue

(Rs. Mn) Financial Year



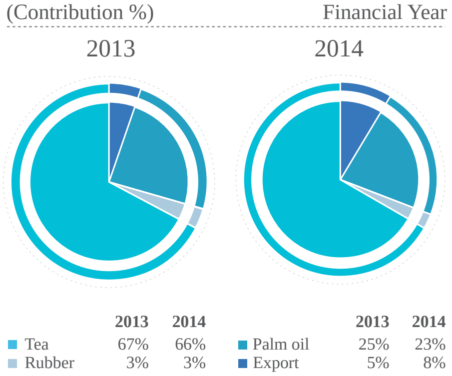
Profitability

(Rs. Mn) Financial Year



Contribution to Agri

(Contribution %) Financial Year



PERFORMANCE IN 2013-14

- The Group's Agri Business revenue grew by 14.9% over the previous year to reach Rs. 6.25 billion, mainly due to an increased production in Palm Oil.
- Profits declined sharply by 40.1% to Rs. 434.0 million over the previous year, due to the impact of the 20.0% YoY wage hike which became effective in April 2013 in the plantations sector. Tea crop losses due to adverse weather during the first few months also contributed to the decline.
- Group's Tea sub-sector continued to be the country's highest producer amongst RPC's for the 3rd successive year.
- The Palm Oil sub-sector also continued to be the highest producer and achieved the highest yields in the country for the 5th consecutive year.
- Rubber production declined resulting in an operating loss of Rs. 12.6 million compared with a profit of Rs. 17.7 million in the previous year.
- WATA continued its focus on developing renewable energy during the year, and was able to sel-generate 75% of the energy requirements of its Oil Palm mill at Nakiyadeniya.
- Gold award the the Best Annual Report in the Agriculture Sector from the South Asian Federation of Accountants.
- Won the Gold award in the "Plantations sector" for the 6th consecutive year at the 2013, Annual Reports Awards conducted by the Chartered Institute of Accountants (CA) of Sri Lanka.
- Won the Silver award in the "Agriculture and Plantations" sector at the National Business Excellence Awards organized by the National Chamber of Commerce of Sri Lanka, held in November 2013.
- One of WATA's CSR initiatives-The Kenilworth Vocational Training Centre for the Differently Abled was adjudged the winner of the Bronze award at the Annual JASTECA CSR awards.
- The Company moved forward in its shift from an employment guaranteed model to a livelihood model.

Strategies

- Move away from a wage guaranteed model to a livelihood guaranteed model as a win-win strategy which would reduce Costs of Production and improve productivity whilst also empowering the worker.
- Continue to give priority to the development of renewable energy for a sustainable Triple Bottom Line impact.
- Enhance branding and move closer to the end user to address Sri Lanka's declining cost competitiveness in the global market.
- Look at partnerships with global leaders which provide synergies with our core strengths, as an avenue for growth.
- Continue to invest in social development to improve the quality of life for the resident plantation Associates and their families.
- Harness technology where feasible to reduce costs and improve worker retention.

Objectives/Plans for 2014-15

- Increase Oil Palm yields to 20 tonnes per hectare by year 2015-16.
- Continue to enhance worker empowerment for greater productivity and employee satisfaction.

Challenges

- Escalating Costs of Production in Tea.
- The labour intensive nature of the Tea industry (with labour costs amounting to nearly 70% of overall costs), and constraints against automation especially of the plucking process, due to steep terrain and the need for human discernment.
- Financial unviability of replanting low yielding old tea due to high costs and long pay back.
- Worker retention in the Tea industry due to attractive alternate opportunities elsewhere, which are on the rise with the growth in the country's Construction and Tourism sectors and new industrial investments.
- Although Tea plantation companies support the entire resident population on an estate, providing them with physical and social infrastructure, only one fifth work on the estates.
- Declining cost competitiveness of Sri Lankan Tea in the world market.
- Impacts of climate variability.
- Land limitations for expansion of Oil Palm and other high value crops (Cinnamon).

Opportunities

- The legacy of Sri Lanka's brand image in the global market as a producer of a unique quality of tea and hence the opportunity to market a niche product, globally.
- Tea is the second most popular beverage in the world, next only to water.
- Expectation that international Tea prices could soar with increasing demand spurred by a growing affluence in Asia and the Middle East.
- Sri Lanka is the world's largest exporter of orthodox black tea which has seen a rise in demand in the global market.
- The significant potential amidst an increasing demand for Palm Oil as a edible oil, a bio fuel and a raw material input for soaps and cosmetics.
- Comparatively much higher viability of the Oil Palm crop due to its higher productivity and lower labour intensity.
- Comparatively higher earnings by employees engaged in Oil Palm and the resulting socio economic upliftment of communities and the favourable impact on the labour supply in the sector.

PALM OIL

Industry Environment

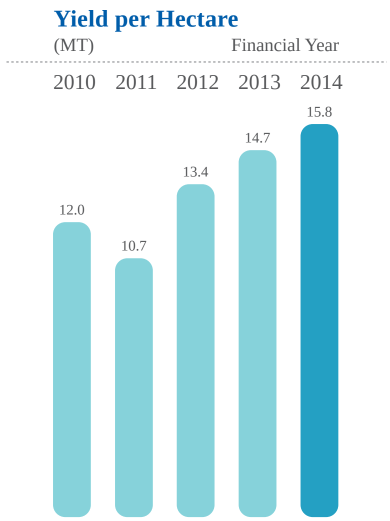
Sri Lanka's Oil Palm industry consists of four leading players inclusive of WATA, who together supply 15% of Sri Lanka's total Palm Oil requirements with the remainder consisting of imports.

Continued to have the highest yield in the industry for the 5th consecutive year.

Addtionally two new players began cultivation over the last season. In keeping with a rapidly growing demand across the world, the extent of Oil Palm cultivation in Sri Lanka began to expand over the past few years with the total land area increasing from 5,000 hectares in 2009 to about 8,000 hectares as at end 2013. The crop's significantly higher yields per hectare and lower labour requirements vis-a-vis Rubber and Tea as well as competing oils are some of the supply side factors which, combined with demand factors have made Palm Oil one of the most profitable crops to grow. The

National Sales Average for Palm Oil rose during the year under review by 3.6% to Rs. 141 per kg.

Strategies in Action



Growth in Yield per Hectare at WATA

WATA continued to be the highest producer in the country, in 2013-14 as well, with a total production of 8,127 tonnes. The Company also achieved its highest profits to date mainly supported by the dividends of its good agricultural practices initiated two years ago, many innovations at field level and a higher NSA. The Palm Oil sub-sector maintained its position as the highest contributor to WATA's profitability, having made the highest ever PAT of Rs. 632.6 million compared Rs. 524.1 million recorded in the 2012-13. Revenues in Palm Oil increased by 5.2% to Rs. 1.39 billion.

Continued to achieve the highest profits in the industry.

It also continued to achieve the highest yield in the industry at 16.8 tonnes per hectare compared with an industry average (as per information available) of 13.8 in 2013. Crude Palm Oil (CPO) received a price of Rs. 141 per kg. during the under review.

Reflecting the Company's efforts at Continuous Improvement, WATA's yield per hectare has seen a continuous increase over the past four years, as illustrated in graph above, and the Company is confident of increasing this number to reach its next target of 20 tonnes per hectares by year 2015-16.

Several innovations by our employees at field level helped improve productivity. These innovations are enumerated in the discussion on Human Capital further on in this review.

The sustainable approach to business in the Palm Oil sub-sector also include efforts to develop renewable energy alternatives.

Outlook

Your Group is particularly buoyant about the potential of the Oil Palm crop. The crop's productivity vis-a-vis other competing edible oils, such as Coconut, Corn and Soya Bean, is significantly higher whilst the labour requirements' are significantly lower. These supply side factors mentioned above combined with an increasing demand for the product's value as an edible 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.

TEA

Industry Environment

Sri Lanka's Tea production reached an all time high in 2013 supported by higher prices fetched at the Colombo Tea Auction (CTA) and strong export demand. Total production increased by 3.6% to 340.2 million kgs. All elevations saw an increase. Highest growth was from the medium grown elevations, at 6.8% whilst low growns saw the highest ever production.

The average net sales prices of high, medium and low grown Tea increased by 7% YoY to Rs. 406 per kg., 18% to Rs. 416 per kg and 15% to Rs. 471 per kg, respectively, helping producers to buffer the increased costs of higher wages, higher bought leaf prices and higher electricity tariffs.

It is significant that Sri Lanka's export earnings from Tea exports increased by 9.2% to reach the highest-ever annual earnings of US $ 1,542 million in 2013, mainly due to the high price obtained for Ceylon Tea owing to its superior quality and the rise in international demand for orthodox teas. The average export price of Tea rose by 9.3% to US $ 4.82 per kg in 2013, from US $ 4.41 per kg in 2012. Export volumes of tea, however, remained at 320 million kilograms in 2013 as in 2012.

Was the highest producer of tea among RPC's for the 3rd successive year

- *10 of our estates are ETP certified*
- *4 of our estates are members of the Rainforest Alliance*
- *7 estates are Fairtrade Certified*
- *7 are ISO 22000 certified*

Despite an overall strong performance by the industry, Sri Lanka's Tea industry continues to be beleaguered by escalating Costs of Production and hence, diminishing cost competitiveness in the global market. For one, due to continuous increases in wages sans a link to productivity improvements and secondly, due to declining yields of tea bushes which are more than 50 years of age. The Tea industry with the exception of two years, have continued to incur losses for a period of 10 years ending in 2011. It is companies such as yours, that are diversified into other crops such as Rubber and Oil Palm which have been able to buffer the losses in Tea. Sri Lanka's largest Tea estates are managed by 20 listed and some government controlled RPC's. Whilst Sri Lanka's Tea production had roughly doubled in 2012 from 1990 levels, its share of the global crop had declined to 7% from 21% in 1960.

The lack of a wage model that is linked to productivity, as we have repeatedly requested in previous years, is an urgent imperative for the sustainability of the Tea industry. The Group has taken a leadership role in this regard by piloting a shift from a wage guaranteed model to a livelihood guaranteed model which is win-win in nature due to the increase in productivity and the empowerment of the worker that it enables.

The fact that half of RPC's Tea bushes are more than 50 years old and hence low yielding, springs the second challenge of low cost competitiveness. The costs of replanting Tea amounts to as much as Rs. 3.5 million a hectare which takes more than two decades for a company to recover the investment as per the calculations of the Tea Research Institute (TRI), thus posing a critical challenge to the industry.

Reducing our vulnerability to primary crops and to world market conditions such as moving closer to the retailer and increasing the presence of our own brands are amongst some of the other strategic measures your company will look to adopt. We will also continue to lobby against the restriction on selling outside of the tea auctions which currently permits only 10% of our Tea to be sold outside the auctions.

As per industry research, 41% of those who lived in the estates also worked on the estates in 1992, whilst now only a fifth of those who live on the estates are found to engage in estate work, reflecting the declining attractiveness of plantation work vis-a-vis lucrative alternatives

outside. Increasing economic growth in Sri Lanka as the peace dividend continues with further growth in sectors such as Tourism, Construction and new industries would open up more employment opportunities, thus exacerbating the problem of retaining human capital on Tea estates. A more empowering livelihood model which offers better earning potential and the development of social infrastructure to improve the quality of life are some of the ways in which we might address the challenge.

Performance & Strategies in Action

Group's Tea crops were affected by a higher intensity rainfall in the six months from May to October. The rains which were higher than the previous year also created flash floods that affected three of WATA's factories and displaced several families for which a substantial cost was incurred in rectifying same. Further, in the first three months of 2014, the tea plantations experienced an extremely dry spell which again affected our crops.

Total tea produced amounted to 9.9 million kgs, higher by 0.4% over the previous year. Despite the vagaries of the weather, worker productivity was a key factor in mitigating what otherwise could have been a more dismal performance. The overall cost of production increased by Rs. 38 per kg., and its total impact on cost of sales was Rs. 379.0 million. The rise in Cost of Production was primarily due to the 20.0% wage increase that became effective in April 2013 and takes place once in two years as per the collective agreement. 70% of the total cost of production amounts to wages which increased even further with the gratuity provision of Rs. 200 million absorbed during the year.

Our plantations perfectly exemplify the win-win impact of a truly integrated approach in enterprise, which also reflect our long term perspective in business. The long term productivity of our land, our people and financial capital are mutually dependent. Thus, integrating the social, environmental and economic value creation has for many years been a strategic imperative for WATA as we recognise it as a sine qua non for the sustainability of our enterprise. As such, the age old adage that we "shall reap what we sow" has wider meaning and a deeper commitment that extends beyond our crops to encompass our social and environmental initiatives.

The fact that ten of our tea gardens have gained membership in the Ethical Tea Partnership (ETP) is an external endorsement that the Tea we produce has been manufactured in a socially just and environmentally sustainable manner.

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 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 renewable energy plant is able to meet 75% of the energy requirements of the Nakiyadeniya factory.

the Ethical Trade Initiative (ETI) Base Code which encompasses the International Labour Organization's (ILO) core conventions.

Your Group's Abbostleigh estate was the first CTC tea factory in the country to receive Fairtrade certification and today seven of the Group's plantations are Fairtrade certified.

In addition, five of the tea factories are HAACP certified – endorsement that the entire value chain is safe from biological, chemical and physical hazards and conform to international standards, whilst seven of the factories are also ISO 22000 certified – affirming our food safety management systems across the food supply chain meet stringent international standards.

Just as much as these certifications reflect our Group values, they are also in sync with the long term Triple Bottom Line perspective we have in business.

Outlook

It is predicted that Sri Lanka will achieve a record crop of 335 million kgs. in 2014. As the Collective Agreements on wages are negotiated only once in two years, WATA expects to maintain the cost of labour at current levels in 2014-15. We will also seek to expand our production facilities in teas that bring us a better cost per kg. The long term sustainability of the tea plantation sector will depend on several critical success factors which need urgent remedying and which we discussed under the preceding industry environment.

RUBBER

Industry Environment

Sri Lanka's Rubber production declined by 14.2% compared with 2012, to 130,421 metric tons. The significant drop in production, particularly during the first nine months, was largely due to the torrential rainfall throughout this period, which reduced the number of tapping days. The relatively low producer prices were also to some extent a contributing factor to the lower levels of production by smallholders.

The declining trend in Rubber prices which commenced at the start of 2012 continued during 2013 as well. Improvements in natural Rubber supply from major producing nations along with high stocks of major manufacturers in China and Japan and a slowdown in growth in major export markets such as the Euro region contributed to this decline in international rubber prices during the year. The price at the Colombo Rubber Auction (CRA) followed the trend in global markets. At the CRA, the average price of Ribbed Smoked Sheet 1 (RSS1) grade declined by 10% to Rs. 377 per kg and Latex Crepe 1X declined by 3% to Rs. 397 per kg, in 2013 compared with 2012. In the global market, the average export price of Rubber declined by 9.7% to US $ 3.02 per kg in 2013 from US $ 3.35 per kg in 2012.

Performance of the Rubber cultivation sector is hindered by several issues that need remedying in order to increase profitability of this sector. These include low land as well as worker productivity, a decline in cultivated land extent, high Costs of Production and labour shortages. Lower earnings in rubber employment also contribute to the social disparities we have observed vis-a-vis those engaged in other crops which further contribute to the challenge of labour scarcity in the sector

Performance and Strategies in Action

The Group's Rubber sector performance reflected that of the country's and was impacted by common factors. Production reduced by 8.3% to 490,097 kgs compared with 2012-13 and the sector faced an operating loss of Rs. 12.6 million compared with a profit of Rs. 17.7 million. The NSA also declined to Rs. 348 vis-a-vis Rs. 373 per kg. in 2012 due to a drop in local and global market prices. The industry is very price dependent and was hence affected by the downturn in global prices. Low land productivity due to a lack of replanting and the reduction in number of tapping days due to inclement weather during the 1st and 2nd quarters were factors which contributed to a 6.4% drop in productivity to 752 kgs per hectare, from 803 kgs per hectare in 2012-13. These factors also contributed to the rise in cost of production at WATA to Rs. 391 per kg. from Rs 341 per kg.

Outlook

Our rubber plantations are located in the low country and could continue to be impacted by adverse weather in the coming year as well. The industry being price dependent would mean that global market conditions will also determine performance. Your Group will continue to maintain its yields and the wage increase, which applies every two years, will not encumber labour costs in 2014-15.

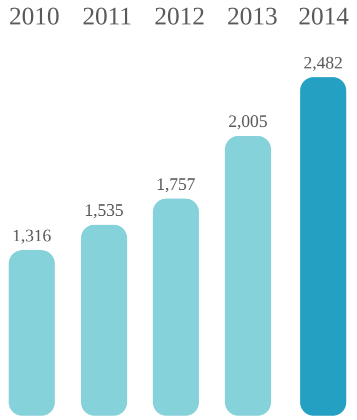
FMCG

DRIVING GROWTH ON THE STRENGTH OF OUR OWN BRAND EQUITY

Represented by Watawala Tea Ceylon Limited (WTC) launched in 2001, the Group's FMCG sector portfolio consists of Tea, Edible Oil and Bottled Water. Its three brands of Tea: 'Zesta', 'Watawala Tea' and 'Ran Kahata' are today established household names which have seen WTC spring to market leadership as one of the largest branded tea company. WTC also introduced Gift-Tea boutiques in 2002, with the famed "Tea Cup" and now operates outlets at the Katunayake airport, hotels and other strategic locations.

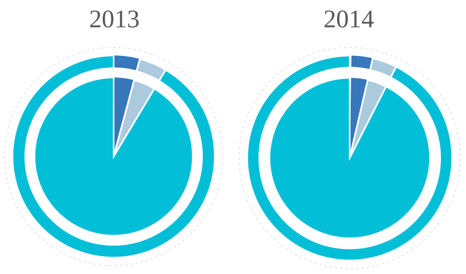
Revenue

(Rs. Mn) Financial Year



Contribution to FMCG

(Contribution %) Financial Year



	2013	2014
FMCG	91%	93%
Exports	5%	4%
Gift Boutique	4%	3%

Performance in 2013-14

- Achieved an exceptional performance as revenues crossed Rs. 2.48 billion. in a market that remained stagnant. And this growth in revenue was achieved through a combination of volume and price growth.
- Sales of Branded Teas increased by 11.4% to reach 2.9 million kgs..
- Our products continued to be cost effective with production costs remaining the lowest in the industry.
- 30% market share in the total Sri Lankan market.
- Achieved employee satisfaction level of 76% on an Employee Satisfaction survey carried out amongst 100% of employees of WTC.

Objectives 2014-15

- Strengthen the “Ran Kahata” brand to harness the significant potential identified.
- Increase sales volumes of all three tea brands.
- Continue to focus on training and development of our people to ensure higher levels of motivation, productivity and brand loyalty.
- Increase sales volumes of our bottled water brand “Zest” and edible oil brand “Oliate”.

Strategies

- Maintain the cost competitiveness we possess vis-a-vis competitors.
- Continue to strengthen and leverage the brand equity which has been successfully achieved and established since inception 14 years ago.
- Increase awareness of the different qualities of Tea in the Sri Lankan market, nurturing more discerning consumers.
- Expand our product portfolio into other beverages.

Challenges

- Lack of awareness of the different qualities and varieties of Tea amongst a majority of tea drinkers in the Sri Lankan market who hence opt for unbranded bulk tea.
- Keeping abreast of market's demand changes due to rapidly changing life styles.
- The difficulty of cultivating consumer habits.
- Prospect of sharp rises in global Tea prices and hence cost increases.
- Possibility of rising inflation and the resulting drop in purchasing power of the Sri Lankan consumer.
- Finding the right human capital.

Opportunities

- To build on the dominant market position achieved by WTC's brands.
- To enhance and further harness brand equity.
- To convert Sri Lanka's bulk tea drinkers, who constitute 65% of the Sri Lankan market, to branded tea drinkers.
- Venture into other line extensions and alternatives in the "beverage market".

Market Environment

The retail tea market in Sri Lanka remains intensely competitive with about five leading players out of a total of over 234 companies, accounting for 69% of the branded teas market which consisted of 256 brands, as at end 2013. The fourth quarter of the year saw a declining market demand which possibly could be attributed to several external factors such as the impact on purchasing power of some segments of the market due to the reduction in interest rates and the scarcity of milk powder which is a complementary product having contributed to a decline in the consumption of tea. We are mindful that these factors could continue to impact demand in the year ahead as well.

Strategies in Action

WTC retained its market position and remained amongst the top two players in the domestic market, with a share of 30% in the Sri Lankan market and gaining significant market share in the Southern and Northern Province. We also continued to remain a strong player in the Modern Trade segment. Once again, the brand equity of WTC's three brands of Tea continued to be a key strength enabling "Ran Kahata" to capture a significant share in the Jaffna district within a year.

The gains made by investing in an online direct debit system for distributors and a pre-billing system for the sales force were evident during the last year and WTC will continue to invest in technology towards increasing business efficiency.

The company continued to improve its cost efficiency, increased production volumes and physical distribution, and obtained very effective A&P support which led to gains in market share, both in terms of volume and revenue.

During the year, WTC made a bold decision to re position its popular brand 'Watawala Kahata' as 'Watawala Tea' bringing it in line with its flagship brand 'Zesta'. The decision was made considering all stakeholders and has achieved positive results for the Company. As part of this same exercise "Ran Tea" was re-branded as 'Ran Kahata' in our quest to make it more appealing to the consumers who look for an economy brand.

Whilst brand equity has been a key factor in WTC's thrust to become a market leader, our philosophy that "our people build the brands" has been a vital ingredient of that brand equity. The commitment, competencies and drive of our people have been the driving force in propelling WTC to become a leader in the branded teas market. A performance driven culture is combined with remuneration, reward and recognition geared to nurture commitment and loyalty, reflecting WTC's long term perspective in business. The use of technology to continuously enhance the efficiency of its operations, efficacy of its management information and for our people to harness their potential and that of the company, remains high on the list of WTC's strategic priorities.

Outlook

One of WTC's core strengths continues to be its own distribution network, being only one of two Tea companies in the Sri Lankan market to possess its own distribution network. WTC will continue to build on its strengths to cater to consumer needs and expand market share for its branded products and to sustain its position as the biggest branded Tea company in Sri Lanka. Concurrently, it will also explore opportunities to expand into other products in the beverage market over the next few years.

OTHER INVESTMENTS

The Group has made investments in Energy and Metal packaging; the Metal Packaging business is managed by Sunshine Packaging Limited and the energy sector by Sunshine Energy Limited.

We will continue to explore opportunities and make strategic investments in other sources of renewable energy.

POWER & ENERGY

READY FOR EXPANSION IN A HIGH GROWTH MARKET

The subsidiary Sunshine Energy Ltd., established in 2009 is engaged in the exploration and production of renewable energy and to function as a sustainable commercial entity whilst adding value to the nation's economy. Since February 2012 its first commissioned hydropower plant in Lindula (Waltrim Lower) has been generating 1.62MW of power, providing energy to the national grid. Two subsidiaries, Elgin-Hydro Power Private Limited and Upper Waltrim Hydro Power Private Limited are to begin the construction of two more hydropower plants on Elgin and Upper Waltrim estates, respectively.

Performance in 2013-14

- Achieved a revenue of 96.8 million which was a decline of 3.1% over last year.
- Continued to generate a total of 1.62 MW of power whilst the sector achieved a profit of Rs. 11,943 compared to a loss of Rs. 13.4 million during the last year.

Objectives/Plans 2014-15

- Commence the construction of two new plants- Upper Waltrim and Elgin hydro power projects which, once commissioned will increase the Group's total generation to 7 MW.

Strategies

- Expand current generation to 7 MW as a platform for exploring further growth.
- Explore prospects in other forms of renewable energy in the long term.

Challenges

- Weather dependency.

Opportunities

- Being a sector with tremendous growth potential.
- Guaranteed demand in Sri Lanka (at present) due to power purchase agreements with the Ceylon Electricity Board (CEB).
- Relatively lower cost of hydro energy vis-a-vis alternatives such as solar and wind power.
- Being an environment friendly renewable source in a world that is being increasingly challenged by environmental issues.
- High economic growth in Sri Lanka contributes to an ever growing demand for energy, combined with the need for cost effective renewable energy solutions.

Industry Environment

Sri Lanka's Energy sector performance remained satisfactory in 2013 supported by stable oil prices in the international market and favourable weather conditions which led to a lower level of thermal power generation.

The total electricity generation in 2013 increased moderately by 1.3%

to 11,954 Giga Watt hours compared to 11,801 GWh in 2012. Favourable weather conditions that prevailed during the year helped boost the share of hydropower generation.

As a result, total electricity generation through hydro sources increased by a significant 120% while total thermal power generation declined by 18.5%. The electricity generation from coal power, that constitute part of total thermal power generation, increased by 57% to 1,469 GWh.

The Ceylon Electricity Board (CEB) is the sole licensee in Sri Lanka holding responsibility to develop and maintain a system of electricity supply as well as for distribution. Hydropower remains the main source of renewable energy for electricity with most of the large scale hydro resources owned by the CEB whilst a considerable share of small scale projects having capacities below 10 MW termed mini hydros have been developed and owned by the private sector.

Although the share of Hydropower increased during the year under review the industry trend over the past few years has seen an increasing dependence on Thermal generation.

The high percentage of oil in Sri Lanka's energy mix has a direct impact on economic growth as goods and services become less affordable to consumers. As pointed out by energy experts, the high cost of oil, which results in a high cost of energy, is found to be associated with slow economic growth. Rising extracting costs and need for higher capital investments combined with the depletion of high yielding oil and gas reservoirs is making fossil fuels increasingly more expensive and would only exacerbate the energy crisis, making more urgent the need for countries such as Sri Lanka to find alternate sources of renewable energy.

Strategies in Action

The Group's Energy sector revenues declined during the year due to the drought conditions that prevailed during the 3rd and 4th quarter which was somewhat offset by the favorable weather conditions that prevailed during the 2nd quarter. The sector achieved a revenue of Rs. 96.8 million.

Outlook

The energy sector has immense potential for growth amidst rising demand, locally and globally. Moreover, electricity demand growth in the past has revealed a direct correlation with the growth rate of the economy, the rising demand in Sri Lanka (as supported by the demand forecasts by CEB shared below), would hence exacerbate the need to increase supply of energy via solutions which are more cost effective than those dependent on fossil fuels.

In the medium to long term we are also mindful that the pace of technological developments, scientific advancement and innovations could see the discovery or the invention of new sources of energy, which could change the composition of energy supply both globally and locally.

Sunshine Energy Limited will continue to explore opportunities and make strategic investments in other sources of renewable energy. Biomass and wind power are two major energy sources which we are particularly buoyant about.

As enumerated under the discussions of the Agri businesses and Sustainability, the Group has made significant strides in generation of renewable energy out of waste, on its Tea and Oil Palm estates, enabling them to become partially self sufficient.

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037
Demand Growth (%)	8.7	6.3	6.1	5.9	5.7	5.5	5.4	5.3	5.2	5.1	5.0	5.0	5.0	4.9	4.9	4.8	4.8	4.8	4.7	4.7	4.6	4.6	4.6	4.5
Generation Growth (%)	7.4	7.4	6.1	5.7	5.5	5.3	5.2	5.2	5.1	5.0	4.9	4.9	4.8	4.8	4.8	4.7	4.7	4.7	4.6	4.6	4.5	4.5	4.5	4.4

Source: Ceylon Electricity Board

PACKAGING –

EXPLORING NEW AVENUES OF GROWTH

Sunshine Packaging Limited (SPL) is a pioneer in the manufacture and printing of metal packaging in Sri Lanka and continues to be a benchmark for quality and a market leader in its key product categories such as tea caddies and confectionary boxes…

Performance in 2013-14

- Revenue of Sunshine Packaging Ltd. (SPL) grew by 41.1% over the previous year to reach Rs. 293.2 million.
- Revenue in the Tea and Confectionaries segment grew by 69.8% and 77.1% respectively whilst a slowdown in the demand for display boards resulted in revenues from this segment decreasing by 83.8%.
- SPL continued to dominate packaging in the Tea and Confectionaries industries.
- Rising energy costs and the Rupee depreciation vis-a-vis the Dollar were significant challenges during the year.
- Identified possible bottlenecks in our operations and launched a reengineering of our processes to improve productivity using internal expertise which yielded significant results as noted below.
- Increased our value addition to several clients by undertaking the packing of the products for those who lacked the facilities to do so.
- Launched the production of paper canisters.
- Launched several new techniques in printing to innovate new packaging designs.
- Recruited a designer with post graduate qualifications to strengthen in-house design capabilities.

Objectives & Plans for 2014-15

- Develop the paper canister business.
- Venture into trading to become a one stop packaging solutions provider to clients by importing products which may not be manufactured by SPL, thus also relieving them of the responsibility and logistics of importing.

Strategies

- Harness the significant potential identified in the high growth market of food cans.
- Explore partnerships with overseas investment.
- Explore other types of packing material as alternatives to Tin.
- Diversify our portfolio and reduce dependency on Tea exports due to diminishing global competitiveness of Sri Lankan Tea.

Challenges

- Escalating costs due to the rupee depreciation vis-a-vis the Dollar in an industry which is import dependent for as much as 90% of its input.
- Competition from much cheaper Imports from China which are considerably more cost competitive due to the economies of scale of their markets, and domestic availability of raw material.

Opportunities

- To harness the excellent printing quality at SPL.
- The tremendous potential identified in the rapid growth of processed food cans which amounts to 51% of all metal packaging globally as well as in Sri Lanka. The entire global packaging industry is estimated at US $ 400 billion, in 2013 and at US $ 500 billion if industrial end markets are included. (*Source: E&Y*)
- Metal packaging being amongst the fastest growing industries in the world.
- Sri Lankan packaging exports to India could capitalize on the benefits of lower duty vis-a-vis Chinese imports to India, using the Indo-Sri Lanka Free Trade Agreement.

