sunshine

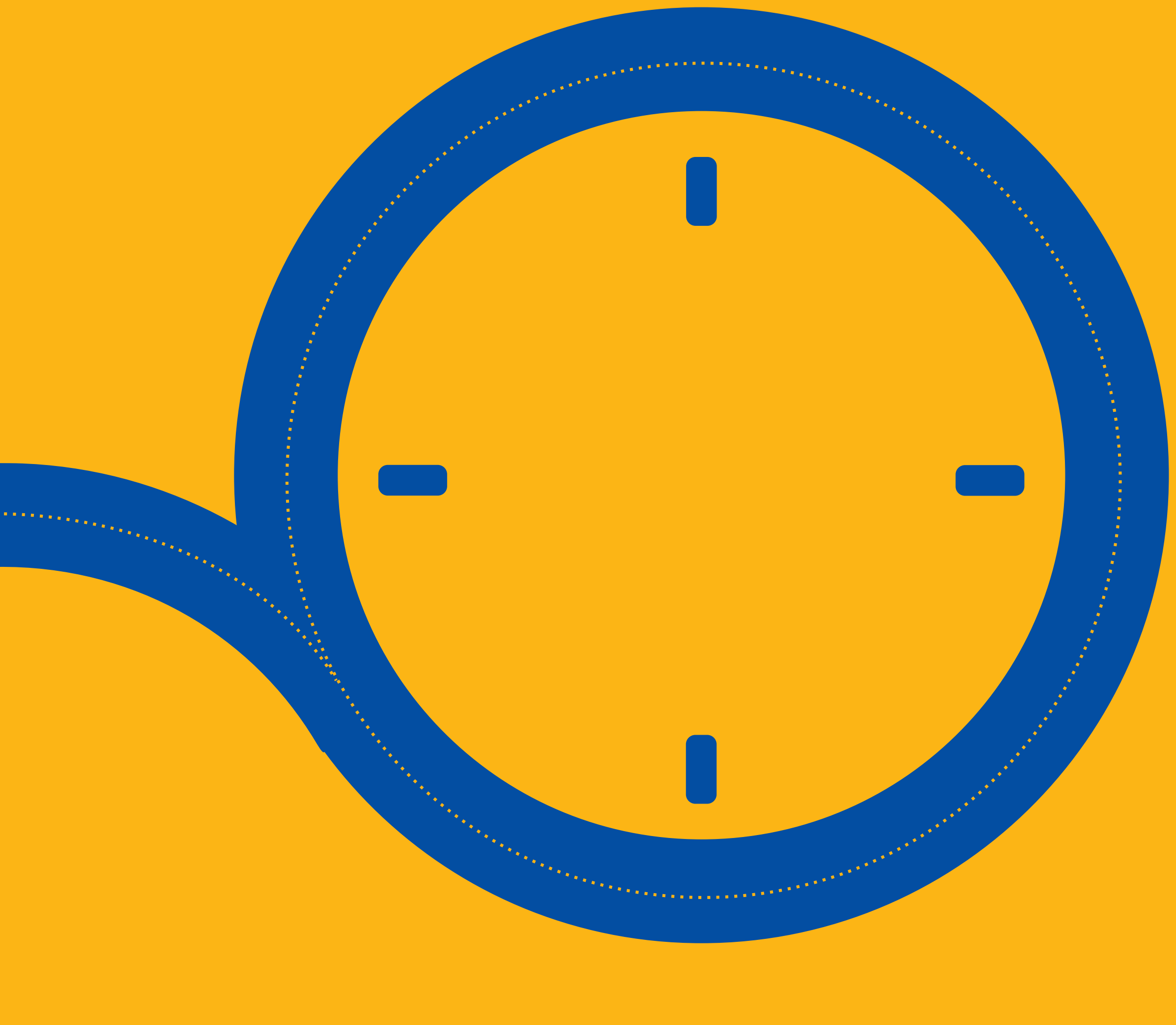
sunshine holdings plc

ANNUAL REPORT 2014/15

SOME THINGS ARE CHANGING FOR THE GOOD.

It has been a year of meaningful change. Without change there can be no room for opportunity or growth. We embrace this reality with a deeper understanding in all we do.

Our mandate for change therefore influences the way we lead, the way we establish partnerships and alliances, and also the way we create value for our stakeholders. It is the basis of our corporate philosophy.



BUT SOME
THINGS
WILL NEVER
CHANGE.

OUR FUTURE

To be the most admired conglomerate in Sri Lanka

OUR PURPOSE

Growing our enterprises to be industry leaders

OUR 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

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GROUP AT A GLANCE

Group	Rs. million
Revenue	16,327
EBIT	1,413
Net Profit	1,047
Profit for owners of parent	542
Total Assets	14,613
Employees	11,953

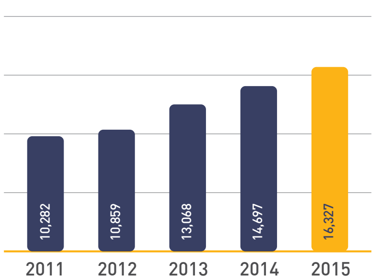
Group Revenue
(Rs. billion)

16.3

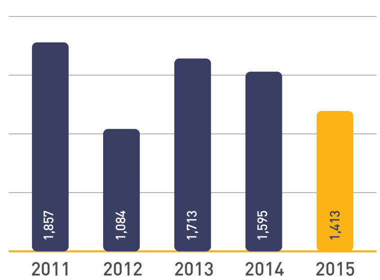
Net Profit
(Rs. billion)

1.0

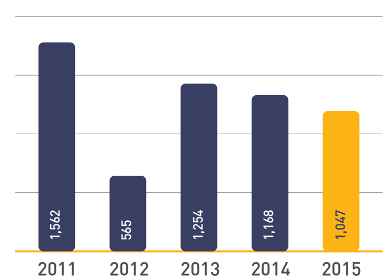
Revenue
(Rs. million)



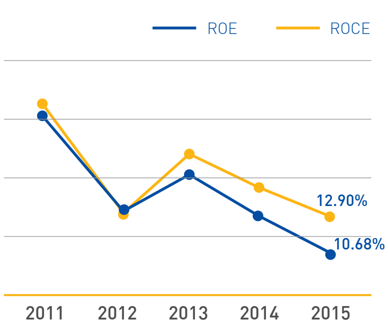
EBIT
(Rs. million)



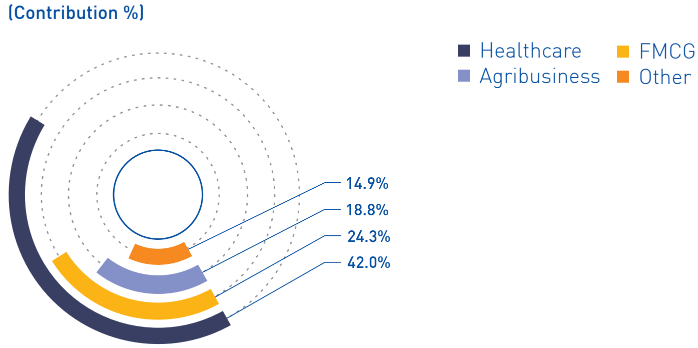
PAT
(Rs. million)



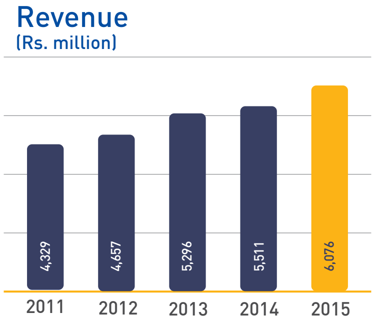
ROE & ROCE
(Return %)



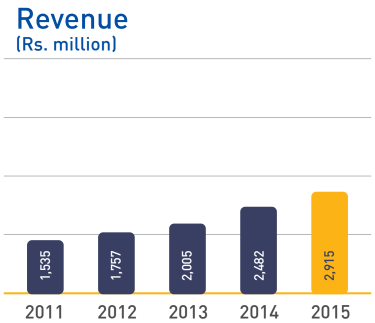
Profit for Equity Holders - Segments
(Contribution %)



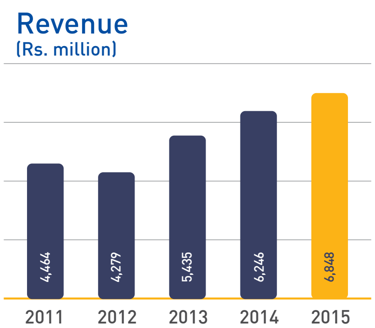
Healthcare	Rs. million
Revenue	6,076
EBIT	382
Net Profit	228
Total Assets	3,439
Employees	740



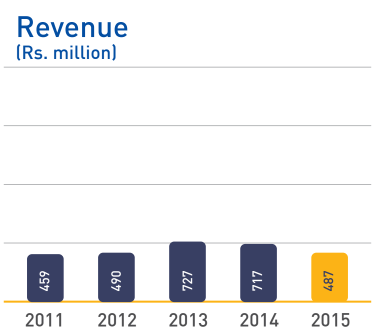
FMCG	Rs. million
Revenue	2,915
EBIT	445
Net Profit	397
Total Assets	1,005
Employees	130



Agribusiness	Rs. million
Revenue	6,848
EBIT	550
Net Profit	408
Total Assets	7,115
Employees	10,909



Other	Rs. million
Revenue	487
EBIT	37
Net Profit	15
Total Assets	3,055
Employees	174



FINANCIAL HIGHLIGHTS

	Group		Company	
	2015 (Rs.)	2014 (Rs.)	2015 (Rs.)	2014 (Rs.)
Results for the Year Ended 31st March				
Revenue	16,326,528,096	14,696,587,869	313,557,464	232,691,759
Gross Profit	3,610,668,850	3,510,997,629	268,518,924	232,691,759
Gross Profit Margin %	**22.12%**	**23.89%**	**85.64%**	**100%**
EBIT	**1,413,268,709**	**1,595,297,083**	**221,878,292**	**1,018,312,994**
Net Finance Cost	(105,382,189)	(145,396,692)	72,862,462	91,567,845
Profit Before Tax	1,309,333,699	1,450,026,167	294,740,754	1,109,880,839
Income Tax	(335,820,583)	(324,141,236)	(2,023,953)	(6,218,055)
Profit for the Year	**973,513,116**	**1,125,884,931**	**292,716,801**	**1,103,662,784**
Other Comprehensive Income (net of tax)	73,387,932	42,414,470	57,076,838	107,525,886
Total Comprehensive Income	**1,046,901,048**	**1,168,299,401**	**349,793,639**	**1,211,188,670**
Net Profit Margin %	**6.41%**	**7.95%**	**–**	**–**
Profit for Equity Holders	542,303,855	687,648,524	349,793,639	1,211,188,670
As at 31st March				
Stated Capital	730,939,657	690,993,533	730,939,657	690,993,533
Shareholders' Funds	5,303,378,067	4,848,499,080	2,773,923,622	2,511,319,069
Non-controlling Interest	3,643,544,084	3,422,806,466	–	–
Total Equity	**8,946,922,151**	**8,271,305,546**	**2,773,923,622**	**2,511,319,069**
Long Term Liabilities				
– Debt	1,038,260,161	1,285,115,794	–	–
– Other	1,569,257,420	1,431,878,371	9,980,594	8,800,364
Current Liabilities				
– Debt	968,561,704	804,748,440	4,044,129	–
– Other	2,089,638,256	1,706,575,404	13,249,783	11,343,067
Total Equity & Liabilities	**14,612,639,692**	**13,499,623,555**	**2,801,198,128**	**2,531,462,500**
Non-Current Assets	8,282,167,250	7,772,362,259	1,640,266,465	1,473,047,232
Current Assets				
– Cash & Cash Equivalents	1,562,658,066	1,437,545,412	955,293,407	940,945,873
– Other	4,767,814,376	4,289,715,884	205,638,256	117,469,395
Total Assets	**14,612,639,692**	**13,499,623,555**	**2,801,198,128**	**2,531,462,500**

	Group		Company	
	2015 (Rs.)	2014 (Rs.)	2015 (Rs.)	2014 (Rs.)
For the Year Ended 31st March				
Cash Generated from Operations	2,081,729,316	1,770,588,015	125,295,307	158,638,625
Income Tax Paid	(314,001,765)	(263,315,674)	(6,162,663)	–
Interest Paid	(213,684,461)	(286,196,590)	(2,747,893)	(7,848,199)
Gratuity Paid	(101,721,571)	(104,625,110)	(725,000)	(171,150)
Net Cash Generated from Operations	**1,452,321,519**	**1,116,450,641**	**115,659,750**	**150,619,276**
Capital Expenditure	(895,209,073)	(825,530,886)	(1,162,816)	(2,661,683)
Net Cash Generated from/(used in) Investing Activities	**(866,016,735)**	**(642,514,496)**	**(18,167,259)**	**751,657,196**
Dividend Paid				
– Owners of Parent	(127,135,210)	(66,913,269)	(127,135,210)	(66,913,269)
– Non-controlling Shareholders	(284,095,357)	(65,731,738)	–	–
Net Cash Generated from/(used in) Financing Activities	**(734,039,756)**	**577,109,624**	**(87,189,086)**	**(55,919,685)**
Net Increase/(Decrease) in Cash	**(147,734,972)**	**1,051,045,769**	**10,303,406**	**846,356,787**
Per Ordinary Share				
EPS	3.62	4.47	2.19	8.25
Net Assets	39.24	36.23	20.72	18.77
Market Value	48	28.70	–	–
DPS	0.95	0.95	0.95	0.95
Ratios				
Debt: Equity Ratio	22.43%	25.27%	n/a	n/a
ROE	10.68%	15.99%	13.24%	57.08%
ROCE	12.90%	16.65%	8.00%	52.66%
Interest Cover	6.56x	5.31x	–	–
Liquid Assets Ratio	2.06x	2.28x	67.13x	93.31x
P/E Ratio	13.26x	6.42x	–	–
Market Capitalization (Rs.)	6,486,767,328	3,840,821,612	–	–
Enterprise Value (Rs.)	6,930,931,127	4,493,140,432	–	–

PROGRESS IS THE FABRIC OF OUR SUCCESS.

We have grown to be the second largest Healthcare company, driving and achieving strong growth. Our FMCG sector, too, has achieved market leadership. Our presence in the Power sector has already yielded encouraging results and shown great promise for the future. Overall, the Group is set well in its key areas of interest, to move forward with confidence.

CHAIRMAN'S MESSAGE

Dear Shareholders,
Welcome to the 42nd Annual General Meeting of your company.

Economy

Recovery of the global economy which began in 2013 continued into 2014. According to the International Monetary Fund (IMF), global growth in 2014 was 3.4% compared to 3.3% in 2013, and is expected to be about 3.5% in 2015. Currency instability, stagnation and low inflation in the Euro Zone and Japan, escalation of tensions in the Middle East and Ukraine and slowdown in the Russian economy coupled with sharp depreciation of the Ruble pose significant challenges to Sri Lanka's exports such as Tea and Garments.

Sri Lanka's economy grew by 7.4% in 2014 compared to 7.2% in 2013, becoming one of the fastest growing countries in South Asia. Strengthened domestic economic activity and improved exports were key contributors to this growth. Low inflation and downward revision in interest rates are conducive for business. We expect Sri Lanka's post war growth story to continue with enhanced transparency and improved international image after the January 2015 elections.

Your Group has evolved into a conglomerate with a diverse portfolio. This diversity allows for resilience, when challenging times faced by one sector are balanced by improved performance in another.

We will continue to constantly review our strategies in keeping with the changing dynamics in the marketplace, and to explore alternatives whilst continuing with those which remain relevant and have served us well.

The products we market, from serving the Healthcare needs of our people to the number one beverage in the nation, are either leading global brands or a market leader in the country.

We will aggressively seek to introduce new products, mindful of the need for innovation to sustain long term growth. Our FMCG business will launch products to harness the potential of our brand equity without diluting the value of our brands which enjoy a market leadership position in the country.

The Group will continue with our focus on people and products to enhance Shareholder value. We will strive to attract the best talent in the country and to train, motivate and retain them to be future managers and leaders in the organization.

Outlook

As good corporate citizens we will abide by the National Medicinal Drug Regulatory Authority Bill but fully support the Doctor's right to choose the most appropriate brand for the patient and a fair pricing policy to ensure availability of quality pharmaceuticals in the country.

The role of Agriculture is critical despite the volatility faced by this sector. There is potential in Palm Oil crop, but escalating costs and little room for price increases continue to be a challenge in Tea and Rubber. We reiterate the need for innovative solutions to reduce the vulnerability in the Tea and Rubber sectors.

The need for alternative sources of energy cannot be overstated. Sri Lanka's high dependence on petroleum-derived power continues to be a strain on the country's finances. We see tremendous potential in this sector and the Group's initiative, although at a nascent stage has performed well and we expect to continue our focus in this area.

As we look ahead, we will continue our focus on organic growth, leveraging on our strengths and maximizing use of our assets.

Board Changes

Mr. Wijetilleke who was Chairman of the Board of Directors of Sunshine Holdings PLC from 2006 stepped down from The Board on 2 February 2015 and we thank him for his contribution over the years.

Air Chief Marshal (Rtd) Harsha Abeywickrama and Dr. T. Senthilverl joined the Board of Directors in 2014 and 2015 respectively.

We welcome these gentlemen to the Board. With their wealth of experience we look forward to their active participation.

Acknowledgements

I would like to thank my colleagues on the Board for their guidance and all our employees for their hard work, dedication and commitment and our customers for their support and faith in our products. I am also grateful to you, our shareholders, for your trust and confidence in us.

Munir Shaikh
25 May, 2015

GROUP MANAGING DIRECTOR'S REVIEW

Corporate Performance

Group Revenue grew marginally by 11.1% to Rs. 16.3 billion whilst Profits After Tax (PAT) contracted by 10.4% to Rs. 1,047 million. The performance was below expectation during the year due to many changes and challenges in the global and industry environments which impacted three of our sectors. The Tea sector was severely impacted by the decline in exports due to global economic and political crises which have been impacting Sri Lanka's key tea exports. Our FMCG business on the other hand achieved an exceptional performance surpassing its previous best and underscoring its potential for expansion to make a sizeable contribution to Group profitability in the years ahead.

The key contributors to Group Revenues were the Agribusiness and Healthcare sectors which contributed 41.9% and 37.2% respectively. The Group's Healthcare sector was once again the highest contributor to Profits Attributable to Shareholders, accounting for 42.0% during the year. The Agribusiness segment only contributed 18.8% to PATMI and hence we were able to sustain shareholder earnings with marginal impact. Sunshine Holdings PLC's Earnings per Share was at Rs. 3.62 in 2014/15 compared with Rs. 4.47 in 2013/14.

Accolades

We are heartened by several international and national awards received during the year. I am particularly happy to note that the wide range of aspects these awards have covered reflect the Group's Triple Bottom Line approach in business; they range from recognition of overall business excellence to financial reporting and governance, quality of our manufacturing, social empowerment and corporate citizenship. These accolades will continue to encourage us in our efforts to constantly refine and enhance the ways in which we achieve our vision. Some of the key awards received during the year under review are given below:

- Gold Award for Best Corporate Citizen in the Agriculture sector, from the Ceylon Chamber of Commerce.
- Gold Award at the Asian CSR Leadership Awards for the Vocational Training Centre for empowerment of the differently abled at Kenilworth Estate.
- Gold Award for Best Presented Annual Report in the Agriculture Sector from the South Asian Federation of Accountants in 2014.
- Silver Award for Sunshine Holdings PLC for the Best Annual Report at the Annual Reports Awards from the Chartered Institute of Accountants of Sri Lanka.
- Gold Award for the Manufacturing Sector – Large Scale, at the People Development Awards 2014 awarded by the Sri Lanka Institute of Training and Development.

Sector Performance

Healthcare

The Group's Healthcare sector performed well above industry growth with Revenue increasing by 10.2% vis-à-vis flat industry growth. The Healthcare industry performed in line with projections made last year experiencing almost static growth, as subdued demand impacted the country's Pharmaceuticals sub segment in particular. Profitability of Sunshine's Healthcare sector contracted by 35.8% this year, mainly due to an one off goodwill write-off amounting to Rs. 62 million and margin contraction.