New types of inks were introduced

Industry Environment

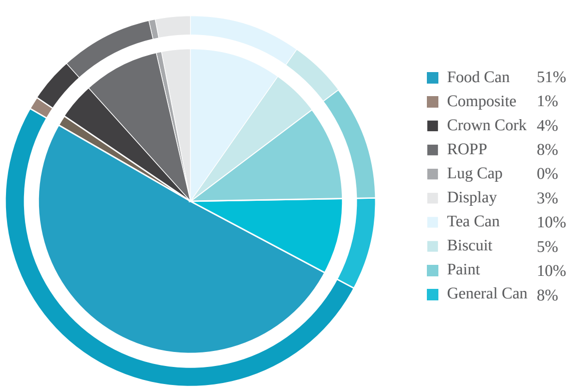
We've identified significant growth potential in the canned segment in Sri Lanka as the country imports a large volume of food cans. SPL is thus buoyant on the opportunity that this sector provides, to substitute imports of cans with locally manufactured cans, saving valuable foreign exchange for Sri Lanka's coffers, thus benefitting the industry and the country.

However the industry continues to be challenged by the high dependency on imports for raw material as well as machinery. The imported input accounts for as much as 90% in the metal packaging business in Sri Lanka. Cost competitiveness vis-a-vis cheaper imports from China and India as identified above, are hence key challenges which need to be addressed.

Sri Lanka's Metal Packaging Industry

Product wise

Metal Packaging Industry
(Percentage %)



Strategies in Action

SPL's revenue growth of 41.1% during the year was despite a decline in the display board. Revenue in the Tea segment, which accounts for 63.3% of SPL's revenue, increased by 69.8% during the year, whilst revenues from the Confectionaries segment increased by 77.1%. The most significant external challenges to SPL continued to be rising costs of imports due to the Rupee's depreciation and escalation in energy prices of both LP Gas and electricity. SPL's net losses contracted from last year to Rs. 5.3 million from Rs. 30.8 million the previous year helped by process reengineering and the resulting productivity improvements.

Significant achievements resulting from the process reengineering launched during the year include a sharp increase in capacity utilization of the plant, from 50% in 2012-13 to 85% in 2013-14; increased production averages from 150,000-200,000 cans per month to reach 300,000 in June 2013 and 400,000 in March 2014; reduced damage & wastage from 2.5% in 2012-13 to 0.89% to be well below the industry average of 2%. The increased efficiencies also required the marketing team to make a more focused effort to obtain specific orders to fill identified production lines which were now found to be idle following productivity and process improvements.

The company launched paper canisters as a new product to its clients, which we believe has immense potential for growth.

Outlook

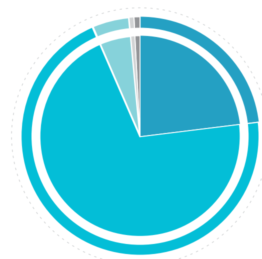
Your Company's technical knowledge and excellent print quality of its packging are key strengths on which it will seek to leverage on. We are also aware of the need for constant innovation to keep pace with changing life styles and consumer patterns. Packaging sales in the emerging markets are expected to continue to show strong growth as both increased consumption and demand for consumer goods drives the need for more sophisticated packaging, due to a growing middle class.

SPL identifies the food cans industry as a key growth segment in Sri Lanka, with significant potential and is currently looking at opportunities in this segment. We will also look at raw material alternatives to Tin in order to address escalating costs, vulnerability to foreign currency rates and to respond to changing market demands. The launch into paper canisters initiated during the year will be one of the avenues to expand in the year ahead. SPL will also explore partnering overseas investors to facilitate an infusion of new capital.

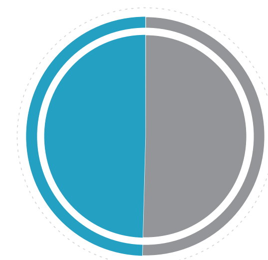
OUR HUMAN CAPITAL –
DERIVING AND DELIVERING VALUE WITH OUR CORE STRENGTH

Years of Service

Religion



Gender



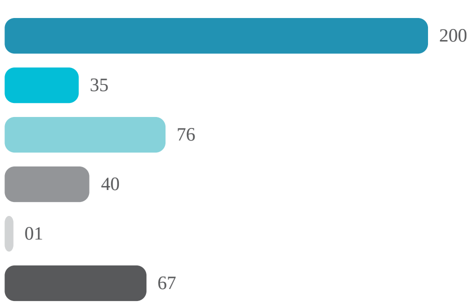
We know that the assertion "Our People are our most valuable asset" is today almost a cliché, but then again we will not be doing justice to our approach and communicating what is factual if we don't say so. Whether it be in building the value of our brands or the quality of the tea we produce, the team of 12,023 that makes up Sunshine Group has been a cornerstone of the competitive advantage it has gained.

The key strategic HR initiatives taken by each of the sectors in relation to their specific strategic imperatives were discussed under the preceding sector reviews whilst a review of the Group level HR and other ongoing HR practices and initiatives are presented below.

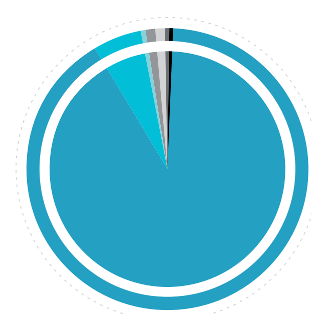
How the Group Manages its Human Resources

The composition of the total workforce as at 31st March 2014

Qualifications



Employees



Recruiting and Retaining Talent

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

The Group's recruitment and selection processes are streamlined to meet evolving business needs, whilst planned training and development initiatives are carried out across the group to enable employees to give of their best to the organisation. We understand the value of providing an environment in which people can reach their true potential.

Employee surveys are valuable tools which tells us how employees feel about their work, the working culture and the Company, and thus enable us to respond, fine tune and enhance the workplace environment and culture. During the year, our FMCG subsidiary - WTC, conducted an employee survey encompassing all its 120 employees and achieved an engagement score of 76%; a reflection of the fact that one of WTC's key strengths in achieving high brand equity has been the commitment and motivation of its people, which also bodes well for sustainable market growth and leadership.

The Group's Healthcare subsidiary also conducted a Climate Survey and initiated several measures in response to its findings. The needs identified included some changes to the company culture to increase employee engagement and bonding. A sports culture was promoted as one of the informal channels of engagement, which also saw SBL take part in mercantile sports during the year. The Company reduced the requirement of half a day of work every Saturday, to every other Saturday of the month, and educational attainments were further encouraged with educational loans and exemption of those engaged in studies from the two half a Saturday's a month work shift.

WATA conducted its annual Climate survey, encompassing Estate Managers/ Assistant Managers/Executives at estate level/Corporate Management and all categories of Staff at the Head Office. A unique feature of this survey has been the one-to-one discussions by the Chief Executive Officer with all levels of employees, after which suggestions and remedial measures are implemented. Most of the suggestions made in 2013 were implemented as at end March 2014.

Improving the work environment in the plantations sector is also being carried out under the concept "Quality-of-Work-Life (QWL)" to maintain health, safety and security of the workforce in the factories and in support services. Employees are encouraged to participate in the design of such initiatives to improve the workplace.

The Group's Performance Management system translates & aligns business strategy into goals of teams and individuals across all levels of business, the rewards mechanism recognizes contributions and achievements of organizational goals which have been set at the beginning of the year. All employees across the Group companies have an opportunity to engage in a two-way appraisal process where performance targets and measures are agreed on and monitored across companies. We have a Group-wide employee recognition program where we identify employees and teams who have contributed individually and collectively towards business excellence.

Employee Engagement & Empowerment as a Route to Sustainability

The Group encourages a culture with minimum bureaucracy valuing professionalism over stifling practices. This extends to our plantations as well, which is entrenched in a hierarchical culture inherited from its colonial past. WATA has began the journey of implementing this culture over the past few years. For instance, our initiative to title our "workers" as "Associates" is a first in the industry.

Those who work on plantations were referred to as 'Coolies' during the colonial era, later as 'labourers' and subsequently as 'Workers'. As we have shared in our previous reports, on 1st April 2010 WATA made a decision and made it known across the company, that all its employees including plantation employees, regardless of rank or designation would in future be referred to as '**Associates**' - a term that is reflective of the equality and dignity that we strive to achieve. The term '**Associates**' thus reflects the fact that we consider a plantation employee a partner in our aspirations and success, and one who is empowered to take ownership of a larger objective and vision, and a colleague like everyone else. Four years on, the term 'Associate' is what is used by everyone across the Company.

Community Development Forums (CDF's)

WATA, in association with CARE International has introduced Community Development Forums (CDF's) as a unique management mechanism which would also help address the declining competitiveness of Ceylon Tea in the global market due to its comparatively high cost of production. The CDF's provide Associates an opportunity to address work and work-environment related issues alongside estate managers and are aimed to be effective channels to increase productivity and hence profitability, whilst meeting worker aspirations of greater autonomy and responsibility. By creating mini parliaments which meet once a month, they have facilitated open sharing and debate between the Associates, the management and the broader community thus enabling the Associates to find solutions to day-to-day problems, participate in decision making and community development activities and be recognised. The CDF's agenda extends to discussion of productivity parameters, training, welfare and community development. Channeling community and NGO programmes through the CDF's also allows for greater transparency and community level ownership of the projects. In addition to the above, CDF's also take on the task of establishing links with local government entities facilitating easier access for Associates to obtain national identity cards, birth or marriage certificates or pension entitlements.

The CDF's are designed by Associates, local community and stakeholders to benefit Associates, their communities and plantation companies and WATA has established one on each estate. They have yielded considerable benefits towards more sustainable plantations at WATA, with a 10-20% increase in yields and a reduction of 16 management hours per week. The CDF's are envisaged to complement and improve on the impact of other initiatives such as Quality Circles, Continuous Improvement (CI) Teams and Kaizan teams which WATA has been practicing for some time.

The Group also strives to measure the impact of all its social and environmental efforts and quantify where possible and practicable. An independent Social Return on Investment Analysis (which measures the outcomes of projects estimating return on investment) conducted by WATA has found that for every rupee invested in worker empowerment programes there has been a marked return to the worker, the Tea industry and the community as a whole.

It has been reported that engaged organizations grew profits as much as three times faster than their competitors and that highly engaged organisation have the potential to reduce worker turnover and WATA's engagement with its people who work and live on its estates are driven by this belief.

A Culture of Continuous Learning

	Training Cost Rs.
SBL	2,122,495
WATA	6,900,349
WTC	562,018
Sunshine Company	180,325
Sunshine Packaging	177,131

Employees are the most valuable asset and one of the critical strategic imperatives of the Group is to enhance the value of that asset. Learning and Development, promoting education and a culture of continuous learning remained focus areas of our HR initiatives during the year.

The Group has recognised the value of professional qualifications to retain a competitive advantage in a volatile industry, and especially in the context of Sri Lanka's declining cost competitiveness in the global market which requires us to find solutions through innovative thinking and knowledge. Experience per se will not suffice.

SUN has thus created a culture in which it encourages its staff to obtain professional qualifications in relevant areas. Some of these measures include the reimbursement of the total course fees upon the successful completion of the recommended professional or academic courses and granted educational loans.

Today as much as 97% of WATA's Estate Assistant Managers and Managers have obtained a qualification from the National Institute of Plantation Management (NIPM) whilst three of the Estate Managers are currently studying for a Masters in Business Administration. The estates have also arranged for its Family


New long stalk cutting hatchet, a new innovative clamp and a device to prevent Porcupine damage.

Welfare officers to follow a Customized Foundation Course in Human Resource Management conducted by the Institute of Personal Management (IPM) to equip them with greater efficacy in their engagement with Associates.

"Knowledge Sharing" amongst employees is actively promoted across the Group in many forms such as discussions, training, presentations, study papers and project reports.

WATA in its Training and Development as well as employee welfare activities on its plantations, also work closely with many government and non-government organizations (NGO's) Some of the NGO's which WATA partners include the World University of Canada (WUSC), CARE International, Berendina Foundation and World Vision.

Encouraging innovation

The Company encourages a culture of innovative thinking and helps translate new ideas into action at Company level. Some of the innovations on our estates which were recognised during the year at the annual Employee Recognition Scheme and which will contribute to profitability are summarized below:

Employee Innovations during 2013

Mechanical Innovation	Impact	Benefit
OIL PALM SECTOR:		
A new clamp with modifications to improve efficiency of Oil Palm harvesters.	Better ergonomics.	Cost saving of Rs. 425 per clamp due to local manufacture, improved harvesting averages per day. Total time saving of 50 seconds per palm and 16 minutes per day.
Tool to harvest in steep terrain.	Increased output by reducing crop loss on steep terrain.	Increased output by 850 kgs a month, increased incomes for harvesters, improved their averages and tool can be operated by one individual vis-a-vis the former which required two.
New long stalk cutting hatchet.	Long stalks of fresh fruit bunches of Oil Palm impacted the quality and productivity of the bunch. The tool has reduced the long stalks to zero .	Zero deductions from mill for FFB, increase in the Oil Extraction Rate, increase in harvester income due to reduction in deductions, increase in the quality of the Fresh Fruit Bunch, increase in harvester productivity.
Device to prevent Porcupine damage.	Protection to plants.	Reduced infilling and hence infilling costs, maintained 100% stand per hectare, crop and yield is expected to increase.
A chute to transport fresh fruit bunches to mill.	Faster transport & within stipulated times, less damage in transport.	Improved quality of fresh fruit, less labour for loading-one worker vis-a-vis two.

Health & Safety

All our locations have Health & Safety policies in place, Occupational Health and Safety is a key area of focus due to the nature of the industries which includes hazards such as contact with agro chemicals, difficulties presented by the terrain, bio diversity within the plantations, and handling of equipment. We have also set in place appropriate structures, procedures and processes to identify the issues and formulate appropriate responses. Safety remains a critical area of focus at our blending and packting plant of our FMCG businesses, the healthcare warehouse, the packing factory and the hydro power plants. We have appointed Health and Safety wardens at the Head office as well and trained them on the correct procedures to be adopted in the event of an emergency.

The safety policies are formulated with the aim of providing all employees, contractors and visitors to Company property with the safest and healthiest conditions. This includes maintenance of plant and systems to ensure they are safe and risk free, disposal of articles which are inherently or potentially hazardous, providing comprehensive instructions and training and supervision to ensure the health and safety of every employee.

In addition, Occupational Health & Safety Aspects on our plantations are also encompassed in the Fair Trade, Ethical Tea Partnership, ISO 22000 and Rain Forest Alliance certifications. The Group's Plantations sector has also initiated TABS, a programme focussing on the need for adopting the correct behaviour at the work place both from an individual and team perspective. The acronym TABS stands for 'Think And Behave Safely' and has been rolled out in all estates to ensure that staff understand the principles of Occupational Health & Safety regulations and utilise the facilities provided for their safety and well-being. The estates also maintain a health file for staff in areas more susceptible to injury or at higher risk of health issues due to the nature of their work such as spraying of chemicals. Employees assigned to work using mechanised equipment are screened for epilepsy to minimise injuries. We schedule and carry out regular medical checks and rotate the tasks among employees to nitigate and minimize possible risks to their health.

Employee Social Welfare

The Group promotes employee camaraderie via many formal as well as informal channels. Some of the informal channels include staff outings and socials by the different subsidiaries involving employees and their families, annual Christmas parties, Christmas Carols and other religious functions and the annual Wesak Lantern Competition.

ENGAGING SOCIETY

The Group considers long term relationships with all its stakeholders to be a strategic imperative for sustainable growth.

The Group's plantations managed by its subsidiary Watawala Plantations (WATA) is home to not just its "Associates" but their families as well and hence considers itself responsible for a community of over 25,000 people. Furthermore, our responsibility towards our people is not limited to the years that they are employed with us, since they spend their whole life on the estate providing the management with a unique set of challenges. The management also considers it their responsibility to provide not merely a livelihood, but "a way of life". All our estate managers take pride in looking after their estate communities 'from womb to tomb". Some of these social upliftment initiatives, shared below, are a reflection of this approach.

Our social and community level initiatives to improve the quality of life for our Agri business sector employees and their families over the years have been two pronged; addressing psychosocial factors on the one hand via a range of projects and programmes and developing social infrastructure on the other hand. In addition to our intrinsic motivation to contribute to "make things better" for all, and the satisfaction we derive from seeing how we can make a difference; these projects are also win-win in the long term as they contribute to productivity improvements and perhaps would make the plantations more attractive to those who seek opportunities elsewhere.

Amongst the initiatives during the year were those which continue to promote the Company's novel concept - "A Happy Family" launched in 2012. During the year under review, measures were taken to address a number of social ills that plague the families such as alcoholism and gender-based violence.

In order to address alcoholism, WATA identified children of employees as possibly the most effective channel to motivate their parents to prevent alcohol abuse. The Company conducted a poster campaign amongst school children which proved to be an effective means of awareness creation as well as a powerful means of expression of their thoughts and feelings about a widespread issue that plagues their communities.

The Company also adopted a strategic measure, by promoting purchases of household electrical items such as TVs by facilitating sales of consumer products on the estates by leading consumer brands as a way to encourage employees to divert their funds from alcohol into owning products which will benefit the family. Moreover, as the TVs provided a means of entertainment at home for their idle times, they significantly reduced the likelihood of adults venturing out in search of alcohol during the evenings. The TVs, as we have observed, also helped increase the quality of life by increasing family time for many households. The Company also discerned a corresponding increase in productivity amongst those Associates the next morning, as an early 'TV evening' invariably found them in better mental and physical condition compared to mornings following late nights of alcohol consumption.

Empowering Women on our Estates

Empowerment of Women has been a priority on WATA's social sustainability agenda for several years and our previous reports have enumerated some of these initiatives, which include:

- facilitation of economic empowerment of women by supporting organic farming of vegetables in their home gardens, launched in 2011;
- a ground breaking initiative with a target to have 100 female 'Kanganies' by year 2015. The position of field level supervisor (Kangani) has been restricted to males and remains so to this day. WATA, on Women's' Day (8th March) in 2010, took a decision to promote women to the level of supervisor. Towards this end, a need for capacity building of women was identified which the Company fulfilled in collaboration with the WUSC (World University Service of Canada);
- an awareness creation prorgammes to prevent gender-based violence; and
- a role exchange with males for a designated period of time to facilitate greater empathy and motivate behavioral changes by husbands.

During the year under review WATA prohibited the practice of handing over the salaries of the women cadre to husbands and also organised programmes on household cash management for the

Kenilworth project : the 3rd best CSR project in the country.

Female 'Kanganies' training

women. It is now mandatory that the woman Associate herself collects her pay or withdraws from an ATM established on the estate. The company has succeeded in getting a bank to install ATMs on some of its locations to facilitate ease of access. The ATM withdrawals of salaries also encourage savings and better cash management as the salary can now be withdrawn in installments as needed.

Empowering Unemployed Youth in the Community

We observed that the opportunities available on our Oil Palm estate in Nakiyadeniya were insufficent to cater to the demand for livelihoods amongst youth in the local communities and amongst families of Associates. Accordingly the Group decided to initiate training opportunities for these youth to equip themselves with professional skills and knowledge which would enable them to become gainfully employed in some high growth sectors of the economy such as construction and Information Technology (IT). Training in masonry and carpentry by the Technical College of Galle commenced during the year for 33 youth with certificates awarded for successful completion of the course, whilst 29 young individuals are being trained by IT professionals. Those who are trained in masonry will also be engaged in the construction of housing for the Associates on our estates, enabling them to reap the rewards of their training in more ways than one- not just financially but with the added satisfaction of being part of the upliftment initiative of their own communities and neighborhoods.

WATA's Centre for the Differently Abled - one of the country's best CSR projects

The Group's subsidiary WATA continued to fund and manage the Vocational Training Centre which was launched on its Kenilworth estate, in Ginigathena in 2001. We are heartened by the external recognition it received in 2013, at the Annual awards conducted by JASTECA as the 3rd best CSR project in the country. The centre continues to provide a hitherto marginalized group of individuals who in this instance are also burdened by economic deprivation, an opportunity to develop their talents, earn an income and enjoy recreational facilities; and above all, a safe place for the day which provides routine and structure. Furthermore the Group enabled these members to participate at a Christmas sale conducted at the Sri Lanka Exhibition and Convention Centre in Colombo, in December 2013, at which they were able to sell the greeting cards, envelopes, eco-friendly paper bags, tea pouches, Christmas decorations and paintings they had created. The income generated from the sale of these items was distributed amongst these individuals.

Estate communities are particularly vulnerable owing to the lack of opportunities, awareness, and economic and psychodsocial support for the differently abled individuals and their families. Thus, the benefits this Centre affords to the caregivers, by relieving them of the responsibility of caring for these individuals during the day, and, by alleviating their feelings of isolation and despondency, are immesurable. The Centre's future plans include the identification of individual talents of the members and providing need-specific training to develop those skills, as well as obtaining the assistance of business partners and other organizations for expertise in training the differently abled.

Impacting People, Profits and Planet with Our Inland Fisheries Project

Being in the Agriculture business, our efforts to enhance the value of our natural capital often enables us to reap rewards of higher productivity and ultimately, profitability. However it is not so often that they also empower communities and improve their quality of life.

The development of inland fisheries on our plantations was launched in 2012 as an avenue for social empowerment. It has been a pioneering initiative with its Triple Bottom Line impact fuelling the momentum of expansion. The project began when the CEO of WATA on a visit to one of the estates, saw an abandoned quagmire and shared an idea that it be used to breed freshwater fish. The Company soon facilitated training with the Department of Inland fisheries enabling 48 Associates to obtain training at Kalawewa Fisheries Training Centre which taught them aspects such as how best to dig a tank, identification of the different kinds of fish, preparation of fish meal, identifying and treating diseases and breeding of fingerlings. During the year under review WATA facilitated two such training programmes and also provided the participants with financial support to build the tanks and purchase fingerlings and fish meal.

The project's expansion during the year saw the addition of 102 new ponds with each allocated to a householder to tend and harvest.

In addition to facilitating an additional source of income and better nutrition for families, the project has also ignited a sense of enthusiasm and passion for a sustainable initiative. We find these individuals now taking an effort to learn about the behavior of the fish, take measures to guard their ponds from possible thieves and share information on how best to cook the different varieties of fish. Additionally, free time which may have otherwise been spent consuming alcohol, is now put to good use.

Moreover, the project also renders environmental benefits to our plantations by facilitating a mini eco system and the ponds help maintain the water tables of the surrounding land area at higher levels thereby enabling these areas to better withstand drought periods.

Progress of the Inland Fisheries Project by Watawala Plantations PLC.

	2010	2011	2012	2013	Total
No of ponds created	9	6	53	102	169
No of fish released	5,500	2,500	37,000	94,700	139,700
No of households benefitting	185	161	231	313	890

Inland fisheries project

SOCIAL INFRASTRUCTURE

Our plantations subsidiary, WATA donated several houses during the year with the support of World Vision Lanka and Berenddina Development and they are as follows:

Estate	No of houses	Supporting Organisation	Contribution by WATA
Ouvakelle Estate	25	World Vision Lanka	Rs. 10,87,845
Lipakkelle	01	Berendina Development	Only Land was provided

The Child Development Centre (CDC) of the Wood Stock Division at Wigton Estate was upgraded with the Associates lending a hand to the IT department which initiated the project to colour wash the building and mend the furniture for the benefit of the children of Associates who are looked after at this centre.

Projects carried out by WATA together with PHDT (Plantation Human Development Trust) to uplift the communities during the year:

Activity	Investment by PHDT Rs Mn.	No. of Units	No. of Beneficiaries
Re-roofing	5.9	118	118
Latrines	5.5	110	110
Water Scheme	2.0	2	350
Road	7.5	1.5	750
Indian Child Development Centre	2.9	4	150
Construction of Bridge	2.0	1	250

HEALTHCARE

Health Camps

Our Group's Healthcare sector is guided by the philosophy that the ultimate aim of healthcare should be a healthier Nation. Being a key stakeholder in Sri Lanka's Healthcare market has been an incentive for our active involvement in health related community initiatives. It gives us the opportunity to extend our resources, expertise and the strong networks we have established over several decades, to benefit people who lack the means or the awareness for better health. Additionally, these initiatives also provide us useful feedback on customer needs, as collaboration between customers and suppliers can create strong win-win relationships.

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

Health Camps conducted by the Group in 2013

Type of Camp	Where	External resources	Amount invested	Number who benefitted
Cataract operations	Abbotsleigh estate	Berandina Development Services		04
Screening for Diabetes and Hypertension and screening pregnant mothers.	Vellaioya estate	Doctors from South Korea		300
Ayurvedic Medical Clinic	Carolina estate	PHDT	External sponsors	116
Two Dental Clinics	Kenilworth estate		9,300	74
Awareness programme for pregnant mothers	Tangakelle estate	EMA & Midwife		20
Medical screening of Associates who spray	Kenilworth estate		22,050	63
Blood tests for Associates who spray	Kenilworth estate		36,000	52
Aids Screening Clinic	Udugama region			

Additionally, 15 volunteers on the Group's Homadola estate were trained in eye screening by a leading eye surgeon of the Medical Faculty of the University of Ruhuna and the deployment of these trained volunteers to screen employees for eye conditions on all four estates of the Udugama region saw the screening of 775 executives and Associates. Twelve of them now await eye surgery while 350 individuals were provided with spectacles with the support of an NGO.

AIDS Awareness

Our plantations in the Udugama region as well as Hatton/Watawala and Lindula regions organised AIDS awareness programmes during the year. The Udugama region conducted a medical clinic as well as an AIDS awareness programme which involved a cricket match, a street drama competition and a poster competition.

A walk organised by the Hatton/Watawala and Lindula regions to mark World AIDS Day saw the participation of over 100 of the Company's employees, 50 three-wheelers, the Hatton police and students from the Vocational Training Centre. These programmes are conducted with the objective of educating the Company's Associates and the communities about the disease, prevention and treatment of HIV/AIDS, and to address the stigma that still surrounds it.

Branding Integrated CSR for a Healthier Nation

Life is sweeter with less sugar

Diabetes Association of Sri Lanka

Our company Watawala Tea Ceylon Limited (WTC) as a CSR initiative, joined hands with the Diabetes Association of Sri Lanka to communicate a message on Diabetes awareness, to the general public of Sri Lanka. WTC's 'Zesta', 'Watawala Tea' and 'Ran Kahata' tea packets now carry the above logo and the slogan - "Life is sweeter with less sugar" on the rear of the pack to educate the public to use minimum amount of sugar in their cup of tea

Approximately 9% of school children aged 5-20 years and 22% of adults in the age group of 20-40 years in Sri Lanka are reported to have abnormal blood sugar levels and the Diabetes Association's focus on primary prevention through increased education and awareness to highlight the ill effects of consuming large amounts of refined products, the worst of which is sugar, is thus a vital initiative towards a healthier nation in the future. It is one of the Group's brand integrated CSR initiatives with links to a core area of business and the sustainable objective of "Better Health for the Nation".

INVESTING IN EDUCATION

Type of educational initiative	Investment by the Company during the year	
	New investment in 2014 Rs.	Total spent in 2014 Rs.
Scholarships to undergraduate students in the estate communities	72,000	348,000
Scholarships to Advanced Level students	192,000	540,000
	Amount spent	Number benefiting
Financial assistance to Estate Managers, Assistant Managers and Associates to off-set the expenses of school books, bags, uniforms and shoes of their children	3,004,850	750
Providing stationary to employees' children at the beginning of the school year at Sunshine Packaging factory	75,000	150
Purchase of books and opening of savings accounts for other educational related expenses for 04 advanced level students by Sunshine's IT department	23,000	150
Total investments by the Group in 2013	3,990,850	250

Knowledge transferring by Nakiadenya Rubber for Ruhuna University students

World Literacy Day conducted Homadola Estate

A higher education for one's child is a dream of most parents, but for some, it remains an unrealized dream due to lack of economic means. In keeping with our focus on supporting education, companies across the Group took on the task of helping many such parents who are employed with the Group. Some of the initiatives being a continuation of schemes initiated are than 15 years ago.

During the year, the Group's Plantation Company added 04 undergraduates enrolled at the University of Sri Jayawardenepura and the Eastern University and 16 Advanced Level students, to the list of beneficiaries of the scholarships awarded by the Company. Each of the undergraduates are presented Rs. 18,000 per annum for the duration of the 4 year degree programme whilst each A'Level student receives Rs. 12,000 per annum. The total number of scholarship holders as at end March 2014 numbered 30 undergraduates and 29 A'Level students with the total investment during the year amounting to Rs. 3,990,850.

WATA also provides financial assistance of Rs.2,500 per child to Estate Managers and Assistant Managers and Rs.5,000 per child to Associates to off-set the expenses of school books, bags, uniforms and shoes and the total spent amounted to Rs. 3,004,850 for the financial year ended 31st March 2014. Child Development Centres manned with trained Child Development Officers have been established in our estates to ensure that our Associates have access to quality child care and pre-school education. We have also established four libraries at Carolina, Dickoya, Waltrim, and Homadola estates in collaboration with the Asia Foundation to facilitate improvement in literacy levels of estate communities.

The education related initiatives by our subsidiaries also included the financial support for two Advanced Level students scheduled to sit for their examinations next year, on the Group's Wigton estate. During the year under review, the IT department purchased the books required for the year and opened Savings Accounts to facilitate their education related expenses amounting to Rs. 23,000.

A Knowledge Transfer Programme with the University of Ruhuna

WATA Nakiyadeniya Estate, together with the Faculty of Agriculture of the University of Ruhuna organized a knowledge transfer programme to enable the third and final year university students to obtain practical knowledge and training on agriculture with a focus on Palm Oil and Rubber manufacturing whilst the Company's staff members were able to benefit from the theoretical knowledge imparted by the students.

Celebrating World Literacy Day

World Literacy Day was celebrated for the 5th successive year on Homadola Estate, in collaboration with the Department of Education and the Udugama Maha Vidyalaya as part of the Group's efforts to promote literacy and infuse the value of education amongst the communities. The programme included knowledge sharing by a few officials of the Department of Education followed by an interactive session with the children, as well as arts and crafts and singing and dance competitions by the children.