Our Retail Arm Healthguard achieved an excellent performance during the year, reaping the rewards of initiatives launched last year. It was able to achieve its highest profitability to date with Profit After Tax (PAT) growing by 46.5% to Rs. 23 million whilst revenue rose to Rs. 677 million. The Company also expanded its presence with the opening of two new outlets.

FMCG

The Group's FMCG sector achieved an excellent performance crossing many milestones during the year. 'Watawala Tea' now has become a leading tea brand in the country, whilst our three brands collectively account for one third of the branded Tea market. The sector also achieved the highest ever revenue at Rs. 2.9 billion whilst PAT increased by 27.7% to Rs. 397 million. As per A.C Neilsen, the market grew at mid-single digits whereas our volumes grew by 12%.

Agribusiness

The Group's Agribusiness subsector Watawala Plantations PLC was adversely impacted by the decline in the Tea subsector and recorded a marginal contraction in PAT of 6.1% to Rs. 408 million, despite an exceptional performance from the Palm Oil subsector. Revenue in the Agribusiness subsector grew 9.6% to reach Rs. 6.8 billion. We continued to be Sri Lanka's highest producer of Tea and Palm Oil. Both these subsectors have been able to reap the harvest, literally and metaphorically, of the seeds sown in terms of good agronomic practices, field level innovations, and other environmental and social sustainability measures which have been diligently implemented over the past few years. Land as well as worker productivity increased during the year as well.

The Tea subsector as well as the entire industry was beleaguered by challenges which impacted Sri Lanka's key export markets. Countries such as Russia, Ukraine and the Middle East which have been in political and economic turmoil since January 2014, account for as much as 70% of Sri Lanka's Tea exports. The impact of the decline in purchasing power and devalued currencies in these economies has thus been significant on the Sri Lankan Tea Industry. Loss for the Tea subsector increased by 54.5% to Rs. 428 million despite a 13.3% increase in Revenue to Rs. 4.7 billion.

An excellent performance by the Palm Oil subsector helped post a 23.4% growth in PAT to Rs. 780 million, and a 11.7% increase in Revenue to Rs. 1.6 billion. Continuing on the trend from the past few years, total production increased by 8.9% whilst the yield per hectare was flat but above industry average during the year. Performance of the subsector was also supported by a 2.5% increase in prices driven by increasing demand in the domestic market.

Energy

Our Energy sector performed well during the year achieving its highest Revenue of Rs. 113 million and highest profits of Rs. 19 million. The Group's first commissioned hydropower plant in Lindula (Waltrim Lower) in 2012, has been generating 1.62 MW. Two other projects as indicated last year, got underway during the year; we began construction of the Upper Waltrim plant and committed capital to commence the construction of the third plant - Elgin-Hydro Power. We expect Upper Waltrim to begin generating energy by the end of next year and the completion of the third plant in the year after will increase the Group's total generation capacity to 7 MW.

Packaging

The Packaging sector was adversely impacted by several external environmental factors, mainly the decline in the demand for Tea exports. The sub segments of Confectionery and Milk Powder packaging performed well and exceeded projected growth. However, as Tea packaging accounts for 54.0% share of its Revenue the 21.4% decline in the Tea packaging sub segment impacted the overall performance of Sunshine Packaging, causing Revenues to decline by 7.9% to Rs. 270 million. Although declining interest rates and energy prices during the year helped to contain costs, the sector posted a loss of Rs 24 million. Sunshine Packaging accounts for a significant 95% of Sri Lanka's manufactured export tin packs, and leveraging on this strength, the sector ventured into direct exports of value added Teas to alternate markets and will look to expand this venture in the year ahead.

Dividend

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

A Sustainable Approach to Business

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

We also see our enterprise in its wider context, and contributing to nation building and the country's economic growth is important and intrinsic to the Triple Bottom Line approach to enterprise that we have adopted. Sustainability is not merely about keeping abreast with global trends in business and governance, but our belief that sustainability of our profits ultimately depends on the sustainability of the community and environment.

People have been the driver of the Group's success and a number of initiatives this year were taken across the sectors, to enhance and sustain our talent pool.

We adopted a new and Integrated format of reporting last year which better reflects our sustainable approach to management, and we continue with the same Integrated approach to review and previewing our business this year.

Looking Ahead

The strategic alliances we have fostered with two global giants, TATA Global Beverages and Wilmar International Group, position us well for vertical and horizontal integration as well as geographic expansion and entry into new markets. The partnership with TATA Global Beverages which commenced in 1992 has exceeded expectations and seen your Group move up the value chain from plantations to branded teas. It continues to be a key platform in the Group's strategies for expansion and innovation. The partnership with Wilmar established last year has begun to benefit our Palm Oil sector whilst Wilmar's global presence would create a gateway for some of our products into markets such as China.

Following the establishment of our first overseas subsidiary, Sunshine Holdings International, in Singapore as reported last year, we have actively explored opportunities to export our FMCG brands into the region.

The year that just ended was a challenging one, for our plantations sector in particular. We are concerned that some of the economic and political turbulence that affect our export markets are not likely to be resolved in the year ahead, thus prolonging the demand-led challenges faced by Sri Lanka's Tea sector. The likely appreciation of the U.S. Dollar, supported by a strengthening U.S. economy augurs well for Sri Lanka's exports and worker remittances whilst on the other hand, the resulting increase in cost of imports could negatively impact the Group's import dependent sectors of Healthcare and Packaging. The challenging environment necessitates that we adopt an approach of caution and look at operational efficiencies to reduce costs and alternatives to reduce vulnerabilities of our Tea sector.

Whilst the global environment will offer many challenges we remain optimistic that Sri Lanka's growth story will continue. Ensuring consistency of policies and a long term vision for the nation remain essential.

Sector Outlook

Despite a restrained performance over the past two years, we are confident that the potential in the Healthcare sector of the country is significant and the market would pick up in the year ahead. Sunshine Holdings' Healthcare sector represents 40 leading multinational Pharmaceutical companies, 16 of whom have partnered us for more than 20 years. Widening our portfolio of principals and products to enable a more balanced contribution to profitability from the four segments of Pharmaceuticals, Diagnostics, Surgicals and Wellness, would be a priority for the next few years. Healthcare delivery models will be dynamic, and evolving and will rely on innovation. Developments in the Sri Lankan market which include an increase in demand for Diagnostics and Preventive Care, and an increasing role by the Private Healthcare sector, support growth and bodes well for your Company.

The Government's new National Medicinal Drug Regulatory Authority Bill is likely to become effective by end 2015, and its specifics, are yet to be established. We welcome it for the opportunity it would create to raise the bar for the industry and create a more level playing field for legally compliant members like us. Whilst appreciating the need to protect consumer interests, it is our fervent hope that prices will be regulated rather than controlled, for the latter would prove detrimental to all stakeholders of the industry. Moreover, it is also important that ensuring quality of medicines and healthcare receives highest priority. We also look to harness the opportunities that some of the policy measures would create for 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.

We remain concerned about the sustainability of Sri Lanka's tea plantations. The vulnerability of commodity exporters is further exacerbated by the current world market conditions. Innovative thinking that can bring in alternatives to reduce the vulnerability of commodities to world market conditions, together with a new regulatory framework and a replacement of the current politicized model of wage increases remain prerequisites as plantations are severely burdened by competitiveness issues.

We are buoyant on the outlook for our FMCG sector. The sector's core strengths of an efficient and extensive distribution network, high brand equity and a strong team, have positioned it well to reach new milestones.

The Energy sector has much potential for expansion and the Group will actively look at venturing into other forms of renewable energy. We also hope that the government would permit the re-entry of the private sector into wind power generation for the benefit of all stakeholders.

Whilst we are actively exploring opportunities to infuse new capital to harness the considerable potential identified in our Packaging sector, we will also look to diversify our product segments into new higher margin packaging, as well as seek new markets to minimize exposure to crisis ridden markets. Direct exports of value added teas which Sunshine Packaging has ventured into, will also be expanded upon further. Sunshine Holdings will continue to seek organic growth over the next few years by leveraging its strengths, expertise and the leadership it has established in its core businesses, which contribute to thrust areas of Sri Lanka's economy. We will also be nimble enough to respond to changing market needs, lifestyles and the rapid pace of advancements in science and technology. In the medium to long term, we will also harness opportunities to diversify into new growth sectors and expand our portfolio to enhance the value we create for all our stakeholders.

Conclusion

As we look to the year ahead there are many I would like to convey my heartfelt gratitude to, for their contributions have been the fuel behind your Group's ability to imagine, create and meet opportunities and exceed expectations. My sincere appreciation to my colleagues on the Board for their guidance, constant support and the confidence placed in me, the 11,953 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
25 May 2015

MANAGEMENT REVIEW & PREVIEW

Introduction

This 2014/15 Annual Report of Sunshine Holdings is an Integrated Report which is also the Group's second one which builds on the new method of Integrated Reporting we adopted in the previous year. In preparing this report we have drawn on concepts, guidance and methodology given in the International Integrated Reporting Council's framework.

The strategic imperatives we enumerated last year were reviewed. We consider them still relevant and vital to create and sustain value to all our stakeholders through the diverse business sectors of our Group in the context of the strengths and weaknesses of the Company and the opportunities and risks in the business environments.

We have continued the process we adopted last year, and reviewed the key stakeholders of the Group, and material topics which the Directors and Management believe will enable the Company to sustain growth into the future. The process has been influenced by the Company's vision and its values; taking into account the views and interests of the six key stakeholders; namely, customers, shareholders, our employees, the regulators, society and the natural environment. We identify the key stakeholders and methods of engagement with them below.

As an integrated report, this Management Discussion looks at the quality, availability and effective management of all the capitals including nature and society at large, and strives to evaluate our performance in a wider context by including social and environmental dimensions to economic value creation.

Stakeholder	Methods of Engagement
Investors	Semi-annual Investor Forum; Quarterly earnings press release and presentation; Annual Report; Annual General Meeting
Employees	In house communiqués, award ceremonies
Customers	WTC/SHL: Vendor meetings
Business partners	Regular updates and principal visits for SHL Knowledge sharing with both Wilmar and TGBL on agri best practices and branded downstream activity
Regulator	Filing required disclosures with CSE/SEC
Communities	Refer pages 82 to 86

Value creation by an enterprise occurs in the context of its operating environment. This discussion of the Company's strategies and performance hence begins with a review and preview of relevant aspects of the local and global economic environment.

The Global Backdrop

The recovery of the global economy which began to take hold in October 2013 continued into 2014, albeit weaker than expected. According to the International Monetary Fund (IMF), global growth was thus 3.4% in 2014 compared with 3.3% in 2013. The IMF projects global growth to be moderate and in line with its estimates made in January 2015; to grow by 3.5% and 3.8%, in 2015 and 2016 respectively.

The world economy in 2014 saw a modest growth of 3.4%, reflecting a pickup in growth in advanced economies relative to the previous year, and a slowdown in emerging markets and developing economies. Despite the slowdown, emerging market and developing economies still accounted for three-fourths of global growth in 2014. Complex forces that affected global activity in 2014 are still shaping the outlook. These include medium and long-term trends, such as population ageing and declining potential growth; global shocks, such as lower oil prices; and many country, or region-specific factors, such as crisis legacies and exchange rate swings triggered by actual and expected changes in monetary policies.

Outlook

Relative to last year, the outlook for advanced economies is said to be stronger. Emerging markets will be weaker, reflecting subdued prospects for some large emerging market economies and oil exporters. According to the IMF, medium-term prospects have become less optimistic for advanced economies, and even more so for emerging markets in which activity has been slowing down since 2010. At the same time, the distribution of risks to global growth is now more balanced relative to the October 2014 assessments by IMF, but is still tilted to the downside. A greater boost to demand from oil prices is an important factor. On the downside, the most salient risks identified in the October 2014 outlook remain relevant, including those related to geopolitical tensions, disruptive asset price shifts in financial markets; and, in advanced economies, stagnation and low inflation. In this setting, raising actual and potential output continues to be a general policy priority. In many advanced economies, accommodative monetary policy remains essential to support economic activity and lift inflation expectations. Inflation is projected to decline in 2015 in both advanced economies and most emerging markets and developing economies, reflecting primarily the impact of the decline in oil prices.

The turmoil faced by the Russian economy, compounded by the sharp depreciation of the Ruble have posed significant challenges to Sri Lanka's exports such as Tea and Garments, as these markets account for a significant share of Sri Lanka's exports. At the same time Sri Lanka's tourism earnings from these regions are also likely to fall. The decline in the demand for Tea had a significant impact on Sri Lanka's Tea sector as CIS and the Middle East account for as much as 66% of Sri Lanka's Tea exports. On the other hand, the strengthening of the U.S. economy and an appreciating Dollar augur well for some of Sri Lanka's export earnings and remittance income.

As per the IMF, advanced economies are generally benefiting from lower oil prices. The United States is the only major economy for which IMF's growth projections have been raised since October 2014. Unemployment in the U.S. declined further, while inflationary pressures remained subdued, also reflecting the appreciation of the Dollar and the decline in oil prices. Growth in the United States is projected to exceed 3% in 2015/16, with domestic demand supported by lower oil prices, more moderate fiscal adjustment, and continued support from an accommodative monetary policy stance, despite the projected gradual rise in interest rates and some drag on net exports from recent Dollar appreciation.

After a weak second and third quarters in 2014, growth in the Euro area is showing signs of picking up, supported by lower oil prices, low interest rates, and a weaker Euro.

The United Kingdom is expected to achieve the highest growth amongst European nations in 2015 at 2.4 % (as per IMF estimates). The projections for growth in the

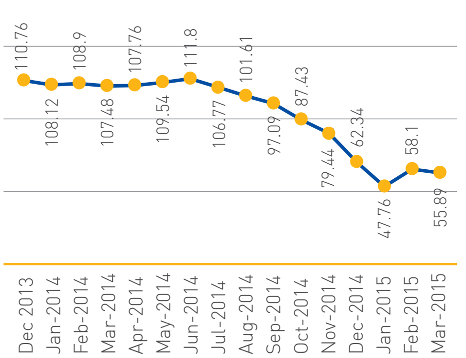
Euro zone has been revised downwards since October by 0.2% and 0.3% for 2014 and 2015 respectively, and estimated to be 1.2% in 2015, which compares well with a decline of 0.4% in 2013. This slow pace of recovery of the Euro area as a whole is mainly due to the slower implementation of financial recovery measures in some of the Euro member nations such as Italy and Greece.

Economies in the Commonwealth of Independent States slowed further in the latter half of 2014, and according to the IMF's assessments, the outlook for the region has deteriorated markedly. The downward revisions are driven by Russia, whose economy is now expected to contract by 3.8% this year, more than 4% points below the previous forecast, and by 1.1% in 2016. Falling oil prices and international sanctions have compounded the country's underlying structural weaknesses and have undermined confidence, resulting in a significant depreciation of the ruble. The remainder of the CIS is projected to grow at 0.4% in 2015, 3.6% points below the previous forecast whilst Ukraine's economy is expected to bottom out in 2015 as activity stabilizes with the beginning of reconstruction work, but the economy is still projected to contract by 5.5%.

Decline in Oil Prices

One of the most significant developments in the global landscape, with considerable implications for world economic growth, has been the sharp decline in world energy prices since January 2014, owing to supply side factors. Price of Brent Crude Oil (as per the U.S. Energy Information Agency data), declined by more than 42% from January 2014 to 31st December 2014, and by over 58% between January 2014 and 31st January 2015. The favorable impacts to boost global growth over the next two years would come from a rise in purchasing power and private demand in oil importing countries. Oil imports account for a significant portion of Sri Lanka's balance of payments and Sri Lanka is hence likely to see an improvement in its Balance of Payments in 2015. The favorable impact is forecast to be stronger in advanced oil importing economies, where the pass-through to end-user prices is expected to be higher than in emerging markets and developing oil importing nations. Although there is uncertainty on how long the supply shock driven price levels would persist, they are expected to reverse, albeit gradually and partially, over the next year.

Europe Brent Spot Price (USD per Barrel)



The global impact would depend crucially on how large and persistent the oil supply shifts are expected to be, and the extent to which consumption and production will be adjusted will depend on the decline in prices. As indicated by the IMF, much will depend on whether governments, which typically accrue most of the net oil revenue, will adjust spending. In countries with buffers, spending adjustment can be gradual, which would limit the negative impact on incomes and activity. Recent developments in Russia however, illustrate the potential for a greater impact in oil exporting countries where macroeconomic policies would not be able to mitigate the negative growth impact. Expectedly, there will be a difference in impact between oil importers and exporters. The favorable impact is forecast to be stronger in advanced oil importing economies, where the pass-through to end-user prices is expected to be higher than in emerging market and developing oil importers. In the latter, more of the windfall gains from lower prices are assumed to accrue to governments (for example, in the form of lower energy subsidies), where they may be used to shore up public finances. However, the boost from lower oil prices is expected to be more than offset by an adjustment to lower medium-term growth in most major economies other than the United States.

World Growth Projections (% Change)

			Projections	
	2013	2014	2015	2016
World Output	3.3	3.4	3.5	3.8
Advanced Economies	1.4	1.8	2.4	2.4
USA	2.2	2.4	3.1	3.1
EU	-0.5	0.9	1.5	1.6
UK	1.7	2.6	2.7	2.3
Japan	1.6	-0.1	1.0	1.2
CIS	2.2	0.9	-1.4	0.8
Russia	1.3	0.6	-3.0	-1.0
China	7.8	7.4	6.8	6.3
India	6.9	7.2	7.5	7.5
ASEAN	5.2	4.6	5.2	5.3
Emerging & Developing Asia	7.0	6.8	6.6	6.4
Emerging & Developing Economies	5.0	4.6	4.3	4.7
World Trade Volumes (Goods & Services)	3.5	3.4	3.7	4.7
Imports by Advanced Economies	2.1	3.3	3.3	4.3
Imports by Emerging & Developing Economies	5.5	3.7	3.5	5.5
Oil Prices (U.S. Dollar) (Average Price of Intermediate Crude Oil)	-0.9	-7.5	6.6	6.4
London Interbank Offer Rate (LIBOR) (on US Dollar deposits)	0.4	0.3	0.7	1.9

Source: IMF, April 2015

Despite prospects for a stronger recovery in 2015, several risks remain which may dampen a full global economic recovery. These include shifts in sentiment and volatility in global financial markets, especially in emerging market economies, where lower oil prices have introduced external and balance sheet vulnerabilities to oil exporters; stagnation and low inflation which are still concerns in the Euro area and in Japan; geo political tension, high debt levels and high unemployment in certain regions. The economic crisis in Russia, continuing violence in Iraq and the dispute between Russia and Ukraine could create significant implications for Sri Lanka's exports of Tea, as both Ukraine and Iraq are key importers of Sri Lankan Tea.

According to the IMF, global growth is expected to remain moderate, weighed down by high debt, high unemployment and low investment. The anticipated interest rate hike in the U.S. and low inflation in some advanced economies raise additional challenges. Nevertheless, global growth is expected to rise to 3.5% in 2015 and to 3.8% in 2016, supported by gradual recovery in advanced economies, receding domestic headwinds in developing countries and a sharp decline in oil prices. Consumer price inflation in advanced economies is expected to remain below 1% in 2015, while subdued commodity prices are expected to further increase the threat of deflation in some regions. Some consumer price inflation in emerging and developing economies is expected due to spillovers from quantitative easing measures.

Sri Lankan Economy: The Momentum Continues

Demonstrating resilience in the face of domestic as well as external challenges, the Sri Lankan economy continued on the momentum witnessed since 2013 to grow at a robust 7.4%; compared with a growth of 7.2% in 2013 and 6.3% in 2012. Accordingly, GDP Per Capita increased to USD 3,625 in 2014 from USD 3,280 in the previous year. The economy was driven by domestic consumption expenditure that constitutes the largest share of aggregate demand, while investments, particularly on construction, also provided an impetus to the economic expansion during the year. GDP Growth was broad-based, with the exception of agriculture which suffered from drought early in the year, heavy rains and flooding in the fourth quarter. Sri Lankan government policy to a large extent has remained stable, and the low inflation levels and a low interest rate regime in 2014 were largely conducive to business. Strong growth is expected to continue in 2015; which as per the IMF's projections is to average 6.5% per year until 2020.