INVESTING IN THE SOCIAL WELL BEING OF OUR COMMUNITIES

Caring for and Recognising the Elderly

Art and talent need not have an age limit. The WATA's Shannon estate, in col ation with the Berandina Development, organized a cultural show by the elderly. The show did prove that talent has no age limit, as more than 100 senior citizens sang and performed traditional and non-traditional dance items demonstrating their talent with enthusiasm, making it an evening of camaraderie and fun for all.

A cultural show for the elderly was also organized by the WATA's Carolina estate encompassing all its divisions.

WATA's Ouvahkelle Estate also organized a Sports Meet for the elderly, giving them the due recognition and an opportunity to enjoy and feel youthful again.

Several estates of our subsidiary WATA, launched an 'Elders Club", providing a much appreciated opportunity for senior citizens in the communities to meet, socialize and to organize activities and excursions. These clubs, which have also been provided with dedicated premises by the managements, fill a vacuum in the lives of the elderly by facilitating camaraderie amongst the elderly, who over the years have contributed much to the Company and the economy.

Celebrating and Caring for Our Children

Countries across the world celebrate Children's Day and several estates of our plantations subsidiary organized activity days in October. A day of fun activities and learning oragnise by Talangaha Estate saw the participation of 650 students. The programmes also included educational programmes on good habits and the importance of education and hygiene.

Promoting Wellness

As part of efforts to improve the quality of life of the estate youth of our plantation subsidiary, the management team of the Carolina estate organized its first ever inter division Volleyball tournament in December 2013 at the newly developed Volleyball courts of the Trafalgar division which generated much enthusiasm.

The Child Development Centre (CDC) of the Wood Stock Division at Wigton Estate.

OUR NATURAL CAPITAL

Whilst we strive to minimise our environmental footprint on the one hand we proactively seek ways in which we can contribute to the sustainability of the natural capital. Our approach to enhancing our natural capital include the following;

1. Adoption of environmental best practices and international standards,
2. Development of renewable energy,
3. Proactive efforts to directly impact the long term value of natural capital,
4. Planning for and responding to climate change impact,
5. Integrating People and Profit where possible, in environmental initiatives.

Clean air, clean water and bio-diversity are constantly threatened by increasing populations and spreading industrialization. However with improving awareness of the dire consequences, it is evident that stakeholders will increasingly demand accountability on environmental impacts. For our agriculture subsidiary WATA, the natural environment is our key resource, and being the custodian of more than 12,000 hectares of land, and other natural resources such as lakes and waterfalls, we are aware of the tremendous responsibility with which we must act towards the environment.

On our plantations we adopt a two-fold strategy. We recognise that the reduction of our carbon footprint is fundamental, given that the effects of climate change have a significant bearing on our crops which are dependent on stable temperatures and consistent rain fall patterns. We also recognise that the expenditure we incur in undertaking environmentally responsible management of our estates come with benefits, which have been identified and pursued.

DEVELOPING RENEWABLE ENERGY

The need for conservation of energy and sources of renewable energy in the world has been made more urgent today than ever. The need is that much greater and immediate for countries such as Sri Lanka, the high dependence of which on oil imports continues to burden the Balance of Payments. Renewable energy is also of critical importance due to the favourable impact on the environment vis-a-vis the detrimental effect of green house gas emissions from other forms of energy. WATA's previous initiatives to produce alternate sources of renewable energy which were described in our previous reports include the mini hydro power generating schemes and the renewable fuelwood plantations which now contribute to the Company's profits and have a positive impact on the environment.

Introducing a Steam Boiler

During the year, WATA commissioned a Steam Boiler at a cost of Rs. 30 million at its Oil Palm production facility in Nakiyadeniya to generate renewable energy using the Oil Palm fibre-waste. Oil Palm waste is used to fuel the boiler whilst the steam produced by the boiler in turn drives the turbine at the mill, a

process which was entirely dependent on the National grid. The Project exemplifies a successful Triple Bottom Line impacting initiative. The Company has reduced its carbon footprint by using a completely natural process, and also benefitted its bottom line by reducing its dependence on the national electricity grid by 75% enabling WATA to achieve a saving of Rs. 750,000 a month and thus also contributing to the nation. At the same time it has also made our milling operation more efficient in terms of productivity.

Another initiative has been the construction of a bio gas plant on the Nakiyadeniya estate which is now complete and due to commence generating electricity in the year ahead.

The shed built which has a high and steeply angled roof of transparent polythene and a vacant space between the stacks of firewood and the roof was constructed during the year using local skills and has enabled WATA to achieve the desired outcome.

Introducing Solar Drying of firewood

A substantial amount of firewood, estimated at 480 million kgs per annum, is being used to manufacture tea in Sri Lanka, contributing to an alarming level of deforestation. WATA launched an initiative to acquire knowledge and introduce the process of Solar Drying of firewood to enhance the energy generating capacity of firewood and thereby reduce the amount of firewood required per kg of made tea. A visit by a WATA team to Kenyan tea factories to gather knowledge of the process during the year, saw the successful replication of the shed as well as the outcomes at WATA's Vellai Oya estate.

The simple and cost-effective process involves the construction of the drying shed according to a design that facilitates maximum sunlight penetration and heat build up to enable the pre-heating of the firewood. A 20% increase in output of energy per cubic metre of firewood is estimated to result in the entire industry saving approximately 156,735 trees per annum, as per consumption estimates stated above. This result gives us enough impetus to adopt the process across the locations for all of WATA's firewood requirements.

Dendro Plantations

WATA's Dendro Plantation consisting of Eucalyptus trees and Short Rotational Crops (SRC) cover an area of 550 hectares in the 15 upcountry estates.

During the year the Company planted a further 50 ha of Eucalyptus and SRC amounting to around 1,680 trees in strip fashion 8 x 8 feet apart. WATA has identified land for reforestation mainly from uncultivated *Mana* growing areas. A five year plan is also prepared for submission to the relevant authorities for cropping and felling. And the Company awaits Central Environmental Authority approval which comes with strict guidelines such as prohibition of the use of machinery for cutting the trees, the need for consideration of people living around the area and avoiding disturbance of natural water sources, and that cutting must be done leaving a stump 1 foot in height to avoid soil erosion.

IMPACTS OF CLIMATE CHANGE

Climate change, once considered a threat for the distant future is now impacting our planet. The beginning of last year saw tea as well as other agricultural output decline across the country due to drought conditions. Similarly, too much rainfall can also impact tea. The optimum rainfall for tea cultivation varies from about 223 mm per month in the upcountry region to about 417 mm per month in the other regions.

Implications of Climate Change on Tea cultivation:

- Disruption to weather patterns can reduce overall cultivation which in turn impacts the company's financial performance,
- A change in rainfall patterns in Sri Lanka as well as other rubber growing countries induces fluctuations in rubber latex pricing,
- Changing weather patterns in Natural Rubber producing regions make supply forecasting difficult,

- Global warming also drives the demand for cooling mechanisms and hence higher energy requirements, which impact prices of fossil fuels and in turn indirectly impacts the world market prices of rubber.

Some of the contingency measures and efforts we've taken to minimise the adverse impacts of climate change and other environmental factors include infilling, use of drought and heat tolerant cultivars, soil and soil moisture conservation, soil improvement, intercropping, crop diversification, planting and managing of shade trees, and increased scrutiny in selection of lands for replanting. Additionally, burial of pruning with the inclusion of compost, cleaning drains, shade establishment, re-supplying tea and forking are also carried out regularly to mitigate diverse impacts. As a considerable period of time is required to bring about changes to a crop system such as Tea; these are long term strategies which the company carries out despite constraints of affordability and limited labour availability. The fact that we have continued with these investments even during downswing years for the tea sector underscores our long term comittment to conduct our business, in an environmentally conscious and sustainable manner. The importance of the Tea sector to the socio-economic fabric of our country is kept firmly in sight which encourages our long term view and the Triple Bottom Line focus we have adopted.

Initiated the Environment Friendly Disposal of E-waste

During the year, Sunshine Holdings signed up with Green Links Lanka, an e-waste management company to ensure the environmentally friendly disposal of office or home electric and electronic discards such as old computer components, toner cartridges, mobile phone batteries, cables, compact discs etc. Recognising the importance of proper disposal of e-waste, Sunshine has made all its employees partners in this initiative. Employees drop off their e-discards into identified bins placed at various locations at head office. Green Links is licensed by the Central Environmental Authority (CEA) for scheduled waste management and ensures that its e-waste stocks are exported in strict accordance with the BASEL convention on the Trans Boundary movement of e-waste.

The arrangement with Green Links Lanka Ltd., ensures that all our e-waste is exported to recyclers who recycle according to universally accepted standards and a destruction certificate is obtained by Green Lanka for each and every e-waste item recycled. Unmanaged e-waste is not merely a hindrance in terms of storage but is harmful to humans and the environment if not properly disposed of, contributing to environmental hazards such as ground water pollution, acidification of soil, gas emissions and other conditions.

Initiated the environment friendly disposal of e-waste.

Tree Planting campaign on Talangaha estate.

Standing left to right:
S. Sathasivam, U. L. Kadurugamuwa, S. A. Munir, N. B. Weerasekera, A. Hollingsworth, S. Haddegoda, B. A. Hulangamuwa

Seated left to right:
S. Piyaratna, G. Sathasivam, R. T. Wijetilleke, V. Govindasamy

WE STAY TRUE TO OUR IDENTITY

THE BOARD OF DIRECTORS

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. In 2011, he completed 50 years as a practising banker. He was the founder president of the professional bankers. He was the former president of National Stroke Association of Sri Lanka and former chairman of United Nations Association of Sri Lanka.

He still serves in several corporate boards in the capacity of independent non-executive director such as Nawaloka and Mahaweli Reach.

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 makes 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 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.

Mr. 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 Mr. 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 Founder.

V. Govindasamy
Group Managing Director

Mr. V. Govindasamy pioneered the Group's diversification into newer but key economic sectors such as renewable energy, telecommunications and FMCG. In recognition of his achievements, the TATA Group invited Mr. 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.

S. A. Munir
Director

Mr. S. A. Munir 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 Chicag,o 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 Asia Pacific and Africa based in Singapore. Mr. S. A. Munir is now retired from Abbott, a major healthcare 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, Attorneys-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., an 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 billion 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 positions 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 the 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 the 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.

WE ARE HERE TO MAKE THINGS
BETTER

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

Seated from left to right:
V. Wickramarathne, V. Govindasamy, B. A. Hulangamuwa, S. G. Sathasivam, D. V. Seevaratnam

THE EXECUTIVE COMMITTEE MEMBERS

V. Govindasamy
Group Managing Director

Refer page no 82.

B. A. Hulangamuwa
Director – Sunshine Holdings PLC

Refer page no 83.

S. G. Sathasivam
Director – Sunshine Holdings PLC

Refer page no 83.

WDPL Vithanage
Group Chief Financial Officer – Sunshine Holdings PLC

Mr. WDPL Vithanage 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. A. 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. P. 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. Mr. Mendis 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-privatisation, 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. D. S. 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 joined Watawala Plantations PLC in 1996.

V. Wickramarathne
Chief Executive Officer – Watawala Tea Ceylon Ltd

Mr. V. Wickramarathne counts over 38 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 Tea" the top two 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. B. M. 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. A. 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. I. M. Ali obtained his degree from the 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 the 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. D. M. U. 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. M. 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 83.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 41st annual report of your company together with the audited financial statements of Sunshine Holdings PLC (SUN), and the audited consolidated financial statements of the group for the year ended 31 March 2014. 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 & Beliefs

The company's Powerful Vision & Beliefs are given on page 4 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 21st May 2014. The financial and operational performance and outlook of the company and the sectors, and its business units are best described in the management review and preview section of the Annual Report. This report, 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 31 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 2014 are set out on pages 117 to179.

Audit Reports

The Report of the Independent Chartered Accountants on the Financial Statements is given on page 116.

Significant Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 124 to 145. 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 2013/14.

Directors

The Board of Directors of the company as at 31 March 2014 and their brief profiles are given in the Board of Directors section of the Annual Report. In accordance with Article 104 of the Articles of Association of the company, the directors retire by rotation and being eligible offer themselves for re-election.

The Company has also received notice of the resolution to propose the re-election of Messers. R.T.Wijetilleke, U.L. Kadurugamuwa and S. A. Munir who are over 70 years of age, and who retires in terms of section 210 of the Companies Act. The resolution proposes that the age limit stipulated in Section 210 of the Companies Act No 7 of 2007 shall not apply to the above directors and that they be re-elected as directors of the company. In accordance with Article 104 of the Articles of Association of the company, Messers. S.G.Sathasivam, S.Piyaratna and A.Hollingsworth 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 31 March 2014 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 2014 were:

Mr. R. T. Wijetilleke – *Chairman*
Mr. G. Sathasivam
Mr. V. Govindasamy - *Group Managing Director*
Mr. S. G. Sathasivam
Mr. S. Piyaratna
Mr. A. Hollingsworth
Mr. N. B. Weerasekera
Mr. S. A. Munir
Mr. U. L. Kadurugamuwa
Mr. B. A. Hulangamuwa

The biographical details of the Directors are given on pages 82 to 83.

Directors Interest in Contracts and Proposed Contracts

Except as stated in Note 33 to these Financial Statements, during and at the end of the financial year 2014, none of the directors were directly interested in contracts or proposed contracts connected with the Company's business.

Directors and Key Management Remuneration

The Directors and the Key management remuneration, in respect of the Company and the Group for the financial year 2014, are given in Note 34 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:

	2014	2013
Mr. R. T. Wijetilleke	1,000	1,000
Mr. G. Sathasivam	1,000	1,000
Mr. V. Govindasamy	193,330	3,330
Mr. S. A. Munir	–	–
Mr. U.L. Kadurugamuwa	–	–
Mr. S. G. Sathasivam	1,000	1,000
Mr. S. Piyaratna	1,000	1,000
Mr. N. B. Weerasekera	–	–
Mr. Alan Hollingsworth	–	–
Mr. B. A. Hulangamuwa	8,720	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. 232.7 million (2013 - Rs. 230.1 million), whilst group revenue amounted to Rs. 14.70 billion (2012 - Rs. 13.07 billion). 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. 1,211 million (2013 - Rs. 179.3 million) whilst the group profit attributable to owners of the parent for the year was Rs. 687.6 million (2013 - Rs 631.1 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 120 and 121 respectively.

ANNUAL REPORT OF THE BOARD OF DIRECTORS *(CONT.)*

Detailed description of the results and appropriations are given below.

	Group		Company	
	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Revenue	14,696,587,869	13,067,664,329	232,691,759	230,073,381
Profit & Appropriations				
Profit Before Interest & income tax	1,595,297,083	1,712,747,392	1,018,312,994	165,957,234
Less: Net finance cost	(145,396,692	(210,359,937)	91, 567,845	11,249,403
Profit Before income tax	1,450,026,167	1,502,387,455	1,109,880,839	177,206,637
Less: Income tax	(324,141,236)	(299,952,674)	(6,218,055)	–
Profit for the year	**1,125,884,491**	**1,202,434,781**	**1,103,662,784**	**177,206,637**
Other comprehensive income (net of tax)	42,414,470	51,423,000	107,525,886	2,124,123
Total comprehensive income	**1,168,299,401**	**1,253,857,781**	**1,211,188,670**	**179,330,760**
Less: Profit for non-controlling Shareholders	480,650,877	622,806,412	–	–
Profit for Owners of the Parent	**687,648,524**	**631,051,369**	**1,211,188,670**	**179,330,760**
Less: Appropriations				
Dividend Paid	–	66,913,269	–	66,913,269
Proposed Dividend	127,135,210	–	127,135,210	–
Balance carried forward for 2015	**560,513,314**	**564,138,100**	**1,084,053,460**	**112,417,491**

Dividend

The Directors recommend that a final dividend of Rs. 127,135,210 equivalent to Rs. 0.95 per ordinary share (2013 Rs. 66,913,269 equivalent to Rs. 0.50 per ordinary share) be paid on 09th July 2014 to those shareholders on the register of members at the close of business on the 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. 0.95 per share.

Property, Plant & Equipment

The carrying value of property, plant and equipment as at the reporting date amounted to Rs. 3.46 billion and Rs. 2.8 million (2013 - Rs. 3.31 billion and Rs. 0.8 million) for the group and company respectively. Capital expenditure for the company and group amounted to Rs. 2.6 million (2013 – Rs. 0.4 million) and Rs. 846.6 million (2013 - Rs. 637.5 million), 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. 961.4 million (2013 - Rs. 860.7 million) and Rs. 506.1 million (2013 - Rs. 297.9 million), 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' Funds

Total shareholders' fund as at 31st March 2014 for the company and group amounted to Rs. 2.51 billion (2013 - Rs. 1.36 billion) and Rs. 4.85 billion (2013 - Rs. 3.75 billion), respectively. The movement and composition of the capital and revenue reserves are 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 25 to the Consolidated Financial Statements. The Issued share capital as at 31st March 2014 was Rs. 690,993,533 divided into 133,826,537 shares. (2013 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 2014 is given on pages 180 to 181 of this Report. The percentage of shares held by the public was 18.9% (2013 – 10.96%).

Substantial Shareholdings

At 31st March 2014, the number of registered Shareholders of the company included 1,999 ordinary voting shareholder. An analysis of the distribution, percentage of public holding and 20 largest ordinary voting Shareholders of the company is provided in this Annual Report on page 181.

Post Balance Sheet Events

No material events have taken place subsequent to the date of the Balance Sheet which requires an adjustment to or disclosure in the financial statements other than those described in note 37 to the Accounts.

Related Party Transactions

Related party transactions in respect of the Group and the Company, for the financial year ended 31st March 2014 are given in Note 33 of the Financial Statements, on page 174 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 Management Review and Preview on page 31.

Contingent Liabilities and Capital Commitment

The Contingent Liabilities and Commitments made on account of capital expenditure as at 31st March 2014 are given in Note 35 and 36 to the Financial Statements.

Summary of Financial Information

A summary of the published results and of the assets and minority interests of the Group for the last ten financial years as extracted from the Audited Financial Statements and reclassified as appropriate is set in page no 20.

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 includes Interests in contracts. The Directors have all made a general disclosure to the Board of Directors as required by Section 192 (2) of the

ANNUAL REPORT OF THE BOARD OF DIRECTORS *(CONT.)*

Companies Act No 7 of 2007 and no additional interests have been disclosed by any director.

Directors' share ownership details appear on page 89 under the Share Information.

Board Committees

The composition of the Board and other Committees as at 31st March 2014, are given below:

Audit Committee

Mr. S. Piyaratne
Mr. S. A. Munir
Mr. N. B. Weerasekera
Mr. B. A. Hulangamuwa

Remuneration Committee

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

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 endeavours 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 Management Review and Preview.

Statutory Payments

The Directors confirm that to the best of their knowledge, all taxes, duties and levies payable by the company and its subsidiaries, all contributions, levies and taxes payable on behalf of, and in respect of the employees of the company and its subsidiaries, and all other known statutory dues as were due and payable by the company and its subsidiaries as at the balance sheet date have been paid or, where relevant provided for, except as specified in note 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 4 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 113 to 114 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 assuarances on the effectiveness of control systems in place. The Audit Committee receives regular reports on the adequacy and effectiveness of internal controls in the group, compliance with laws and regulations and established policies and procedures of the group. The Board has direct access to the chairman of the Audit Committee. 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 and its subsidiaries have adequate resources to continue in operational existence for the foreseeable future, to justify adopting the going concern basis in preparing these financial statements.

Annual Report

The Board of Directors approved the consolidated financial statements on 21st May 2014. 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 5th June 2014.

Annual General Meeting

The annual general meeting will be held at the 'Committee Room B', Bandaranaike Memorial Conference Hall, Bauddhaloka Mawatha, Colombo 07, on Monday, 30th June 2014 at 2.00 p.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.

By Order of the Board.

R. T. Wijetilleke
Chairman

V. Govindasamy
Group Managing Director

Secretaries And Financial and Secretarial Servicers (Pvt) Ltd.
Secretaries

21st May 2014
Colombo

REPORT OF THE NOMINATING AND REMUNERATION COMMITTEE

The Nominating And Remuneration Committee appointed by the Board of Directors comprises three Non-Executive Directors namely Messrs. R. T. Wijetilleke, G. Sathasivam and Mr. N. B. Weerasekera. Other Directors attend Committee Meetings by invitation. The Secretaries of the company 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 packages of all Senior Managers and Directors. The Committee also discusses and advises the Senior Directors and Group Managing Director on structuring remuneration packages for the corporate management. This enables the Company to attract, retain and motivate high calibre individuals with the skills and abilities required to lead the organization.

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

R. T. Wijetilleke
Chairman

21st May 2014

CORPORATE GOVERNANCE

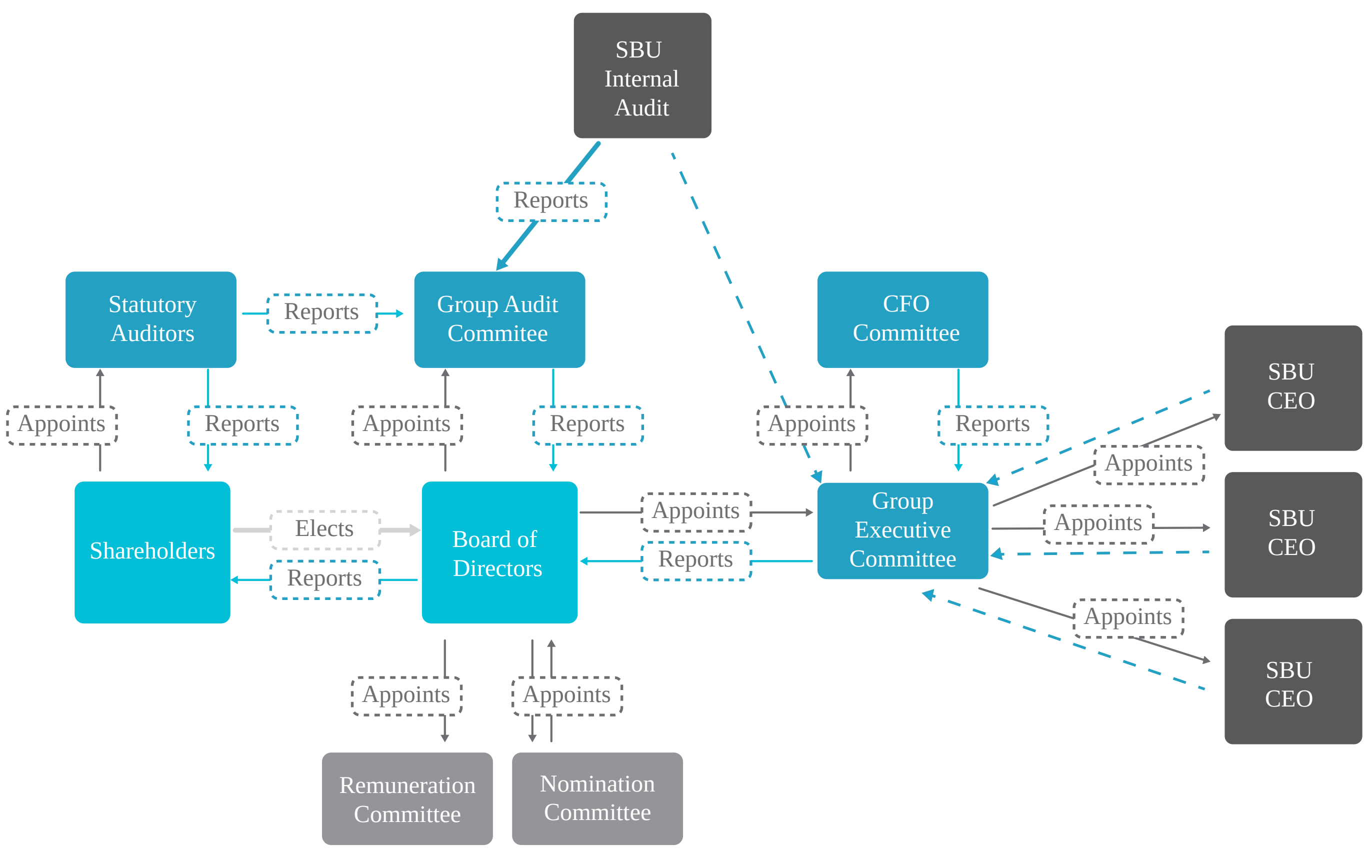
Sunshine Holdings PLC is the holding company of four subsidiaries namely Swiss Biogenics Limited, Estate Management Services (Pvt) Limited, Sunshine Packaging Limited and Sunshine Energy Limited. The Businesses of the subsidiaries are given on pages 50 to 60 of this report.

SUN believes that the best way to communicate with stakeholders and other interested parties, about the company's highest standard of integrity in their business activities is in 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 comply with the Country's Legislative and Regulatory requirements.

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

Sunshine Holdings PLC corporate governance framework is given in the following diagram.



CORPORATE GOVERNANCE *CONT.*

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

The Ex-Com meeting is held quarterly and chaired by the Group Managing Director.

Group Executive Committee Review Meeting (GECRM)

The GECRM is chaired by the Group Managing Director and held monthly to discuss financials & budgets for the period. This forum brings together Chief Financial Officers of all the companies who are 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 the 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 the following powers to execute its 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 106 of this report. Further, the Audit Committee report is also given in Pages 113 and 114.

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 provides 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;

Name of Director	Attendance No.	%
Mr. R. T. Wijetilleke	04/04	100%
Mr. G. Sathasivam	04/04	100%
Mr. V. Govindasamy	04/04	100%
Mr. S. Piyaratna	04/04	100%
Mr. S. G. Sathasivam	04/04	100%
Mr. A. Hollingsworth	03/04	75%
Mr. N. B. Weerasekera	04/04	100%
Mr. U. L. Kadurugamuwa	03/04	75%
Mr. B. A. Hulangamuwa	04/04	100%
Mr. S. A. Munir	03/04	75%

Financial Acumen

The Board comprises of two Senior Chartered Accountants and both of them serve as members of the Audit Committee.

Board Balance

The Board as at the date of this statement consists of ten (10) members. Seven (7) members are Non-Executive Directors (including the chairman) and three (3) are Executive Directors. Four (4) 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. U. L. Kadurugamuwa
Mr. S. A. Munir

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 Meetings.

Re-election of Directors

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

Directors Remuneration

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

CORPORATE GOVERNANCE *CONT.*

Executive Director. It is, nevertheless, the ultimate responsibility of the entire Board to approve the remuneration of the executive Director. The Director's remuneration is disclosed in Note No. 34 of the Financial Statement.

Company Secretaries

The services and advice of the company secretaries are made available to Directors as necessary. The company secretaries keep the Board informed of new laws, regulations and requirements coming 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 or Group Managing Director as appropriate. Sunshine Holdings PLC's website www.sunshineholdings.lk and websites of listed companies within the Group serve to provide a wide range of information on the Group. The company has reported a fair assessment of its position via the published audited 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, establishes various Board Committees. The function and terms of reference of the Board Committee are clearly defined and where applicable, comply with the recommendations of the code of best practice on corporate governance. The group has two Board sub committees,

1. Audit Committee
2. Nominating & Remuneration Committee

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

Audit Committee

The Audit Committee reviews 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 _ and the duties of the Audit Committee are included therein.

Remuneration Committee

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. The Remuneration Committee is responsible for developing the Group's remuneration policy and determining the remuneration packages of executive employees of the Group.

Membership of Sub Board Committees are listed below

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

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.

CORPORATE GOVERNANCE *CONT.*

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	82
		Regular Board meetings	Complied	Composition and attendance	97
	A 1.1	Regular Board meetings	Complied	Composition & attendance	97
	A 1.2	Responsibilities	Complied	Board Responsibility	96
	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	88
	A 1.4	Access to Company Secretary	Complied	Communication with stakeholders	98
	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.	57
Chairman and CEO	A 2	Chairman and GMD and the division of responsibilities to ensure a balance power and authority	Complied	The Chairman does not involve himself in day-to-day operations of the Group and acts as an independent Non-Executive Director. The GMD executes powers given by the Chairman and the Board to run the operation.	97
Chairman's Role	A 3	Facilitate the effective discharge of Board functions	Complied	The Chairman is responsible for conducting meetings effectively and he preserves order and implements board decisions taken.	97
	A 3.1	Ensure Board proceedings are conducted in a proper manner	Complied	The Chairman is responsible for the effective participation of both executive & non-executive directors, their contribution for the benefit of the group, balance power between executive & non-executive directors and control of group's affairs and communicate to stakeholders.	97

Subject	Rule/Code No	Compliance Requirement	Compliance Status	Section	Page No
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Profile of the Board	82
Board Balance	A 5.1	Non-Executive Directors	Complied	Six out of Ten are Non-Executive Directors	97
	A 5.2	Independent Non-Executive Directors	Complied	Six out of six Non-Executive Directors are independent	97
	A 5.3	Independent Non-Executive Directors	Complied	All independent Non-Executive Directors are in fact free of any business with the group and are not involved in any activity that would affect to their independence.	97
	A 5.4	Annual Declaration	Complied	Submitted the declarations as prescribed	97
	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.	97
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	97
	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.	97
Appointments to the Board	A 7	Formal and transparent procedure for Board appointments	Complied	Nomination committee makes recommendations to the Board on new Board appointments	94
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied	Nomination committee makes recommendations to the Board on new Board appointments	94
	A 7.2	Assessment of the capability of Board to meet strategic demands of the company	Complied	Profile of the Board	82
	A 7.3	Disclosure of New Board member profile and interests	Complied	Profile of the Board	82
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	97

CORPORATE GOVERNANCE *CONT.*

Subject	Rule/Code No	Compliance Requirement	Compliance Status	Section	Page No
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	97
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	82
Appraisal of CEO	A 11 – 11.2	Appraisal of the GMD against the set strategic targets	Complied	Evaluation is done by the Chairman & remuneration committee based on the year beginning financial & non-financial targets set with the discussion of the committee.	97
Directors' Remuneration	B 1	Establishment of the Remuneration Committee			94
	B 1 – 1.3	Membership of the remuneration committee to be disclosed and should only comprise of Non-Executive Directors	Complied	Discussed under sub committees	94
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Discussed under sub committees	94
Relations with Shareholders	C 1.1	Counting of proxy votes	Complied	There is an 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 hands.	195
	C 1.2	Separate resolution to be proposed for each item	Complied	SUN propose a separate resolution at the AGM on each significant issue.	195
	C 1.3	Heads of Board subcommittees to be available to answer queries	Complied	Sub-committee Chairman are participated for the AGM	193
	C 1.4	Notice of Annual General Meeting to be sent to shareholders with other papers as per statute	Complied	A copy of Annual Report including financials, Notice of Meeting and the form of Proxy are sent to shareholders 15 working days prior to the date of the AGM.	193
	C 1.5	Summary of procedures governing voting at General Meetings to be informed	Complied	Circulated through Notice of the Annual General Meeting	193
Major Transactions	C 2 - 2.1	Disclosure of all material facts involving any proposed acquisition, sale or disposal of assets	Complied	No major transactions have taken place during the year as defined by Section 185 of the companies Act No. 07 of 2007.	94

Subject	Rule/Code No	Compliance Requirement	Compliance Status	Section	Page No
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	57
	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	57
	D 1.3	Statement of Directors' responsibility	Complied	Directors' Responsibility report	112
	D 1.4	Management Discussion and Analysis of the businesses	Complied	Segment Analysis	168
Internal Control	D 2.1	Annual review of effectiveness of the system of internal control.	Complied	Ex-com & GECR review meetings evaluate the effectiveness of internal control systems in operations and advice on necessary changes/ improvements to the current system based on feedback.	98
Audit Committee	D 3.1	Audit Committee composition	Complied	Composition of Audit Committee	113
	D 3.2	Terms of reference, duties and responsibilities	Complied	Clearly documented to Audit Committee charter	113
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 website & provided to the Colombo Stock Exchange.	94

CORPORATE GOVERNANCE *CONT.*

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	97
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	97
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	97
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Please refer page 97	97
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 97 under the heading of Board balance	97
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 97	82
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	82
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	94
Composition of Remuneration Committee	7.10.5 (a)	Shall comprise Non-Executive directors a majority of whom will be independent	Complied	As above	97
Remuneration Committee Functions	7.10.5 (b)	Shall recommend the remuneration of the GMD and the Executive Directors	Complied	As above	97

Subject	Rule No.	Applicable Requirement	Compliance Status	Details	Page No
Disclosure in the Annual Report relating to Remuneration Committee	7.10.5 (c)	The Annual Report should set out Names of Directors comprising the Remuneration Committee.	Complied	Please refer page 94	97
		Statement of Remuneration Policy.	Complied	Please refer page 94	94
		Aggregated remuneration paid to Executive and Non-Executive Directors.	Complied	Please refer page 178	178
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Please refer Report of the Audit Committee on pages 113	113
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	113
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an independent Non-Executive Director	113
		Chief Executive Officer and Chief Financial Officer should attend Audit Committee Meetings	Complied	GMD and Chief Financial Officer attend meetings by invitation	113
		The Chairman of the Audit Committee or one member should be a member of a professional Accounting body	Complied	Two members of the Audit Committee are Chartered Accountants	113
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	113
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 107	107
		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 113	113
		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 113	113

RISK ASSESSMENT AND MANAGEMENT

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

The Risk Management Framework

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

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

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

Risk Category	Risk	Corporate Impact	Risk Rating		Mitigating Actions
			Probability	Impact on profitability	
Group/ External	Interest rate risk	This will have a direct impact on profitability.	Moderate	Low	Company looks at all possibilities of reinvesting its own funds and reducing high interest borrowings. It also borrows U.S. dollar wherever profitable and obtains block loans on low interest rates such as loans refinanced by ADB and JBIC
Group/ External	Foreign currency risk	Loss of income due to exchange rate fluctuations	Low	Moderate	Treasury management at each SBU level make necessary bookings on spot rates as well as forward bookings. The group is looking for opportunities to increase its foreign currency revenue stream.
Group/ Internal	Dependence on core business	A bad year for one of the core sectors in the group will have a huge impact on group profitability	Moderate	High	Company is looking into non-pharma business growth, especially in diagnostics and wellness products in its healthcare business. In Agri, the group has diversified from the traditional lines of tea and rubber, and focused on palm oil another diversified crops. The fast growing FMCG sector will also represent a bigger portion of the group as it grows. The group is also looking into business opportunities outside its core businesses.

Risk Category	Risk	Corporate Impact	Risk Rating		Mitigating Actions
			Probability	Impact on profitability	
Group/ Internal	High staff turnover	Heavy staff recruitment cost and loss of quality personnel	Moderate	Moderate	Strengthening the second tier of management staff; developing career enhancement programs and implementation of performance based reward mechanisms.
	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.
Group/ Internal	Investment Risk	Non achievement of Required Return	Low	High	Top management evaluates expected return of both existing and new ventures and ensures that effective project management is in place
Group/ Internal	Inaccurate information and breakdown in financial and other systems	Loss of data or incorrect information due to human errors or failure in technology	Low	Moderate	The company's internal controls are regularly reviewed by the internal audit team and group managers of the relevant clusters/groups
Group/ Internal	Health & safety of employees	Occupational hazards at factory	Low	Moderate	Implementation of Workmen Compensation and an adequate general insurance scheme and company welfare fund
Sector/ External	Volatility in global commodity prices (Tea, rubber & palm oil)	Global market prices are external un-controllable and hence cause fluctuations in company Profitability.	Moderate	High	Management of quality and volumes, value addition in keeping with international demand, promotion of tea as a health drink, direct exports, tie-up with overseas packers, follow international standards such as Ethical tea partnerships and Fair trade, promote the product "Tea" as against other beverages, improve quality of crude palm oil to meet edible standards.

RISK ASSESSMENT AND MANAGEMENT *(CONT.)*

Risk Category	Risk	Corporate Impact	Risk Rating		Mitigating Actions
			Probability	Impact on profitability	
Sector/ External	Loss of Principals	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	Moderate	High	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
Sector/ External	Unfavorable weather patterns	Loss of crops and revenue	Moderate	High	Low and high shade establishments, improving water retention capacities on estates, drought resistant cultivars, folio application to prevent excessive transpiration during dry spell
Sector/ External	Volatility/ escalation in energy cost	Increasing cost of production and contraction in margins	Moderate	Moderate	Shift to driers operated with firewood and develop own fuel wood supply such as Caliandra etc.
Sector/ External	Loss of market share	Possible loss of customers and revenue	Moderate	Moderate	Company regularly monitors its market share to keep abreast of competitors and hence any movement receives prompt attention
Sector/ External	Uncontrollable spread of plant disease	Loss of crops and revenue	Low	High	Close supervision and early identification, use of appropriate chemicals, natural and biological control predators, chemical treatment and fumigation
Sector/ External	Soil erosion	Declining soil fertility and reduced yields	Low	Moderate	Adoption of practices such as draining to prevent surfs runoff and Sloping Agriculture Land Technology (SALT),
Sector/ External	Epidemic or Communicable diseases	Negative impact on corporate image as a result of lack of planning and poor business practices	Low	Moderate	Market intelligence and strong rapport with the medical profession. Frequent health education programs at estate level

Risk Category	Risk	Corporate Impact	Risk Rating		Mitigating Actions
			Probability	Impact on profitability	
Sector/ Internal	Operational risk	Frauds, theft, human error and natural disasters, willfully concealing information	Moderate	Moderate	Monthly reviews of operational process, audit committees, internal audit function, performance evaluation and profit improvement plan.
Sector/ Internal	Product quality variation	Possibility of loss of good buyers and lower sales revenue.	Low	High	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.
Sector/ Internal	Work stoppages and go-slow	Loss of produce, overgrown tea bushes, untapped rubber trees, un plucked palm oil bunch which could reduce yields	Low	High	As a member of the EFC the company has entered into a collective agreement with the trade unions and also maintains a good rapport with trade unions. It is also committed to motivate and develop the workforce via regular workshops carried out by external personnel.
Sector/ Internal	Inadequate quality of drugs	Risk of drug quality failure due to manufacturing or storage quality	Low	High	Implementation of stringent drug registration process involving audit of manufacturing plants; ensuring.
Sector/ Internal	Credit risk	Bad debts would result in loss of profits	Low	Moderate	Company has devised a good credit evaluation policy and also secured its debts by obtaining bank guarantees. The group has also taken measures to minimize dependence on few concentrated customers.
Sector/ Internal	Use of agro chemicals	Loss of potential and traditional buyers, detection of excess of the maximum residual limits in made tea, build up of resistance to chemical spray	Low	Moderate	Use alternate chemicals for disease, use only approved chemicals, chemical analysis of tea samples periodically for residual limits; adhere to the recommendations of the Tea Research Institute of Sri Lanka.

SBL warehouse complex

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 2014 presented in the report have been prepared in accordance with the Sri Lanka Accounting Standards and the Companies Act No.07 of 2007. In preparing the Financial Statements, the Directors have selected appropriate accounting policies and has 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

21st May 2014.

REPORT OF THE AUDIT COMMITTEE

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

Meetings

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

	Attendance
S. Piyaratna (Chairman)	04 of 04 meetings
N.B.Weerasekera (Member)	03 of 04 meetings
S. Munir (Member)	04 of 04 meetings
B. A. Hulangamuwa (Member)	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 the responsibilities given in the Audit Committee Charter. It sets out high standards of corporate disclosure, corporate responsibility, integrity and accountability to the shareholders. The Audit Committee obtains representations from the Group Chief Financial Officer on the adequacy and effectiveness of internal control systems. That reviews the statutory accounts and published financial statements, assess compliance with regulatory requirements, considered the contents of Internal Audit Reports and recommends the appointment and remuneration of the external auditors.

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

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

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

- Reviewed and discussed with the Company's management and the independent auditors, the consolidated financial statements for the accounting year ended March 31, 2014. Reviewed the management's representations to ensure that the consolidated financial statements are prepared in accordance with generally accepted accounting principles truly and fairly present the results of operations and financial position of the Company.
- Recommended that the Board select KPMG Chartered Accountants as independent auditors to audit and report on the annual consolidated and the company's financial statements and forward copies of the Annual Report to the Colombo Stock Exchange prior to the Annual General Meeting.
- Reviewed the procedures for identifying business risk and management of the impact on the Group. Reviewed the policies, procedures and internal controls.
- 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.

REPORT OF THE AUDIT COMMITTEE *(CONTD.)*

- Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. Chief Financial Officer submitted to the Audit Committee on a quarterly basis, a report on the extent to which the Company was in compliance with mandatory statutory requirements.

Audit Committee wishes to appreciate the services rendered by Group Auditors, Messrs. KPMG, Chartered Accountants and 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

21st May 2014

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. 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 116 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 the Company other than those disclosed in the Financial Statements in the Annual Report.

V. Govindasamy
Group Managing Director

WDPL Vithanage
Group Chief Financial Officer

21st May 2014

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 2014, 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 117 to 179 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 2014 and the financial statements give a true and fair view of the financial position of the Company as at 31st March 2014, 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 2014, 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
21st May 2014

Colombo,
Sri Lanka

STATEMENT OF COMPREHENSIVE INCOME

		GROUP		COMPANY	
For the year ended 31st March	**Note**	**2014 Rs.**	**2013 Rs.**	**2014 Rs.**	**2013 Rs.**
Revenue	5	**14,696,587,869**	**13,067,664,329**	**232,691,759**	**230,073,381**
Cost of sales		(11,185,590,240)	(9,748,618,793)	–	–
Gross profit		**3,510,997,629**	**3,319,045,536**	**232,691,759**	**230,073,381**
Other income	6	121,686,462	165,518,833	858,962,316	–
Selling & distribution expenses		(730,997,997)	(614,474,760)	–	–
Administrative expenses		(1,306,389,011)	(1,157,342,217)	(73,341,081)	(64,116,147)
Results from operating activities	7	**1,595,297,083**	**1,712,747,392**	**1,018,312,994**	**165,957,234**
Finance income		155,106,084	64,089,441	99,416,044	11,573,442
Finance costs		(300,502,776)	(274,449,378)	(7,848,199)	(324,039)
Net finance income/(cost)	9	**(145,396,692)**	**(210,359,937)**	**91,567,845**	**11,249,403**
Share of profit of equity accounted investee (net of income tax)		125,776	–	–	–
Profit before income tax expenses		1,450,026,167	**1,502,387,455**	1,109,880,839	**177,206,637**
Income tax expenses	10	(324,141,236)	(299,952,674)	(6,218,055)	–
Profit for the year		**1,125,884,931**	**1,202,434,781**	**1,103,662,784**	**177,206,637**
Other comprehensive income					
Fair value change in Available for Sales Financial Assets	18.1/18.2	107,525,886	2,124,123	107,525,886	2,124,123
Exchange gain/(loss)	27	1,000	(783,803)	–	–
Defined benefit plan actuarial gain/(loss)		(92,430,228)	87,419,337	–	–
Income tax on other comprehensive income	10	27,317,812	(37,336,657)	–	–
Other comprehensive income for the year net of tax		**42,414,470**	**51,423,000**	**107,525,886**	**2,124,123**
Total comprehensive income for the year		**1,168,299,401**	**1,253,857,781**	**1,211,188,670**	**179,330,760**
Profit attributable to:					
Equity holders of the company		598,594,806	611,652,484	1,103,662,784	177,206,637
Non–controlling interest		527,290,125	590,782,297	–	–
Other comprehensive income attributable to:					
Equity holders of the company		89,053,718	19,398,885	107,525,886	2,124,123
Non–controlling interest		(46,639,248)	32,024,115	–	–
Total comprehensive income for the year		**1,168,299,401**	**1,253,857,781**	**1,211,188,670**	**179,330,760**
Earnings per share					
Basic earnings per share	11	4.47	4.59	8.25	1.33

The Accounting Policies and Notes form pages 124 to 179 an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

		GROUP		COMPANY	
As at 31 March	Note	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
Assets					
Property,plant & equipment	12	3,459,686,826	3,308,579,037	2,860,593	753,193
Leasehold right to bare land	13	219,578,000	226,613,000	–	–
Biological assets	14	3,139,569,000	2,880,079,000	–	–
Intangible assets	15	153,569,864	143,633,919	–	–
Investments in subsidiaries	16	–	–	961,371,884	860,698,768
Investment in associates	17	2,845,696	–	2,719,920	–
Other investments	18	506,094,835	297,905,848	506,094,835	297,905,848
Investment in gratuity fund	19	200,000,000	127,267,000	–	–
Deferred tax assets	20	91,018,038	86,445,883	–	–
Non-current assets		**7,772,362,259**	**7,070,523,687**	**1,473,047,232**	**1,159,357,809**
Inventories	21	2,442,739,715	2,121,577,830	–	–
Income tax recoverable		8,332,155	11,154,161	3,158,748	3,158,748
Trade & other receivables	22	1,763,610,571	1,774,846,586	34,985,444	74,678,896
Amounts due from related parties	23	75,033,443	19,888,933	79,325,203	38,853,312
Cash & cash equivalents	24	1,437,545,412	769,629,789	940,945,873	94,609,245
Current assets		**5,727,261,296**	**4,697,097,299**	**1,058,415,268**	**211,300,201**
Total assets		**13,499,623,555**	**11,767,620,986**	**2,531,462,500**	**1,370,658,010**
Equity					
Stated capital	25	690,993,533	679,999,949	690,993,533	679,999,949
Reserves		1,257,725	1,257,725	1,257,725	1,257,725
Retained earnings		4,156,247,822	3,071,136,903	1,819,067,811	674,792,410
Equity attributable to owners of the company		**4,848,499,080**	**3,752,394,577**	**2,511,319,069**	**1,356,050,084**
Non-controlling interests		3,422,806,466	2,972,805,083	–	–
Total equity		**8,271,305,546**	**6,725,199,660**	**2,511,319,069**	**1,356,050,084**

As at 31 March	Note	GROUP 2014 Rs.	GROUP 2013 Rs.	COMPANY 2014 Rs.	COMPANY 2013 Rs.
Liabilities					
Loans and borrowings	26	1,285,115,794	1,149,423,616	–	–
Employee benefits	27	1,061,711,077	890,050,437	8,800,364	6,285,163
Deferred income and capital grants	28	223,803,000	234,585,000	–	–
Deferred tax	20	146,364,294	122,281,294	–	–
Non–current liabilities		**2,716,994,165**	**2,396,340,347**	**8,800,364**	**6,285,163**
Bank overdraft	24	291,144,604	674,274,750	–	20,160
Current tax liabilities		132,525,429	120,993,511	6,218,056	–
Loans and borrowings	26	513,603,836	254,216,168	–	–
Trade and other payables	29	1,573,882,987	1,596,270,924	4,972,246	2,763,847
Amounts due to related parties	30	166,988	325,626	152,765	5,538,756
Current liabilities		**2,511,323,844**	**2,646,080,979**	**11,343,067**	**8,322,763**
Total liabilities		**5,228,318,009**	**5,042,421,326**	**20,143,431**	**14,607,926**
Total equity and liabilities		**13,499,623,555**	**11,767,620,986**	**2,531,462,500**	**1,370,658,010**
Net assets per share		36.23	28.14	18.77	10.17

Figures in brackets indicate deductions.

The Accounting Policies and Notes set out on pages 124 to 179 form an integral part of these Financial Statements.

It is certified that the Financial Statements have been prepared in compliance with the requirements 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 of Sunshine Holdings PLC.

Chairman

Group Managing Director

21st May 2014

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March	Attributable to owners of the company						
GROUP	**Stated Capital Rs.**	**Capital Accretion Reserve Rs.**	**General reserve Rs.**	**Retained Earnings Rs.**	**Total Rs.**	**Non-controlling Shareholders Interest Rs.**	**Total Equity Rs.**
Balance as at 01st April 2012	679,999,949	399,837	857,888	2,480,085,534	3,161,343,208	2,457,276,937	5,618,620,145
Total comprehensive income for the year							
Profit for the year	–	–	–	611,652,484	611,652,484	590,782,297	1,202,434,781
Total other comprehensive income	–	–	–	19,398,885	19,398,885	32,024,115	51,423,000
Total comprehensive income for the year	**–**	**–**	**–**	**631,051,369**	**631,051,369**	**622,806,412**	**1,253,857,781**
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**	**3,071,136,903**	**3,752,394,577**	**2,972,805,083**	**6,725,199,660**
Total comprehensive income for the year							
Profit for the year	–	–	–	598,594,806	598,594,806	527,290,125	1,125,884,931
Total other comprehensive income	–	–	–	89,053,718	89,053,718	(46,639,248)	42,414,470
Total comprehensive income for the year	**–**	**–**	**–**	**687,648,524**	**687,648,524**	**480,650,877**	**1,168,299,401**
Transactions with owners of the company							
Issue of shares	10,993,584	–	–	–	10,993,584	–	10,993,584
Dividend paid to owners for 2012-13	–	–	–	(66,913,269)	(66,913,269)	–	(66,913,269)
Total contributions by and distributions to owners of the company	**10,993,584**	**–**	**–**	**(66,913,269)**	**(55,919,685)**	**–**	**(55,919,685)**
Gain on Partial Disposal of shares in Estate Management Services (Private) Limited.	–	–	–	751,866,940	751,866,940	–	751,866,940
Adjustment for loss in holding percentage of Estate Management Servies (Private) Limited	–	–	–	–	–	158,482,984	158,482,984
Additional NCI on new share issue of Estate Management Services (Private) Limited	–	–	–	–	–	322,219,012	322,219,012
Adjustment for percentage change in Holding of Estate Management Services (Private) Limited	–	–	–	(290,576,336)	(290,576,336)	290,576,336	–
Gain on Purchase of additional shares in Watawala Plantations PLC	–	–	–	3,085,060	3,085,060	–	3,085,060
Adjustment for Increase in additional share purchase in Watawala Plantations PLC	–	–	–	–	–	(736,196,088)	(736,196,088)
Dividend payments to non–controlling shareholders	–	–	–	–	–	(65,731,738)	(65,731,738)
Balance as at 31st March 2014	**690,993,533**	**399,837**	**857,888**	**4,156,247,822**	**4,848,499,080**	**3,422,806,466**	**8,271,305,546**

COMPANY	Stated Capital Rs.	Capital Accretion Reserve Rs.	General reserve Rs.	Retained Earnings Rs.	Total Rs.
Balance as at 01st April 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 (2011/12)				(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**
Total Comprehensive Income for the Year					
Profit for the Year				1,103,662,784	1,103,662,784
Total Other Comprehensive Income for the Year				107,525,886	107,525,886
Total comprehensive income for the year				**1,211,188,670**	**1,211,188,670**
Transactions with Owners of the Company					
Issue of shares	10,993,584				10,993,584
Dividend Paid to owners (2012/13)				(66,913,269)	(66,913,269)
Balance as at 31st March 2014	**690,993,533**	**399,837**	**857,888**	**1,819,067,811**	**2,511,319,069**

The Accounting Policies and Notes form pages 124 to 179 an integral part of these Financial Statements.

Figures in brackets indicate deductions.

STATEMENT OF CASH FLOW

For the year ended 31st March	Note	GROUP 2014 Rs.	GROUP 2013 Rs.	COMPANY 2014 Rs.	COMPANY 2013 Rs.
Cash flows from operating activities					
Profit before tax for the year		1,450,026,167	1,502,387,455	1,109,880,839	177,206,637
Adjustments for:					
Interest Income	9	(155,106,084)	(64,089,441)	(99,416,044)	(11,573,442)
Share of Profit of Equity accounted investee	17	(125,776)	–	–	–
Profit on Disposal of Property, Plant & Equipment	6	(13,692,263)	(34,456,434)	–	–
Gain/(loss) on fair value of biological assets	6	(26,970,000)	19,886,000	–	–
Interest Expense	9	300,502,776	274,449,378	7,848,199	324,039
Depreciation & Amortisation	12/14/15	423,728,924	396,677,766	554,283	425,167
Profit on Disposal of Investments	6	(4,419,170)	–	(858,958,972)	
Provision/(Reversal) for Bad and Doubtful Debts	22	(451,620)	(12,196,397)	–	–
Bad debt written off		–	5,768,445	–	–
Amortisation of Deferred Income & C/grants	6	(10,782,000)	(10,350,000)	–	–
Amortisation of leasehold right	13	7,035,000	7,035,000	–	–
Timber fair valuation charged against timber proceeds	14.2	2,865,000	94,440,000	–	–
Provision for Gratuity	27	185,141,207	160,859,432	2,686,351	2,506,594
Exchange Gain /(Loss)	6	1,189	274,336	–	–
		2,157,753,350	**2,340,685,540**	**162,594,656**	**168,888,995**
Changes in:					
Inventories		(321,161,885)	(274,810,551)	-	-
Trade and other receivables		11,687,635	(316,890,356)	39,693,452	(60,583,630)
Amounts due from related parties		(55,144,510)	(12,123,992)	(40,471,891)	864,162
Trade and other payables		(22,387,937)	(59,692,719)	2,208,399	(1,213,024)
Amounts due to related parties		(158,638)	319,969	(5,385,991)	5,538,756
Cash generated from operating activities		**1,770,588,015**	**1,677,487,891**	**158,638,625**	**113,495,259**
Interest paid		(286,196,590)	(261,830,675)	(7,848,199)	(324,039)
Income tax paid		(263,315,674)	(284,656,312)	–	–
Employee benefits paid	27	(104,625,110)	(76,851,423)	(171,150)	–
Net cash from operating activities		**1,116,450,641**	**1,054,149,481**	**150,619,276**	**113,171,220**

For the year ended 31st March	Note	GROUP 2014 Rs.	GROUP 2013 Rs.	COMPANY 2014 Rs.	COMPANY 2013 Rs.
Cash flows from investing activities					
Interest Received		155,106,084	64,089,441	99,416,044	11,573,442
Bad Debt written off		–	(5,768,445)	–	–
Investment in Subsidiary		(733,111,028)	–	(159,784,006)	(42,946,240)
Investment in Other Long Term Investments		(100,663,101)	–	(100,663,101)	
Investment in Gratuity fund	19	(72,733,000)	(84,626,000)	–	–
Field development expenditure		(331,321,000)	(293,728,000)	–	–
Acquisition of Property, plant & equipment	12	(475,731,282)	(333,697,555)	(2,661,683)	(414,535)
Acquisition of Intangible Assets	15	(18,478,604)	(10,077,033)	–	–
Proceeds from Disposal of Investment in subsidiaries		915,349,942	–	915,349,942	–
Proceeds from Disposal of Property, plant & equipment		19,067,493	108,232,737	–	–
Net cash from/(used in) investing activities		**(642,514,496)**	**(555,574,855)**	**751,657,196**	**(31,787,333)**
Cash flows from financing activities					
Proceeds from Issue of Shares		10,993,584	27,966,992	10,993,584	–
Proceeds from share issued by subsidiary to non-controlling interest		322,219,012	–	–	–
Receipts of Interest Bearing Borrowings	26	1,009,529,856	593,352,075	–	–
Repayments of Interest Bearing Borrowings	26	(588,069,170)	(1,002,167,892)	–	–
Lease Rentals Paid	26	(44,918,651)	(50,236,829)	–	–
Dividend Paid		(66,913,269)	(39,999,999)	(66,913,269)	(39,999,999)
Payments to Minority Shareholders		(65,731,738)	(135,245,258)	–	–
Net cash from/(used in)financing activities		**577,109,624**	**(606,330,911)**	**(55,919,685)**	**(39,999,999)**
Net increase/(decrease) in cash and cash equivalents		**1,051,045,769**	**(107,756,285)**	**846,356,787**	**41,383,888**
Cash & cash equivalents at 31st March	24	95,355,039	203,111,324	94,589,085	53,205,197
Cash & cash equivalents at 31st March		**1,146,400,808**	**95,355,039**	**940,945,872**	**94,589,085**

The Accounting Policies and Notes form pages 124 to 179 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 2014 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, 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.

The financial statements were authorized for issue by the directors on 21st May 2014.

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.

- Lands are measured at cost at the time of the acquisition and subsequently lands are revalued.
- Available for sale financial assets measured at fair value.
- Non derivative financial instruments measured at amortised cost.
- 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, except for the foreign subsidiary whose functional currency is different as it operates in a different economic environment.

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, 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.

The consolidated financial statements have been prepared using uniform accounting policies for like transactions events in similar circumstances and where necessary, appropriate adjustments have been made in the consolidated financial statements.

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 the substantive rights that give the ability to direct the activities of the subsidiaries.

Further the Company has early adopted the SLFRS 10 "Consolidated Financial Statements" which is effective from 1st January 2014.

SLFRS 10 replaces the portion of LKAS 27 Consolidated and Separate Financial Statements that address the accounting for Consolidated Financial Statements. SLFRS 10 establishes a single control model that applies to all entities including special purposes entities. The changes introduced by SLFRS 10 will require management to exercise significant judgment to determine which entities are controlled and therefore are required to be consolidated by the parent.

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 the substantive rights that give the ability to direct the activities of the subsidiaries, 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

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.

3.2 Foreign Currency

3.2.1 Presentation currency

The individual financial statements of each entity in the group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are prepared in Sri Lankan Rupees, which is also the company's functional currency.

3.2.2 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 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.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for the Group's net investment in foreign operations/subsidiaries.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences which are recognized in other comprehensive income.

3.2.3 Foreign operations/subsidiaries

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.

3.3 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.

3.3.1 Property, Plant and Equipment

3.3.1.1 Recognition and measurement

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

3.3.1.2 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.

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

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

Restoration Costs

Repairs and maintenance are charged to the Statement of 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.

3.3.1.3 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.

3.3.1.4 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.

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

3.3.1.5 Subsequent costs

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

3.3.1.6 De-recognition

The carrying amount of an item of property, plant & Equipment 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.

3.3.1.7 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 & Equipment .

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

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

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

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

Freehold Assets	
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.

3.3.1.8 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.

3.3.1.8.1 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.

3.3.1.8.2 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 & Equipment .

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

All expenses incurred in land preparation, planting and development of crops up to maturity or up to the harvesting of the crop are 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	–

3.3.1.8.3 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.

3.3.1.9 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).

3.3.2 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

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

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.

3.3.2.1 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.

3.3.2.2 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

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.

3.3.2.3 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.

3.3.2.4 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 Equipment .

3.3.2.5 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.

3.3.2.6 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.

3.3.2.7 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

3.3.3 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.

3.3.3.1 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

3.3.3.2 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.

3.3.3.3 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

3.3.4 Impairment of assets

3.3.4.1 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.

3.3.4.2 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.

3.3.4.3 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.

3.3.5 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.

3.3.6 Financial Instruments

3.3.6.1 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.

3.3.6.2 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.

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

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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.

3.3.6.3 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.

3.3.6.4 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.

3.3.6.5 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.

3.3.6.6 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.

3.3.7 Financial liabilities

3.3.7.1 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.

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3.3.7.2 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.

3.3.7.3 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.

3.3.7.4 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

3.3.7.5 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.

3.3.8 Derivative financial instruments and hedge accounting

3.3.8.1 Initial recognition and subsequent measurement

The Group uses derivative financial instruments, such as forward currency contracts, to hedge its foreign currency risks,. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to the Statement of Comprehensive Income, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income.

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment
- Cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction or the foreign currency risk in an unrecognised firm commitment
- Hedges of a net investment in a foreign operation

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges that meet the strict criteria for hedge accounting are accounted for as described below:

a. Fair value hedges

The change in the fair value of a hedging derivative is recognised in the Statement of Comprehensive Income in finance costs. The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the Statement of Comprehensive Income in finance costs.

For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through the Statement of Comprehensive Income over the remaining term of the hedge using the EIR method. EIR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedge item is derecognised, the unamortised fair value is recognised immediately in the Statement of Comprehensive Income.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in the Statement of Comprehensive Income.

b. Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the Statement of Comprehensive Income in other operating expenses.