The Agriculture sector grew marginally by 0.3% in 2014 reducing its share in GDP to 10.1% from 10.8% in 2013. Impacted by adverse weather conditions, several key sub sectors including Paddy (16.7%), Rubber (32.3%) and minor export crops (15%) contracted, largely contributing to the deceleration of the growth in the Agriculture sector. The Tea sub sector declined marginally by 0.3%, due to unfavorable weather conditions which prevailed during the year and the decline in demand from some of the major export destinations. The Paddy output declined significantly in both Yala and Maha seasons. Rubber production declined for the third consecutive year, affected by weakened international demand for natural Rubber as well as adverse weather conditions. However, the contraction in output of several key sub sectors was somewhat offset by the improved performance in the Coconut and other food crops sub sectors. The Coconut sub sector registered an increase of 7.9% in output in 2014 as against a decline of 16.1% in the previous year. The production of other food crops increased by 7.0% in 2014 compared to the growth of 4.3% in the previous year. The Industry sector recorded a significant growth of 11.4% in

2014 compared to 9.9% in 2013. This expansion was supported by the positive contribution from all major sub sectors.

The Services sector, the largest sector of the economy with a share of 57.6% of GDP, grew by 6.5% in 2014 compared to 6.4% growth in 2013. This growth was mainly attributable to the expansion in wholesale and retail trade sub sector, largely on account of the growth in the domestic trade along with import trade activities. Further, the banking, insurance and real estate sub sector also grew at a higher rate compared to the previous year.

GDP Growth % Change

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*

Source : Central Bank of Sri Lanka; *IMF forecasts

Sri Lanka's Domestic savings improved to 21.1% of GDP in 2014 from 20% in the previous year, though slightly lower than the estimated 22.6% indicated last year. The improvement in domestic savings during the year was due to the continuous expansion in private savings amidst an decrease in government savings. National savings improved to 27% of GDP as a combined result of continued inflows in the form of workers' remittances and the deceleration in the negative growth of net factor income from abroad (NFIA) compared to the previous year. Investments as a percentage of GDP grew to 29.7%. These developments contributed to a narrowing of the savings-investment gap to 2.7% of GDP in 2014 from 3.7% of GDP in 2013 thus reducing the reliance on foreign financing sources.

Labour Market and Unemployment

Sri Lanka's unemployment rate declined marginally to 4.3% in 2014 from 4.4% the previous year. Both male and female unemployment rates remained broadly unchanged. It is also encouraging that labour productivity levels continued to increase, with positive contributions from all three sectors of the economy.

The large scale development projects and the growth in the tourism sectors were key contributors to creating employment opportunities. The share of the number employed in the Agriculture sector declined, while those of the Industry and Services sectors increased during 2014, compared to 2013. The Services sector continued to dominate as the foremost contributor for increased employment in the economy. Employment in the public sector increased in 2014. Further, foreign employment continued to increase due to attractive remuneration amidst the availability of employment opportunities in the domestic market resulting in a labour shortage. The changing demographic profile of the country has added a new dimension to the existing issues in the labour market requiring forward looking reforms to sustain the high growth momentum. Slow population growth together with the ageing population has resulted in a shrinking labour force. Based on International Labour Organization's (ILO) estimates, the average growth of the labour force between 2009-2020 would be around 0.3% per annum, compared to the rate of 1% per annum recorded during 1990-2006. The trade deficit which contracted during the first half of 2014 was reversed in the second half, resulting in a Y-o-Y expansion in the trade deficit. Improved external demand along with stable domestic macroeconomic environment supported the local industries in achieving enhanced export performance in 2014. Accordingly, earnings from exports increased by 7.1% to a value of USD 11,130 million in 2014 compared to USD 10,394 million in 2013, with contributions from all major categories of exports. Industrial exports which represent about 75% of total exports contributed largely to export growth in 2014. Earnings from industrial exports increased by 6.6%, year-on-year, to a value of USD 8,262 million in 2014, mainly due to a significant increase in textiles and garments exports, which increased by 9.4% to a value of USD 4,930 million. The growth in textiles and garments exports contributed for more than 50% of the total growth in exports. The garments exports to the EU and the USA increased by 10.6% and 8.8%, respectively. Meanwhile, exports to non-traditional markets increased by 10.5% compared to 8.9% increase in 2013. The measures adopted by the authorities and industry participants to penetrate non-traditional markets helped achieve a higher growth of exports to those markets. Agricultural exports which contribute for around a quarter of total exports improved further during the year. Earnings from agricultural exports increased by 8.2% to a value of USD 2,794 million in 2014 led by exports of coconut products, tea and certain minor agricultural products.

Expenditure on imports increased moderately in 2014 compared to the contraction in both 2012 and 2013. The increase of import growth was higher in the second half of 2014, which was mainly attributed to higher imports of motor vehicles for personal use due to tariff reduction and larger depreciation of the Japanese Yen. Accordingly, expenditure on imports in 2014 increased by 7.9% to a value of USD 19,417 million compared to the value of USD 18,003 million of imports recorded in 2013. The major contribution to the increase in import expenditure occurred from intermediate goods mainly due to higher importation of petroleum products and textiles and textile articles. Meanwhile, expenditure on non-fuel imports in 2014 increased by 8.2% to a value of USD 14,819 million. During 2014, the relative share of consumer goods in total imports increased following a similar trend to that observed in 2013 while the share of investment goods decreased. The increase in consumer durables share of imports reflects the improvement in the living standards of people. However, decline in the share of investment goods is an alarming factor as it may decelerate future growth prospects. Despite the significant decline in fuel prices in the international market during the latter part of the year, higher import volumes mainly due to increased thermal power generation resulted in the increase in expenditure on imports of fuel by 6.7% in 2014 over the previous year.

Inflation Continues its Downward Trend

Consumer price inflation remained subdued throughout 2014, and at low single digit levels for the 6th consecutive year, largely on account of effectively managed demand pressures and favourable international commodity prices. Headline inflation, as measured by the year-on-year change in Colombo Consumers' Price Index (CCPI, Base: 2006/07=100), year-on-year and annual average inflation declined to 2.1% and 3.3%, respectively, by end 2014, from 4.7% and 6.9% respectively at end 2013.

In addition, improvements in domestic supply of fresh food items during the early months of the year and the downward revision of administered prices of electricity, water, petrol, diesel, kerosene and LP Gas contributed to bring down the general price level and maintain inflation at low levels. Although some supply disruptions experienced during the year due to adverse weather conditions resulted in some price pressures, proactive policy measures that included tariff adjustments encouraging rice imports were instrumental in counterbalancing food inflation to a great extent.

Meanwhile, Core Inflation, which excludes selected items with volatile prices and administratively determined prices, and hence directly measures underlying inflation pressures, remained low during the year reflecting well contained demand pressures. Core inflation, which peaked at 3.9% on a Y-o-Y basis in August 2014, continued on a declining trend thereafter to record 3.2% by end December 2014 compared to 2.1% at end 2013 and 7.6% at end 2012. Annual average core inflation declined from 4% at end 2013 to 3.5% by end 2014.

Inflation has continued to decline further in the first quarter of 2015; to 0.1% in March 2015 from 0.6% in February 2015. Following the same trend, annual average inflation also declined to 2.5% from 2.9% recorded in the previous month. Significant decline in inflation in March 2015 reflects primarily the first round impact of downward price revisions of domestic energy prices as well as the administrative reduction in prices of a number of consumer items. Meanwhile, core inflation stood at 1.4% on Y-o-Y basis and 3% on annual average basis in March 2015.

Inflation Y-o-Y

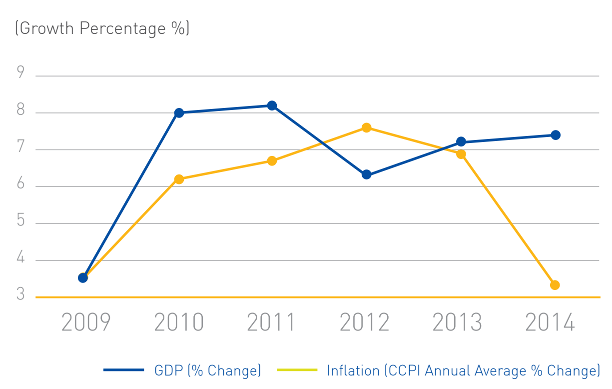
Avg 1996-2005	2008	2009	2010	2011	2012	2013	2014	2015*	2016*	2017*	2018*	2019*	2020*
9.8	22.4	3.5	6.2	6.7	7.5	6.9	2.1	1.7	3.4	4.3	5.0	5.0	5.0

Source : Central Bank of Sri Lanka, IMF

*IMF projections

The Central Bank forecasts annual average consumer price inflation to be 3% in 2015 and around 4% thereafter, supported by capacity expansion through new investment initiatives and prudent monetary policy measures. The IMF projections are slightly lower with inflation projected at 1.7% in 2015 and 4.3% in 2016, averaging at 5% from 2018-2020.

GDP & Inflation



Source : Central Bank of Sri Lanka

Interest Rates Still Bottoming Out

The relaxed monetary policy stance adopted by the Central Bank since December 2012 continued into 2014 as well, facilitated by mild inflation and inflation expectations. The decline in Sri Lanka's inflation has structural as well as cyclical roots, and was able to sustain downward pressure on interest rates throughout 2014.

In line with the policies unveiled in the "Road Map for 2014 and Beyond", Central Bank introduced several adjustments to streamline the policy interest rate Corridor at the beginning of 2014. It established a Standing Rate Corridor (SRC) in place of the Policy Rate corridor, while introducing Standing Deposit Facility Rate (SDFR) and Standing Lending Facility Rate (SLFR) that replaced the Repurchase rate and the Reverse Repurchase rate of the Central Bank respectively. At the same time in order to maintain stability of short term interest rates, the SLFR was reduced by 50 basis points to 8.00% on 02 January 2014, while the SDFR remained unchanged at 6.50%, during the year.

Reflecting the accommodative monetary conditions, liquidity levels in the domestic money market remained high throughout 2014 and most market interest rates reached historically low levels. The Average Weighted Call Money Rate (AWCMR) declined to 6.21% from 7.66% at end 2014, whilst the yield rates pertaining to government securities also declined to very low levels during the year. Reflecting the transmission of policy rates to market interest rates, commercial banks reduced their deposit and lending rates further during 2014. Accordingly, the Average Weighted Deposit Rate (AWDR), declined to 6.20% while the Average Weighted Fixed Deposit Rate (AWFDR) declined to 7.33% at end 2014. Although at a slower pace than deposit rates, the weekly Average Weighted Prime Lending Rate (AWPLR) declined to 6.26% by end 2014. Further, the Average Weighted Lending Rate (AWLR) declined to 11.91% by end 2014.

Considering the low inflation levels, a sustained increase in credit granted by commercial banks to the private sector, a resilient external sector and strong official foreign reserves during the first three months of 2015, the Central Bank decided to reduce the policy interest rates by 50 basis points on 15 April 2015; and accordingly, the SDFR and the SLFR of the Central Bank were reduced to 6.00% and 7.50%, respectively. Thus it points to Interest remaining low during the first half of 2015.

Exchange Rate Stays Stable

The Sri Lankan Rupee appreciated during the first half of the year amidst higher inflows including higher export earnings, but this trend reversed during the second half of the year, mainly on account of increased expenditure on imports and net outflows associated with foreign investments in government securities. Consequently, the Rupee remained relatively stable in 2014 while the real effective exchange rate indices appreciated during the year. Accordingly, the Rupee had appreciated by 0.29% against the USD by the end of the third quarter of 2014. However, increased import demand and net outflows associated with the government securities market exerted pressure on the Sri Lankan Rupee in the last quarter of 2014 to depreciate by 0.47% against the USD resulting in an overall annual depreciation of 0.23% and an annual average depreciation of 1.11%. Accordingly, the year end and annual average exchange rates against the USD stood at Rs. 131.05 and Rs. 130.56 respectively.

Reflecting the cross currency exchange rate movements, Sri Lankan Rupee, as per year end rates appreciated against all other major currencies; against the Japanese Yen by 13.48%, the Euro 13.19%, the Pound Sterling by 5.65% and the Indian Rupee by 2.13%. In terms of Annual Average Rates however, the Sterling and the Euro both appreciated against the Sri Lankan Rupee by 1.13% and 6.08% respectively. The depreciation of the Yen during the year and the noteworthy appreciation of the Rupee against the Yen was a key contributor to the rise in vehicle imports during the second half of 2014.

Share Market Continues to be Bullish

Colombo Stock Exchange (CSE) recorded a sustained growth in 2014, surpassing several previous records. The All Share Price Index (ASPI) increased by 23.4% to 7,299 points and S&P SL20 Index rose by 25.3% to 4,089 points as at end 2014. This continuous growth was on the back of a 4.8% growth in ASPI and 5.8% increase in the S&P SL20 Index during the year 2013. The significant progress of the CSE could be attributed to the benign macro-economic conditions, including low domestic interest rates, improved growth prospects, continued foreign purchases, relatively better corporate earnings and several steps taken to attract foreign investors. The most notable improvement in the CSE was the continued foreign inflows to the market during 2014. The cumulative foreign purchases have been the highest in the history, a record Rs. 105.8 billion (USD 799 million) while the cumulative foreign sales was Rs. 83.7 billion (USD 638 million) in 2014. Factors point towards this growth momentum continuing in the CSE, supported by increased investor confidence and interest on the back of anticipated greater transparency and accountability in the economy.

Outlook

The Sri Lankan economy seems likely to continue on its high growth trajectory. An optimistic outlook is also bolstered by the political stability witnessed during and in the aftermath of elections where the smooth transition of the administration enhanced the image of Sri Lanka as a nation with a mature democracy. The IMF forecasts Sri Lanka's GDP to grow by 6.5% in 2015 whilst the Central Bank projects GDP growth of 7% in 2015 and 7.8% over the period 2016-2018. The expected slight moderation of economic growth in 2015 according to IMF estimates, is mainly due to the slowdown in public sector construction activity and the conservative sentiment of private investors, particularly in the first half of the year. Economic growth is expected to accelerate thereafter with the expected new policy initiatives of the government. The envisaged high growth trajectory over the medium term is expected to benefit from the growth, supporting domestic policy framework, improved investor sentiment and improvements anticipated in global economic activity.

Sri Lanka's expected graduation to upper middle income status in terms of per capita GDP would place the country among a new group of peers, strengthening its financing ability. Furthermore, the expected improvement in the investment climate along with developed infrastructure facilities would encourage investments flows to the country. Accordingly, inflows in the form of FDI are projected to increase in the medium term.

A buoyant export performance is imperative for sustaining the growth momentum of the economy. The new administration has also declared that strengthening Sri Lanka's exports would be a high priority on its agenda for economic growth and the Group hopes this would translate into policies which would bolster value addition to Sri Lanka's agricultural exports which constitutes a significant share of its portfolio.

Sri Lanka's exports sector faced many challenges in the domestic and external front. Although Sri Lanka's merchandise exports have increased in nominal terms, exports as a share of GDP have declined from 33.3% in 2000 to 14.7% in 2014. Moreover, as world exports of goods have risen, Sri Lanka's share of global merchandise exports has reduced from 0.09% in 2000 to 0.06% in 2014. Restriction on seafood exports to the EU with effect from mid January 2015, which is the main seafood market accounting for about 40% of total exports, posed a great challenge to seafood exporters. We hope that corrective actions being taken by the Government will solve this problem. One of the key threats to exports would be the further depreciation of the Russian Ruble in 2015, creating significant negative impact on Sri Lanka's Tea exports since Russia is the main single buyer of Sri Lankan Tea while demand for Tea, in the Middle East market could also decrease due to the continued decline in the oil income of these economies. More positively, Sri Lanka is expected to regain the GSP+ facility, which provides concessional access to the EU market, especially for textiles and garment products.

Concentration of export markets is a main concern as it can lead to instability in export earnings. Sri Lanka largely depends on a few markets namely, the EU and USA, which account for around two thirds of total exports. Further, around 70% of Sri Lanka's Tea exports to the Middle East and Commonwealth of Independent States (CIS) countries, which are highly dependent on oil exports. In order to mitigate this risk, a public and private sector combined multi-faceted approach is essential to diversify the markets.

GROUP PERFORMANCE

Value Creation in 2014/15

11,953 PEOPLE
Provide direct employment to 11,953 people

LARGEST
Largest Palm Oil producer in the country

2ND LARGEST
Second largest private healthcare marketing company in the country

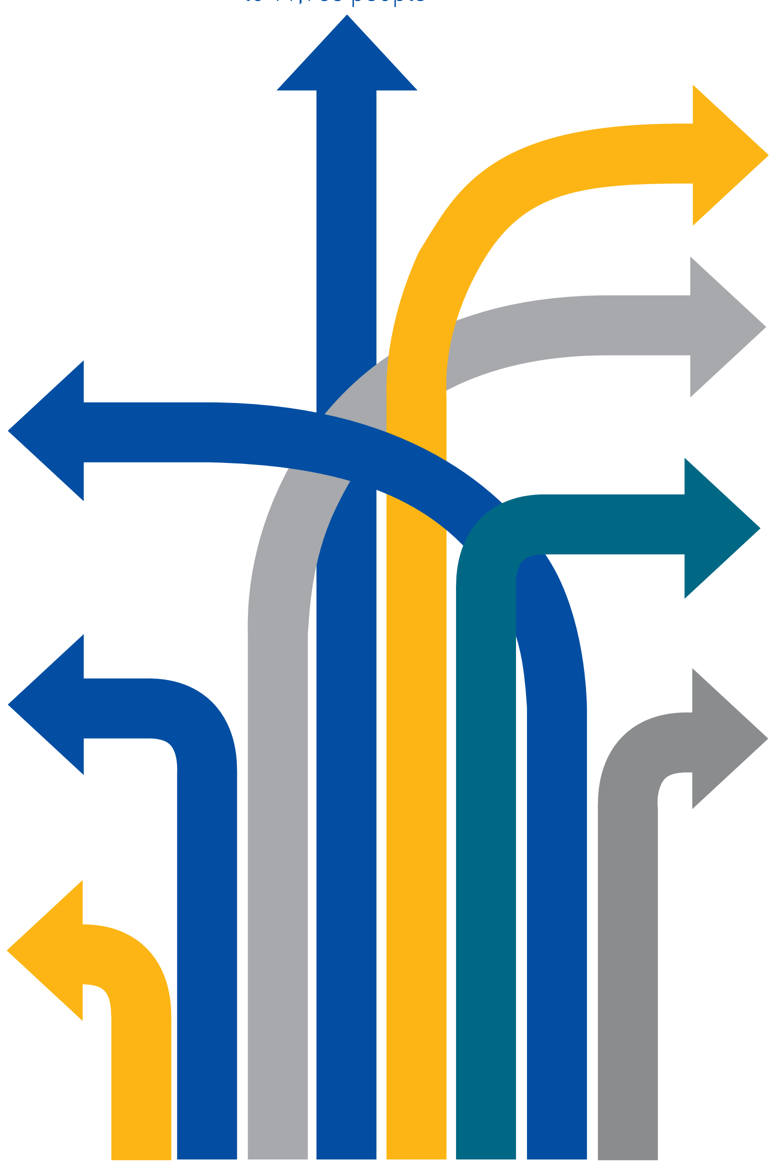
40,000+
Provide livelihoods to 40,000+ resident population

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

1.5 BILLION
Over 1.5 billion cups of our Branded Tea consumed

TAX
Amongst the largest corporate tax payers

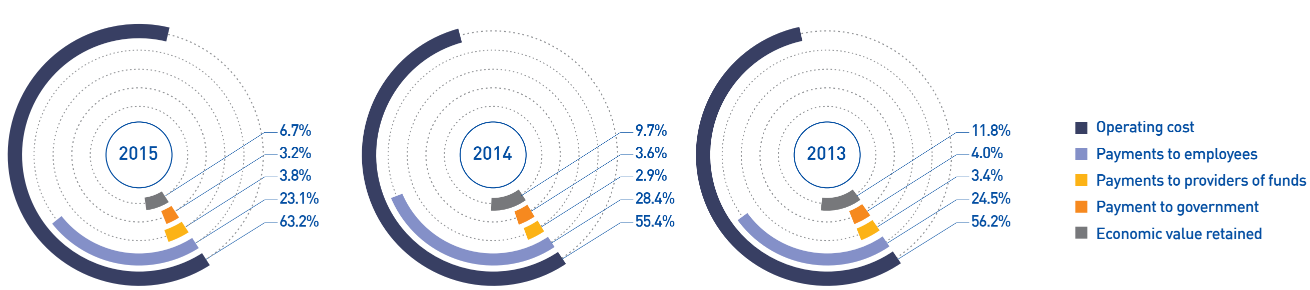
ENERGY
Contribute Energy to the National Grid



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	2015 (Rs.)	2014 (Rs.)	2013 (Rs.)
Direct economic value generated			
Revenue	16,326,528,096	14,696,587,869	13,067,664,329
Interest income	110,209,360	155,106,085	64,089,441
Profit on sale of assets	25,302,064	13,692,263	34,456,435
Other income	149,866,168	107,994,199	131,062,398
	16,611,905,688	14,973,380,416	13,297,272,603
Economic value distributed			
Payments to external sources for materials & services			
- Operating cost	10,438,779,854	8,291,372,086	7,478,740,374
	10,438,779,854	8,291,372,086	7,478,740,374
Payments to employees			
- Salaries, Wages & Other benefits	3,845,024,759	4,256,394,735	3,262,147,370
	3,845,024,759	4,256,394,735	3,262,147,370
Payments to providers of funds			
- Interest to money lenders	215,591,549	300,502,776	274,449,378
- Dividend to minority shareholders	284,095,359	65,731,738	135,245,259
- Dividend to owners of parent	127,135,210	66,913,269	39,999,999
	626,822,117	433,147,783	449,694,636
Payment to government			
- Income tax	314,001,766	263,315,674	284,656,312
- Value Added tax	40,482,615	46,139,274	133,446,718
- Nation Building Tax	96,630,734	82,920,324	37,681,327
- JEDB/SLSPC lease rentals	68,488,753	64,188,140	55,990,000
- ESC & other taxes	14,900,268	76,519,082	24,380,318
	534,504,136	533,082,494	536,154,675
Economic value retained			
- Profit after dividend	635,670,481	1,035,654,394	1,173,857,782
- Depreciation & amortisation	470,625,406	423,728,924	396,677,766
Retained for reinvestment/growth	1,106,295,887	1,459,383,318	1,570,535,548



Strategic Outlook for 2015/16

Sunshine Holdings PLC identified and enumerated on its strategies last year as those which are relevant to generate maximum value to all its stakeholders.

These strategic imperatives remain current and relevant for the short to medium term future as well, and we give below in summary, an update of our action towards these strategies and immediate plans for the year ahead.

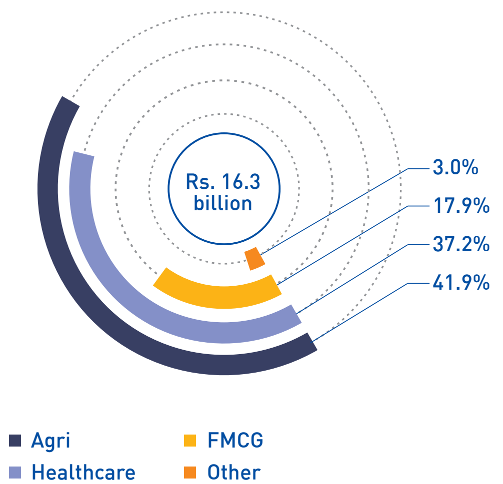
Strategic Imperatives for Sunshine Holdings PLC

Progress at a Glance

Strategic Imperatives for 2014-2016	Status	Next Year & Medium- to Long-Term
Increase the diversity of the Group's portfolio to maximize returns and mitigate risks.	In the FMCG sector the brand Ran Kahata grew, reducing the dependency on Watawala Tea. In Healthcare we reduced dependency on Pharma reducing the contribution to 67.3% from 68.3% during the year with share of Surgicals growing from 10.1% to10.8%, and Retail growing from 10.7% to 11%. Improved performance of the Dairy farm which now produce over 1,000 ltrs of milk a day. Reduce dependency on bought fire-wood for our factories by harvesting Caliendra trees grown in our Plantations.	Expand the contribution from Zest branded bottled water and relaunch Oliate Edible Oil in the FMCG sector. Introduce new molecules and principles in Healthcare, and built our brands in the Wellness subsector. Assess the feasibility of Pharmaceutical manufacturing in Sri Lanka.
Increase our geographic presence.	Carried out groundwork for exports of branded Teas into ASEAN, and West African market. The subsidiary Sunshine Holdings International in Singapore was established as a launch pad for regional expansion. Explored distribution of FMCG products to China through the partnership established last year with Wilmar International.	Begin the supply of Zesta branded Teas to an international hotel chain.
Enhance wealth for all our stakeholders and remain amongst the top conglomerates in Return on Equity (ROE).	ROE contracted during 2014/15 due to losses made in our Tea sub sector, on the back of weak market prices. Furthermore, an one-off Goodwill write-off in the Healthcare sector also had a negative impact on profitability. Maintained a consistent dividend policy from each of the business sectors despite a downturn/lackluster profits in two of them. Profitability in the Palm Oil sub sector were boosted by improvements in productivity. With better machine stability, the Hydro Power Sector churned out Rs. 19 million in profits	Further consolidate operations in the FMCG sector. Venture into businesses in which we can leverage our strengths through organic & inorganic growth. For 2015/16, WATA will focus on a quality strategy as opposed to a volume strategy to improve its price realised per kg and profitability.

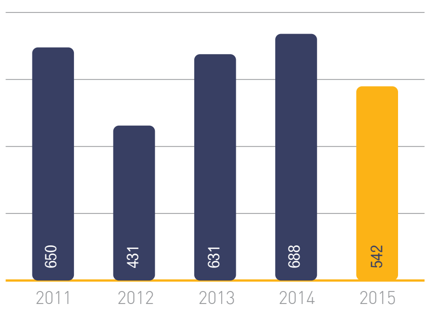
Enhance the value of our human and natural capital.	A reduction in the attrition rate was achieved by a restructure of the working culture at SHL and enhancement of systems and processes. Launched the construction of two new hydro energy projects utilizing two water bodies located on our plantations. Continue to promote inland fisheries on our estates. Continued with Triple Bottom Line initiatives on our estates such as good agronomic practices and social sustainability projects (Refer page 82)	Assess the feasibility of expanding the diary farm. Expand our presence in renewable energy through both hydro and other forms of renewable energy. Recruitment to create a talent pool. Designing a reward strategy and taking initial steps to implement it. Training & Development based on a competency matrix and the business requirements of the present and the future. Encourage open communication between employees by facilitating greater participation. Continue to encourage and support professional qualifications by employees. Measures to increase worker retention and productivity on plantations.
Leverage on and continue to strengthen relationships with all our stakeholders which include customers, partners, principals, investors, employees and society at large.	Increased the frequency of investor meetings from annual to semi-annual. Expanded the Pharmacy channel for increased customer interaction. Rebranded Sunshine Healthcare to leverage on the "Sunshine" brand equity and reinforce the link to the Group's main subsidiary. A detailed desctription of how the Group engage society towards achieving sustainable growth is depicted in page 82 to 86.	Provide value added services for Tetleys Tea brands via the partnership with TATA Global Beverages. Further increase our interaction with all our stakeholders by; a. Attending supplier conferences b. Development of investor relations c. Interact with socity at large by way of meaningful and sustainable CSR projects.

Contribution to Revenue

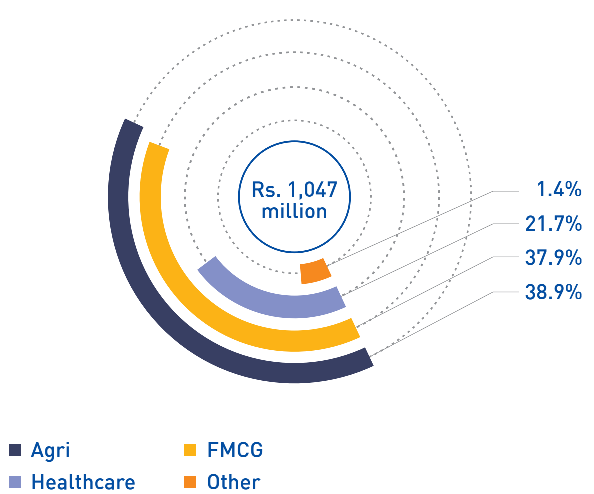


Growth in PATMI

(Rs. million)

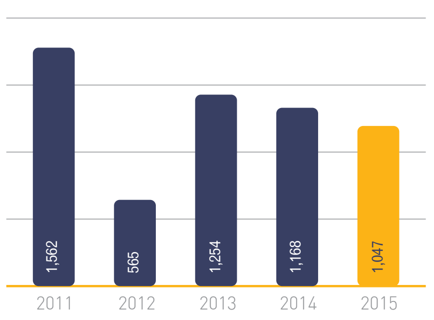


Contribution to PAT



PAT Over the Past Five Years

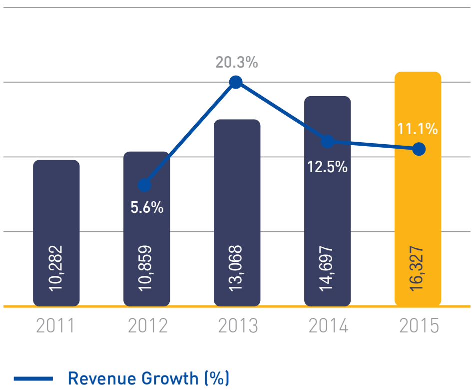
(Rs. million)



GROUP FINANCIAL PERFORMANCE

Revenue Growth

(Rs. million)



The group recorded top-line growth of 11.1% during 2014/15 to achieve Rs. 16.3 billion, representing a 5 year Compound Annual Growth Rate (CAGR) of 12.3%. The Agri sector, which grew 9.6% Y-o-Y to Rs 6.8 billion contributed 41.9% to revenue. Healthcare was the second biggest contributor, accounting for 37.2% of the total revenue, with a contribution of Rs. 6.1 billion, an increase of 10.2% Y-o-Y. Both these sectors operated in a very challenging environment during the year under review; with Tea and Palm Oil prices under pressure due to international market forces, and a flat Pharma market growth affecting the performance of the Healthcare sector.

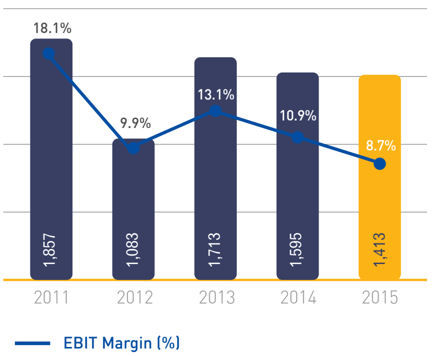
The FMCG sector, the fastest growing out of the Group's key sectors contributed Rs. 2.9 billion during the year with revenue growing 17.4% Y-o-Y to account for 17.9% of revenue.

Group's foreign currency revenue amounted to Rs. 588 million in the year, compared to Rs. 621 million, a decrease of 5.4% Y-o-Y, due to soft demand for Tea exports.

Profitability

EBIT Margin

(Rs. million)

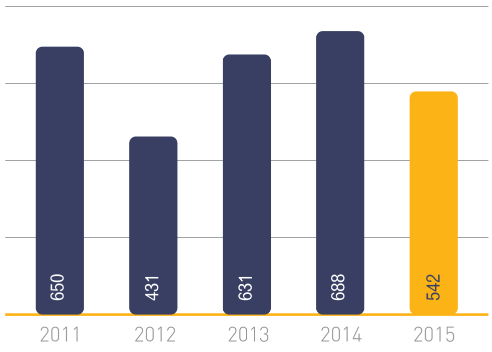


Group operating profit (EBIT) contracted by 11.4% Y-o-Y to Rs. 1,413 million in the year. This was very much below the management's expectations for a year in which there was no impact of Agri wage increases which occurs every other year. The Group's EBIT margin contracted to 8.7% during the year, compared to 10.9% in 2013/14. During the previous non-wage year (2012/13) group reported an EBIT margin of 13.1%. The contraction in margins despite a stellar performance by the FMCG sector, are attributed to lower profitability in both Agri and Healthcare sectors. Details of the performance of each sector is further elaborated in sector reports which follow.

Net finance cost for the Group declined by 27.5% to Rs. 105 million during the year 2014/15, from Rs. 145 million the previous year. The decrease in finance cost can mainly be attributed to lower borrowing cost given the prevailing low interest rate environment in the country.

PATMI

(Rs. million)



Profit attributable to the equity investors, or Profit After Tax and Minority Interest (PATMI) contracted by 21.1% Y-o-Y to Rs. 542 million. Management decided to write off portion of the goodwill carried in the books which amounted to Rs. 62 million during the year 2014/15. After adjusting for this one off write-off, PATMI for the year would have amounted to Rs. 604 million. The Healthcare sector, in which the group has a 100% effective holding, was the largest contributor to PATMI accounting for 42.0%. The higher decline in PATMI, compared to group EBIT is due to lower margins in the Healthcare sector which has an amplified impact on group PATMI. FMCG has now become the second biggest contributor to PATMI with 24.3%, moving past the Agri sector, which contributed 18.8% of PATMI. EPS amounted to Rs. 3.62 in the financial year 2014/15, down 19.0% Y-o-Y.

Financial Position

Total assets of the group stands at Rs. 14.6 billion as at end of 2014/15, an increase of Rs. 1,113 million or 8.2% from the beginning of the year. The major part of this growth came from an increase in trade and other receivables which grew Rs. 275 million during the year.

Property, Plant and Equipment as at financial year end amounts to Rs. 3.6 billion, an increase of Rs. 159 million during the year. Capital expenditure on property plant and equipment amounted to Rs. 895 million during the year a slight increase from Rs. 826 million spent last year. A significant portion of this investment came from the Agri sector, which accounted for half of the total group CAPEX spend.

Working Capital

Net working capital amounted to Rs. 2.8 billion at year end compared with Rs. 2.7 billion at the beginning of the year and this increase was due to a higher level of debtors as at end of financial year end, which is in line with the increase in top-line. This is substantiated by the marginal decrease in debtor days to 29 compared with 30 last year. Inventory days have decreased by one day as a result of holding lower Tea stocks. Net Working Capital Cycle (WCC) has reduced to 69 days during 2014/15, compared to 71 days last year.

	2012/13	2013/14	2014/15
Debtor days	32	30	29
Inventory days	74	74	73
Creditor days	42	33	33
WCC	64	71	69

Capital Structure

Group capital employed amounted to Rs. 11.0 billion at the end of 2014/15, of which 81.7% is funded through equity. Total group equity amounts to Rs. 8.9 billion as at the end of the year, of which Rs. 5.3 billion belonging to the shareholders of Sunshine Holdings and Rs. 3.6 billion put in by minority shareholders who have invested in companies within the group.

Interest bearing debt amounted to Rs. 2.0 billion (i.e. 18.3% of capital employed) as at end of the financial year, down from Rs. 2.1 billion at the beginning of the year. Out of the total, 35.9% or Rs. 720 million of the interest bearing debt comes from the Group's Agri sector, while Healthcare carried Rs. 479 million debt in its books at the end of the year.

Cash Management

Net operating cash flow for the year increased by 30.1% to Rs. 1.5 billion, from Rs. 1.1 billion last year. This was achieved despite a marginal contraction in profit before tax, as the Group required less working capital during the year. Changes in working capital amounted to only Rs. 72 million in the current year, as opposed to Rs. 387 million in the previous year.

Net CAPEX, which includes acquisition and disposal of Property, Plant and Equipment and other intangible assets as well as field development expenditure on the Agri sector amounted to Rs. 863 million in 2014/15 against Rs. 806 million spent last year.

Net movement in interest bearing debt was a cash outflow of Rs. 363 million in 2014/15, compared to an inflow of Rs. 377 million raised last year.

The net decrease in cash and cash equivalents amounted to Rs. 148 million during 2014/15, and the year end balance stood at Rs. 999 million. This net balance includes a bank overdraft of Rs. 564 million and fixed deposits amounting to Rs. 924 million.

Return to Equity Shareholders

Return on Equity (ROE) for Sunshine Holdings' investors saw a steep decline to 10.7%, compared to 16.0% in the previous financial year 2014. Despite a stable asset turnover ratio of 1.2x (2013/14: 1.2x), and a leverage ratio of 2.7x (2013/14: 2.9x), the decrease in ROE comes on the back of poor profitability, where PATMI Margin contracted to 3.3% in the year, against 4.7% during the previous year, for reasons explained above in the profitability section.

	2012/13	2013/14	2014/15
ROE	18.3%	16.0%	10.7%
Net margin	4.8%	4.7%	3.3%
Asset T/O	1.1x	1.2x	1.2x
Leverage	3.3x	2.9x	2.7x

Share Price and Market Capitalization

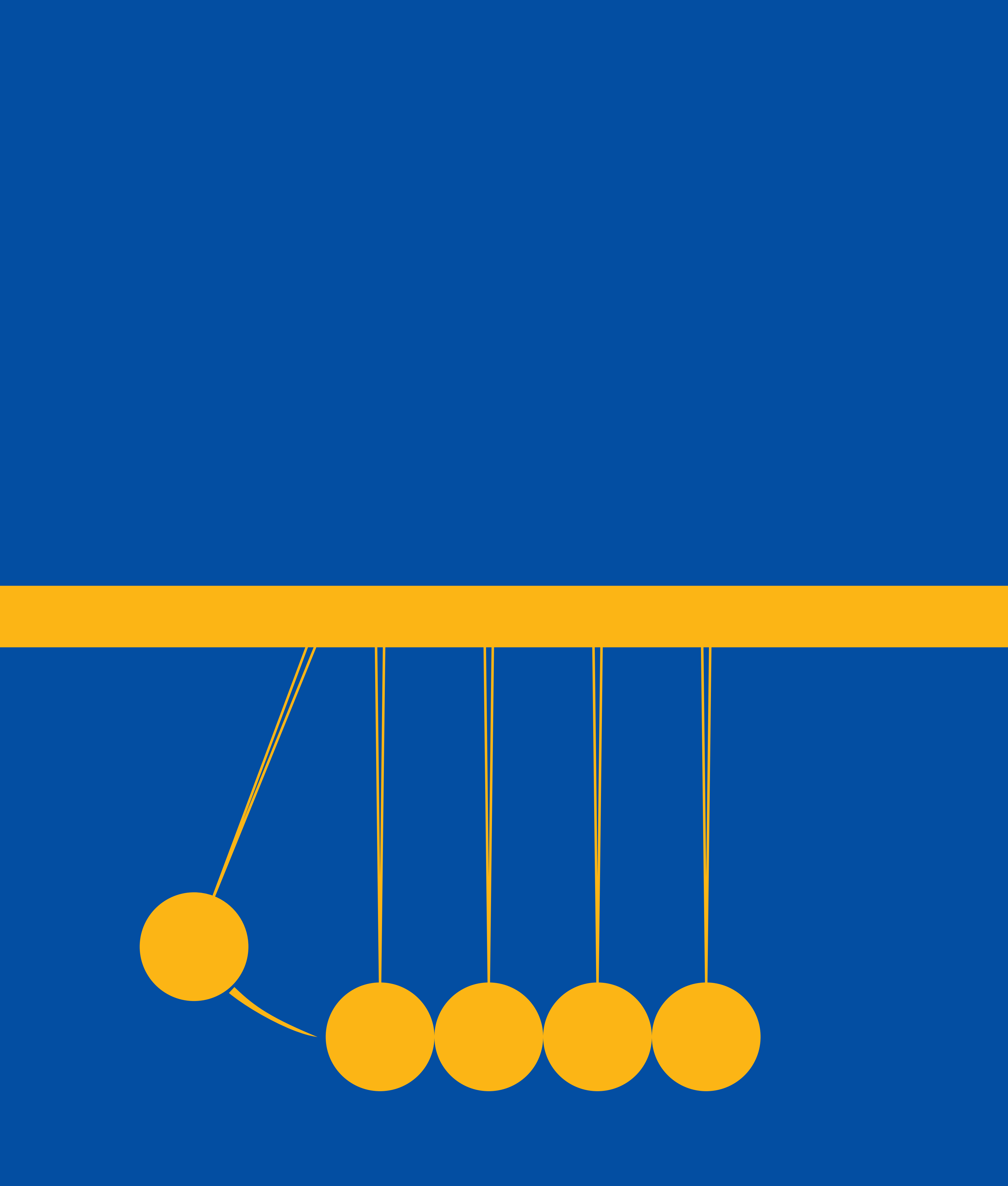
The SUN share price settled at Rs. 48.00 at the end of days trading on 31 March 2015, after hitting a high for the year of Rs. 63.40. The closing price for the year was 67.3% higher than its trading value at the beginning of Rs. 28.70.