The Group uses forward currency contracts as hedges of its exposure to foreign currency risk in forecasted transactions and firm commitments, The ineffective portion relating to foreign currency contracts is recognized in finance costs.

Amounts recognized as other comprehensive income are transferred to the Statement of Comprehensive Income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale occurs.

When the hedged item is the cost of a non-financial asset or non-financial liability, the amounts recognized as other comprehensive income are transferred to the initial carrying amount of the nonfinancial asset or liability.

If the forecast transaction or firm commitment is no longer expected to occur, the cumulative gain or loss previously recognized in equity

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is transferred to the Statement of Comprehensive Income. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognized in other comprehensive income remains in other comprehensive income until the forecast transaction or firm commitment affects profit or loss.

c. Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized as other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the Statement of Comprehensive Income. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the Statement of Comprehensive Income.

3.3.9 Current versus non-current classification

Derivative instruments that are not designated as effective hedging instruments are classified as current or non-current or separated into a current and non-current portion based on an assessment of the facts and circumstances;

- When the Group will hold a derivative as an economic hedge (and does not apply hedge accounting) for a period beyond 12 months after the reporting date, the derivative is classified as non-current (or separated into current and non-current portions) consistent with the classification of the underlying item.
- Embedded derivates that are not closely related to the host contract are classified consistent with the cash flows of the host contract.
- Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

3.3.10 Stated capital

3.3.10.1 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.

3.3.11 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.

3.3.11.1 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.

3.3.11.1.1 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.

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.

3.3.11.2 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.

3.3.11.3 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 Equipment 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 Equipment 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.

3.3.11.4 Employee benefits

3.3.11.4.1 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.

3.3.11.4.2 Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The group

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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 – LKAS 19 "Employee Benefits", using Projected Unit Credit 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 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 Projected Unit Credit method and all defined benefit plans are unfunded.

3.3.11.4.4 Short term benefits

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

3.3.11.5 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.

3.3.11.6 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.

3.3.11.7 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.

3.3.11.8 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.

3.3.11.8.1 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.

3.3.11.8.2 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.

3.3.11.9 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.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

3.3.11.10 Contingent Liabilities

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

3.3.11.11 Capital Commitments

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

3.4 Statement of Comprehensive Income

3.4.1 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 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.

3.4.2 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 & Equipment

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

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

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 Equipment , 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 Packaging Limited	Packaging
Estate Management Services (Private) Limited	Management Services
Sunshine Power (Private) 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 168 & 169 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 & Equipment 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. New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31st March 2014 have not been applied in preparing these financial statements. Those include;

SLFRS 9 – Financial Instruments: Classification and Measurement

SLFRS 9 replaces LKAS 39 and applies to classification and measurement of financial assets and liabilities as defined in LKAS 39. The standard is effective for annual periods beginning on or after 01st January 2015.

The adoption of the first phase of SLFRS 9 will have an effect on the classification and measurements of financial liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

SLFRS 13 - Fair Value Measurement

SLFRS 13 establishes a single source of guidance under SLFRS for all fair value measurements. SLFRS 13 does not state when an entity is required to use fair value, but rather provides guidance on how to measure fair value under SLFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on the financial position and performance. This standard becomes effective for annual periods beginning on or after 01st January 2014.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

		GROUP		COMPANY	
	For the Year ended 31st March	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
5.	**REVENUE**				
	Investments	232,691,759	230,073,381	232,691,759	230,073,381
	Healthcare	5,510,977,216	5,296,216,825	–	–
	Plantation	6,246,271,000	5,434,779,000	–	–
	FMCG	2,389,136,915	1,919,244,356	–	–
	Export revenue	100,484,431	91,593,482	–	–
	Energy	96,808,750	99,933,595	–	–
	Management Services	94,147,000	143,438,000	–	–
	Packaging	293,186,016	207,826,209	–	–
	Travels & Tours	–	45,990,361	–	–
	Gross Revenue	**14,963,703,087**	**13,469,095,209**	**232,691,759**	**230,073,381**
	Less: Inter Company Revenue	(259,920,969)	(395,594,367)	–	–
		14,703,782,118	**13,073,500,842**	**232,691,759**	**230,073,381**
	Less: Revenue Related Taxes	(7,194,249)	(5,836,513)	–	–
	Net Revenue	**14,696,587,869**	**13,067,664,329**	**232,691,759**	**230,073,381**
6.	**OTHER INCOME**				
	Profit on Disposal of Property, Plant and Equipment	13,692,263	34,456,434	–	–
	Amortization of Capital Grants	10,782,000	10,350,000	–	–
	Hydro Power (Note: 6.1)	27,640,000	28,826,000	–	–
	Sale of Trees (Note 6.2)	14,562,000	90,338,000	–	–
	Exchange Gain/(Loss)	(1,189)	(274,336)	–	–
	Scrap Sales	8,924,263	7,552,297	–	–
	Royalty	2,123,954	3,325,967	–	–
	Profit from sale of Subsidiary Shares	4,419,170	–	858,958,972	–
	Sundry Income	12,416,610	10,665,834	3,344	–
	E-channeling Income	157,391	164,637	–	–
	Biological assets gain/(loss) on fair valuation	26,970,000	(19,886,000)	–	–
		121,686,462	**165,518,833**	**858,962,316**	**–**

6.1 Hydro power income generated by the Watawala Plantations PLC, a subsidiary of the Company, include income from Mark Hydro (Private) Limited – Rs 2,472,242/- (2013 - Rs 2,285,311/-), Unit Energy Lanka (Private) Limited – Rs 4,439,346/- (2013 - Rs 10,480,106/-), Upper Agaraoya Hydro Power Limited – Rs 11,037,740/- (2013 - 6,938,457/-) and Sunshine Power (Private) Limited – Rs 9,636,503/- (2013 - Rs 9,122,181/-).

6.2 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.

For the Year ended 31st March		Note	GROUP 2014 Rs.	GROUP 2013 Rs.	COMPANY 2014 Rs.	COMPANY 2013 Rs.
7.	**EXPENSES BY NATURE**					
	Employee benefit expenses	8	4,256,394,735	3,269,136,709	28,033,956	37,015,847
	Statutory audit fees – KPMG		2,204,000	2,249,350	834,000	725,000
	– Other Auditors		3,153,063	2,794,500	–	–
	Audit related – KPMG		52,390	175,000	–	175,000
	Non audit – KPMG		75,000	75,000	75,000	75,000
	– Other Auditors		1,436,439	276,000	–	–
	Provision for Doubtful Debts		(451,638)	(12,196,397)	–	–
	Bad Debt write off		–	5,768,445	–	–
	Depreciation					
	– Property Plant and Equipment		301,913,264	300,903,766	554,283	425,167
	– Immovable Lease Assets		17,335,000	17,647,000	–	–
	– Biological Assets–Bearer		95,938,000	78,100,000	–	–
	Amortization of Intangible Assets		8,542,660	6,514,313	–	–
	Amortization of Leasehold right to bare land		7,035,000	7,035,000	–	–
8.	**EMPLOYEE BENEFIT EXPENSES**					
	Defined Benefit Plan (Gratuity)		185,141,207	160,859,432	2,686,351	2,506,594
	Defined Contribution EPF & ETF		393,730,288	264,542,130	2,439,719	2,439,719
	Salaries, wages & other staff cost		3,677,523,240	2,843,735,147	22,907,886	32,069,534
			4,256,394,735	**3,269,136,709**	**28,033,956**	**37,015,847**
9.	**FINANCE INCOME AND FINANCE COST**					
	Interest Income from Related Companies		–	–	6,077,703	5,062,343
	Interest Income on Other Deposits		155,106,084	64,089,441	93,338,341	6,511,099
	Finance income		**155,106,084**	**64,089,441**	**99,416,044**	**11,573,442**
	Interest on Overdrafts & Loans		238,476,863	209,116,978	7,848,199	324,039
	Interest on Debenture		–	3,370,850	–	–
	Interest on Finance Lease		27,067,913	31,677,550	–	–
	Contingent Lease series of payments		34,958,000	30,284,000	–	–
	Finanace cost		**300,502,776**	**274,449,378**	**7,848,199**	**324,039**
	Net finance cost		**(145,396,692)**	**(210,359,937)**	**91,567,845**	**11,249,403**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

		GROUP		COMPANY	
	For the Year ended 31st March	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
10.	**TAXES**				
10.1	**Current tax expense**				
	Current income tax expense (Note 10.2)	233,917,850	321,362,863	6,218,055	–
	Under/(Over) provision in respect of previous year	43,751,748	(20,132,728)	–	–
	Deferred tax charge/(Reversal) Note 20.1 & 20.2	19,153,826	36,059,196	–	–
	Total income tax expense	**296,823,424**	**337,289,331**	**6,218,055**	**–**
10.2	**Income Tax on Other comprehensive income**	27,317,812	(37,336,657)	–	–
	Total income tax for the year	**324,141,236**	**299,952,674**	**6,218,055**	**–**

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% (2013 - 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	
		2014	**2013**
Swiss Biogenics Limited		28%	28%
Estate Management Services (Private) Limited	– Management Fee	12%	12%
	– Interest Income	28%	28%
Watawala Plantations PLC	– Profits from Cultivation	10%	10%
	– Profits from bulk tea exports	12%	–
	– Profits from packeted tea exports	10%	–
	– Profits from other activities	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	GROUP 2014 Rs.	GROUP 2013 Rs.	COMPANY 2014 Rs.	COMPANY 2013 Rs.
10.2 Reconciliation between Accounting Profit and Taxable Profit				
Accounting Profit before Tax	1,450,026,167	1,502,387,455	1,109,880,839	177,206,637
Inter Group Adjustments	1,289,500,635	486,431,938	–	–
	2,739,526,802	**1,988,819,393**	**1,109,880,839**	**177,206,637**
Aggregate Disallowable Items	808,186,257	885,710,545	17,077,067	9,694,024
Aggregate Allowable Items	(1,107,030,887)	(950,314,587)	(1,142,037)	–
Aggregate Exempt Income	(1,427,308,719)	(763,767,562)	(1,091,650,731)	(230,073,381)
Profit / (Loss) from Business	**1,013,373,453**	**1,160,447,789**	**34,165,138**	**(43,172,720)**
Less:Tax Loss utilised during the year	(141,761,205)	(127,421,992)	(11,957,798)	–
Taxable Profit	**(871,612,248)**	**1,033,025,797**	**22,207,340**	**(43,172,720)**
Taxation @ 28%	157,969,458	294,300,326	6,218,055	–
Taxation @ 30%	–	202,660	–	–
Taxation @ effective rates	75,948,392	**26,859,877**	–	**–**
Current tax expense	**233,917,850**	**321,362,863**	**6,218,055**	**–**

For the Year ended 31st March	GROUP 2014 Rs.	GROUP 2013 Rs.	COMPANY 2014 Rs.	COMPANY 2013 Rs.
10.3 Reconciliation of Tax Loss				
Tax Loss Brought Forward	1,099,705,086	1,154,679,752	170,565,634	127,392,913
Tax Loss for the Year of Assessment	189,873,921	72,447,326	–	43,172,721
Set off against the Current Taxable Income	(141,761,205)	(127,421,992)	(11,957,798)	–
Tax Loss Carried Forward	**1,147,817,802**	**1,099,705,086**	**158,607,836**	**170,565,634**

11. EARNINGS PER SHARE

11.1 Basic earnings per share

The earnings per share is computed on the profit attributable to ordinary shareholders after tax and non controlling interest divided by the weighted average number of ordinary shares during the year.

Profit attributable to ordinary shareholders (basic)	598,594,806	611,652,484	1,103,662,784	177,206,637
Weighted average no of ordinary shares (basic)	133,826,537	133,333,330	133,826,537	133,333,330
Earnings per share	4.47	**4.59**	8.25	**1.33**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

		Balance as at 01.04.2013 Rs .	Additions Rs.	Disposal Rs.	Balance as at 31.03.2014 Rs
12.	**PROPERTY, PLANT & EQUIPMENT**				
12.1	**Group**				
12.1.1	**Cost**				
	Freehold Assets				
	Land	248,525,775	63,446,916	–	311,972,691
	Buildings	936,616,799	76,584,708	–	1,013,201,507
	Plant & Machinery	1,357,257,709	177,403,881	10,000	1,534,651,590
	Power Plant	587,358,849	5,704,725	–	593,063,574
	Tools	17,340,643	892,144	–	18,232,787
	Machinery–Oil Project	2,399,658	–	–	2,399,658
	Factory Equipment	4,572,991	4,371,576	–	8,944,567
	Furniture & Fittings	112,581,612	7,964,189	1,101,854	119,443,947
	Equipment	167,773,727	16,471,484	36,600	184,208,611
	Water Tank	158,435	–	–	158,435
	Computer Equipment	73,682,643	10,159,181	3,250,614	80,591,210
	Motor Vehicles	518,197,642	72,177,169	20,486,355	569,888,456
	Electrical Equipment	16,813,801	2,205,876	346,850	18,672,827
	Capital Work In Progress	46,122,070	–	21,111,853	25,010,217
	Medical Equipment	62,096,913	40,582,971	–	102,679,883
	Others	152,628,036	18,878,315	–	171,506,351
		4,304,127,303	**496,843,135**	**46,344,126**	**4,754,626,312**
12.1.1	**Cost *(cont.)***				
	Leasehold Assets				
	Roads & Bridges	484,000	–	–	484,000
	Improvements to Land	3,340,000	–	–	3,340,000
	Vested Other Assets	3,305,000	–	–	3,305,000
	Buildings	93,279,000	–	–	93,279,000
	Water Supply System	3,838,000	–	–	3,838,000
	Machinery	32,506,000	–	–	32,506,000
	Mini–Hydro Power Plant	1,540,000	–	–	1,540,000
	Equipment	145,713	–	–	145,713
	Computers	131,200	–	–	131,200
	Motor Vehicles	70,933,863	–	–	70,933,863
	Mature Plantations	406,588,007	–	–	406,588,007
		616,090,783	**–**	**–**	**616,090,783**
	Total Cost	**4,920,218,086**	**496,843,135**	**46,344,126**	**5,370,717,095**

		Balance as at 01.04.2013 Rs .	Charge for the year Rs.	Disposal Rs.	Balance as at 31.03.2014 Rs
12.1.2	**Accumulated Depreciation**				
	Freehold Assets				
	Buildings	127,929,951	26,954,599	–	154,884,550
	Plant & Machinery	515,416,795	93,532,669	5,769	608,943,695
	Power Plant	31,493,389	26,560,944	–	58,054,333
	Tools	12,852,773	1,349,713	10,646	14,191,840
	Machinery–Oil Project	611,000	184,589	–	795,589
	Factory Equipment	1,953,374	647,197	–	2,600,571
	Furniture & Fittings	70,792,212	9,858,455	–	80,650,667
	Equipment	110,827,856	11,846,983	5,338	122,669,501
	Water Tank	98,986	19,804	–	118,790
	Computer Equipment	40,525,154	13,604,057	4,224,588	49,904,623
	Motor Vehicles	223,110,478	73,477,061	15,301,521	281,286,018
	Electrical Equipment	13,343,952	4,837,501	309,181	17,872,272
	Medical Equipment	20,825,190	18,944,137	–	39,769,327
	Others	37,157,288	3,764,216	–	40,921,504
		1,206,938,397	**285,581,925**	**19,857,043**	**1,472,663,280**
	Leasehold Assets				
	Roads & Bridges	245,000	131,304	–	376,304
	Improvements to Land	2,306,000	111,000	–	2,417,000
	Vested Other Assets	933,000	231,629	–	1,164,629
	Buildings	77,538,000	3,507,849	–	81,045,849
	Water Supply System	3,838,000	–	–	3,838,000
	Machinery	32,506,000	–	–	32,506,000
	Mini–Hydro Power Plant	1,540,000	–	–	1,540,000
	Equipment	107,295	–	–	107,295
	Computers	131,195	–	–	131,195
	Motor Vehicles	36,408,161	16,332,629	–	52,740,790
	Mature Plantations	249,148,000	13,351,927	–	262,499,927
		404,700,651	**33,666,338**	**–**	**438,366,989**
	Total Depreciation	**1,611,639,049**	**319,248,263**	**19,857,243**	**1,911,030,269**
12.1.3	**Carrying amount**	**3,308,579,037**			**3,459,686,826**

12.1.4 Assets in estates that are held under leasehold right to use have been taken into books of the Company retrospectively retroactive from 18 June 1992. For this purpose the Board of Directors of the Company 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 Company.

12.1.5 The assets shown above include assets vested in the Watawala Plantations PLC, a subsidiary of the Company, by Gazetted notification on the date of formation of the subsidiary (18th June 1992) and all the investments made in the fixed assets by subsidiary since its formation. The assets taken over by way of estate leases have been set out in Note 12 and 13.

12.1.6 Investment by the Group on mature and immature plantations is shown separately under Biological assets - mature/immature plantations.

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

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

		Balance as at 01.04.2013 Rs.	Additions Rs.	Disposal Rs.	Balance as at 31.03.2014 Rs.
12.2	**Company**				
12.2.1	**Cost**				
	Freehold Assets				
	Furniture & fittings	12,138	1,771,896	–	1,784,034
	Equipment	–	755,037	–	755,037
	Computer Equipment	1,638,861	134,750	–	1,773,611
	Total Cost	**1,650,999**	**2,661,683**	**–**	**4,312,682**
12.2.2	**Accumulated Depreciation**				
	Freehold Assets				
	Furniture & fittings	3,254	47,480	–	50,735
	Equipment	–	52,139		52,139
	Computer Equipment	894,552	454,664	–	1,349,216
	Total Accumulated Depn	**897,806**	**554,283**	**–**	**1,452,089**
12.2.3	**Carrying amount**	**753,193**			**2,860,593**

	As at 31st March	2014 Rs.	2013 Rs.
13	**LEASEHOLD RIGHT TO BEAR LAND**		
	Cost		
	As at 01st April	372,840,000	372,840,000
	As at 31st March	**372,840,000**	**372,840,000**
	Accumulated Amortisation		
	As at 01st April 2013	146,227,000	139,192,000
	Amortisation for the year	7,035,000	7,035,000
	As at 31st March	**153,262,000**	**146,227,000**
	Carrying amount	**219,578,000**	226,613,000

The lease of JEDB/SLSPC estates handed over to the subsidiary, Watawala Plantation PLC for the period of 53 years have all been executed. The leasehold rights to the land on all these estates are taken in to the books of the subsidiary as at 18th June 1992 immediately after formation of the subsidiary Watawla Plantations PLC. The bare land has been recorded at the value established for this land by valuation specialist, D R Wickramasinghe, just prior to the formation of the subsidiary.

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

As at 31st March	2014 Rs.	2013 Rs.
14 BIOLOGICAL ASSETS		
Carrying value		
Biological assets – bearer (14.1)	2,518,564,000	2,316,658,000
Biological assets – consumable (14.2)	575,944,000	531,190,000
Biological assets – livestock (14.3)	45,061,000	32,231,000
Total	**3,139,569,000**	**2,880,079,000**

	Nurseries	Immature plantations	Mature plantations	Total
14.1 Biological Assets – Bearer – Group				
Cost				
As at 1 April 2012	**12,965,000**	**825,289,000**	**1,646,018,000**	**2,484,272,000**
Additions	29,209,000	272,856,000	–	302,065,000
Impairment losses and write–downs	–	(8,337,000)	–	(8,337,000)
Transfers	(14,950,000)	(411,413,000)	411,413,000	(14,950,000)
As at 31 March 2013	**27,224,000**	**678,395,000**	**2,057,431,000**	**2,763,050,000**
Additions	16,050,000	307,900,000	–	323,950,000
Transfers	(26,106,000)	–	–	(26,106,000)
As at 31 March 2014	**17,168,000**	**986,295,000**	**2,057,431,000**	**3,060,894,000**
Accumulated depreciation				
As at 1 April 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)**
Charged for the year	–	–	(95,938,000)	(95,938,000)
As at 31 March 2014	**–**	**–**	**(542,330,000)**	**(542,330,000)**
Carrying value				
As at 31 March 2013	27,224,000	678,395,000	1,611,039,000	2,316,658,000
As at 31 March 2014	**17,168,000**	**986,295,000**	**1,515,101,000**	**2,518,564,000**

a. Investment in bearer biological assets – plantations since the formation of Watawala Plantations PLC, a subsidiary of the Company have been classified as shown above and includes bearer biological assets comprising mainly tea, rubber and palm oil plantations. Bearer biological assets together with any unmanaged biological assets are stated at cost.

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

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

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

	Immature plantations	Mature plantations	Total
14.2 Biological assets - consumables			
Cost			
As at 1 April 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)
As at 31 March 2013	**49,536,000**	**481,654,000**	**531,190,000**
Additions	22,542,000	–	22,542,000
Gain/(loss) arising from changes in fair value less costs to sell	–	26,970,000	26,970,000
Decrease due to harvest	–	(2,865,000)	(2,865,000)
Transfers	(4,071,000)	2,178,000	(1,893,000)
As at 31 March 2014	**68,007,000**	**507,937,000**	**575,944,000**

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

- Expected rate of return p.a. 15% [2013 - 16%]
- Maturity for harvesting - 25 years [2013 - 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.

14.2.1 Sensitivity Analysis

The financial impact on the value appearing in the statement of financial position due to change of selling price and variation of discount rate is given below.

Sensitivity variation sales price (using 10% estimated variation)

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

Value Stand as now	467,602,325
Value Stand as at 10% positive variance	514,362,557
Value Stand as at 10% negative variance	420,842,092

Sensitivity variation discount rate (using 1.0% variation)

Simulations made for the timber trees show that a rise or decrease by 1.0% of the discount rate has the following effect on the net present value of biological assets:

Value Stand as now	500,572,157
Value Stand as at 1% positive variance	507,937,010
Value Stand as at 1% negative variance	496,634,436

		2014 Rs.	2013 Rs.
14.3	**Biological assets – Livestock Group**		

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.

	2014 Rs.	2013 Rs.
Cost		
As at 1 April	32,231,000	20,037,000
Increase due to purchases	831,000	348,000
Increase due to births	5,590,000	2,440,000
Decrease due to sales	(4,400,000)	(1,759,000)
Decrease due to deaths	(1,877,000)	(2,425,000)
Change in fair value less costs to sell:		
Due to price and physical changes	12,686,000	13,590,000
As at 31 March	**45,061,000**	**32,231,000**

As at 31 March 2014 livestock comprised 144 cattle (2013: 143 cattle). During the year Company sold 29 (died 11) cattle (2013: 8 cattle). In valuing the livestock, the Group has not considered the 12 calves born in–house and their is less than six months as of the reporting date.

		GROUP		COMPANY	
	As at 31st March	**2014 Rs.**	**2013 Rs.**	**2014 Rs.**	**2013 Rs.**
15	**INTANGIBLE ASSETS**				
	Software (Note 15.1)	17,167,936	14,933,562	–	–
	Goodwill (Note 15.2)	61,525,524	61,525,524	–	–
	Brand (Note 15.3)	59,150,000	59,150,000	–	–
	Project development cost (Note 15.4)	15,726,404	8,024,833	–	–
		153,569,864	**143,633,919**	**–**	**–**
15.1	**Software**				
	Cost				
	Balance at the beginning of the year	24,913,268	17,619,109	–	–
	Additions	10,777,034	7,294,159	–	–
	Balance at the end of the year	**35,690,302**	**24,913,268**	**–**	**–**
	Amortisation				
	Balance at the beginning of the year	9,979,706	3,465,393	–	–
	Charge during the year	8,542,660	6,514,313	–	–
	Balance at the end of the year	**18,522,366**	**9,979,706**	**–**	**–**
	Carrying amount	**17,167,936**	**14,933,562**	**–**	**–**
15.2	**Goodwill**				
	Cost				
	Balance at the beginning of the year	61,525,524	61,525,524		–
	Adjustment	–	–		–
	Balance at the end of the year	**61,525,524**	**61,525,524**	**–**	**–**

The goodwill on acquisition represents the excess of the cost of acquisition of the net assets. (both tangible and intangible) of Healthguard Pharmacy Limited.

		GROUP 2014 Rs.	GROUP 2013 Rs.	COMPANY 2014 Rs.	COMPANY 2013 Rs.
15.3	**Brand**				
	Balance at the beginning of the year	59,150,000	59,150,000		–
	Additions	–	–		–
	Balance at the end of the year	**59,150,000**	**59,150,000**	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

	GROUP		COMPANY	
As at 31st March	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.

15.3.1 Brand Acquisition

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

15.4 Project Development Cost

	Group 2014 Rs.	Group 2013 Rs.	Company 2014 Rs.	Company 2013 Rs.
Balance at the beginning of the year	8,024,834	5,241,960	–	–
Additions	7,701,570	2,782,874	–	–
Balance at the end of the year	**15,726,404**	**8,024,834**	**–**	**–**

15.4.1 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.

15.4.2 Software licenses consists of Windows Office, Sage Accpac, Zamzana and Microsoft SQL licenses acquired during the year. The software is amortized over 3 years.

16 INVESTMENT IN SUBSIDIARIES

16.1 Company - Unquoted

	2014 Holding %	2014 No of Shares	2014 Cost Rs.	2013 Holding %	2013 No of Shares	2013 Cost Rs.
Sunshine Travels & Tours Ltd	–	–	–	100%	600,000	6,000,000
Swiss Biogenics Ltd	100%	7,359,184	186,657,168	100%	7,359,184	186,657,168
Estate Management Services(Pvt) Ltd	33.15%	12,571,403	258,418,516	51%	15,973,200	151,745,400
Sunshine Energy Ltd	60.59%	13,832,308	159,796,180	60.59%	13,832,308	159,796,180
Sunshine Packaging Ltd	100%	35,650,000	356,500,000	100%	35,650,000	356,500,000
Elgin Hydropower (Pvt) Ltd	50%	1	10	50%	1	10
Upper Waltrim Hydropower (Pvt) Ltd	50%	1	10	50%	1	10
			961,371,884			**860,698,768**

16.2 Group - Indirect Holdings

	2014 Group Holding %	2013 Group Holding %
Watawla Plantations PLC	25.08%	27.41%
Watawala Tea Ceylon Ltd	33.15%	51.00%
Watawala Tea Australia Ltd	25.08%	27.41%
Healthguard Pharmacy Ltd	100.00%	100.00%
Sunshine Power (Pvt) Ltd	60.59%	60.59%

17 INVESTMENTS IN ASSOCIATES

	2014 Holding %	2014 No of Shares	2014 Cost Rs.	2013 Holding %	2013 No of Shares	2013 Cost Rs.
Group						
Sunshine Travels and Tours Ltd	24.73%	271,992	2,719,920	–	–	–
Share of Profit of Equity Accounted Investees (Net of Income Tax)			125,776			
			2,845,696			**–**
Company						
Sunshine Travels and Tours Ltd	24.73%	271,992	2,719,920	–	–	–
			2,719,920			**–**

		GROUP		COMPANY	
	As at 31st March	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
18	**OTHER INVESTMENTS**				
	Investment in Unquoted Shares (Note 18.1)	455,150,635	297,905,848	455,150,635	297,905,848
	Investment in Quoted Shares (Note 18.2)	50,944,200	–	50,944,200	–
		506,094,835	**297,905,848**	**506,094,835**	**297,905,848**

		Secretaries & Financial Services (Pvt) Limited Rs.	Lanka Commodity Brokers Limited Rs.	TATA Communication Lanka Limited Rs.	Total Rs.
18.1	**Investment in Unquoted Shares**				
	Group & Company				
	Cost as of 01st April 2012	10	88,844,685	206,937,030	295,781,725
	Fair Value Adjustment for year 2012/13	–	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
	Investments during the year	–	50,667,777	–	50,667,777
	Fair Value Adjustment for year 2013/14	–	59,609,892	46,967,118	106,577,010
	Carrying Value as of 31st March 2014	**10**	**201,916,495**	**253,234,130**	**455,150,635**

		Dialog Axiata PLC Rs.	John Keells Holdings PLC Rs.	Commercial Bank of Ceylon PLC Rs.	Aitken Spence PLC Rs.	Total Rs.
18.2	**Investment in Quoted Shares**					
	No of Shares	2,000,000	35,000	173,000	38,000	–
	Group & Company					
	Cost at the beginning of the year	–	–	–	–	–
	Investment during the year	18,605,966	7,503,053	20,114,023	3,772,282	49,995,324
	Fair Value adjustment for year 2013/2014	(605,966)	441,947	1,164,977	(52,082)	948,876
	Carring values as of 31st March 2014	**18,000,000**	**7,945,000**	**21,279,000**	**3,720,200**	**50,944,200**

		2014 Rs.	2013 Rs.
19	**INVESTMENT IN GRATUITY FUND**		
	Balance at the beginning of the year	127,267,000	42,641,000
	Investments made during the year	72,733,000	84,626,000
	Balance at the end of the year	**200,000,000**	**127,267,000**

As at the date of the financial reporting Watawala Plantations PLC, a subsidiary of the Company has set aside Rs.200,000,000/- in the form of a bank deposit in order to cover up part of the future liabilities towards the Retirement Benefit Obligations.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

		GROUP		COMPANY	
	As at 31st March	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
20	**DEFERRED TAX**				
20.1	**Asset**				
	Balance at the beginning of the year	86,445,883	85,734,447	–	–
	On Disposal of Sunshine Travels and Tours Ltd	(357,019)	–	–	–
	Charge/(Reversal) for the year	4,929,174	711,436	–	–
	Balance at the end of the year	**91,018,038**	**86,445,883**	**–**	**–**
20.2	**Liability**				
	Balance at the beginning of the year	122,281,294	85,510,661	–	–
	Charge/(Reversal) for the year	24,083,000	36,770,633	–	–
	Balance at the end of the year	**146,364,294**	**122,281,294**	**–**	**–**
	Net deferred tax asset/(liability)	**(55,346,256)**	**(35,835,411)**	**–**	**–**

	2014		2013	
	Temporary Difference Rs.	Tax effect on Temporary Difference Rs.	Temporary Difference Rs.	Tax effect on Temporary Difference Rs.
GROUP				
On Property, Plant & Equipment	(1,386,973,642)	(196,393,628)	(964,465,549)	(158,923,912)
On Biological Assets - Bearer	(2,518,564,000)	(276,330,000)	(2,316,658,000)	(277,500,000)
On Biological Assets - Consumable	(575,944,000)	(50,794,000)	(531,190,000)	(42,707,000)
On Retirement Benefit Obligation	1,061,712,077	174,223,994	890,050,437	143,450,171
On Capital Grants	223,803,000	62,665,000	234,585,000	65,684,000
On Debtors Provision	21,143,317	5,920,129	20,551,845	5,754,517
On Tax Losses Carried Forward	1,147,817,802	279,133,554	1,099,705,086	283,626,927
	(2,027,005,446)	**(1,574,952)**	**(1,567,421,181)**	**19,384,703**
Less: Unrecognized deferred tax assets				
Sunshine Holdings PLC		(47,675,262)		(49,401,092)
Sunshine Energy Ltd		(4,645,086)		(4,177,660)
Sunshine Power (Pvt) Ltd		(1,450,956)		(1,641,362)
Deferred Tax recognized in the Financial Statement		**(55,346,256)**		**(35,835,411)**

The management of Sunshine Holdings PLC, Sunshine Energy Limited and Sunshine Power (Private) Limited is of the opinion that the above deferred tax asset amounting to Rs. 47,675,262/- (Rs. 49,401,092 in 2013), Rs. 4,645,086/- and Rs. 1,450,956/- respectively as it is not probable that future taxable profits will be available against which those companies can utilize the benefit thereon.