Dividend

The company declared a dividend of Rs. 0.95 per share, which translates into a total payout of Rs. 128 million for the year, compared to Rs. 0.95 per share in 2013/14. Payout ratio has marginally increased from 21.3% in 2013/14 to 26.2% in 2014/15 due to a decrease in EPS. Dividend Yield based on year end share price stood at 1.2% in 2014/15, against 3.3% last year.

OUR PORTFOLIO IS PREPARING FOR THE FUTURE.

We have transformed into a leading conglomerate with a diverse portfolio. Our diversity equips us with endurance. We continuously review our diversification strategy in keeping with changing dynamics of the economic, social, technological and natural environments and explore better alternatives.



SECTOR PERFORMANCE

HEALTHCARE

Enduring relationships and a strong distribution network sustains leadership.

The Group's Healthcare business, established in 1967, was rebranded in 2014/15 as Sunshine Healthcare Lanka (SHL) in line with Group branding. SHL possesses a legacy of extensive local domain knowledge and is the partner of choice for international healthcare companies seeking to grow their business in Sri Lanka, being the second largest private healthcare marketing company. This sector consists of 05 key business segments - Pharmaceuticals, Surgicals, Diagnostics, Wellness, and Retail. SHL, through its principals, is a trusted healthcare partner to the State sector.

Performance in 2014/15

- Revenue grew by a commendable 10.2% during the year to Rs. 6.1 billion on the backdrop of a flat industry de-growth.
- Normalised Profit After Tax recorded Rs. 289 million, a decrease of 18.4% over the previous year.
- SHL introduced 49 new products during the year, bringing in an additional contribution of Rs. 30 million, and launched 5 new brands in the Wellness segment.
- The Company retained its number 02 position in Sri Lanka's Private Healthcare market.
- Focused training and development coupled with culture change initiatives helped us to increase employee retention in 2014/15.

Strategies

- Strengthen relationships and launch new products of current principals.
- Forge new partnerships especially in niche product categories.
- Increase the contribution from the other segments, namely Diagnostics, Surgicals, Wellness and Retail to reduce dependency on Pharmaceuticals which at present accounts for 67% share of the topline.
- Ensure that the product portfolio remains broad based to mitigate risks, with a considerable contribution from many principals.
- Focus on key brands.
- Explore organic as well as inorganic growth.

Objectives/Plans 2015/16

- Introduce a number of self-testing devices into the market.
- Invest in brand communication for the new brands added to our portfolio during the year.
- Invest in product knowledge training across medical teams.
- Add to our Wellness portfolio with new brands in identified growth segments.
- Bring in new products from our current partners in all four segments of products, with a focus on increasing our stake in 3 key therapeutic areas - Dermatology, Respiratory and Endocrinology.
- Facilitate data mining by employees through continuous technological enhancements, enabling greater accountability and value addition.

Challenges

- Low private market growth for Healthcare due to escalating cost of living
- Talent retention due to the severe competition for trained sales and marketing people in the industry.
- Possibility of adverse regulatory measures under the National Medicinal Drug Regulatory Authority Bill such as pricing restrictions and controls on the number of products per category.

Strengths

- The 48 year presence in Healthcare.
- Being the partner of choice for many Fortune 500 multinational Healthcare companies.
- Well trained technical and engineering team.
- The largest specialized Healthcare team in the country - over 350 medical marketing and sales personnel.
- End-to-end distribution ensuring cold-chain management up to consumer.
- Islandwide coverage with warehousing and distribution centers in 10 regions.

Opportunities

- An underdeveloped local manufacturing sector and a move towards self-sufficiency in essential medicines to bolster national health security.
- Government's commitment to improve rural Healthcare provision.
- Increasing demand for Oncology products.
- Increasing interest in preventive care and wellness products and nutraceuticals.
- Rising demand for self-monitoring devices.
- A rise in surgical intervention.
- Demographic changes of an ageing population (with Sri Lanka estimated to have the fastest ageing population in South Asia) leading to increased geriatric care.

Industry Environment

As mentioned in the prognosis of our last year's sectoral review, Sri Lanka's Private Healthcare industry continued to pose low growth in 2014 with the market contracting by 1.1% compared with 2.7% in 2013 and in contrast to a robust growth of 16% in 2012. The private and state sector import of Medical Supplies and Pharmaceuticals in value terms have also grown at a slower pace in 2014 of 1.8% compared with 2.7% in 2013 and 23.5% in 2012.

As per Business Monitor International (BMI) findings, a booming economy is said to be a key driver of medicine sales in Sri Lanka. This is reflected in the performance between 2012-2014 where GDP growth rates were 6.3%, 7.2% and 7.4%. Household expenditure on 'Health & Personal Care' (as per the recent Central Bank Household Income & Expenditure Survey) grew by a Compound Annual Growth Rate (CAGR) of 18.4% between 2009-2013 to be the second highest growth rate amongst categories of Household expenditure, surpassing Education. Moreover, the Health & Personal Care category was one of only two categories to have increased as a percentage of total Household Expenditure during the period 2009-2013.

Government expenditure on Healthcare has been growing over the past few years and grew by 15.8% in 2014. The performance during the last two years however, has not reflected this trend. Moreover, the statistics for these two years seem to contradict the rising supply and demand in Healthcare that is evident to us. Thus, some possible explanations for this lackluster industry performance appear to be the rising cost of Healthcare; a decline in purchasing power despite a rising GDP, and the fact that the available industry statistics do not reflect total Healthcare expenditure due to the exclusion of points of sale such as Pharmacy outlets in Private hospitals, Modern Trade pharmacies, and OTC sales at Grocery outlets.

Strategies in Action

The Group's Healthcare sector was once again the highest contributor to PATMI with Rs. 228 million contributing 42.0%. SHL was able to achieve a revenue growth of 10.2% vis-à-vis the market's contraction of -1.1%. The year under review saw the Company add three new international principals to our portfolio, namely Lactalis of France; UCB of Belgium and Infopia of South Korea, to launch their innovative products in nutrition and pharmaceuticals to the local market. These brands are global leaders in their respective categories.

The Pharmaceuticals segment which accounts for 67.3% of SHL's Revenue, grew well above industry growth rates, at 10% in revenue terms, compared with a flat growth by the industry. Investments into expanding the reach of our distribution across the country and ensuring a higher level of availability of products were factors which helped SHL perform well. The demand for the Company's range of Diabetes products grew considerably during the year, whilst the Cardiovascular range grew marginally. The partnership established during the year with UCB - a global Biopharma company which focuses on two therapeutic segments of Immunology and severe diseases related to the Central Nervous System, will help Sri Lankans have access to the latest in R&D for preventative measures for these critical health concerns.

No. of new products added	49
New brand partnerships	3
Total international principals represented	59

SHL remained a market leader in Sri Lanka's Diagnostics segment and retained its dominant position in many of the therapeutic sub-segments such as Cardiovascular, Diabetes, Gastro Intestinal and Dermatology, whilst continuing to serve all leading hospitals in the country. The new partnership established with Infopia saw SHL introduce the 'Easy' brand of Glucometers and its strips to the Sri Lankan market.

SHL's Surgical segment grew considerably by 18.1% during the year, driven mainly by an increase in the demand for Laparoscopic equipment from the Government Healthcare sector. The range of Johnson & Johnson Medical and 3M Healthcare products marketed by the Group continued to be the surgeons' first choice, and performed excellently during the year. Furthermore, SHL also introduced new products from these two brands as well as Orthopaedic implants from Buechel Pappas during the year.

In the Wellness range, three of our nutrition products were relaunched with new formulas, Mama Plus, Diabeta Plus and Enlive Senior 50+. The partnership established during the year with the world's largest dairy producer - Lactalis of France - will see the launch of the 'Celia' range of milk products which would complement SHL's own range of nutrition brands in the year ahead. The Wellness segment also launched a range of condoms branded as 'Ring' during the year.

During the year under review, SHL also focused on achieving Operational Excellence. Technological enhancements during the year helped improve the Company's MIS thereby facilitating more real time data and enhanced monitoring of sales efforts.

These developments will continue in 2015 with an aim towards advanced data mining, productivity improvements, streamlining of certain processes and greater efficiencies. The implementation of an ERP system is one such measure on the agenda.

A key to the strong distribution network of the Group's Healthcare sector has been its people, and training and development of the SHL team continues to receive high priority. HR initiatives during the year also focused on greater empowerment of our people, and accordingly, on reducing hierarchy and creating a more agile structure which helps to expand the potential of the individual as well as the Company. The technological enhancements introduced during the year also contributed towards a more empowered culture.

SUNSHINE HEALTHCARE PERFORMED WELL ABOVE INDUSTRY AVERAGE TO GROW BY 10%

As discussed in our last year's review, one of the challenges SHL faced in the past few years has been the intense competition for well-trained people in the industry. The quality of the training that SHL is reputed for has made the Company's sales people particularly attractive to the competition and was one of the factors which contributed to high attrition rates in the Company. During the year, the Group's Human Resource Department took several initiatives to enhance the team's passion and cohesiveness and these internal measures helped to reduce attrition rates.

Creating awareness and gaining insight into issues and expectations of Generation-Y which are found to be quite different to the needs and expectations of Generation-X, has been one of the focus areas of the Group-wide HR initiatives. With as much as 73% of SHL's team represented by Generation-Y, addressing issues and need gaps which are unique to this age group have become an emerging area of focus. Some of the initiatives currently underway include the restructuring of some of the rewards packages and increasing opportunities for informal interactions and camaraderie.

Outlook

The Government's new National Medicinal Drug Regulatory Authority Bill is likely to become effective from end 2015. Some of its regulatory measures are geared to encourage the local manufacture of pharmaceuticals and we are encouraged by the Government's initiatives to increase local production of medicines. Your Group will thus explore venturing into manufacturing in the next few years. Whilst the specifics under these regulatory measures are yet to be clarified, the Group recognises the need and welcomes the measures to address consumer interests. It is, however, paramount for the sustainability of the pharmaceuticals industry that price regulation rather than price controls are enforced.

We also welcome any policies which would afford the consumer the choice between branded and generic products, with the mandatory requirement for the consumer to be made aware of that choice on his or her prescriptions. It is also vital that quality of all pharmaceutical products, rather than price, receives highest priority. A focus on price control without the adequate measures to ensure quality of imports, as well as locally manufactured products, can be detrimental to the nation.

Developments in the Sri Lankan market support growth and augur well for your Company. Sri Lanka's market trend 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 with significant share of the market. The rising demand for Diagnostics is being catered to, as the recent past has seen a proliferation of testing centres across the country, with Diagnostic centres no longer being limited to the Colombo metropolis. Most of the leading private hospitals and laboratories continue to open branches or collection centres island wide. SHL thus plans to introduce automatic test kits for the small and medium sized labs in the year ahead.

Increasing awareness and interest in preventative care combined with faster paced life styles, both globally and locally have resulted in a trend toward the increasing use of self-testing equipment.

Moreover, non-communicable diseases such as Diabetes, High Blood Pressure, Cholesterol and Cardiovascular disorders and issues such as Obesity are estimated to be on the rise due to factors such as changing life styles urbanization and an ageing population. This will result in changing patterns of Healthcare demands.

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

We have identified an escalation in costs of Healthcare as one of the supply side challenges we will face. Cost of care will continue to rise thus impacting demand as well. The rise in unit costs is driven by the rapid pace of discovery and development of new therapies, molecules and technologies rendering those in use obsolete at an increasingly faster pace. Your Company is well suited to respond, as the principals it represents are world renowned brands who spearhead R&D and the latest technology.

SHL is a market leader in all segments identified as 'growth segments' in Sri Lanka's Healthcare market; namely, Cardiovascular, Pain Management, Gastrointestinal, Surgicals and Diagnostics. It is significant that at least one of our products is present in every surgery in the country. Sri Lanka is on the path to reaching upper middle income status and its per capita GDP on a high growth trajectory, expected to reach USD 4,000 by 2016. The resulting increase in the country's purchasing power indicates a rise in demand for high value branded pharmaceuticals.

Supported by 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. BMI estimates Healthcare expenditure to grow at a CAGR of 11.3% in Rupee terms and 10.2% in U.S. Dollar terms during 2012-2017 and expenditure on Pharmaceuticals to grow at a CAGR of 10.6% and 9.5% in Rupee terms and US Dollar terms respectively during the same period with the key driver of growth being a strong economy.

Your Group's Healthcare sector's key strengths - of a strong distribution network and enduring relationships with partners and principals as well as customers, are key internal factors which position Sunshine Healthcare well for the long term in this growth market.

HEALTHGUARD

Extending our reach for more people to "Feel Better, Look Better & Live Better".

Healthguard (HGL) is the sector's Retail arm and is a fully owned subsidiary of SHL. It has established new benchmarks in Healthcare retailing since 2003. This modern brand of pharmacy offers a range of Pharmaceuticals, Wellness and Beauty products at all of our outlets located across the Western province and would continue to expand its presence.

Performance in 2014/15

- Healthguard achieved its best ever performance to date with Revenue increasing by 15% over the previous year.
- Profit After Tax reached Rs. 23 million. with the 'Beauty' category achieving the highest growth of 40%.
- Two new outlets opened during the year, bringing the total number of outlets to 17 as at 31st March 2015, with 11 of them being standalone outlets and 6 being Shop-in-Shop outlets.
- The number of customer visits to Healthguard outlets increased by over 17% to exceed 1 million during the year.
- Implementation of an automatic ordering and an Inventory management system to reduce lead-times and increase accuracy.

Strategies

- Expand the number of outlets.
- Focus on new solutions to enhance customer experience.
- Achieve cross functional business excellence.
- Continuously increase the integration of technology in customer engagement as well as management.
- Establish our proposition of 'more than a pharmacy' - as a provider of solutions for Wellness and Beauty (in addition to Pharma).
- As part of the Company's long term strategy - establish a Pharmacist training centre to facilitate the sustainability of the Health and Pharmacy sector in the country by bridging the gap for technical training and qualified individuals.

Objectives/Plans 2015/16

- Focus on brand building and expansion.
- Continue to improve operational efficiency.
- Improve customer engagement and service across the stores consistently.
- Increase our digital presence.
- Improve employee competencies and skills.
- Expand on Wellness and Beauty categories.

Challenges

- Low market growth due to escalating costs of Healthcare.
- The loyalty building index in pharmaceuticals tends to be low.
- Developing the talent pipeline.
- Clarity on the drug dispensing protocols in the National Medicinal Drug Regulatory Authority Bill.
- Finding the right fit in talent, as a key determinant of the success of an outlet is the attitude and competencies of its employees.
- Employee attrition.

Strengths

- Brand credibility.
- Being fully regulatory and legally compliant.
- Expansion to new outlets.
- Employee Technical Knowledge and Skill.
- Integrated IT system.
- Relative superiority of the ambience of our outlets.
- Product range and assortment.

Opportunities

- Regulation of industries will enhance safety, transparency and create a more level playing field
- Gap in the Beauty retail segment.
- Neighbourhood marketing. Value added service for regular medicine buyers.
- Rising demand for Women's lifestyle products.
- Online retail.
- Savvy consumers increasingly seek more product information from line staff which provides an opportunity for establishing relationships and cross selling.

Strategies in Action

Healthguard achieved its best performance to date at the Platinum level stores, namely, the flagship store at Dharmapala Mawatha and outlets at Thalawathugoda. These were the highest performers during the year with revenues growing significantly.

Last year's review enumerated our plans to strengthen internal processes and systems in order to better deliver service excellence through a specific focus on training, and by improving the organisational environment. The year under review hence helped us to harness the impact of some of these measures.

We continue to see customisation and personalised service with greater customer engagement as keys to sustaining a competitive advantage in our market. Some of the HR and technological measures introduced in 2013 and 2014 continued to support this strategy. Four Mystery Shopper surveys were conducted in 2014/15 to help identify possible gaps and support service excellence.

Moreover, availability of products and all medicines on a given prescription have been identified as a key factor in ensuring repeat visits by customers. Accordingly, the Company introduced an 'Availability Index' during the year to ensure 100% availability of certain identified products at any given time.

Talent retention identified last year continues to be a challenge this year as well, mainly due to a dearth of qualified pharmacists in the industry. Healthguard has recognized the need for better resourcing strategies that would help address this issue.

Outlook

Whilst we focused on Operational Excellence in 2013/14, and on enhancing visibility in 2014/15, we will give priority to expanding our presence, brand building and the development of a talent pool in the year ahead. The re launch of brand 'Healthguard' to communicate its new look and feel will be a priority in our marketing communication with 4 new outlets set to be opened in 2015/16. When expanding we have identified location selection to be of critical importance. Accordingly, many factors and inputs are considered and strategically evaluated in the selection of locations.

Continuing on the technological enhancements, we will also implement an automated category management system in the near future. Building the capacities of our people and retaining talent will continue to be high on our list of priorities as Healthguard moves towards its mission to be the "Most preferred employees in the Pharma sector by 2016".

There is a trend of increasing demand amongst the Sri Lankan consumer for Personal Care and Wellness products and this lends itself to Healthguard's business proposition for its pharmacies offer a more comprehensive service as "a beauty solutions provider".

Retail market trends in the past few years have demonstrated an increasing blurring of product based dividing lines, as we find bookshops selling coffee and coffee-shops selling music. Trends such as these will continue to evolve 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 also for customer engagement. Promoting the use of online doctor diagnosis and prescriptions and the use of touchscreens to facilitate responses to customer queries, are some of the measures which we hope to introduce in the short- to medium-term.

We are also exploring a venture to address Sri Lanka's dearth of qualified pharmacists by entering the realm of formal Pharmacist training, offering qualifications in a venture that would benefit all stakeholders and the nation's economy as well.

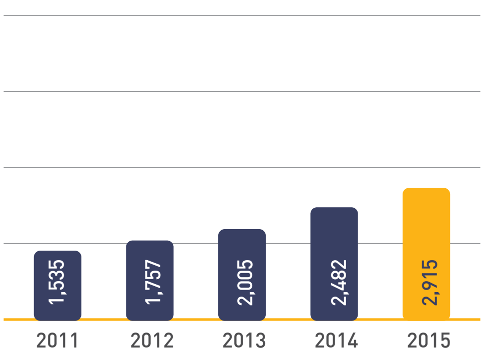
FMCG

Driving growth on the strength of our brand equity.

Represented by Watawala Tea Ceylon (WTC) which was 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 that have propelled WTC to achieve its dominance in the market as a prime branded Tea Company in Sri Lanka. WTC also introduced Gift Tea Boutiques in 2002, and now runs outlets at the airport, premier hotels and strategic locations.

Revenue

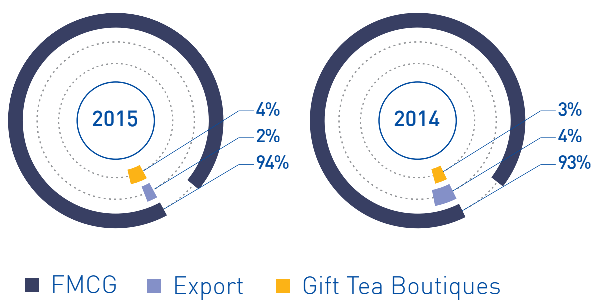
(Rs. million)



Performance in 2014/15

- Volume growth of 12% Y-o-Y, which is more than two-folds of the overall market growth.
- The company yielded its highest ever Profitability and Revenue during the year. The value creation is significantly amplified in the PAT growth of 27.7%.
- The three brands of Tea collectively sold 3.1 million kg during the year. This translates into over 1.5 billion cups of Tea consumed during the year by our valued consumers.
- 'Watawala Tea' surpassed 2 million kg in sales for domestic consumption.
- As part of our HR initiatives, the annual employee satisfaction survey carried out among the staff showed a high satisfaction level of 72%.
- WTC 'Guru Upahara' recognizes and felicitates teachers for their dedication in the words and expressions of students past and present.

Contribution to FMCG



Strategies

- Leverage on, and continue to strengthen the brand equity and consumer preference for all brands to maintain market leadership position.
- Invest in developing the WTC distribution network and unique direct dealer network
- Ensure adherence to the promise of freshness communicated to our consumers, with speed to market.

- Educate the public on the varieties and different qualities of Tea available for consumption and the importance of product freshness in reality.
- Distribute Zest Water and expand our product portfolio in line with the strategy of becoming a strong player in the beverage business.

Objectives/Plans 2015/16

- Commence operations at our own water bottling plant in the Strathdon estate during the first half of the year.
- Re-launch the 'Oliate' edible oil brand, to build a sustainable oil business.
- Attract, retain and reward the best talent in the industry.

Challenges

- The lack of public awareness on the varieties of Tea and the consumption of fresh product.
- Undeveloped consumer habits, lack of knowledge in consumers on proper Tea preparation.
- Price fluctuations in Tea have a direct impact on cost of production.
- Difficulty in finding the right fit in human resources to propel the performance driven culture and the framework for excellence.

Strengths

- The brand equity of 3 well established Tea brands with distinctive value propositions.
- A dedicated, disciplined and streamlined sales force directly under the company overseeing an unparalleled distribution network.
- A sales force equipped with state of the art tools and systems.
- Managing our supply chain end to end, from sourcing, to packaging and logistics, and delivery, creating optimum value at each stage.

Opportunities

- Focus on converting Sri Lanka's bulk unbranded Tea drinkers to branded Tea.
- Leverage on WTC's brand equity to expand product portfolio in the beverage segment.
- Explore the opportunity to take our brands overseas.

Industry Environment

The growth in market size for Tea remains in the mid single digits representing a market which has matured where Tea is a freely available commodity.

It is estimated that the total Tea market in the island is approximately 22 million kg of Tea; of which branded Teas make up approximately 9 million kg per annum.

The retail Tea market in Sri Lanka remains intensely competitive with 234 companies selling over 250 brands competing in this space. Our three brands account for one third of the market.

As per market research data, the branded Tea segment is growing, however 60% of the Tea consumed are still unbranded. This opens out a plethora of opportunities for expansion and growth.

WTC's Unique Brand Strategy

WTC has a clearly defined brand strategy aimed at growing volumes under the company's umbrella of branded Teas; namely, Zesta, Watawala Tea and Ran Kahata. These have three very distinctive markets within the total universe of Tea consumers.

Zesta caters to the premium market, for the upwardly mobile, connoisseurs of Tea. Watawala Tea caters to the taste buds of the flavour seekers for a strong cup of Tea. Watawala Tea's repositioning in this premium segment propelled its growth during the year. Ran Kahata was positioned as a brand aimed at the bottom of the pyramid catering to the needs of value seekers. The unique value proposition of "*eke hendai coppa dekai*" (two cups with one spoon of Tea), provides an opportunity to target the unbranded segment, while on the other hand, it competes against regional brands, providing a unique three brand strategy for WTC to derive value and growth.

Strategies in Action

Whilst brand equity has been a key factor in WTC's thrust to become the 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 Tea segment in the country. A performance-driven culture is combined with remuneration, reward and recognition geared to nurture commitment and loyalty, reflecting our long term perspective in business.

The use of technology to continuously enhance the efficiency of its operations, efficacy of its MIS and to empower its people to harness their potential along with that of the company, will remain high on the list of WTC's strategic priorities.

Outlook

One of WTC's core competencies continues to be its dedicated distribution network, which will continue to be built with further investment in line with our approach to sustaining the market leadership we have achieved.

Over the next few years we will actively seek to grow the branded Tea category, while we look at leveraging our brand equity to expand into other products without diluting the efficiency and productivity of our current operation.

Additionally we will also explore opportunities to export our FMCG products as a stepping stone to reach a new level of value creation for the Group.

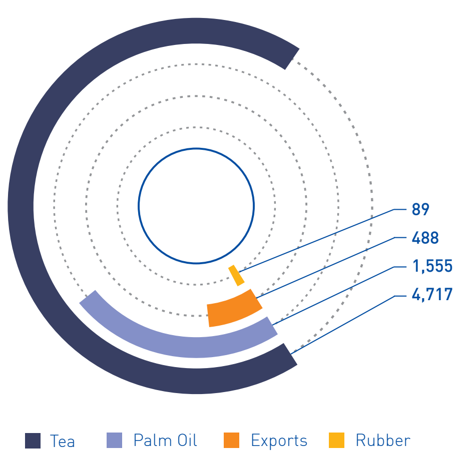
AGRIBUSINESS

Driven by a Triple Bottom Line focus on sustainable value creation.

The Group's Agribusiness, managed by its subsidiary Watawala Plantations (WATA) engages in the cultivation, manufacture and sale of Tea, Rubber and Palm Oil with a total land extent of 12,440 hectares. The agriculturally productive extent of this land includes 36% of Tea, 24% of Palm Oil and 6% of Rubber. WATA continues to be the highest producer of Tea and Palm Oil amongst Regional Plantation Companies (RPC) in 2014. The partnerships formed with, TATA Global Beverages and Wilmar International provide a platform for the Company to integrate further in the value chain and explore new markets for sustained growth and profitability.

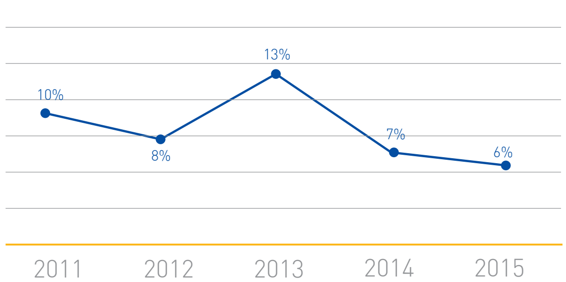
Contribution to Revenue

(Rs. million)

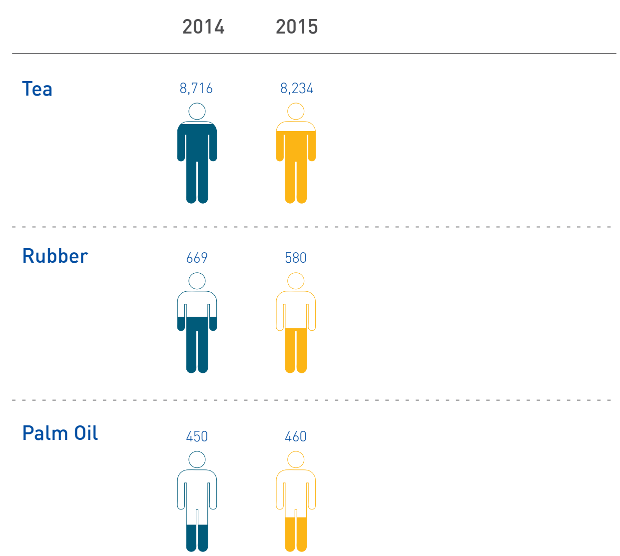


PAT Margin

(%)



No. of Employees in each Subsector



Performance in 2014/15

- The Group's Agri Business Revenue grew by 9.6% over the previous year to reach Rs. 6.8 billion, mainly due to an increase in production of Palm Oil.
- Profits contracted by 6.1% to Rs. 408 million over the previous year, mainly due to a challenging

environment which caused Tea and Rubber prices to be under pressure in the international market.

- Group's Tea sub sector continued to be the country's highest producer amongst RPCs for the 4th successive year.
- The Palm Oil sub sector also continued to be the highest producer and achieve the highest yields in the country for the 6th consecutive year.
- WATA opened its 2nd vocational training Centre for the differently abled at Lindula.

Strategies

- Move from a wage-guarantee model to an income-guarantee 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.
- Continue to invest in social upliftment to improve 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 2015/16

- Increase Palm Oil yields to 20 tonnes per hectare by 2018/19.
- Continue to enhance worker empowerment for greater productivity and employee satisfaction.
- Implement measures to enhance cost competitiveness.

Challenges

- Escalating costs of production of Tea.
- The labour intensive nature of the Tea industry (with labour costs amounting to nearly 70% of costs), and constraints in automation especially of the plucking process, such as the sloped terrain and a need for human discernment.
- High Capital cost of replanting low yielding Tea bushes.
- Worker migration from the Tea industry is high due to more attractive economic opportunities elsewhere, which are on the rise with the growth in the country's Construction, Tourism sectors and new industrial investments.
- Despite supporting the entire resident population on an estate with physical and social infrastructure, only about one fifth of the population now work on the estates, with other family members working outside.
- Declining cost competitiveness of Sri Lankan Tea in the world market.
- Impacts of climate pattern changes.
- High costs of production, low land and labour productivity, combined with decreasing extents of cultivation in the Rubber sector.
- Land limitations for expansion of Palm Oil.

Strengths

- WATA's diversified crop portfolio.
- Strong agricultural practices implemented over the years.
- A well balanced portfolio of grades in Tea, representing all three elevations.
- The sustainable Triple Bottom Line approach and practices that have helped build strong community relationships.
- Best environmental practices for the long term.
- Use of renewable energy.

Opportunities

- The legacy of Sri Lanka's brand image in the global market as a producer of the cleanest and purest Tea.
- Tea is the second most popular beverage in the world, next 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 cooking oil, a bio fuel and a raw material input for soaps and cosmetics.
- Comparative viability of the Palm Oil crop due to its higher productivity and lower labour intensity in harvesting.
- Comparatively higher earnings by employees engaged in Palm Oil and the resulting socio economic upliftment of communities and the favourable impact on the labour supply in the sector.

Industry Environment

Sri Lanka's Agriculture sector slowed with a growth of 0.3% in 2014 compared to 4.7% in 2013 mainly due to adverse weather conditions that prevailed during the year. The Tea sector also moderated due to unfavorable weather conditions which prevailed during the year and a decline in demand from some of the major export destinations. Tea production of 338 million kg in 2014 was only marginally lower than the historical highest volume of 340 million kg, recorded in 2013. The low grown Tea production volumes, which accounts for over 62% of the total production, increased by 0.8% to 210 million kg in 2014, while the production of high and medium grown Tea dropped by 0.4% and 6.4% to 79 million kg and 49 million kg, respectively.

The Free on Board (FOB) average price per kg at Rs. 649.44 increased by 4.1% from Rs. 623.91 in 2013. Prices remained high during the first half of the year but started to decline from August 2014 as demand from Russia and the Middle East slowed down amidst geopolitical tensions and the further slowdown in the Russian economy arising from the imposition of sanctions and the significant decline in international petroleum prices.

Export earnings from Tea, which account for about 15% of total exports, grew by 5.6% in 2014 compared to 9.2% growth recorded in 2013. The slower growth of Tea exports reflects decelerated demand from the main export destinations such as Russia and the Middle East which account for about 70% of total Tea exports. These countries experienced large revenue shortfalls, as oil prices declined, while Russia experienced large depreciation in its Ruble amidst economic sanctions due to geopolitical issues. However, as Sri Lanka supplies high quality orthodox Tea which attracts higher demand in the international markets, the export price of Sri Lankan Tea averaged at USD 4.97 per kg, recording an increase of 3.1% from the previous year, and well above the average international tea price of USD 2.72 per kg in 2014.

70% OF OUR EXPORT DESTINATIONS ARE IN TURMOIL AND WOULD CONTINUE TO IMPACT SRI LANKA'S TEA

Sri Lanka's national Palm Oil production increased by 3% over the last season whilst WATA's increased by 8.9%. We produce more than 50% of the country's production of Crude Palm Oil (CPO) despite our extent being only 40% of the total cultivated extent in Sri Lanka.

Rubber production declined for the third consecutive year owing to unfavourable weather conditions and weak international prices. Rubber production dropped by 24.4% to 98,573 metric tons in 2014 from 130,420 metric tons in 2013. The decline in Rubber production was largely due to continued dry weather conditions during the first half of the year and the heavy rains in the third quarter, which disrupted latex tapping.

The declining trend in Rubber prices which commenced at the start of 2012 continued through 2013 and into 2014 as well. Global natural Rubber prices experienced a steep decline, reflecting the slowdown in global demand and large stockpiles accumulating in major Rubber producing countries in 2014. The average price of natural Rubber per metric ton in the global market declined by 30% to USD 1,956 in 2014 from USD 2,795 recorded in 2013. Furthermore, weakening crude oil prices prompted the demand for synthetic Rubber, placing further downward pressure on natural Rubber prices. Decline in natural Rubber prices caused smallholders in major producing countries to switch over to other agriculture activities leading to a reduction in production. Reflecting international developments, rubber prices at the Colombo Rubber Auction also declined in 2014 to its lowest levels, continuing the decreasing trend witnessed during the recent years.

Strategies in Action

Group's Agri sector performed satisfactorily as the Palm Oil crop offset the losses in the Tea and Rubber segments to see a Revenue increase of 9.6% over the previous year. Profits declined by 6.1%.

For more details of performance of the Agri sector, please refer the WATA Annual Report.

Outlook

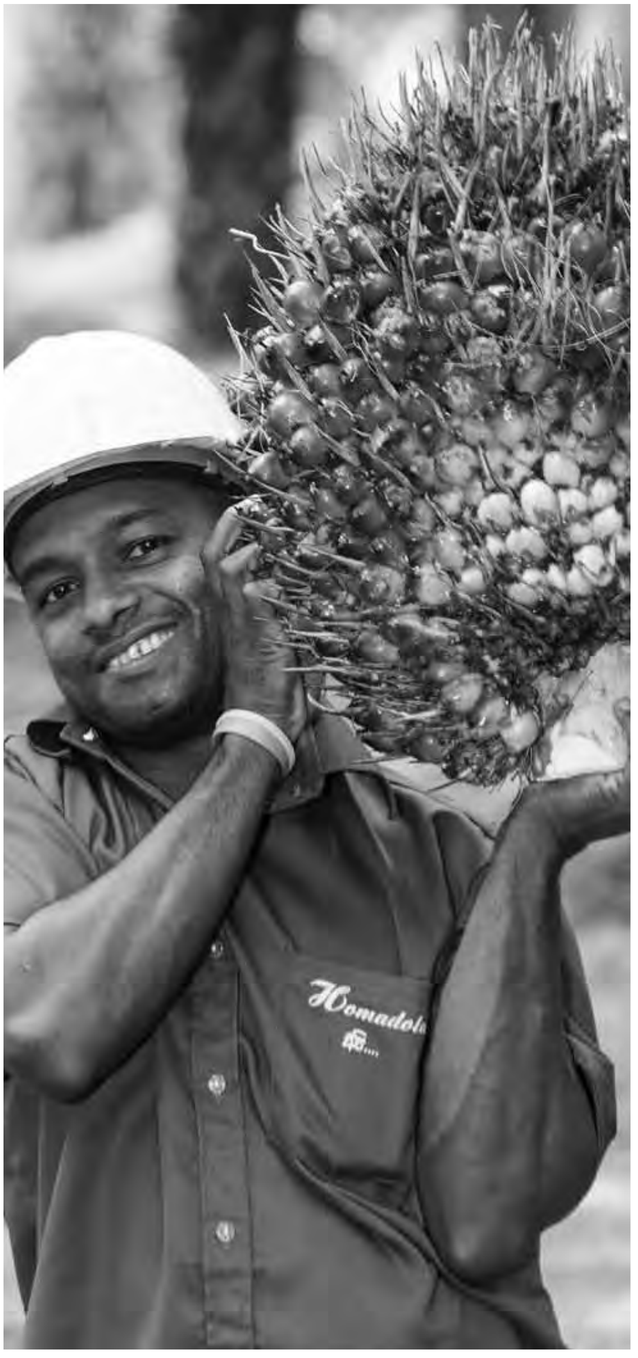
Sri Lanka's Tea industry continues to be beleaguered by escalating costs of production resulting in diminishing cost competitiveness in the global market. One reason is continuous increases in wages without a link to productivity improvements. Another is the declining yields of Tea bushes which are more than 50 years of age. RPCs with a heavy exposure to Tea have continued to incur losses. It is the RPCs such as WATA, having diversified into other crops such as Palm Oil, who have been able to buffer the losses in Tea. A wage model that is linked to productivity, as we have repeatedly enumerated in previous years, is a key imperative for the sustainability of the Tea industry. The Group has taken a leadership role in this regard by beginning a shift from a wage-guarantee model to a livelihood-guarantee model for a win-win impact of increasing productivity whilst empowering our Associates.

The year ahead will see the Tea industry continuing to be impacted by low demand due to the prevailing crisis in key markets such as Russia and the Middle East. Rubber is also likely to be impacted by lower prices for natural Rubber in the international markets. Reducing our vulnerability to primary crops and to world market conditions, moving closer to the retailer and increasing the presence of our own brands are amongst some of the other strategic measures WATA will look to adopt. WATA 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 via the auctions.

The Group remains particularly buoyant about the potential of the Palm Oil crop. The crop's yield per hectare vis-à-vis other competing cooking oils such as Coconut, Corn and Soya Bean, is significantly higher whilst the labour requirement is significantly lower. These supply side factors combined with an increasing demand for the product's value as a cooking oil, and as a raw material input in soaps, detergents, cosmetics and pharmaceuticals as well as a source for Bio energy, underscore the viability and the immense potential for expansion of this crop.

PALM OIL IS THE HIGHEST CONTRIBUTOR TO THE GROUP'S AGRIBUSINESS

The partnership we have formed with Asia's leading Agri business group, Wilmar International Limited, which saw the establishment of a tripartite venture heralds many synergies and opportunities for the Group. The Group has begun to actively explore opportunities for new markets and for vertical integration to encompass the entire value chain.



POWER & ENERGY

Begins to reap dividends.

The Group's Power and Energy subsidiary - Sunshine Energy (SEL) - established in 2009, is engaged in the exploration and production of renewable energy. It functions as a sustainable commercial entity, adding value to the nation's economy whilst also contributing to make it greener. The first hydropower plant in Lindula (Waltrim Lower), commissioned in 2012, has been generating 1.62 MW. Two new power plants, Upper Waltrim Hydro Power and Elgin-Hydro Power, upon completion will increase the Group's total hydro power generation to 7 MW.

Performance Highlights 2014/15

- Achieved its highest revenue of Rs. 113 million
- PAT grew to Rs. 19 million.
- Began the construction of Upper Waltrim and committed capital to commence the construction of the third plant, Elgin-Hydro Power.

Objectives/Plans for 2015/16

- Commission Upper Waltrim adding 2.6 MW to the grid and complete construction of Elgin-Hydro Power plant.

Strategies

- Expand capacity to generate renewable energy by developing hydro power and by venturing into other forms of renewable energy.

Challenges

- Weather dependency and increasing unpredictability of weather due to climate change.

Opportunities

- Guaranteed demand in Sri Lanka (at present) due to Power Purchase Agreements with the Ceylon Electricity Board (CEB).
- Relatively lower cost of hydro energy compared to renewable energy alternatives such as solar and wind power.
- High economic growth in Sri Lanka and the continuous growth in demand for cost effective energy.
- Sri Lanka has favourable geo-climatic conditions for many types of renewable energy.