COMPANY				
On Property Plant & Equipment	2,860,593	800,966	(418,325)	(117,131)
On Retirement Benefit Obligation	8,800,364	2,464,102	6,285,163	1,759,846
On Tax Losses Carried Forward	158,607,835	44,410,194	170,565,633	47,758,377
	170,268,792	**47,675,262**	**176,432,471**	**49,401,092**

The company have not recognised Deferred Tax Assets of Rs.47,675,262/- (Rs.49,401,092/- in 2013) as the management is of opinion that the reversal of deferred tax will not be crystalised in the foreseeable 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 and its subsidiaries.

As at 31st March	GROUP 2014 Rs.	GROUP 2013 Rs.	COMPANY 2014 Rs.	COMPANY 2013 Rs.
21. INVENTORIES				
Medical Items	1,043,373,029	1,108,571,248	–	–
Harvested Crop	710,559,000	533,281,000	–	–
Input Materials, Spares and Consumable	423,006,116	371,535,346	–	–
Finished Goods	228,712,672	71,639,315	–	–
Work in Progress	32,819,450	32,211,376	–	–
Goods in Transit	2,388,587	258,378	–	–
Machinery Spares	1,880,861	4,081,167	–	–
	2,442,739,715	**2,121,577,830**	**–**	**–**
22 TRADE AND OTHER RECEIVABLES				
Trade Receivables	1,265,333,455	1,228,564,085	–	–
Less: Provision for Bad Debts	(21,536,248)	(21,987,868)	–	–
	1,243,797,207	**1,206,576,217**	**–**	**–**
Staff Loan Recoverable	7,540,873	6,161,512	–	2,363,217
Other Receivables	79,585,696	181,678,584	3,344	–
Withholding Tax Recoverable	13,140,599	4,565,259	11,947,389	3,481,348
Interest Income Receivables	17,595,573	2,827,246	17,581,913	2,804,167
ESC Recoverable	45,373,213	52,441,967	4,330,298	5,561,709
ACT Recoverable	41,359,000	48,692,103	–	–
VAT Recoverable	71,119,258	51,768,480	–	–
Other taxes receivables	14,517,085	–	–	–
Progress payment on machinery	–	79,558	–	–
Advances and Deposits	229,582,067	220,055,660	1,122,500	60,468,455
	1,763,610,571	**1,774,846,586**	**34,985,444**	**74,678,896**

23 AMOUNTS DUE FROM RELATED PARTIES

As at 31st March	Relationship	GROUP 2014 Rs.	GROUP 2013 Rs.	COMPANY 2014 Rs.	COMPANY 2013 Rs.
Sunshine Packaging Ltd	Sub	–	–	63,251,000	33,251,000
Sunshine Energy Ltd	Sub	–	–	15,938,295	–
Elgin Hydropower (Pvt) Ltd	Sub	–	–	–	3,493,854
Upper Waltrim Hydropower (Pvt) Ltd	Sub	–	–	–	1,972,550
Sunshine Agri Investment Ltd	Aff	135,908	135,908	135,908	135,908
TATA Global Beverages Ltd	Aff	62,827,000	11,950,000	–	–
TATA Communication Lanka Ltd	Aff	–	66,198	–	–
Secretaries and Financial Services (Pvt) Ltd	Aff	200,000	60,580	–	–
Sunshine Tea (Pvt) Ltd	Aff	11,870,535	7,676,247	–	–
		75,033,443	**19,888,933**	**79,325,203**	**38,853,312**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

		GROUP		COMPANY	
	As at 31st March	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
24	**CASH AND CASH EQUIVALENTS**				
	Fixed deposits	1,045,013,963	509,742,879	936,094,243	55,846,088
	Call deposits	4,741,132	20,925,140	–	20,925,140
	USD Saving Deposits	40,685,000	2,324,551	–	–
	TR Margin & Bank Guarantee	–	16,237,210	–	–
	Cash at Bank	341,970,736	202,266,142	4,828,430	17,836,592
	Cash in hand	5,134,581	18,133,867	23,200	1,425
		1,437,545,412	**769,629,789**	**940,945,873**	**94,609,245**
	Bank overdraft	(291,144,604)	(674,274,750)	–	(20,160)
	Cash and Cash Equivalents for the purpose of Cash Flow Statement	**1,146,400,808**	**95,355,039**	**940,945,873**	**94,589,085**
25	**STATED CAPITAL**				
	No of Shares				
	Balance at the beginning of the year	133,333,330	133,333,330	133,333,330	133,333,330
	Issued during the year	493,207	–	493,207	–
	Balance at the end of the year	**133,826,537**	**133,333,330**	**133,826,537**	**133,333,330**
	Value				
	Balance at the beginning of the year	679,999,949	679,999,949	679,999,949	679,999,949
	Receipt from shares issued during the year	10,993,584	–	10,993,584	–
	Balance at the end of the year	690,993,533	**679,999,949**	690,993,533	**679,999,949**

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

		GROUP 2014 Rs.	GROUP 2013 Rs.	COMPANY 2014 Rs.	COMPANY 2013 Rs.
26	**LOANS AND BORROWINGS**				
	Amount repayable after one year				
	Loans (Note 26.1)	933,439,567	773,117,448	–	–
	Finance Lease Obligations (Note 26.2)	3,170,227	22,013,168	–	–
	SLSPC/JEDB Lease Creditors (Note 26.3)	348,506,000	354,293,000	–	–
		1,285,115,794	**1,149,423,616**	–	–
	Amount repayable within one year				
	Loans (Note 26.1)	361,347,512	218,118,433	–	–
	Finance Lease Obligations (Note 26.2)	19,476,324	21,458,223	–	–
	SLSPC/JEDB Lease Creditors (Note 26.3)	5,980,000	5,750,000	–	–
	Trust Receipt Loan/Money Market Loans (Note 26.4)	100,000,000	8,889,512	–	–
	Packing Credit Loan (Note 26.5)	26,800,000	–	–	–
		513,603,836	**254,216,168**	–	–
		1,798,719,630	**1,403,639,784**	–	–
26.1	**Loans**				
	Balance at the beginning of the year	991,235,881	1,322,377,346	–	–
	Add: Loans obtained during the year	725,510,856	236,252,740	–	–
	Less: Repayment during the year	(421,960,658)	(567,394,205)	–	–
	Balance at the end of the year	**1,294,786,079**	**991,235,881**	–	–
	Amount repayable within one year	361,347,512	**218,118,433**	–	–
	Amount repayable after one year	**933,439,567**	**773,117,448**	–	–

		GROUP		COMPANY	
	As at 31st March	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
26.2	**Finance Lease Obligations**				
	Balance at the beginning of the year	49,127,390	79,044,219	–	–
	Addition/(Disposal) made during the year	–	–	–	–
	Repayment during the year	(24,598,651)	(29,916,829)	–	–
	Balance at the end of the year	**24,529,739**	**49,127,390**	**–**	**–**
	Interest in suspense	(1,882,188)	(5,655,999)	–	–
	Net Lease Obligation	**22,646,551**	**43,471,391**	**–**	**–**
	Amount repayable within one year	19,476,324	21,458,223	–	–
	Amount repayable after one year	**3,170,227**	**22,013,168**	**–**	**–**
26.3	**SLSPC/JEDB Lease Creditors**				
	Balance at the beginning of the year	650,240,000	670,560,000	–	–
	Repayment during the year	(20,320,000)	(20,320,000)	–	–
	Balance at the end of the year	**629,920,000**	**650,240,000**	**–**	**–**
	Interest in suspense	(275,434,000)	(290,197,000)	–	–
	Net Lease Obligation	**354,486,000**	**360,043,000**	**–**	**–**
	Amount repayable within one year	5,980,000	5,750,000	–	–
	Amount repayable after one year	**348,506,000**	**354,293,000**	**–**	**–**
26.4	**Trust Receipt Loan/Money Market Loans**				
	Balance at the beginning of the year	8,889,512	41,563,864	–	–
	Loan obtained during the year	100,000,000	357,099,335	–	–
	Repayment during the year	(8,889,512)	(389,773,687)	–	–
	Balance at the end of the year	**100,000,000**	**8,889,512**	**–**	**–**
	Amount repayable within one year	100,000,000	8,889,512	–	–
	Amount repayable after one year	**–**	**–**	**–**	**–**
26.5	**Packing Credit & Other Loans**				
	Balance at the beginning of the year	–	45,000,000	–	–
	Addition/(Disposal) made during the year	184,019,000	–	–	
	Repayment during the year	(157,219,000)	(45,000,000)	–	
	Balance at the end of the year	**26,800,000**	**–**	**–**	**–**
	Amount repayable within one year	26,800,000	–	–	–
	Amount repayable after one year	**–**	**–**	**–**	**–**

The annual lease series of payments payable by Watawala Plantations PLC, a subsidiary of the Company, with effect from 18 June 1996 in respect of these estates is Rs 20.32 million (basic lease series of payments) plus an amount to reflect inflation during the previous year determined by multiplying Rs 20.32 million by gross domestic product (GDP) deflator of the preceding year. However as per the agreement entered into with the Ministry of Plantations the application of GDP deflator has been suspended for five years commencing from 18 June 2003, resulting in a fixed lease payment of Rs. 29.04 million. In September 2010, as per the cabinet decision the regional plantation companies were requested to revert back to the original method of calculating lease rentals by applying the GDP deflator of the preceding year. The gross liability to the lessor represents the total basic lease series payable by the Company for the remaining term of the lease. The net liability to the lessor is the present value of annual basic lease series of payments over the remaining tenure of the lease. The discount rate used is 6% p.a.

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

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

26.6 Details of Loans and Borrowings

26.6.1 Company/Lender	Interest Rate p.a.	Current Rs.	Non-current Rs.	Balance 31.03.2014 Rs.	Current Rs.	Non-current Rs.	Balance 31.03.2013 Rs.	
TERM LOANS								
Subsidiary								
Swiss Biogenics Limited								
Public Bank Berhard	12.5%	2,642,709	4,126,585	6,769,294	2,529,702	12,126,952	14,656,654	Year - 2012
	15.50%	1,260,000	4,026,000	5,286,000	–	–	–	Year - 2012
	T.Bill Rate + 1.5	11,426,943	34,105,118	45,532,061	–	–	–	Year - 2013
		15,329,652	**42,257,703**	**57,587,355**	**2,529,702**	**12,126,952**	**14,656,654**	
Healthguard Pharmacy Limited								
Public Bank Berhard	BPLR + 1.25%	–	–	–	1,260,000	2,125,000	3,385,000	Year - 2008
		–	–	–	**1,260,000**	**2,125,000**	**3,385,000**	
Watawala Plantation PLC								
Commercial Bank	11.50%	–	–	–	968,000	–	968,000	Year - 1997
of Ceylon PLC	11.50%	1,501,000	–	1,501,000	6,005,000	–	6,005,000	Year - 2000
	11.50%	1,253,000	–	1,253,000	2,507,000	1,253,000	3,760,000	Year - 2000
	11.50%	4,666,000	1,167,000	5,833,000	4,666,000	5,833,000	10,499,000	Year - 2001
	9.74%	6,804,000	11,331,000	18,135,000	6,804,000	18,135,000	24,939,000	Year - 2000
	9.74%	6,605,000	15,981,000	22,587,000	6,606,000	22,587,000	29,193,000	Year - 2006
	9.74%	147,000	406,000	552,000	148,630	582,825	731,455	Year - 2007
	6.50%	–	–	–	1,050,000	–	1,050,000	Year - 2007
	6.50%	–	–	–	1,728,000	–	1,728,000	Year - 2007
		20,976,000	**28,885,000**	**49,861,000**	**30,482,630**	**48,390,825**	**78,873,455**	
Hatton National Bank PLC	6.50%	8,333,000	–	8,333,000	8,333,000	8,334,000	16,667,000	Year - 2001
	AWPLR + 0.5%	31,250,000	218,750,000	250,000,000	–	–	–	Year - 2008
		39,583,000	**218,750,000**	**258,333,000**	**8,333,000**	**8,334,000**	**16,667,000**	
ICICI Bank Limited	SLIBOR +5% (1 year)	10,000,000	9,167,000	19,167,000	10,000,000	19,167,000	29,167,000	Year - 2011
	SLIBOR +5% (2-5 years)	10,000,000	9,167,000	19,167,000	10,000,000	19,167,000	29,167,000	Year - 2011
		20,000,000	**18,334,000**	**38,334,000**	**20,000,000**	**38,334,000**	**58,334,000**	
Public Bank Berhad	11.00%	905,000	3,061,000	3,966,000	1,026,000	3,845,000	4,871,000	Year - 2012
	11.00%	328,000	952,000	1,280,000	339,000	1,270,000	1,609,000	Year - 2012
		1,233,000	**4,013,000**	**5,246,000**	**1,365,000**	**5,115,000**	**6,480,000**	
		81,792,000	**269,982,000**	**351,774,000**	**60,180,630**	**100,173,825**	**160,354,455**	
Sunshine Packaging Limited								
Peoples Bank PLC	AWPLR + 2%	–	–	–	24,812,464	24,101,822	48,914,303	
Hatton National Bank PLC	AWPLR + 2%	71,881,860	37,311,995	109,193,855	77,420,249	–	77,420,249	Year - 2009
		71,881,860	**37,311,995**	**109,193,855**	**102,232,713**	**24,101,839**	**126,334,552**	
Sunshine Power (Private) Limited								
Hatton National Bank PLC	AWPLR+0.5% - (3 mts avg.)	45,344,000	269,386,868	314,730,868	1,915,370	334,589,849	336,505,219	Year - 2011
		45,344,000	**269,386,868**	**314,730,868**	**1,915,370**	**334,589,849**	**336,505,219**	
Estate Management Services (Private) Limited								
ICICI Bank Limited	SLIBOR + 2.5%	147,000,000	314,500,000	461,500,000	50,000,000	300,000,000	350,000,000	Year - 2012
		147,000,000	**314,500,000**	**461,500,000**	**50,000,000**	**300,000,000**	**350,000,000**	
Total Group		**361,347,512**	**933,438,567**	**1,294,786,079**	**218,118,415**	**773,117,465**	**991,235,880**	

Repayment Terms		Purpose	Security
Equal monthly installments	Date commencing		
60	2012/Apr		Primary mortgage over vehicle bearing No. WP KT-0179
60	2012/Apr		Primary mortgage over vehicle bearing No. WP KV-1828
60	2012/Apr		Primary mortgage over property bearing assessment No 60/52, Sriwickrama Mawatha, Mattakkuliya
96	2008 / Jan		A corporate gurantee of Rs.10 Mn given by Sunshine Holdings PLC
40	2003/May	For field development activities from commercial banks under ADB re-finance scheme:	
40	2003/May		
40	2000/Nov		
40	2004/Sep		
36	2001/Nov	For processing development, vehicles and Equipment from commercial banks under ADB re-finance scheme:	
48			
48	2009/Jun		
48	2009/Jun	To fund working capital requirements of 12 Tea factories from Commercial Bank under Tea Relief Package	
48	2009/Nov		
96	2004/Jan	For environment friendly activities from Hatton National Bank PLC	Machinery purchased under Environmental Friendly scheme and leasehold rights on specified estates.
72	2009/Mar		
60	2011/Mar		
60	2011/Mar		
60	2012/Mar	For purchase of vehicle	
60	2012/Mar		
60	2009/May		Primary mortgage over project land and building at No.75, Kandawala Road, Ratmalana for Rs. 111.25 Mn
			Corporate Guarantee of the Sunshine Holdings PLC
20	2012/Jun	For invest in subsidiary	Corporate Guarantee of the Sunshine Holdings PLC

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

26.6.2 BANK OVERDRAFT FACILITY

Company/Lender	Balance 31.03.2014 Rs	Balance 31.03.2013 Rs	Security
Company			
MCB Bank Limited	–	20,160	
	–	**20,160**	
Subsidiary			
Swiss Biogenics Limited			
MCB Bank Limited	66,080,996	45,469,816	
Nations Trust Bank PLC	41,587,108	611,353	Facility I - Overdraft facility of
Hongkong & Shanghai Banking Corporation Limited	7,382,158	9,281,720	Rs. 52 Million security lien over
Commercial Bank PLC	–	77,500	deposit in the name of the company
Hatton National Bank	11,148,928	77,481,620	for mortgage over stocks & book
ICICI Bank	–	75,157,147	debts for Rs.150 Million
NDB Bank Limited	–	162,809	
	126,199,189	**208,241,965**	
Healthguard Pharmacy Limited			
Hatton National Bank PLC	–	302,168	
Nation Trust Bank PLC	4,082,357	4,523,879	
	4,082,357	**4,826,047**	
Sunshine Travels & Tours Limited			
Hatton National Bank PLC	–	14,518,874	
	–	**14,518,874**	
Watawala Plantation PLC			
Hatton National Bank PLC	23,491,000	81,596,000	Leasehold rights on specified estates.
Commercial Bank of Ceylon PLC	27,112,000	674,000	Leasehold rights on specified estates.
Standard Chartered Bank Ltd	–	–	Mortgage over stocks and book debts.
Hongkong & Shanghai Banking Corporation Ltd	13,882,000	–	Mortgage over stocks and book debts.
Citi Bank Ltd	–	223,924,000	
ICICI Bank Ltd	–	5,987,000	
MCB Bank Ltd	29,421,000	93,581,000	
	93,906,000	**405,762,000**	
Estate Management Services (Pvt.) Ltd			
Commercial Bank PLC	–	1,005,000	
	–	**1,005,000**	
Watawala Tea Ceylon Ltd			
Hatton National Bank PLC	29,028,545	2,009,067	
	29,028,545	**2,009,067**	
Sunshine Packaging Ltd			
Hatton National Bank PLC	28,293,893	26,016,319	
Peoples Bank PLC	7,849,864	10,206,159	
	36,143,757	**36,222,478**	
Sunshine Power (Pvt) Ltd			
Hatton National Bank PLC	1,784,756	1,669,159	
	1,784,756	**1,669,159**	
Total Group	**291,144,604**	**674,274,750**	

As at 31st March	GROUP 2014 Rs.	GROUP 2013 Rs.	COMPANY 2014 Rs.	COMPANY 2013 Rs.
27 EMPLOYEE BENEFITS				
Balance at the beginning of the year	890,050,437	893,461,764	6,285,163	3,778,569
Elimination on Disposal of Sunshine Travels and Tours Ltd	(1,285,685)	–	–	–
Provision made during the year	277,571,435	73,440,095	2,686,351	2,506,594
Payments made during the year	(104,625,110)	(76,851,422)	(171,150)	–
Balance at the end of the year	**1,061,711,077**	**890,050,437**	**8,800,364**	**6,285,163**
Present Value of Unfunded Obligations	1,061,711,077	890,050,437	8,800,364	6,285,163
Present Value of Funded Obligations	–	–	–	–
Total Present Value of Obligations	**1,061,711,077**	**890,050,437**	**8,800,364**	**6,285,163**
Fair Value of Plan Assets	–	–	–	–
Present Value of net Obligations	**1,061,711,077**	**890,050,437**	**8,800,364**	**6,285,163**
Unrecognised actuarial (gain)/loss	–	–	–	–
Recognised liability for defined obligation	**1,061,711,077**	**890,050,437**	**8,800,364**	**6,285,163**
The movement in the defined benefit obligation over the year is as follows				
As at 01st April	890,050,437	893,461,764	6,285,163	3,778,569
Elimination on Disposal of Sunshine Travels and Tours Ltd	(1,285,685)	–	–	–
Current Service Cost	82,349,559	64,388,473	1,719,024	2,098,990
Interest Cost	102,791,648	96,470,959	967,327	407,604
Actuarial (Gain)/Loss	92,430,228	(87,419,337)	–	–
Benefits Paid	(104,625,110)	(76,851,423)	(171,150)	–
As at 31st March	**1,061,711,077**	**890,050,437**	**8,800,364**	**6,285,163**
The amount recognised in the statement of comprehensive income and other comprehensive income are as follows				
Current Service Cost	82,349,559	64,388,473	2,686,351	2,098,990
Interest Cost	102,791,648	96,470,959	–	407,604
Staff cost on Retirement Benefit charged to Profit or Loss	**185,141,207**	**160,859,432**	**2,686,351**	**2,506,594**
Actuarial (Gain)/Loss recognized in Other Comprehensive Income	92,430,228	(87,419,337)	–	–
Total Provision for the year	**277,571,435**	**73,440,095**	**2,686,351**	**2,506,594**

	2014	2013
Company		
The Company applied Projected Unit Credit (PUC) method as per LKAS 19 "Employee Benefit" and used the following key assumptions in arriving at the retirement benefit liability.		
Rate of interest	11.00%	11.00%
Rate of salary increase	10.00%	10.00%
Staff Turnover factor	13.33%	13.33%
Retiring age	65 Years	65 Years

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

		2014	2013
Subsidiaries			
Watawala Plantations PLC			
The key assupmtions used by Messrs. Acturial & Management Consultant (Pvt) Ltd include the following			
Rate of interest (net of tax)		11.00%	12.00%
Rate of salary increase	– tea estate workers (every 2 years)	19.00%	19.00%
	– rubber estate workers (every 2 years)	19.00%	19.00%
	– oil palm factory workers (every 2 years)	19.00%	19.00%
	– estate staff (every 3 years)	20.00%	20.00%
	– estate management & head office staff (every year)	7.50%	7.50%
Retiring age		60 years	60 years
The company will continue as going concern			
Estate Management Services (Private) Limited			
The provision is neither externally funded nor has it been acturially valued			

The following Companies applied Projected Unit Credit (PUC) method as per LKAS 19 "Employee Benefit" and used the following key assumptions in arriving at the retirement benefit liability.

		2014	2013
Swiss Biogenics Limited			
Rate of interest		11.00%	12.25%
Rate of salary increase		10.00%	10.00%
Staff Turnover factor		15.00%	15.00%
Retiring age		55 years	55 years
Sunshine Packaging Limited			
Rate of interest		11.00%	11.00%
Rate of salary increase		2.50%	2.50%
Staff Turnover	– staff	31.00%	31.00%
	– workers	14.00%	14.00%
Retiring age		55 years	55 years
Watawala Tea Ceylon Limited			
Rate of interest		11.00%	11.80%
Rate of salary increase		10%	10.00%
Retiring age		55 years	55 years
Sunshine Power (Private) Limited			
Rate of Interest (Net of Tax)		11.00%	11.00%
Rate of salary Increase		10.00%	15.00%
Staff Turnover	– Staff	20.00%	20.00%
Retirement Age		60 years	60 years
Healthguard Pharmacy Limited			
Rate of interest		11.00%	11.00%
Rate of salary increase		10.00%	15.00%
Staff Turnover factor		10.00%	10.00%
Retiring age		55 years	55 years

As at 31st March	GROUP 2014 Rs.	GROUP 2013 Rs.	COMPANY 2014 Rs.	COMPANY 2013 Rs.
28 DEFERRED INCOME AND CAPITAL GRANTS				
Balance at the beginning of the year	234,585,000	244,935,000	–	–
Received during the year	–	–	–	–
Amortised during the year	(10,782,000)	(10,350,000)	–	–
Balance at the end of the year	**223,803,000**	**234,585,000**	**–**	**–**

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.

As at 31st March	GROUP 2014 Rs.	GROUP 2013 Rs.	COMPANY 2014 Rs.	COMPANY 2013 Rs.
29 TRADE AND OTHER PAYABLE				
Trade Payable	1,024,022,130	1,049,328,909	–	–
Interest Payable	–	632,998	–	632,998
Sales Representatives Security Deposits	16,816,040	15,801,483	–	–
Withholding Tax Payable	5,167,432	7,375,189	–	–
Advances from customer	328,572	1,733,164	–	–
Accrued Expenses & Other Payable	527,548,813	521,399,181	4,972,246	2,130,849
	1,573,882,987	**1,596,270,924**	**4,972,246**	**2,763,847**
30 AMOUNTS DUE TO RELATED PARTIES				
Sunshine Travels & Tours Ltd	–	–	–	5,538,756
Secretaries & Financial Service (Pvt) Ltd	166,988	321,626	152,765	–
Sunshine Teas (Pvt) Ltd	–	4,000	–	–
	166,988	**325,626**	**152,765**	**5,538,756**

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

31 SEGMENT ANALYSIS

	INVESTMENT		HEALTHCARE		AGRI		FMCG	
For the year ended/ As at 31st March	**2014 Rs.**	**2013 Rs.**	**2014 Rs.**	**2013 Rs.**	**2014 Rs.**	**2013 Rs.**	**2014 Rs.**	**2013 Rs.**
NET REVENUE	**232,691,759**	**230,073,381**	**5,510,977,216**	**5,296,216,825**	**6,246,271,000**	**5,434,779,000**	**2,482,427,097**	**2,005,001,325**
RESULT								
Operating Profit	1,018,312,994	165,957,234	509,769,421	557,163,041	678,381,000	806,885,000	349,393,684	245,374,321
Net Finance Cost	91,567,845	11,249,403	(13,957,367)	(34,429,212)	(97,600,000)	(77,530,000)	11,216,306	11,365,109
Share of Profit/(loss) from Associate	–	–	–	–	–	–	–	–
Income Tax	(6,218,055)	–	(138,245,465)	(163,032,031)	(83,587,000)	(49,111,000)	(50,933,875)	(58,440,215)
Profit for the year	**1,103,662,784**	**177,206,637**	**357,566,589**	**359,701,798**	**497,194,000**	**680,244,000**	**309,676,115**	**198,299,215**
Other comprehensive income (net of income tax)	107,525,886	2,124,123	(2,968,895)	4,920,943	(63,147,000)	44,968,000	973,707	(139,438)
Total comprehensive income	**1,211,188,670**	**179,330,760**	**354,597,694**	**364,622,741**	**434,047,000**	**725,212,000**	**310,649,822**	**198,159,777**
ASSETS								
Non Current Assets	1,473,047,232	1,159,357,809	588,190,465	532,772,351	5,559,264,000	5,108,441,000	276,113,073	271,835,521
Current Assets	1,058,415,268	211,300,201	2,197,339,024	2,085,398,890	1,501,686,000	1,523,573,000	640,239,647	516,104,338
Total Assets	**2,531,462,500**	**1,370,658,010**	**2,785,529,489**	**2,618,171,241**	**7,060,950,000**	**6,632,014,000**	**916,352,720**	**787,939,859**
Equity & Reserves								
Shareholders' Fund	2,511,319,069	1,356,050,084	1,606,536,169	1,391,763,103	4,218,328,000	3,843,448,000	694,974,705	650,219,904
Non controlling interest	–	–	–	–	–	–	–	–
Sub Total	**2,511,319,069**	**1,356,050,084**	**1,606,536,169**	**1,391,763,103**	**4,218,328,000**	**3,843,448,000**	**694,974,705**	**650,219,904**
Non Current Liabilities								
Long Tem Borrowings	–	–	44,709,150	33,141,335	618,748,000	454,861,000	–	–
Other Liabilities	8,800,364	6,285,163	64,949,212	51,902,746	1,318,540,000	1,154,814,000	18,293,591	17,842,372
Sub Total	**8,800,364**	**6,285,163**	**109,658,362**	**85,044,081**	**1,937,178,000**	**1,609,675,000**	**18,293,591**	**17,842,372**
Current Liabilities								
Short Term Borrowings	–	20,160	162,689,333	244,657,237	310,554,000	475,902,000	29,028,545	2,009,067
Other Liabilities	11,343,067	8,302,603	906,645,625	896,706,820	594,890,000	702,989,000	174,055,879	117,868,516
Sub Total	**11,343,067**	**8,322,763**	**1,069,334,958**	**1,141,364,057**	**905,444,000**	**1,178,891,000**	**203,084,424**	**119,877,583**
Total Equity & Liabilities	**2,531,462,500**	**1,370,658,010**	**2,785,529,489**	**2,618,171,241**	**7,060,950,000**	**6,632,014,000**	**916,352,720**	**787,939,859**
Depreciation	554,283	425,167	72,491,438	80,851,106	258,366,000	241,001,000	49,859,888	37,654,630
Capital Expenditure	(2,661,683)	(414,535)	(124,552,910)	(43,258,989)	(617,466,000)	(462,637,000)	(58,893,849)	(84,868,910)
Cash generated from operation	150,619,277	113,171,220	342,052,355	199,751,865	414,215,000	883,607,000	384,207,135	114,438,940