Industry Environment

Sri Lanka's energy sector performed well in 2014, supported by high rainfall in the catchment areas in the second half, which supported the hydro energy sector, and the sharp decline in world oil prices which supported an improved financial performance in the thermal generation sector.

Total electricity generation in 2014 increased by 3.9% to 12,357 GWh from 11,898 GWh in 2013. Hydropower generation (excluding mini-hydro generation) during the year decreased by 39.4%. The drought conditions that prevailed during the first half of the year caused a reduction in the share of hydropower in total power generation, although the share of hydropower gradually improved towards the end of the year with increased rainfall. Total generation through fuel oil and coal during the year increased by 32.1% to 4,306 GWh,

and 118.0% to 3,202 GWh, respectively.
Sri Lanka's electricity requirement as per CEB statistics has been growing at a rate of 6-8% annually and this increase is expected to continue into the foreseeable future. Electricity sales increased by 4.2% to 11,063 GWh in 2014 reflecting the expansion in economic activities in the country.

It is encouraging that the share of hydropower increased during 2013 and 2014; reversing the industry trend in the years up to 2012 which saw an greater reliance on Thermal generation. Generation of electricity through Non-Conventional Renewable Energy (NCRE) sources including mini-hydro generation increased by 3.3% to 1,217 GWh. Accordingly, the share of hydro, fuel oil, coal and NCRE power generation was, 29%, 35%, 26% and 10 %, respectively. The share of power generated by CEB within total power generation decreased to 69% in 2014 compared to 73% in 2013 while the remainder was purchased from Independent Power Producers (IPPs).

Generation - Sri Lanka (GWh)

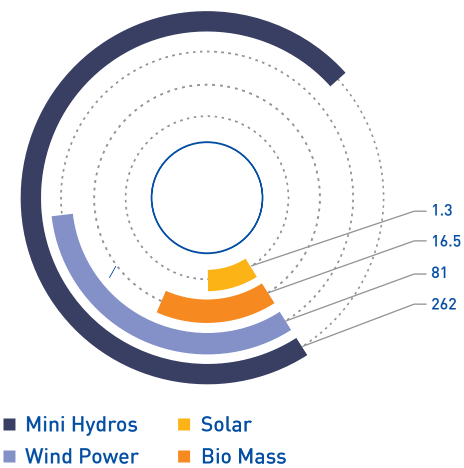
	2010	2011	2012	2013	2014
CEB - Hydro	4,988	4,018	2,727	5,990	3,632
Fuel Oil	1,394	1,494	2,029	1,283	1,696
Coal	-	1,038	1,404	1,469	3,202
Other	3	3	2	2	2
Private - Hydro	646	601	565	916	902
Fuel Oil	3,601	4,253	4,906	1,977	2,610
Other	83	121	168	260	313
Gross Generation	10,714	11,528	11,801	11,898	12,357

Source : Central Bank of Sri Lanka

Primary Energy Supply - Thousand Tonne of Oil Equivalents (TOE)

	2009	2010	2011	2012	2013
Biomass	4,786	4,954	4,944	4,862	4,814
Petroleum	4,131	4,420	4,915	5,220	4,114
Hydro	805	1,197	964	654	1,442
Coal	59	60	324	456	480
New Renewable Energy	137	180	178	181	287
Total Primary Energy Supply	9,918	10,811	11,326	11,372	11,138
Share of Biomass in Primary Energy (%)	48	46	44	43	43
Share of Renewable Energy in Primary Energy (%)	58	59	54	50	59

NCRE Mix In Sri Lanka
As at end 2013 (MW)



- Number of plants : 146
- Aggregate Capacity : 361 MW

Strategies in Action
The Group's Energy sector, the newest entrant to the Group portfolio, recorded its best year since the commissioning of its first plant in 2012. The sector achieved its highest profits with PAT growing to Rs. 19 million, supported by excellent rainfall in the second and third quarters and the stabilization of the plant machinery which enabled minimal interruptions during the year. Revenue in this sector amounted to Rs. 113 million.

Realising the objectives we mentioned in last year's Annual Report, SEL initiated the construction of two new hydropower plants during the year, under the purview of its two subsidiaries, Upper Waltrim Hydro Power and Elgin-Hydro Power. The construction of the plant on the Upper Waltrim estate, with a capital commitment of Rs. 700 million, is currently underway whilst the construction of the second Elgin–Hydro Power on Lippakalle estate, with a capital commitment of Rs. 500 million, is due to commence within the next few months. These two power plants will add 2.6 MW and 2.4 MW respectively, to increase the Group's combined hydro power generation to 7 MW from the current contribution of 1.6 MW.

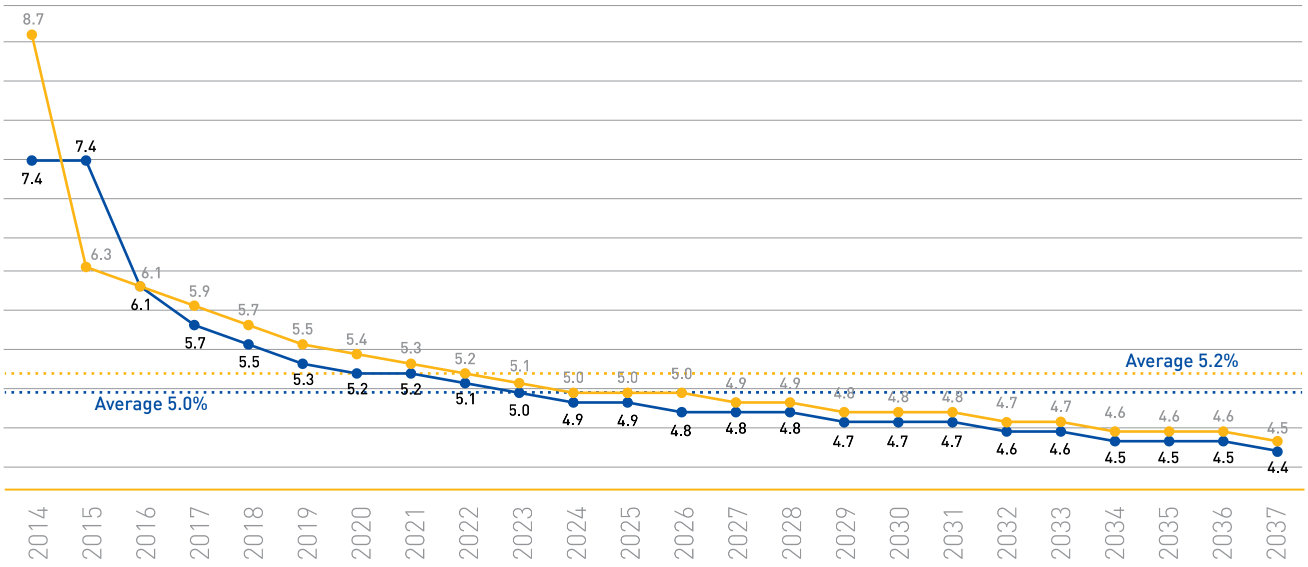
Outlook
Sri Lanka's economic growth is likely to continue on its growth trajectory, and be driven by the Industry and Services sectors, thus projecting a continuing rise in demand for electricity which is estimated at about 7% per annum. Electricity demand growth in the past has revealed a direct correlation with the growth rate of the economy and the demand forecasts by CEB (shared overleaf), are based on this premise. The level of electrification in the country has reached 94% and the Government envisages increasing it to reach 100% by 2016, with a priority given to energy solutions which are economical and sustainable. Accordingly, the National Energy Policy of Sri Lanka envisages a gradual increase in NCRE with their contribution targeted to reach 10% in 2015 and 20% by 2020. The Sri Lanka Sustainable Energy Authority (SLSEA) continues to actively promote the development and use of all forms of renewable energy and forecasts that the renewable energy capacity will reach 460 MW with 72% of the renewable energy being sourced from mini hydros.

The CEB is the sole licensee in Sri Lanka holding responsibility to develop and maintain a system of electricity supply as well as distribute it nationwide. Hydropower remains the main source of renewable energy for electricity with most of the large scale hydro resources owned by the CEB. A considerable share of small scale projects having capacities below 10 MW (termed "mini hydros") have been developed and owned by the private sector. The guaranteed buy back (with purchase agreements for 20 years) by the CEB is assured to all suppliers, which further supports the tremendous potential of this sector as an investment option. However, a few challenges to investors exist, and these include the lengthy procedures and time taken for approval which delay the implementation of projects, for one, and the need for better tariff rates for renewable energy being another.

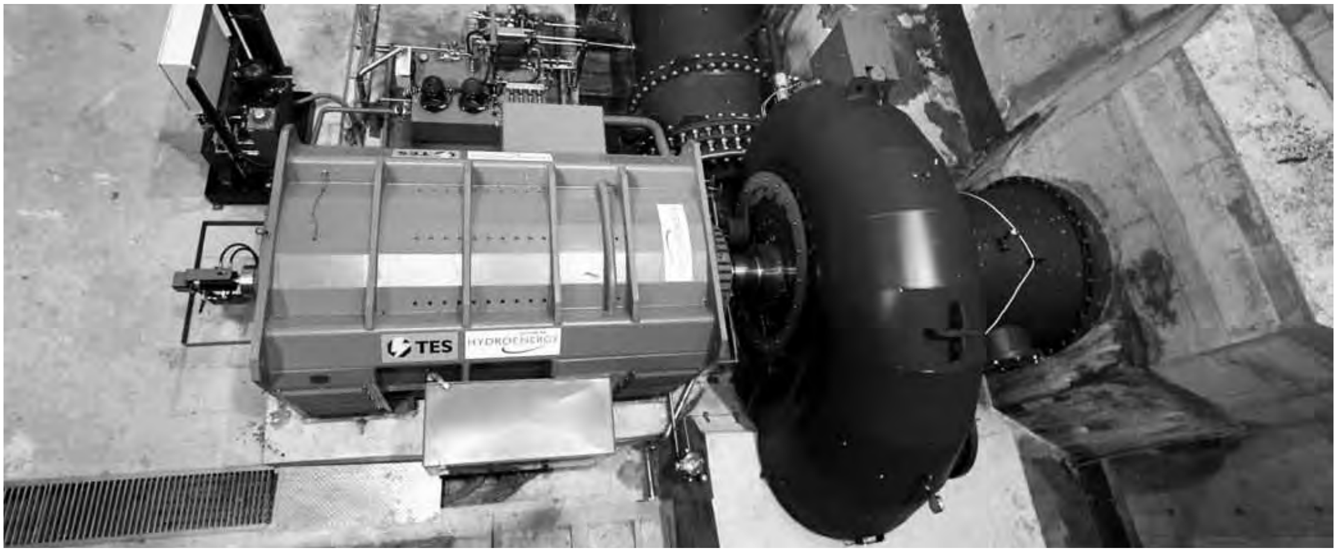
Despite the decline in global oil prices since January 2014, which has facilitated some relief to consumers, fossil fuels would remain expensive to importing nations such as Sri Lanka whose energy mix contains as much as 34.8%, of oil. Sri Lanka's widening trade deficit, depletion of the world's high yielding oil and gas reservoirs and growing environmental concerns both locally as well as globally, continue to exacerbate pressure to find alternate energy solutions which are more cost effective than those dependent on fossil fuels. Motivated by the Triple Bottom Line impact, and the potential in this sector, SEL will continue to actively seek opportunities to make new strategic investments into hydro as well as other forms of renewable energy such as wind, bio mass and solar.

In the medium- to long-term, we also remain 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 landscape of the supply of energy, both globally and locally.

Forecasts for Electricity



Source: Ceylon Electricity Board



PACKAGING

Exploring new avenues for growth.

Sunshine Packaging Lanka (SPL) is a pioneer in the manufacturing and printing of metal packaging in Sri Lanka. It continues to set the benchmark for quality and is a market leader in its key product categories such as Tea Caddies and Confectionery Tins.

Performance in 2014/15

- Revenue of Sunshine Packaging Lanka (SPL) declined by 7.9% over the previous year to reach Rs. 270 million.
- Revenue in the Confectionery segment grew by 1.4% while the Milk segment declined by 11.9%.
- Revenue in Tea segment declined by 21.2% mainly due to the Russia, Ukraine and Middle East crises.
- Revenue in direct export segment grew by Rs. 19 million.
- New clients contributed to 17.6% of Revenue amounting to Rs. 48 million.
- As a value added proposition to several of SPL's clients, the packing of the products for those who lacked the facilities to do so was additionally undertaken at SPL.

Objectives/Plans for 2015/16

- Automate certain aspects of production to increase productivity.
- Expand into higher margin export segments, with a focus on direct exports.
- Invest in new machinery to take up manufacturing aspects which are currently outsourced.
- Seek new markets to offset the decline in demand from Russia.
- Focus on direct export of printed sheets.

Strategies

- Harness the significant potential identified in the high growth market of food cans.
- Explore partnerships with international packaging solution providers to gain exposure to international markets.
- Explore other types of packing material as alternatives to Tin.
- Diversify our portfolio and reduce dependency on Tea Caddies.

Challenges

- Competition from cheaper products sourced from China which are considerably more cost competitive due to the economies of scale they enjoy, and domestic availability of raw material.
- Rising costs of production of Tea.
- Possible rise in energy costs if fuel costs return to previous levels.
- Shortage of skilled workers in the industry.

Opportunities

- To harness the excellent printing quality at SPL.
- Direct exports of value added Tea.
- Greater value addition to the current product line.
- Environmental friendliness of metal packaging compared to alternatives such as plastic and hence the significant potential for growth.

- Metal packaging being amongst the fastest growing industries in the world.
- ISFTA (India Sri Lanka Free Trade Agreement) as Sri Lankan packaging exports to India could capitalize on the benefits of lower duty vis-à-vis Chinese imports to India.

Industry Environment

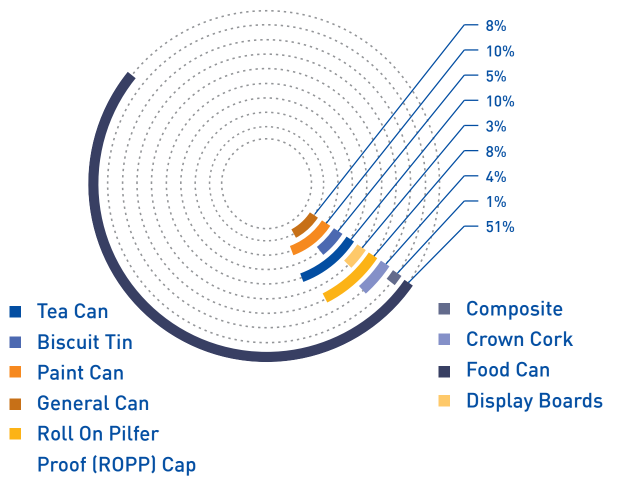
Sri Lanka's Packaging industry is valued at Rs. 17.3 billion (USD 1.5 billion) which represents a considerable 3% of the country's GDP, of which the Metal Packaging segment amounts to Rs. 3 billion (USD 26 million) of the industry. Significant growth potential has been identified in Sri Lanka who currently import 76 million food cans per annum. SPL is therefore bullish on the opportunities in this sector to substitute imports of cans with locally manufactured ones, saving valuable foreign exchange for Sri Lanka's coffers, thus benefitting both the industry and the nation.

However the industry continues to be challenged by the high dependency on imported raw material as well as machinery. The imported input accounts for as much as 90% of cost of production. Cost competitiveness with cheaper imports from China and India as identified above are hence key challenges which need to be addressed.

During the year the metal packaging industry was also severely impacted by the decline in demand for Sri Lanka's Tea exports from Russia, Ukraine and the Middle East.

Sri Lanka's Metal Packaging Industry

Product wise:



Strategies in Action

SPL's Revenue declined by 7.9% during the year mainly due to the decline in its key market segment of Tea on the back of the crisis in the Middle East & Russia. Exports to these two markets account for as much as 49% of SPL's revenues. Although financing and production costs were contained during the year supported by low interest rates, a stable exchange rate and reduced energy prices, SPL made a net loss of Rs. 24 million owing to a challenging environment for its main product stream.

SPL identifies the food cans industry as a key growth segment with significant potential and is currently looking at venturing into this segment. Also raw material alternatives to Tin will be looked at in order to address escalating costs, vulnerability to foreign currency rates and to be able 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 partnerships with overseas investors to facilitate an infusion of new capital.

Outlook

The factors which challenge Sri Lanka's Tea exports are likely to continue into 2015 as the Middle East and Commonwealth of Independent States (CIS) account for a significant 70% of Sri Lanka's Tea exports. One of the key threats to exports would be the further depreciation of the Russian Ruble, creating a negative impact on Sri Lanka's Tea exports as Russia is the single largest buyer of Sri Lankan Tea. Demand for Tea in the Middle East market could also decrease due to the continued decline in the oil income of these economies. Thus the main source of revenue for SPL could decline further necessitating that we reduce dependency on Tea Caddies, and shift focus onto products such as printed sheets.

SPL's technical expertise and high quality standards of its products 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.

BRAND PORTFOLIO

Healthcare

Own Brands

Pedia Plus
Diabeta Plus
Mama Plus
Enlive Senior
Ring
Healthguard

Brands Represented

Brands Essence of Chicken
Sugar Free Natura
Everose
Celia
Woodward's Gripe Water
Guardian Multivitamins
Mospel Repellent

FMCG

Own Brands

Zesta
Watawala Tea
Ran Kahata Tea
Zest
Oliate

OUR PEOPLE

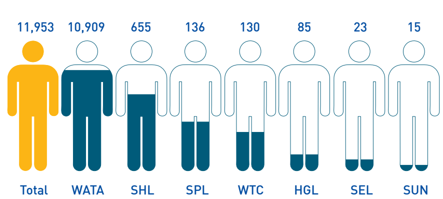
Deriving and delivering value with our core strengths.

Strategic Priorities of our HR Efforts 2014/15

- Creating and retaining talent.
- Designing and implementing a reward strategy.
- Training & Development based on a competency matrix and the business requirements of the present and the future.
- Information sharing and facilitating greater participation and communication.

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.

The composition of the total workforce
As at 31st March 2015:



Recruiting and Retaining Talent to Ensure a Talent Pipeline

Our People Philosophy focuses on attracting, developing and building a talented, dynamic and motivated human resource base with the right competencies to proactively meet our mission & objectives for the different industries that make up the Group, as well as instilling an entrepreneurial spirit, innovation and commitment to change within the Group.

Workforce by Service

as at 31st March 2015

Years of Experience	0-3	4- 7	8-10	11-15	16-20	21+	Total
WATA	2,750	1,000	878	1,851	1,450	2,980	10,909
SHL	385	145	49	44	17	15	655
HGL	45	26	14	-	-	-	85
WTC	86	28	04	12	-	-	130
SPL	56	29	51	-	-	-	130
SEL	23	-	-	-	-	-	23

Group 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 the right kind of environment towards this end, which enables our employees to harness their potential and that of the Group.

The workplace environment and ethos play an important role in retaining and developing talent. Considering several factors including high attrition rates, we identified a need to create a more cohesive team and a work culture enthused with greater passion at SHL. Accordingly, several initiatives were carried out during the year with a focus on enhancing technology, redefining the organizational structures and creating a more nimble culture which helps to expand the potential of the individual and thereby that of the Company.

Workforce by Gender

as at 31st March 2015

SUN		WATA		SHL		HGL	
10	05	4,765	6,144	593	62	51	34

WTC		SPL		SEL		Total	
119	11	92	44	21	02	5,651	6,302

Constant improvement of the workplace 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. Considering the importance of employee engagement in enhancing the QWL of the work place, workers are included in the implementing committees.

Employee surveys are valuable tools which tell us how employees feel about their work, the working culture and the Company and are hence important in our quest for constant improvement of the workplace and employee satisfaction.