ENERGY		MANAGEMENT		PACKAGING		TRAVELS		INTER COMPANY		GROUP	
2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.	2014 Rs.	2013 Rs.
96,808,750	**99,933,595**	**94,147,000**	**143,438,000**	**293,186,016**	**207,826,209**	**–**	**45,990,361**	**(259,920,969)**	**(395,594,367)**	**14,696,587,869**	**13,067,664,329**
40,531,377	33,016,703	267,799,000	404,233,000	20,631,016	(11,292,175)	–	(3,842,796)	(1,289,521,409)	(484,589,733)	1,595,297,083	1,712,747,392
(40,570,402)	(46,434,026)	(68,485,000)	(44,680,000)	(27,568,073)	(28,538,062)	–	(1,363,148)	–	–	(145,396,692)	(210,359,937)
–	–	–	–	–	–	–	–	125,776	–	125,776	–
–	–	(3,128,000)	6,216,000	1,631,458	9,050,359	–	219,485	(43,660,300)	(44,855,272)	(324,141,236)	(299,952,674)
(39,025)	**(13,417,324)**	**196,186,000**	**365,769,000**	**(5,305,599)**	**(30,779,878)**	**–**	**(4,986,459)**	**(1,333,055,933)**	**(529,602,208)**	**1,125,884,931**	**1,202,434,781**
50,967	–	–	–	(21,195)	(134,640)	–	428,772	1,000	(744,760)	42,414,470	51,423,000
11,942	**(13,417,324)**	**196,186,000**	**365,769,000**	**(5,326,794)**	**(30,914,518)**	**–**	**(4,557,687)**	**(1,333,054,933)**	**(530,346,968)**	**1,168,299,401**	**1,253,857,781**
556,165,006	570,626,239	1,855,801,000	1,122,690,000	353,073,272	359,690,214	–	566,006	(2,889,291,789)	(2,055,455,453)	7,772,362,259	7,070,523,687
73,818,229	46,505,035	147,162,000	175,863,000	213,861,718	201,229,247	–	31,734,889	(105,260,590)	(94,611,301)	5,727,261,296	4,697,097,299
629,983,235	**617,131,273**	**2,002,963,000**	**1,298,553,000**	**566,934,990**	**560,919,461**	**–**	**32,300,895**	**(2,994,552,379)**	**(2,150,066,743)**	**13,499,623,555**	**11,767,620,986**
268,849,513	268,837,571	1,522,540,000	922,651,000	338,162,573	343,489,367	–	4,486,897	(6,312,210,949)	(5,028,551,349)	4,848,499,080	3,752,394,577
20	20	–	–	–	–	–	–	3,422,806,446	2,972,805,063	3,422,806,466	2,972,805,083
268,849,533	**268,837,591**	**1,522,540,000**	**922,651,000**	**338,162,573**	**343,489,367**	**–**	**4,486,897**	**(2,890,404,503)**	**(2,055,746,286)**	**8,271,305,546**	**6,725,199,660**
268,655,220	336,505,220	314,500,000	300,000,000	37,771,774	24,915,556	–	–	731,650	505	1,285,115,794	1,149,423,616
334,474	241,286	16,830,000	10,990,000	4,130,728	3,175,031	–	1,285,685	–	380,448	1,431,878,369	1,246,916,731
268,989,694	**336,746,506**	**331,330,000**	**310,990,000**	**41,902,502**	**28,090,586**	**–**	**1,285,685**	**731,650**	**380,953**	**2,716,994,163**	**2,396,340,347**
47,860,405	1,669,159	147,000,000	51,005,000	108,347,806	138,709,927	–	14,518,874	(731,649)	(14,151)	804,748,440	928,490,918
44,283,603	9,878,017	2,093,000	13,907,000	78,522,109	50,629,581	–	12,009,439	(105,257,879)	(94,715,572)	1,706,575,404	1,717,590,061
92,144,008	**11,547,176**	**149,093,000**	**64,912,000**	**186,869,915**	**189,339,508**	**–**	**26,528,313**	**(105,989,528)**	**(94,701,421)**	**2,511,323,844**	**2,646,080,979**
629,983,235	**617,131,273**	**2,002,963,000**	**1,298,553,000**	**566,934,990**	**560,919,461**	**–**	**32,300,895**	**(2,994,552,379)**	**(2,150,066,743)**	**13,499,623,555**	**11,767,620,986**
28,097,022	31,926,311	–	–	17,069,708	15,656,084	–	1,865,479	(2,709,415)	12,702,011	423,728,924	396,677,766
(13,835,791)	(17,471,791)	–	–	(8,773,145)	(14,891,190)	–	(350,170)	(652,492)	(13,610,003)	(825,530,886)	(637,502,588)
53,109,596	(13,717,744)	(43,746,000)	(16,129,999)	24,755,689	13,168,854	–	(6,299,009)	(208,762,411)	(233,841,646)	1,116,450,641	1,054,149,481

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

		GROUP		COMPANY	
	Financial Assestes	**31.03.2014**	**31.03.2013**	**31.03.2014**	**31.03.2013**
32	**FINANCIAL INSTRUMENTS**				
32.1	**Financial Instruments - Statement of Financial Position**				
	Fair value through profit and loss				
	The Group and the Company does not hold any Financial Assets which falls to the category of Fair Value through Profit and Loss				
	Held-to-maturity				
	SOFP Line Item:				
	Investment in Gratuity Fund	200,000,000	127,267,000	–	–
	Cash and cash equivalents	1,090,440,095	661,938,100	936,094,243	76,771,227
	Total	**1,290,440,095**	**789,205,100**	**936,094,243**	**76,771,227**
	Loans and receivables				
	SOFP Line Item :				
	Trade and other receivables	1,348,519,349	1,397,243,561	17,585,257	5,167,382
	Amounts due from related parties	75,033,443	19,888,933	79,325,203	38,853,312
	Income tax receivable	8,333,155	11,154,161	3,158,747	3,158,748
	Total	**1,431,885,947**	**1,428,286,655**	**100,069,208**	**47,179,442**
	Availabale-for-sale				
	SOFP Line Item:				
	Investment in subsidiaries	–	–	961,371,884	860,698,768
	Other Investments	508,940,531	297,905,848	508,814,755	297,905,848
	Total	**508,940,531**	**297,905,848**	**1,470,186,639**	**1,158,604,616**
	Cash and Cash Equivalents	347,105,317	107,691,689	4,851,630	17,838,018
		3,578,370,891	**2,623,089,292**	**2,511,201,720**	**1,300,393,283**
	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 :				
	Loans & Borrowings – Non Current	1,285,114,794	1,149,423,616	–	–
	Loans & Borrowings – Current	513,603,836	254,216,168	–	–
	Trade and other payable	1,573,882,987	1,596,270,924	4,972,246	2,763,847
	Amounts due to related parties	166,988	325,626	152,765	5,538,756
	Income Tax payable	132,525,429	120,993,511	–	–
	Total	**3,505,294,034**	**3,121,229,845**	**5,125,011**	**8,302,603**
	Bank Overdrafts	291,144,604	674,274,750	–	20,160
		3,796,438,638	**3,795,504,595**	**5,125,011**	**8,322,763**

		31.03.2014		31.03.2013	
		Gains/ Income	Lossess/ Expenses	Gains/ Income	Lossess/ Expenses
32.2	**Financial Instruments - Statement of Comprehensive Income**				
	GROUP				
	Held-to Maturity Investments	155,106,084	–	64,089,442	–
	Loans and Receivables	–	–	12,196,420	
	Asset classified as held for sale	–	–	2,124,123	–
	Other financial liabilities	–	300,502,776	–	274,449,378
	Total	**155,106,084**	**300,502,776**	**78,409,985**	**274,449,378**
	COMPANY				
	Held-to Maturity Investments	93,338,341	–	6,511,099	–
	Loans and Receivables	6,077,703	–	5,062,343	
	Asset classified as available for sale	–	–	2,124,123	–
	Other financial liabilities	–	7,848,199	–	324,039
	Total	**99,416,044**	**7,848,199**	**13,697,565**	**324,039**

		GROUP		COMPANY	
	Financial Assets	**31.03.2014**	**31.03.2013**	**31.03.2014**	**31.03.2013**
32.3	**Financial Instruments Carried at Fair Value**				
32.3.1	**Carrying value of Financial Instruments Carried at Fair Value**				
	Available-for-sale Financial Assets – unquoted equity instruments	455,150,635	297,905,868	455,150,635	297,905,848
	Available-for-sale Financial Assets – quoted equity instruments	50,944,200	–	50,944,200	–
		455,150,635	**297,905,868**	**455,150,635**	**297,905,848**

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 weighted average cost of capital of 16.5%
The fair value of quoted investment was determined by available trading prices in the Colombo Stock Exchange.

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.

The quoted equity investments, which are carried at fair value fall under the level 1 of fair value hierarchy where the valuation inputs based on observable market data.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

32.4 Financial Risk Management

Overview

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

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

This Note presents qualitative and quantitative information about the Group's exposure to each of the above risk, the Group's objectives, policies and procedures for measuring and managing risk.

Risk Management Framework

The board of directors has overall responsibility 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 adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities

32.4.1 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 receivables from customers and investments.

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

The carrying amount of financial assets represent the maximum credit exposure. The maximum exposure to the credit risk as at 31.03.2014 is

	Carrying Amount	
Financial Assets	**Group**	**Company**
Availabale-for-sale financial assets	508,940,531	1,470,186,639
Held to maturity investments	1,090,440,095	936,094,243
Loans and receivables	1,525,829,632	98,029,617
Cash and cash equivalents	347,105,317	4,851,630
	3,472,315,575	**2,509,162,128**

	GROUP		COMPANY	
	Carrying Amount 31.03.2014	Impairment 31.03.2014	Carrying Amount 31.03.2014	Impairment 31.03.2014
Loans and receivable	1,525,829,632	21,536,248	98,029,617	–
	1,525,829,632	**21,536,248**	**98,029,617**	**–**

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

	2014	2013
Balance as at 01st April	21,987,886	–
Reversal of Impairment	(451,638)	–
Balance as at 31st March	**21,536,248**	**–**

32.4.2 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 Assestes	Note	Carrying Value	Contractual Cash Flow	Less Than One Year	More Than One Year
GROUP					
Loans and Borrowings	26	1,798,719,630	1,798,719,630	513,604,836	1,315,953,794
Trade and other payable	29	1,573,882,987	1,573,882,987	1,573,882,987	–
Income tax payable		132,525,429	132,525,429	132,525,429	–
Amounts due to related parties		166,988	166,988	166,988	–
Bank Overdraft	24	291,144,604	291,144,604	291,144,604	–
		3,796,439,638	**3,796,439,638**	**511,324,844**	**1,285,114,794**
COMPANY					
Interest bearing borrowings					
Trade and other payable	29	4,972,246	4,972,246	4,972,246	–
Amounts due to related parties	30	152,765	152,765	152,765	–
		5,125,011	**5,125,011**	**5,125,011**	**–**

32.4.3 Market Risk

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

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

32.4.3.1 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 principal exchange rates used by the Group for conversion of foreign currency balances and transactions, for the year ended 31.03.2014 are as follows;

		Closing Rate	
	Average rate	Buying	Selling
US Dollar	130.6949	129.29	132.17
Euro	179.7382	176.78	182.56
Australian Dollar	120.9189	118.66	123.14
Singapore Dollar	103.8291	102.19	105.55
Japanese Yen	1.2709	1.3522	1.2922

32.4.3.2 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 primarily to the Group's long term debt obligations and Investments with floating interest rates.

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

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

33. RELATED PARTY TRANSACTIONS

Name of the Company	Name of the Director	Nature of the Transaction	Amount received/(paid) 2014 Rs.	Amount received/(paid) 2013 Rs.
(i) Sunshine Holdings PLC				
Swiss Biogenics Ltd	G Sathasivam S Piyaratne S G Sathasivam B A Hulangamuwa	(a) Dividend received Loan granted Loan recovered Interest received	139,823,299 (100,000,000) 100,000,000 –	132,465,438 – – 3,097,428
Estate Management Services (Pvt) Ltd	G Sathasivam V Govindasamy	(b) Dividend received	39,933,000	43,926,300
Secretaries & Financial Services (Pvt) Ltd	V Govindasamy B A Hulangamuwa	(c) Professional fees Secretarial Fee Dividend received	(6,370,566) (443,944) 11,849	– (415,397) 58,883
Sunshine Packaging Ltd	G Sathasivam S G Sathasivam V Govindasamy	(d) Loans granted Loans recovered Interest received	(33,500,000) 3,500,000 5,469,932	(42,000,000) – 1,809,399
Watawala Plantations PLC	G Sathasivam, V Govindasamy B A Hulangamuwa	(e) Purchases Provision of services	(786,252) 17,705,938	– – –
Watawala Tea Ceylon Ltd	G Sathasivam S G Sathasivam V Govindasamy	(f) Purchase of Goods/Services Sale of Goods/Services	(1,243,349) 31,692,655	– 27,325,413 –
(ii) Watawala Tea Ceylon Limited				
Sunshine Tea (Pvt) Ltd	V Govindasamy D S Ratnasingham	Sale of Goods/Services Purchase of Goods/Services	1,243,349 (31,692,655)	– (27,325,413)
Watawala Plantations PLC	G Sathasivam V Govindasamy D S Ratnasingham K Venkataramanan	Sale of Goods/Services Purchase of Goods/Services	1,694,984 (5,171,385)	– (111,490)
Sunshine Holdings PLC	G Sathasivam V Govindasamy S G Sathasivam	Sale of Goods/Services Purchase of Goods/Services	29,586 (9,111,505)	– –
Swiss Biogenics Ltd	G Sathasivam S G Sathasivam	Sale of Goods/Services Purchase of Goods/Services	732,812 –	– 466.083
Healthguard Pharmacy Ltd	V Govindasamy S G Sathasivam	Sale of Goods/Services	34,699	–
Sunshine Packaging Ltd	G Sathasivam V Govindasamy S G Sathasivam	Sale of Goods/Services Purchase of Goods/Services	5,303 (2,037,763)	– (3,102,819)

Name of the Company	Name of the Director	Nature of the transaction	Amount received/(paid) 2014 Rs.	2013 Rs.
(iii) Swiss Biogenics Limited				
Sunshine Holdings PLC	G Sathasivam B A Hulangamuwa S G Sathasivam S Piyaratna	Dividend paid Loan obtained Loan settled Interest paid	(139,823,299) 100,000,000 (100,000,000) –	(132,465,438) – – (3,097,428)
Sunshine Packaging Ltd	S G Sathasivam G Sathasivam WDPL Vithanage	Purchase of Goods	(19,474,811)	(12,282,348) –
Healthguard Pharmacy Ltd	BA Hulangamuwa S G Sathasivam WDPL Vithanage	Sale of Goods Services Rendered	81,939,793 –	71,498,228 (396,543) –
Watawala Plantations PLC	G Sathasivam B A Hulangamuwa	Purchase of Goods Security Consultancy Fee	(480,527) –	– (547,580)
Sunshine Tea (Pvt) Ltd	B A Hulangamuwa	Stores Rent Stores Electricity Other Service	3,734,915 (759,411) (41,250)	3,039,600 – (1,158,336)
Watawala Tea Ceylon Ltd	G Sathasivam S G Sathasivam	Purchase of Goods – Direct Purchase of Goods – Other	(1,376,725) (617,174)	– (466,083)
Secretaries & Financial Services (Pvt) Ltd	B. A. Hulangamuwa	Services Rendered	(2,895,290)	–
(iv) Healthguard Pharmacy Limited				
Watawala Tea Ceylon Ltd	V Govindasamy S G Sathasivam	Purchases Display Rent	(763,073) 180,000	– –
Swiss Biogenics Ltd	B A Hulangamuwa S G Sathasivam WDPL Vithanage	Service Purchases Purchases – Coloplast	(280,600) (65,335,346) (17,130,551)	(396,543) (71,498,228) –
Secretaries & Financial Services (Pvt) Ltd	V Govindasamy B A Hulangamuwa	Secretarial Services	(200,046)	–
(iv) Healthguard Pharmacy Limited				
Watawala Tea Ceylon Ltd (Wattawala Marketing Ltd)	V Govindasamy S G Sathasivam	Purchases Display Rent	(763,073) 180,000	– –
Swiss Biogenics Ltd	B A Hulangamuwa S G Sathasivam WDPL Vithanage	Service Purchases Purchases – Coloplast	(280,600) (65,335,346) (17,130,551)	(396,543) (71,498,228) –
Secretaries & Financial Services (Pvt) Ltd	V Govindasamy B A Hulangamuwa	Secretarial Services	(200,046)	–

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Name of the Company	Name of the Director	Nature of the transaction	Amount received/(paid) 2014 Rs.	Amount received/(paid) 2013 Rs.
(v) Watawala Plantations PLC				
Sunshine Tea (Pvt) Ltd	V Govindasamy B A Hulangamuwa D S Ratnasingham	Sales Purchase	1,760,417 (46,053,719)	12,953,000 (17,157,000)
Swiss Biogenics Ltd	G Sathasivam B A Hulangamuwa	Sales Purchase	1,933,076 (150,000)	547,580 –
Secretaries and Financial Service (Pvt) Ltd	V Govindasamy B A.Hulangamuwa	Sale Purchase	863,789 (3,268,681)	– (7,546,000)
Watawala Tea Ceylon Ltd	G Sathasivam V Govindasamy D S Ratnasingham K Venkataramanan	Sales	5,371,210	–
Sunshine Power (Pvt) Ltd	G Sathasivam B A Hulangamuwa V Govindasamy	Sales	11,895,975	–
Sunshine Holdings PLC	G Sathasivam B A Hulangamuwa V Govindasamy	Sales Services obtained	786,252 (17,705,938)	– –
Estate Management Services (Pvt) Ltd	G Sathasivam V Govindasamy K Venkataramanan P Siganporia	Management Fee	(108,175,186)	(143,437,651)
Healthguard Pharmacy Ltd	V Govindasamy B A Hulangamuwa	Sales Purchase	 (1,313,185)	– –
Sunshine Packaging Ltd	G Sathasivam V Govindasamy	Purchase	–	(80,643)
Pyramid Wilmar (Pvt) Ltd		Sales	924,199,000	–
(vi) Sunshine Packaging Ltd				
Sunshine Holdings PLC	G Sathasivam V Govindasamy S G Sathasivam	Loans Obtained Loans Paid Interest Paid	33,500,000 (3,500,000) (5,469,932)	42,000,000 – (1,809,399)
Swiss Biogenics Ltd	G Sathasivam S G Sathasivam WDPL Vithanage	Sales	17,485,096	12,283,348
Watawala Tea Ceylon Ltd	V Govindasamy G Sathasivam S G Sathasivam	Sales	2,037,763	3,102,819
Secretaries Financial Services (Pvt) Ltd	V Govindasamy	Purchase of Services	(147,409)	(169,313)
Watawala Plantation PLC	V Govindasamy G Sathasivam	Sales	–	80,643

Name of the Company	Name of the Director	Nature of the transaction	Amount received/(paid) 2014 Rs.	2013 Rs.
(vii) Estate Management Services (Pvt) Ltd				
Watawala Plantations PLC	G Sathasivam K Venkataramanan P T Singaporia V Govindasamy	Management Fee	108,175,186	143,437,651
Sunshine Holdings PLC	G Sathasivam V Govindasamy	Dividend Paid	(39,933,000)	(43,926,300)
Sunshine Tea (Pvt) Ltd	V Govindasamy D S Ratnasingham	Sales Purchases	3,003,000 (77,747,000)	– –
TATA Global Beverages Ltd		Sales	416,998,000	–
Secretaries and Financial Service (Pvt) Ltd	V Govindasamy	Sales Purchases	864,000 (3,269,000)	– –
Swiss Biogenics Ltd	G Sathasivam	Sales Purchases	2,666,000 (150,000)	– –
Watawala Tea Ceylon Ltd	G Sathasivam V Govindasamy K Venkataramanan	Sales	5,371,000	–
Sunshine Power (Pvt) Ltd	G Sathasivam V Govindasamy	Sales	11,895,000	–
Healthguard Pharmacy Ltd	V Govindasamy	Purchases	(1,348,000)	–
Sunshine Packaging Ltd	G Sathasivam V Govindasamy	Sales Purchases	5,000 (2,038,000)	–
(viii) Sunshine Energy Ltd				
Sunshine Power (Pvt) Ltd	G Sathasivam V Govindasamy B A Hulangamuwa	Outstanding balance receipts	4,575	–
Secretaries and Financial Services (Pvt) Ltd	V Govindasamy B A Hulangamuwa	Service Fee	1,237,319	–
(ix) Sunshine Power (Pvt) Ltd				
Sunshine Tea (Pvt) Ltd	V Govindasamy B A Hulangamuwa	Rent Payment	(365,714)	–
Watawala Plantations PLC	G Sathasivam V Govindasamy B A Hulangamuwa	Lease Rental	10,881,780	
Lamurep Properties Ltd	G Sathasivam	Rent Payment	(182,857)	–
Secretaries and Financial Services (Pvt) Ltd	V Govindasamy B.A Hulangamuwa	Service Fee	(5,290,568)	–

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

34 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 gives 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	2014 Rs.	2013 Rs.
Salaries & other employee benefits	**23,280,870**	**21,427,158**

(iii) **Employee Share Purchase Scheme**
The Company has issued 493,207 shares to employees (inclusive of Directors) of the Company and the Group as per the Employee Share Purchase Scheme (ESPS) approved last financial year. The amount received by the Company by issuing shares to employees is Rs. 10,993,584/-.

(iv) **Other Transactions with Key Management Personnel**
There were no other transactions with Key Management Personnel other than those disclosed above.

GROUP

Subsidiaries

Swiss Biogenics Ltd, Watawala Plantations PLC, Sunshine Packaging Ltd, Estate Management Services Ltd, Healthguard Pharmacy Ltd, Watawala Tea Ceylon Ltd, Sunshine Energy Ltd, and Sunshine Power (Pvt) Ltd, Elgin Hydropower (Pvt) Ltd, Upper Waltrim Hydropower (Pvt) Ltd, subsidiaries of the Company, identify the senior management of the Company which represent the "Executive Committee" as a key management personnel. Compensation paid to the Executive Committee during the financial year is given below.

(i) **Loans given 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	2014 Rs.	2013 Rs.
Salaries & other employee benefits	**210,927,799**	168,318,388

(iii) **Other Transactions with Key Management Personnel**

There were no other transactions with Key Management Personnel other than those disclosed in Note 34 to these Financial Statements.

34.1 Employees Share Purchase Scheme (ESPS)

The Board of Directors of the Company 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. The initial offer (1st tranche) was offered for 2,000,000 shares in numbers to be completed by 30th June 2013 and 493,207 shares have been subscribed by employees.

35 CAPITAL COMMITMENTS

COMPANY

There were no material capital commitments outstanding as at the reporting date.

Subsidiaries

Watawala Plantations PLC, a subsidiary of the Company, as disclosed in their 2013/2014 annual report, capital commitments as at 31st March 2014 is Rs.617.47 Mn (2013 - 531.39 Mn). However the budgeted capital expenditure approved but not committed by the directors for the financial year is 2014 - 15 amounts to Rs. 591,114,045/-.

There were no material capital commitments outstanding as at 31st March 2014 other than those disclosed above.

NOTES TO THE FINANCIAL STATEMENTS *(CONTD.)*

36 CONTINGENCIES

COMPANY

The contingent liabilities as at 31st March 2014 on gurantee given by the Company to the banks and other institutions on behalf of subsidiaries to facilities obtained are as follows,

As at 31st March	Amount (Rs) 2014	Amount (Rs) 2013
Swiss Biogenics Limited		
People's Leasing Co. Limited	–	100,000,000
Hatton National Bank	–	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	350,000,000
	1,380,000,000	**1,480,000,000**
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**
Healthguard Pharmacy Limited		
Nations Trust Bank PLC	10,000,000	10,000,000
Public Bank Berhard	–	10,000,000
	10,000,000	**20,000,000**

However, the above corporate gurantees given on top of the collateral already vested by the respective subsidiaries.

Subsidiary

Watawala Plantations PLC, a subsidiary of the Company have given Bank guarantees amounting to Rs.13,086,126 million to the Sri Lanka Customs to facilitate the subsidiary to import green tea. As at the year the Company is in compliance with the term and conditions of the imports.

There were no other material contingent liabilities outstanding as at the reporting date that require adjustments to or disclosure in the Financial Statements, other then disclosed above.

37 EVENTS OCCURRING AFTER THE REPORTING DATE

COMPANY

The Directors have proposed the payment of dividend of Rs.0.95 per share on ordinary shares amounting to Rs.127,135,210/- for the year ended 31st March 2014 (2013 - 66,666,665/-) at the meeting held on the 30th June 2014.

There have been no material events occuring after the reporting date that require adjustments to or disclosure in the Financial Statements other than those disclosed above.

SUBSIDIARY

The Board of Directors of Sunshine Power (Pvt) Ltd has resolved to issue new shares of Sunshine Power (Pvt) Ltd; to Watawala Plantations PLC to settle the amount due to WATA by Sunshine Power (Pvt) Ltd amounting to Rs.10.88 millions as of 31st March 2014. The issue of shares will be executed subsequent to the reporting date and no adjustment has been made in financial statements.

INVESTOR INFORMATION

1. LISTING DETAILS

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

1.2 Stock symbol - SUN. N000

2. SHARE HOLDER INFORMATION

2.1 Total number of Shareholders and Shares

	As at 31st March 2014	As at 31st March 2013
No of Shareholders	1,999	2,044
No of Shares	133,826,537	133,333,330

2.2 Resident/Non-resident Shareholdings

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	1,258	641,234	0.48%	3	2,500	0.00%	1,261	643,734	0.48%
1,001	5,000	444	1,211,574	0.91%	10	31,150	0.02%	454	1,242,724	0.93%
5,001	10,000	106	874,468	0.65%	2	20,000	0.01%	108	894,468	0.67%
10,001	50,000	121	2,720,284	2.03%	13	298,064	0.22%	134	3,018,348	2.26%
50,001	1,000,000	27	5,850,935	4.37%	7	1,223,499	0.91%	34	7,074,434	5.29%
Over	1,000,000	5	59,021,099	44.10%	3	61,931,730	46.28%	8	120,952,829	90.38%
	Total	**1,961**	**70,319,594**	**52.55%**	**38**	**63,506,943**	**47.45%**	**1,999**	**133,826,537**	**100.00%**

2.3 Individual/Institutional Shareholding

Analysis of Shareholders	31st March 2014			31st March 2013		
	No of Shareholders	No. of Shares	%	No of Shareholders	No. of Shares	%
Individuals	1,885	127,163,249	95.02%	1,934	126,208,629	94.66%
Institutions	114	6,663,288	4.98%	110	7,124,701	5.34%
Total	**1,999**	**133,826,537**	**100.00%**	**2,044**	**133,333,330**	**100.00%**

2.4 Public Shareholding

The percentage of shares held by the public 18.90% (2013 – 10.96%)

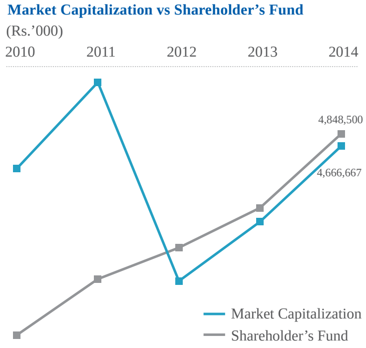
2.5 Share price movement over last five years

	2014	2013	2012	2011	2010	2009
Highest price (Rs)	38.90 on 07.06.2013	34.00 on 07.09.2012	32.00	57.00	900.00	180.00
Lowest price (Rs)	26.60 on 04.04.2013	18.10 on 10.04.2012	17.00	42.00	141.00	115.00
As at 31st March (Rs)	28.70	26.60	20.00	42.10	325.00	180.00

2.6 Information on share trading

	2014	2013	2012	2011	2010	2009
No. of Transactions	2,453	1794	939	2,756	1,346	27
No. of shares traded	20,960,576	2,574,012	1,852,621	5,857,600	1,020,700	1,042,900
Value of shares traded (Rs)	710,627,572	67,442,412	43,113,108	299,084,260	295,456,625	130,405,350

2.7 Information on Market Capitalisation and Shareholders' Fund



2.8 Information on Dividends and Dividend Payout Ratio

	2014	2013	2012	2011	2010
Proposed & Final Dividend (Rs.)	127,135,210	66,666,665	39,999,999	39,999,999	39,999,999
Dividend per share (Rs.)	0.95	0.50	0.30	0.30	0.30
Dividend payout ratio (%)	36.1	37.2	30.6	36.1	34.9

2.9 Twenty (20) Largest Shareholders as at 31st March

NAME	No of Shares Held		No of Shares Held	
	2014	%	2013	%
01. Lamurep Investments Ltd	27,392,830	20.54%	27,392,830	20.54%
02. Deepcar Ltd	25,600,000	19.20%	25,600,000	19.20%
03. Moneymore Securities Ltd	22,810,730	17.11%	22,810,730	17.11%
04. Tansinghe (Private) Limited	16,015,390	12.01%	16,015,390	12.01%
05. Aureos South Asia Fund LLC	13,521,000	10.14%	26,921,000	20.19%
06. Mouldex Limited	11,609,246	8.71%	–	0.00%
07. Ceylon Property Development Ltd	3,000,000	2.25%	3,000,000	2.25%
08. AIA Insurance PLC a/c No.07	1,003,633	0.75%	–	0.00%
09. Est of Late M. Radhakrishnan (Deceased)	750,000	0.56%	750,000	0.56%
10. NDB Aviva Wealth Management Ltd	694,661	0.52%	–	0.00%
11. Bank of Ceylon No 1 Account	626,800	0.47%	626,800	0.47%
12. Confifi Management Services (Pvt) Ltd	500,000	0.38%	500,000	0.38%
13. Bank of Ceylon AC No 2	424,100	0.32%	424,100	0.32%
14. HSBC INTL NOM LTD-SSBT-Global Macro Capital Opport	413,000	0.31%	–	0.00%
15. Deutsche Bank AG as Trustee for JB Vantage Value	386,793	0.29%	–	–
16. Hall Sville Trading Group Inc	330,000	0.25%	–	–
17. National Savings Bank	318,200	0.24%	318,200	–
18. V. Govindasamy	193,330	0.14%	–	0.00%
19. Bank of Ceylon A/C Cey Bank Century Growth Fund	178,107	0.13%	142,697	0.11%
20. National Development Bank of Sri Lanka Ltd	175,000	0.13%	–	0.00%
Sub Total	**125,942,820**	**94.11%**	124,501,747	93.38%
Others	**7,883,717**	**5.89%**	8,831,583	6.62%
Total	**133,826,537**	**100.00%**	**133,333,330**	**100.00%**

OTHER INFORMATION

GOOD TO GREAT

1967

Entrepreneurial journey begins

1992

Joint Venture with Tata Tea (Tata Global Beverages) by setting up Estate Management Services

1998

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

2012

Entered into the Wellness segment by launching Surelife Wellness brands - Pedia Plus

Launched 1st own Wellness brand: ‘Pedia Plus’

Commissioned the Group’s 1st Renewable Energy plant at Lower Waltrim mini-hydro plant

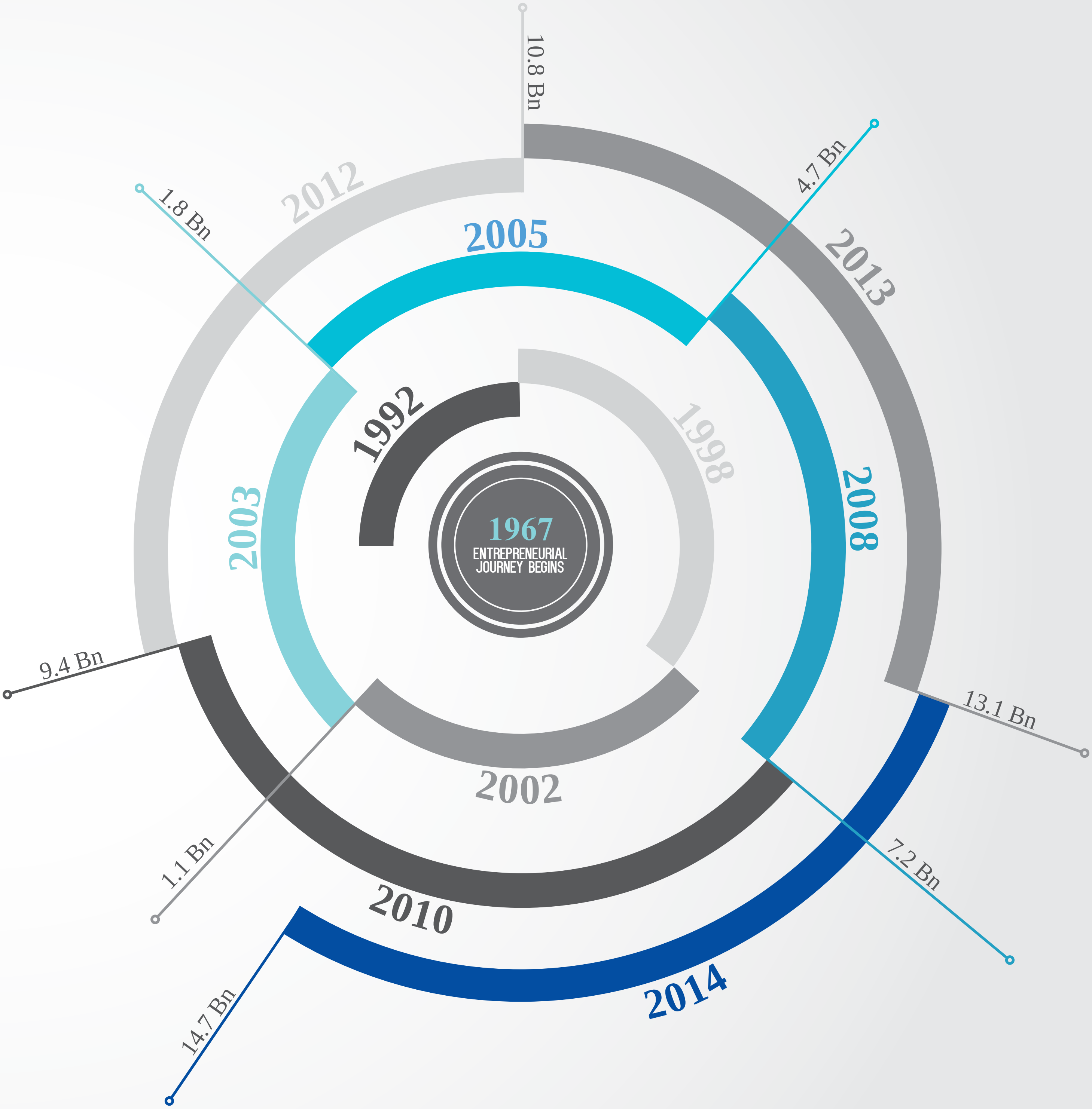
2013

Launched three additional Surelife Wellness brands: ‘Mama Plus’, ‘Enlive Plus’ and ‘Diabeta Plus’

2014

JV with Wilmar International to strengthen Agri business

OUR BRANDS:


1967
ENTREPRENEURIAL
JOURNEY BEGINS
1992
1998
2002
2003
2005
2008
2010
2012
2013
2014
10.8 Bn
4.7 Bn
1.8 Bn
9.4 Bn
13.1 Bn
7.2 Bn
1.1 Bn
14.7 Bn

DECADE AT A GLANCE

Year ended 31st March	2014 Group Rs.	2014 Company Rs.	2013 Group Rs.	2013 Company Rs.	2012 Group Rs.	2012 Company Rs.	2011 Group Rs.	2011 Company Rs.
Operating Results								
Revenue	14,696,587,869	232,691,759	13,067,664,329	230,073,381	10,859,486,197	190,134,023	10,281,930,865	134,837,248
Gross profit	3,510,997,629	232,691,759	3,319,045,536	230,073,381	2,432,572,189	190,134,023	2,416,637,850	134,837,248
Profit Before interest & Tax	**1,595,297,083**	**1,018,312,994**	**1,712,747,392**	**165,957,234**	**1,083,599,445**	**112,197,331**	**1,857,390,036**	**110,973,985**
Profit before tax	1,450,026,167	1,109,880,839	1,502,387,455	177,206,637	967,123,663	114,012,109	1,725,163,080	110,973,985
Income Tax	(324,141,236)	(6,218,055)	(299,952,674)	–	(300,914,098)	–	(219,814,038)	–
Profit for the year	**1,125,884,931**	**1,103,662,784**	**1,202,434,781**	**177,206,637**	**666,209,565**	**114,012,109**	**1,505,349,042**	**110,973,985**
Other comprehensive income	42,414,470	107,525,886	51,423,000	2,124,123	(100,844,923)	16,703,238	56,345,000	–
Total comprehensive income	**1,168,299,401**	**1,211,188,670**	**1,253,857,781**	**179,330,760**	**565,364,642**	**130,715,347**	**1,561,694,042**	**110,973,985**
Profit attributable to owners of parent company	687,648,524	1,211,188,670	631,051,369	179,330,760	430,937,400	130,715,347	650,465,999	110,973,985
Equity & Liabilities								
Stated Capital	690,993,533	690,993,533	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949
Capital & other Reserves	1,257,725	1,257,725	1,076,455	1,257,725	1,291,295	1,257,725	1,257,725	1,257,725
Retained Profit	4,156,247,822	1,819,067,811	3,071,318,173	674,792,410	2,480,051,964	535,461,649	2,014,947,427	444,746,301
Shareholders' fund	**4,848,499,080**	**2,511,319,069**	**3,752,394,577**	**1,356,050,084**	**3,161,343,208**	**1,216,719,323**	**2,696,205,101**	**1,126,003,975**
Non-controlling Interest	3,422,806,466	–	2,972,805,083	–	2,457,276,937	–	2,531,624,546	–
Total Equity	**8,271,305,546**	**2,511,319,069**	**6,725,199,660**	**1,356,050,084**	**5,618,620,145**	**1,216,719,323**	**5,227,829,642**	**1,126,003,975**
Non Current Liabilities	2,716,994,165	8,800,364	2,396,340,347	6,285,163	2,752,190,835	3,778,569	1,827,729,438	1,992,436
Current Liabilities	2,511,323,844	11,343,067	2,646,080,979	8,322,763	2,725,753,398	4,923,647	2,131,948,903	3,552,427
Total Equity & Liabilities	**13,499,623,555**	**2,531,462,500**	**11,767,620,986**	**1,370,658,010**	**11,096,564,378**	**1,225,421,539**	**9,187,507,988**	**1,131,548,838**
Assets								
Property, Plant & Equipment	3,679,264,826	2,860,593	3,535,192,037	753,193	3,594,369,237	763,825	2,948,102,603	156,165
Biological assets	3,139,569,000	–	2,880,079,000	–	2,766,583,000	–	2,460,320,000	–
Intangible assets	153,569,864	–	143,633,919	–	134,829,240	–	120,728,232	–
Investments in subsidiaries	–	961,371,884	–	860,698,768	–	817,752,548	–	817,752,548
Other Investments	506,094,835	506,094,835	297,905,868	297,905,868	295,781,725	295,781,725	279,078,487	279,078,487
Investment in Gratuity fund	200,000,000	–	127,267,000	–	42,641,000	–	–	–
Investment in Associate	2,845,696	2,719,920						
Deferred tax	91,018,038	–	86,445,883	–	85,734,448	–	46,412,333	–
Current Assets	5,727,261,296	1,058,415,268	4,697,097,276	211,300,181	4,176,625,728	111,123,441	3,332,866,333	34,561,638
Total Assets	**13,499,623,555**	**2,531,462,500**	**11,767,620,986**	**1,370,658,010**	**11,096,564,378**	**1,225,421,539**	**9,187,507,988**	**1,131,548,838**
Key Indicators								
Earnings Per Share	4.47	8.25	4.59	1.33	3.51	0.86	4.76	0.83
Dividends Per Share	0.95	0.95	0.50	0.50	0.30	0.30	0.30	0.30
Net Assets Per Share	36.23	18.77	28.14	10.17	23.71	9.13	18.56	8.45
Return on Equity (ROE)	13.92%	57.08%	17.69%	13.94%	14.75%	11.16%	23.88%	11.64%
Current Ratio	2.3	93.3	1.7	25.3	1.5	22.5	1.5	9.7
Dividend Payout Ratio	–	* 36.1%	–	37.2%	–	30.6%	–	36.1%

* Adjusted

The above information is based on the audited financial statement and those financial statements for the year ended 31st March 2014, 2013 and 2012 have prepared in accordance with SriLanka Accounting Standard published by ICASL to adopt International Financial Reporting Standards (IFRS). All other years have been prepared based on the Sri Lankan Accounting Standard SLAS previously published by ICASL.

2010		2009		2008		2007		2006		2005	
Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
9,437,275,477	137,486,763	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
1,814,375,896	113,136,003	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
957,249,732	**114,532,406**	**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**
834,067,131	114,346,874	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
(108,401,185)	–	(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
725,665,946	**114,346,874**	**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**
–	–	–	–	–	–	–	–	–	–	–	–
725,665,946	**114,346,874**	**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**
395,816,236	114,346,874	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
679,999,949	679,999,949	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
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
1,183,395,365	236,718,788	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
1,864,653,039	**917,976,462**	**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**
1,609,021,951	–	1,520,382,041	–	1,407,283,124	–	965,864,263	–	856,647,103	–	666,512,987	–
3,473,674,990	**917,976,462**	**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**
1,768,197,677	1,048,000	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
1,717,405,816	4,556,635	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
6,959,278,483	**923,581,097**	**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**
4,066,958,966	–	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
–	–	–	–	–	–	–	–	–	–	–	–
36,712,570	–	–	–	–	–	15,934,341	–	15,934,341	–	–	–
–	649,402,568	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
116,465,010	92,025,010	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
–	–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–	–
2,739,141,937	182,153,519	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
6,959,278,483	**923,581,097**	**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**
2.97	0.86	14.37	7.03	20.54	3.23	9.81	7.2	14.34	0.35	12.69	4.24
0.3	0.3	2.5	2.5	2.5	2.5	1.5	1.5	1.5	1.5	2.5	2.5
13.98	6.9	103.88	62.77	72.65	26.8	65.12	25.06	54.94	19.36	30.74	20.01
24.36%	13.03%	12.39%	10.04%	28.22%	12.07%	15.07%	28.72%	26.09%	1.82%	41.26%	21.21%
1.59	40.44	1.5	24.14	1.47	0.66	1.15	1.27	1.12	0.41	1.08	5.83
–	34.90%	–	35.60%	–	77.40%	–	20.80%	–	428%	–	58.90%

STATEMENT OF COMPREHENSIVE INCOME

	GROUP		COMPANY	
For the year ended 31st March	**2014 US$**	**2013 US$**	**2014 US$**	**2013 US$**
Revenue	112,449,590	99,986,031	1,780,420	1,760,385
Cost of sales	(85,585,514)	(74,590,660)	–	–
Gross profit	**26,864,075**	**25,395,371**	**1,780,420**	**1,760,385**
Other income	931,073	1,266,452	6,572,271	–
Selling & distribution expenses	(5,593,164)	(4,701,597)	–	–
Administrative expenses	(9,995,715)	(8,855,297)	(561,163)	(490,579)
Management fees	–	–	–	–
Results from operating activities	**12,206,269**	**13,104,929**	**7,791,528**	**1,269,806**
Finance income	1,186,780	490,374	760,673	88,553
Finance costs	(2,299,269)	(2,099,924)	(60,050)	(2,479)
Net finance costs	**(1,112,489)**	**(1,609,550)**	**700,623**	**86,074**
Profit of equity investees (net of tax)	962	–	–	–
Profit before tax	**11,094,742**	**11,495,379**	**8,492,151**	**1,355,880**
Tax expense	(2,480,137)	(2,295,060)	(47,577)	–
Profit for the year	**8,614,605**	**9,200,319**	**8,444,574**	**1,355,880**
Other comprehensive income				
Fair value change in Available for Sales Financial Assets	822,724	16,253	822,724	16,253
Exchange gain/(Loss)	8	(5,997)	–	–
Defined benefit plan actuarial gain/(loss)	(707,221)	668,881	–	–
Income tax on other comprehensive income	209,020	(285,678)	–	–
Other comprehensive income for the year	**324,530**	**393,458**	**822,724**	**16,253**
Total comprehensive income	**8,939,135**	**9,593,777**	**9,267,299**	**1,372,133**
Profit attributable to:				
Owners of the company	4,580,093	4,680,003	8,444,574	**1,355,880**
Non-controlling interest	4,034,512	4,520,316	–	–
Other comprehensive income attributable to:				
Owners of the company	681,386	148,429	822,724	**16,253**
Non–controlling interest	(356,856)	245,030	–	–
Total comprehensive income for the year	**8,939,135**	**9,593,777**	**9,267,299**	**1,372,133**
Earnings per share				
Basic earnings per share	0.03	0.04	0.06	0.01

STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
As at 31st March	**2014 US$**	**2013 US$**	**2014 US$**	**2013 US$**
Assets				
Property,plant & equipment	26,471,475	25,315,288	21,888	5,763
Leasehold right to bare land	1,680,081	1,733,909	–	–
Biological assets	24,022,123	22,036,659	–	–
Intangible assets	1,175,026	1,099,002	–	–
Investments in subsidiaries	–	–	7,355,848	6,585,557
Investment in Associates	21,774	–	20,811	–
Other investments	3,872,338	2,279,399	3,872,338	2,279,399
Investment in gratuity fund	1,530,282	973,772	–	–
Deferred tax assets	696,416	661,433	–	–
Non-current assets	**59,469,515**	**54,099,461**	**11,270,885**	**8,870,720**
Inventories	18,690,398	16,233,058	–	–
Current tax assets	63,753	85,345	24,169	24,169
Trade & other receivables	13,494,104	13,580,075	267,688	571,399
Amounts due from related parties	574,111	152,178	606,949	297,283
Cash & cash equivalent	10,999,246	5,888,752	7,199,561	723,894
Current assets	**43,821,613**	**35,939,408**	**8,098,367**	**1,616,744**
Total assets	**103,291,128**	**90,038,869**	**19,369,252**	**10,487,464**
Equity				
Stated capital	5,287,073	5,202,957	5,287,073	5,202,957
Reserves	9,623	9,623	9,623	**9,623**
Retained earnings	31,801,148	23,498,521	13,918,430	**5,163,112**
Equity attributable to owners of the company	**37,097,845**	**28,711,102**	**19,215,127**	**10,375,692**
Non-controlling interests	26,189,289	22,746,145	–	**–**
Total equity	**63,287,133**	**51,457,246**	**19,215,127**	**10,375,692**
Liabilities				
Loans and borrowings	9,832,945	8,794,709	–	**–**
Employee benefits	8,123,585	6,810,139	67,335	**48,090**
Deferred income and capital grants	1,712,408	1,794,906	–	**–**
Deferred tax	1,119,893	935,624	–	**–**
Non–current liabilities	**20,788,831**	**18,335,378**	**67,335**	**48,090**
Bank overdraft	2,227,666	5,159,151	-	**154**
Current tax liabilities	1,014,006	925,771	47,577	**-**
Loans and borrowings	3,929,792	1,945,112	-	**-**
Trade and other payables	12,042,421	12,213,720	38,045	**21,147**
Amounts due to related parties	1,278	2,491	1,169	**42,379**
Current liabilities	**19,215,163**	**20,246,245**	**86,790**	**63,681**
Total liabilities	**40,003,994**	**38,581,623**	**154,126**	**111,771**
Total equity and liabilities	**103,291,128**	**90,038,869**	**19,369,252**	**10,487,464**
Net assets per share	0.28	0.22	0.14	0.08

CONSOLIDATED STATEMENT OF CASH FLOW

	GROUP		COMPANY	
For the year ended 31st March	**2014 US$**	**2013 US$**	**2014 US$**	**2013 US$**
Cash flows from operating activities				
Profit before tax for the year	11,094,742	11,495,379	8,492,151	1,355,880
Adjustments for:				
Interest Income	(1,186,780)	(490,374)	(760,673)	(88,553)
Share of Profit of Equity Accounted Investing	(962)	–	–	–
Profit on Disposal of Property, Plant & Equipment	(104,765)	(263,640)	–	–
Gain/(loss) on fair value of biological assets	(206,358)	152,156	–	–
Interest Expense	2,299,269	2,099,924	60,050	2,479
Depreciation & Amortisation	3,242,123	3,035,143	4,241	3,253
Profit on Disposal of Investments	(33,813)	–	(6,572,246)	
Provision/(Reversal) for Bad and Doubtful Debts	(3,456)	(93,320)	–	–
Bad debt written off	–	44,137	–	–
Amortisation of Deferred Income & C/grants	(82,497)	(79,192)	–	–
Amortisation of leasehold right	53,828	53,828	–	–
Timber fair valuation charged against timber proceeds	21,921	722,599	–	–
Provision for Gratuity	1,416,591	1,227,520	20,554	19,179
Exchange Gain /(Loss)	9	2,099	–	–
	16,509,851	**17,906,259**	**1,244,078**	**1,292,239**
Changes in:				
Inventories	(2,457,341)	(2,102,688)	–	–
Trade and other receivables	89,412	(2,424,657)	303,711	(463,550)
Amounts due from related parties	(421,933)	(92,766)	(309,667)	6,612
Trade and other payables	(171,284)	(456,733)	16,897	(9,281)
Amounts due to related parties	(1,214)	2,448	(41,210)	42,379
Cash generated from operating activities	**13,547,491**	**12,831,864**	**1,213,809**	**868,399**
Interest paid	(2,189,807)	(2,003,373)	(60,050)	(2,479)
Income tax paid	(2,014,736)	(2,178,022)	–	–
Employee benefits paid	(800,529)	(588,022)	(1,310)	–
Net cash from operating activities	**8,542,419**	**8,062,447**	**1,152,450**	**865,919**

For the year ended 31st March	GROUP 2014 US$	GROUP 2013 US$	COMPANY 2014 US$	COMPANY 2013 US$
Cash flows from investing activities				
Interest Received	1,186,780	490,374	760,673	**88,553**
Bad Debt written off	–	(44,137)	–	–
Investment of Subsidiary/Associates	(5,609,332)	–	(1,222,573)	**(328,599)**
Investment in Other Long Term Investments	(770,214)	–	(770,214)	
Investment in Gratuity fund	(556,510)	(647,508)	–	–
Field development expenditure	(2,535,072)	(2,247,433)	–	–
Capital Work in Progress	–	–	–	–
Acquisition of Property, plant & Equipment	(3,640,014)	(2,553,256)	(20,366)	**(3,172)**
Proceeds from Disposal of shares	7,003,716	–	–	–
Acquisition of Intangible Assets	(141,387)	(77,103)	–	–
Proceeds from Disposal of Property, plant & Equipment	145,893	831,414	7,003,716	–
Net cash from/(used in) investing activities	**(4,916,141)**	**(4,247,659)**	**5,751,236**	**(243,218)**
Cash flows from financing activities				
Proceeds from Issue of Shares	84,116	213,987	84,116	–
Proceeds from shares issued by subsidiary to non controlling interest	2,465,429	–	–	–
Receipts of Interest Bearing Borrowings	7,724,325	4,539,979	–	–
Repayments of Interest Bearing Borrowings	(4,499,549)	(7,667,995)	–	–
Lease Rentals Paid	(343,691)	(384,382)	–	–
Dividend Paid	(511,981)	(306,056)	(511,981)	**(306,056)**
Payments to Minority Shareholders	(502,940)	(1,034,817)	–	–
Net cash from/(used in)financing activities	**4,415,701**	**(4,639,285)**	**(427,864)**	**(306,056)**
Net increase/(decrease) in cash and cash equivalents	**8,041,980**	**(824,487)**	**6,475,821**	**316,645**
Cash & cash equivalents at 31st March	729,600	1,554,088	723,740	**407,095**
Cash & cash equivalents at 31st March	**8,771,580**	**729,600**	**7,199,561**	**723,740**

USD Accounts

The Statements of comprehensive income, financial position and cash flow given in USD on pages 188 to 191 are solely for the share holders, investors and any other users of financial statements and do not form part of the financial statements.

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 reporting date, the financial effects of which are to be determined by future events, which may or may not occur

Cash equivalents
Liquid investments with original maturities of three months or less

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

Crop
The total produce harvested during a financial year

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

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

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

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

EBIT margin
EBIT divided by turnover

EBITDA
Earnings before interest, tax, depreciation and amortization

EBITDA margin
EBITDA divided by turnover

Enterprise Value
Market capitalization plus net debt

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

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

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

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

ISO
International Standards Organization
Interest Cover
Profit before tax plus interest charges divided by interest charges, including interest capitalized.

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

JEDB
Janatha Estate development Board

Liquidity Ratio
Current assets divided by current liabilities

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

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

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 Forty First (41st) Annual General Meeting of Sunshine Holdings PLC will be held at the 'Committee Room B' of Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 on Monday the 30th day of June 2014 at 2.00 p.m. and the business to be brought before the meeting will be:

1. To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31st March 2014 with the Report of the Auditors thereon.

2. To declare a Final Dividend of Rs.0.95 (cents ninety five) per share as recommended by the Directors.

3. To re-appoint Mr.R.T.Wijetilleke, who retires having attained the age of seventy four 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

   'RESOLVED THAT Mr. R.T. Wijetilleke a retiring Director who has attained the age of seventy four years is hereby re-appointed as 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-appoint Mr. U. L. Kadurugamuwa, who retires having attained the age of seventy two years and the Company has received a special notice to pass the under noted ordinary resolution in compliance with Section 211 of the Companies Act No.07 of 2007 in relation to his appointment.

   Ordinary Resolution 2

   'RESOLVED THAT Mr. U. L. Kadurugamuwa a retiring Director who has attained the age of seventy two years is hereby re-appointed as 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'.

5. To re-appoint Mr. S. A. Munir, who retires having attained the age of seventy years and the Company has received a special notice to pass the under noted ordinary resolution in compliance with Section 211 of the Companies Act No.07 of 2007 in relation to his appointment.

   Ordinary Resolution 3

   'RESOLVED THAT Mr.S.A.Munir a retiring Director who has attained the age of seventy years is hereby re-appointed as 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'.

6. To re-elect Mr. S.G.Sathasivam who retires by rotation in terms of Article 104 of the Articles of Association of the Company, as a Director.

7. To re-elect Mr. S.Piyaratna who retires by rotation in terms of Article 104 of the Articles of Association of the Company, as a Director.

8. To re-elect Mr.A.Hollingsworth who retires by rotation in terms of Article 104 of the Articles of Association of the Company, as a Director.

9. To re-appoint Messrs. KPMG (Chartered Accountants) as Auditors of the Company and authorize the Directors to determine their remuneration.

10. To authorize the Directors to determine contributions to charities.

11. To consider and if thought fit, to pass the following resolution as a special resolution.

    Special Resolution 1

    'RESOLVED THAT Article 84 (1) of the Articles of Association of the Company be amended by deletion therefrom of the word 'ten' and the substitution of the word 'twelve' in place thereof, so that the said Article shall read as follows:-

    84 (1) Unless otherwise determined by special resolution of the shareholders of the Company, the number of Directors shall not be less than three (3) nor more than twelve (12).'

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

21st May 2014
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

1. Interim Quarterly Reports

Listing Rule: Submission of unaudited interim financial statements to the CSC as per listing rules.

Period	Listing Rules	Date of Release 2013-14	Date of Release 2012-13
01st Quarter	Within 45 days of the end of the quarter	15th August 2013	10th August 2012
02nd Quarter	Within 45 days of the end of the quarter	05th November 2013	07th November 2012
03rd Quarter	Within 45 days of the end of the quarter	07th February 2014	07th February 2013
04th Quarter	Within 60 days of the end of the quarter	22nd May 2014	30th May 2013

2. Audited Financial Statement

Listing Rule: Submission of Audited Financial Statement within five months from the year end.

Meetings	Financial Year	Date of Release	AGM
28th Annual General Meeting	2000/01	11th September 2001	06th November 2001
29th Annual General Meeting	2001/02	25th May 2002	06th September 2002
30th Annual General Meeting	2002/03	18th July 2003	18th September 2003
31st Annual General Meeting	2003/04	21st June 2007	17th September 2004
32nd Annual General Meeting	2004/05	12th July 2005	25th August 2005
33rd Annual General Meeting	2005/06	26th June 2006	26th July 2006
34th Annual General Meeting	2006/07	20th June 2007	27th July 2007
35th Annual General Meeting	2007/08	30th June 2008	31st July 2008
36th Annual General Meeting	2008/09	09th July 2009	30th July 2009
37th Annual General Meeting	2009/10	23rd June 2010	16th July 2010
38th Annual General Meeting	2010/11	04th July 2011	29th July 2011
39th Annual General Meeting	2011/12	04th July 2012	27th July 2012
40th Annual General Meeting	2012/13	01st July 2013	24th July 2013
41st Annual General Meeting	2013/14	05th June 2014	30th June 2014

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 be held on Monday the 30th day of June 2014 at 2.00 p.m. and at every poll which may be taken in consequence of aforesaid meeting and any adjournment thereof:

		For	Against
01	To receive and consider the Annual Report of the Board of Directors and the Statement of Audited Accounts for the year ended 31st March 2014 with the Report of the Auditors thereon.	☐	☐
02	To declare a Final Dividend of Rs.0.95 per share as recommended by the Directors.	☐	☐
03	To re-appoint Mr.R.T.Wijetilleke, who retires having attained the age of seventy four years, a Director by passing the Ordinary Resolution set out in the notice.	☐	☐
04	To re-appoint Mr.U.L.Kadurugamuwa, who retires having attained the age of seventy two years, a Director by passing the Ordinary Resolution set out in the notice.	☐	☐
05	To re-appoint Mr.S.A.Munir, who retires having attained the age of seventy years, a Director by passing the Ordinary Resolution set out in the notice.	☐	☐
06	To re-elect Mr.S.G.Sathasivam who retires by rotation in terms of Article 104 of the Articles of Association of the Company as a Director.	☐	☐
07	To re-elect Mr.S.Piyaratna who retires by rotation in terms of Article 104 of the Articles of Association of the Company as a Director.	☐	☐
08	To re-elect Mr.A.Hollingsworth who retires by rotation in terms of Article 104 of the Articles of Association of the Company as a Director.	☐	☐
09	To re-appoint Messrs. KPMG (Chartered Accountants) as Auditors of the Company and authorize the Directors to determine their remuneration.	☐	☐
10	To authorize the Directors to determine contributions to charities.	☐	☐
11	To pass the special resolution set out in the notice.	☐	☐

Dated this ______ day of ________________ 2014

____
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 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. If you wish to appoint a person other than the Chairman (or failing him, one of the Directors of the Company) as your proxy, please insert the relevant details.

4. 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.

5. 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.

6. 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. S. 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

CORPORATE/GENERAL MANAGEMENT
Mr. V. Govindasamy - Group Managing Director
Mr. WDPL Vithanage - Group Chief Financial Officer
Mr. A. Pararajasingham - Group Head of Corporate Strategy and Planning
Mrs. M. Senanayake - Group Head of Human Resources
Mr. P. Mendis - Group Head of IT
Mr. A. Vaithylingam - Head of Group Operations

Mr. H. Samarasinghe - Business Analyst
Mr. N. Fernando - Manager Finance

Our constant pursuit to make things better have made us grow rapidly to become one of Sri Lankas leading diversified conglomerates. Our heritage built on four decades of trust, strong values and long lasting partnerships have helped us to create excellence. We make life better for the people and the nation by engaging in businesses that produce useful, suitable and desirable products & services. We have great consideration for the environment and our society. All our decisions are guided by this responsibility. We employ professionals to drive our business to greater heights and create an environment for our people to thrive in. Then and now we are confident in our ability to deliver value to our employees, clients, partners and shareholders by making things better.

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