Qualification Analysis

as at 31st March 2015

	MBA	BA/BBA/ BSc/LLB	Accountancy (ICA/ACCA/CFA)	Diploma in areas of specialty	Doctorate	Other
SUN	06	03	02	02	01	01
WATA	06	19	07	26	01	169
SHL	07	58	32	125	-	88
HGL	-	-	-	20	-	12
WTC	08	08	05	23	-	02
SPL	01	-	07	07	-	-
SEL	01	01	01	20	-	-

During the year under review, three of our Group companies conducted climate surveys. 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. It is most encouraging that WATA achieved a score of over 80% - which denotes 'Exceptional' in all 14 attributes measured for the 2nd successive year. The 2nd half of 2014 was the only exception with 'Exceptional' rating achieved on 13 rather than all 14 attributes with the remaining attribute receiving a score of 'High Strength with some room for improvement'. The 14 attributes, included Employee Engagement, Corporate Sustainability, Customer Orientation, Job itself, Leadership and Strategy/Vision, and Work/Life Balance amongst others.

SHL also conducted a Climate Survey this year and the gaps identified included a greater need for changes to the company culture, to increase employee engagement, less inhibited communication and a stronger employee oriented culture overall. Accordingly a number of measures were taken during the year aimed at addressing these gaps and perceptions.

Engaging the Generation Y

Reflecting our sustainable approach, and the strategic intent of developing and retaining a talent pool, the Group also identified the importance of understanding and addressing the differences between the Generation X (Gen X) and Generation Y (Gen Y) employees of our workforce. Those born after 1980 are considered Generation Y and the needs, aspirations and views of these two generations are found to be considerably different, thus necessitating that we adopt different methods of engaging, mentoring, satisfying and managing these two Generations. For example, Gen Y look for more instantaneous rewards and faster career progression. The opportunities for informal engagement that they would appreciate differs from what Gen X would. Because children growing up during this time period had constant access to technology ,it remains a key shaper of their lives, and their primary form of communication. Thus companies have been urged to change their hiring strategies such as via the use of technology in attracting and reaching this Gen. It is encouraging that research finds Generation Y employees to be continuous learners, team players, collaborators, diverse, optimistic, achievement-oriented, socially conscious and knowledgeable. Therefore the ability to recruit and retain younger workers is becoming essential for employers to ensure long term business success, especially as Baby Boomers begin to retire in increasing numbers.

Table below lists out the number of Gen Y in the Group

Generations X & Y in the Group

	WTC	WATA	SHL	HGL	SUN	SEL	SPL
Age 35 and below	105	3,675	484	70	04	12	82
Age 36 and above	25	7,234	171	15	11	11	54
Total	130	10,909	655	85	15	23	136

The initiatives by the Group to address differences between Gen Y & X began at WATA, where Gen Y makes up 34% of the workforce. These initiatives aim to create an exciting work environment by finding new ways to ensure mental stimulation and be physically energized. In addition to initiatives to recognize and nurture skills and talents of this younger generation, such as intra-regional debates on topical social issues, the Gen Y teams also actively engage in community service activities which range from tree planting to uplifting neighbouring schools.

The Group also began implementing different methods of engagement at SHL since a significant 74% of the team is made up of Gen Y.

Amongst the other areas of focus during the year was the launch of banding of jobs across the Group, thereby ensuring comparability and consistency.

Performance Management

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

Training & Development

Employees being our most valuable asset, one of our critical strategic imperatives is to enhance the value of that asset. Thus, promoting education, training and a culture of continuous learning remain a key focus area across the Group. Our employees across the Group and across the different functions were afforded a variety of training opportunities conducted in house and externally during the year. The table overleaf provides a summary of the Groups investment in training and development.

Ethnicity Distribution

as at 31st March 2015

	Sinhalese	Tamil	Burgher	Moor
SUN	11	03	01	-
WATA	2,071	8,751	31	56
SHL	480	134	06	35
HGL	76	04	-	05
WTC	108	19	01	02
SPL	132	04	-	-
SEL	13	10	-	-

Religion Distribution

as at 31st March 2015

	Buddhist	Hindu	Christian	Roman Catholic	Muslim
SUN	08	03	03	01	-
WATA	2,276	8,043	531	04	55
SHL	423	111	31	56	34
HGL	74	04	01	01	05
WTC	95	12	11	10	02
SPL	126	04	02	04	-
SEL	11	10	02	-	-

Training & Development

	Investment Rs.	
	2015	2014
SHL	3,617,973	2,122,495
WATA	3,950,194	6,900,349
WTC	1,643,897	562,018
SPL	58,865	177,131
SEL	250,000	-
SUN	412,976	180,325

The Group has recognised the value of professional qualifications to retain a competitive advantage. Particularly in the context of Sri Lanka's declining cost competitiveness in the global Tea market, finding solutions through innovative thinking and knowledge, is considered vital; experience alone will not suffice.

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

During the year, two of our Senior Managers were afforded training at the National University of Singapore (NUS) in General Management.

Today as many 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 Welfare officers to follow a Customized

Foundation Course in Human Resource Management conducted by the Institute of Personnel Management to equip them with greater efficacy in their engagement with Associates. 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 (NGOs) Some of the NGOs which WATA partners include the World University of Canada (WUSC), CARE International, Berendina Foundation and World Vision.

SHL grants education loans for the staff confirmed in service to undertake the acquisition of professional qualifications.

Employee Engagement and Empowerment as a Route to Sustainability

The Group encourages a culture with minimum bureaucracy valuing professionalism over rank.

During the year WATA took the initiative to arrange for the installation of two state of the art ATMs by Hatton National Bank, thereby enabling all to withdraw their salaries rather than receiving it as cash in hand. The ATMs established on our Tangakelle Estate, Henfold and Nakiyadeniya in the Udugama region in 2014 will be expanded to other estates in the year ahead, thereby promoting a culture of saving.

In addition, the women Associates are now able to exercise better control over their finances. They are also now able to remit money or receive remittances to/from anyone or anywhere in the world.

Apart from these functional benefits which empower the workers, the ATMs have also become a social equalizer- as the Manager and the Associate both stop at the same ATM to withdraw or deposit their monies.

HNB ATM machines at Lindula region

Community Development Forums (CDFs)

The Community Development Forums (CDFs) which WPL has introduced in partnership with CARE International provide an unique management mechanism which could also help address declining global competitiveness of Ceylon Tea. The CDFs 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 of views 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 being recognised. The CDFs agenda extends to discussion of productivity parameters, training, welfare and community development.

Channeling community and NGO programmes through the CDFs also allow for greater transparency and community level ownership of the projects. In addition to the above, CDFs 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 CDFs are designed by workers, the local community and stakeholders to benefit workers, 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 CDFs 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 programming there has been a marked return to the worker, the Tea industry and the community as a whole and an impressive overall Social ROI of 4.2%.

It has been reported that engaged organisations grew profits as much as three times faster than their competitors and that highly engaged organisations have the potential to reduce turnover by 87% and WATA's engagement with the people who work and live on its estates are driven by this belief.

Encouraging Innovation

The Company encourages a culture of innovative thinking and helps translate new ideas into action at all levels in the Company.

Innovation is defined in the Oxford Dictionary as "making changes in something established, especially by introducing new methods, ideas or products" Its origin is the Latin word *innovare* for "renewed, altered". Renewing and altering happens across our estates and factories on a daily basis. This year also saw an innovation which received an intellectual patency. The Tea industry is over 150 years old and we have been renewing and altering throughout this period. Inventing is now more critical than ever for the industry to remain commercially viable and respond to customer preferences.

Some of the innovations which were recognised during the year at the annual Employee recognition scheme, and which will contribute to profitability, are summarized overleaf.

Employee Innovations During 2014/15

Innovation	Impact	Benefit
Tea		
Re installation of Pelton at the factory after 25 years.	Reduction of power cost & reduction on KVA	A saving of Rs. 125,000 a month.
Palm Oil Sector		
A tool to harvest oil palm in steep areas and palms which reach above houses.	Can harvest areas which were hitherto not harvestable due to problems such as damage to roof of neighboring houses. Reduction of time required to carry bunches from steep areas to road side. Reduction in over ripe and rotten bunch percentage.	This removed disturbance to villages and their property.
A low cost environment friendly mechanism to prevent rat damage in the Palm Oil fields.	Damage by rats is a significant threat to Palms on our oil palm estates. The traditional approach of rat control is more expensive and hazardous due to the use of chemicals. This method helps effective control at a innovation rat damage minimum cost.	Saving of Rs 2.24 per kg compared with the previous method, which amounts to a saving of Rs. 919,498 per annum.
A new method to eradicate woody (weed) plants on Oil Palm trunk, which absorbs nutrients from the phloem Tissue of Oil Palm Trunk.	Increasing crop output by increasing the efficiency of Nutrients uptake by Oil Palm, Improve the Visibility of bunches to be harvested by controlling Woody Weeds. Reducing stress on the Oil Palm that induces the Formation of Female Flowers that increase crop long terms.	Improve in productivity.
A successful porcupine trap which saved the expenditure/energy/time wasted on protecting Palms from porcupine attack	Porcupine attacks are a major threat due to mini jungles and reservations that surround the Nakiyadeniya estate. This new trap is low cost but proven to be very effective in controlling the porcupines.	A cost of a grown plant is approx Rs. 6,000 total savings will depend on total number of plants.
Manufacture of a mobile humidifier machine for rolling room.	Reduction of the temperature of the green tea Dhools which will improve the quality of tea and hence eventually the NSA.	Better quality and better NSA.
Re installation of Pelton at the factory after 25 years.	Reduction of power cost & reduction on KVA	A saving of Rs. 125,000 a month.

Electrician's Innovation Receives Patency

The electrician on the Group's Carolina estate Mr. Nishantha Nandana Weerasinghe obtained a patent for his innovation of the kVA controller which enables the reduction of overall power costs of the processing unit. This innovation has been patented under Intellectual Property Act no. 36 of 2003 for which Mr. Weerasinghe received confirmation of the registration. We are proud of Mr. Weerasinghe's achievement which has received national level recognition.

Worker productivity in Sri Lanka lags behind those of competing countries and is a key area of focus to ensure that we remain competitive in global markets. We believe that this requires engaging the hearts the minds and even the imagination of its staff. In addition to the usual training & development that takes place, below are some of the initiatives taken at estate level to improve productivity, knowledge and team spirit.

The Plucking race : a competition in which all pluckers were given 15-30 minutes time. The result was that all weak pluckers plucked equally or more than the normal pluckers – well establishing and proving the Hawthorne effect – the phenomenon that subjects, when observed, change their behaviors or performance. Some of the so called weak pluckers in fact performed extraordinarily to harvest 5.5 kg within a 15 minute time period.

Quiz Competition for Associates is another such initiative, as a knowledge gap is also identified as a cause of poor performance. These quizzes help motivate and equip them with knowledge.

Health and Safety

All our locations have Health & Safety policies and measures in place. On our plantations, Occupational Health and Safety is a key area of focus due to the nature of the industry which includes hazards such as contact with agro chemicals, difficulties presented by the terrain and the bio diversity within the plantations. Equally, at our packaging factory, the blending and packing plant of our FMCG business, the healthcare warehouse and the hydro power plants, safety remains a critical focus area due to the interactions with plant and machinery.

The safety policies are formulated with the aim of providing all employees, contractors and visitors to Company property with the safest and healthiest conditions and the aspects they cover include safe means to exit from the work place, maintenance of plant and systems to ensure they are safe and risk free and disposal of articles which are inherently or potentially hazardous, and providing comprehensive information, instructions, training and supervision to ensure the health and safety at work of every employee. We have a comprehensive Health & Safety Policy and have also set in place appropriate structures, procedures and processes to identify the issues and formulate appropriate responses.

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 focusing 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 for 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. Regular medical checks are scheduled and carried out on a regular basis and employees are rotated to mitigate and minimise possible risks to their health.

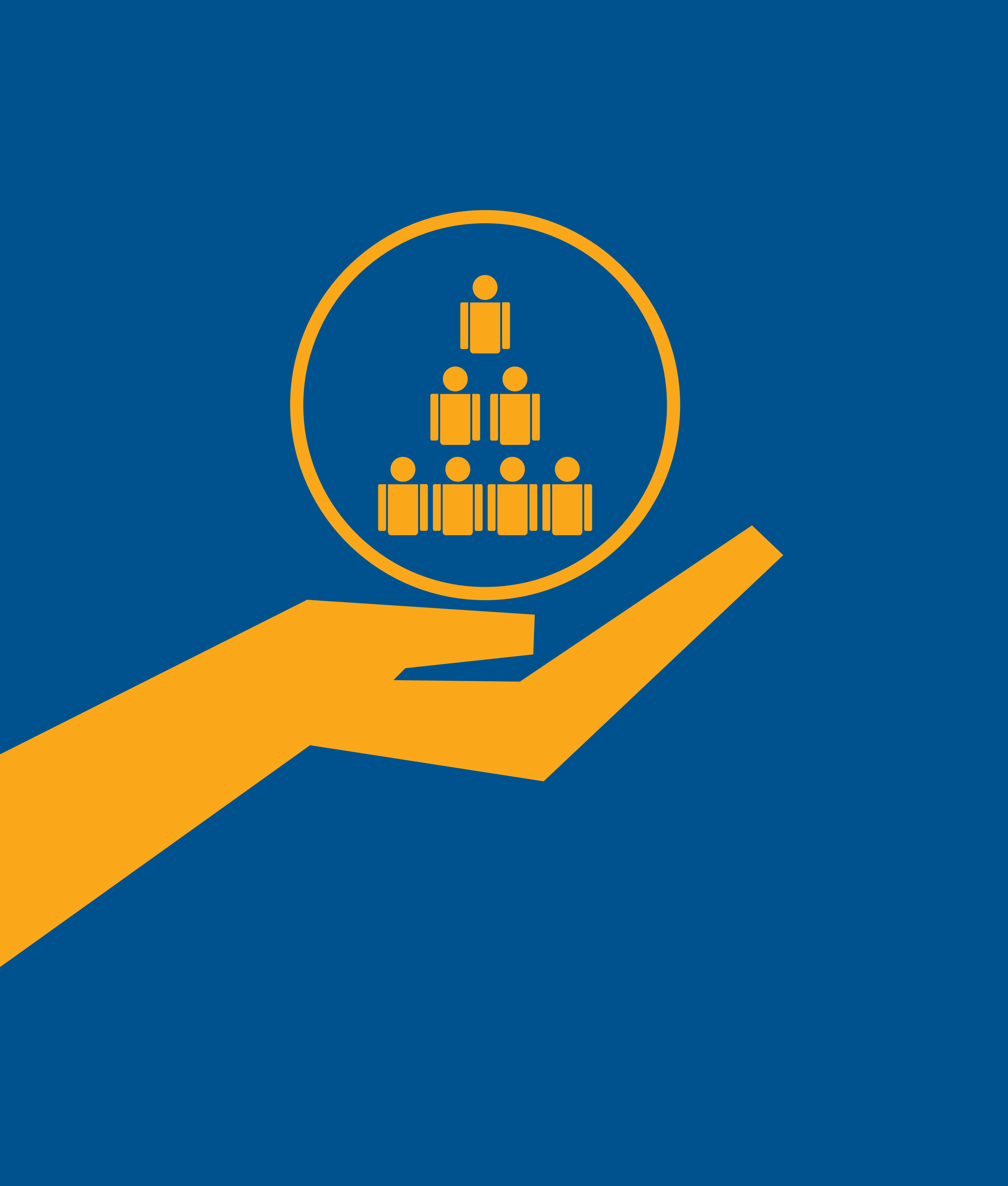
Employee Social Welfare

The Group promotes employee camaraderie via many formal as well as informal channels. Some of the informal channels during the year include staff trips and socials by the different subsidiaries involving employees and their families, inter divisional relay carnivals and debates, Volleyball and soft ball Cricket tournaments, annual Christmas parties, Christmas Carols, and other religious functions and the annual Vesak Lantern Competition.

Grand Finals of the Inter Regional Debate

WE AND THE COMMUNITY ARE ONE.

Growth will only be meaningful if it is sustainable. The heart of our operation is about people, society and the environment. The honesty in which we adopt this thinking is what keeps us motivated to do more.



ENGAGING SOCIETY

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

As mentioned in our last year's review, WATA's Vocational Training Centre at Kenilworth was recognised as the 3rd best CSR project in the country by JASTECA and by the Ceylon Chamber of Commerce, in 2013.

During 2014 we were honored by international recognition for this centre (as elaborated in the boxed story overleaf). Whilst this kudos is heartening and encouraging, our motivation is seeing the impact we have had, and the difference we can continue to make in people's lives, by empowering a marginalized group of individuals. Their progress and happiness, with being able to reduce the burden of their caregivers, has been the highest raison d'être of our commitment to this project. Buoyed by the success of the first centre at Kenilworth, the year under review saw us launch another centre in Lindula on 6 March 2015. The Company identified a total of 86 differently-abled adults and children of whom 27 were from Waltrim estate. WATA assisted by releasing a building worth Rs.5 million and incurred an expenditure of Rs. 325,000 to commence the project.

Our initiatives to improve the communities in and around our estates carried out through the years have proven to have significant impact, with indicators in key areas reflecting continuous improvement. Examples include healthcare indicators (institutional births, maternal deaths, malnutrition rate), environmental indicators (accreditations and certifications) and educational indicators (primary school attendance, training coverage).

Asian CSR Leadership Award

for our Centre for the Differently-Abled

Watawala Plantations PLC was awarded the Asian CSR Leadership Awards 2014 for the continuing project at the Vocational Training Centre of Kenilworth Estate for 'Empowerment of differently-abled'. The company competed under the category 'Promoting Employment for the Physically challenged'. The project is part of our community engagement strategy expressed in the mission of the project "Together we will make a difference."

The Vocational Training Center was established in 1998 with the intention of enabling physically challenged people within the estate community to live in dignity and earn a livelihood whilst easing the social and economic challenges faced by them. Currently there are 12 differently-abled associates engaged in producing environmentally friendly paper bags, tea sample bags, factory container bags, greeting cards and other handmade items, majority of which are sold within the Sunshine Group.

The Award Ceremony was hosted by the Asian Confederation of Businesses at the Taj Palace Hotel in Dubai on the 24th September 2014.

Supporting Better Health

Our Group's Healthcare sector is guided by the philosophy that the ultimate aim of healthcare should be a healthier nation. Being a key player in Sri Lanka's Healthcare market has been an 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 useful feedback on customer needs, as collaboration between customers and suppliers can create strong win-win relationships.

Project	No. of Beneficiaries	Other Organizations Involved
Donation of nutritional supplements	5,500	-
Sponsorship of Cataract operations	250	-
Medical/ Health camps in several parts of the country.	3,500	-
Health and Blood testing camp to identify Anemia and its correlates among associates at Homadola estate	200	Ruhuna University Medical Faculty, Karapitiya
Raising awareness on cancer	22	-
Creating awareness of Tuberculosis	11	-
Cataract awareness programme	60	Berendina foundation
Medical screening of all children at the Carolina Child Development Centre (CDC)	30	Medical Officer
Positive Deviance (PD) Health screen	25	World Vision
Awareness programme on nutrition at Carolina and Lippakelle CDCs	38	Medical Officer
Awareness on Dengue	40	-
Health screens	25	World Vision
De-worming programme	450	PHDT
Alcohol Awareness programmes	94	ADIC
Awareness programme on HIV/AIDS prevention	20	-

SHL donated Nutritional supplements to the Cancer Hospital, Elderly homes, Children's homes, up-country Estates and a number of Base hospitals in different parts of the island including the plantation sector. The products distributed includes nutritional supplements for Diabetes, food supplements for adults, senior citizens and children over one year of age, as well as lactating and pregnant mothers. SHL also donated Mospel Mosquito Repellent to support the Government's Dengue preventive programmes.

This year, too, SHL facilitated operations for 250 Cataract patients from low-income groups who could not otherwise afford cataract surgery thus also enabling them to become economically empowered by being able to engage in livelihoods.

Health and wellbeing for communities who 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 the valuable support from a few nonprofit organisations.

Donation of Medical Equipment to Lindula Hospital

In July 2014, the Group contributed to help the Lindula hospital meet a long felt need with the donation of the following equipment. Lindula Hospital caters to a population of more than a 35,000. The lack of this equipment required patients from this hospital to be referred to either the Nuwara Eliya or the Nawalapitiya Base hospitals which are located nearly 20 kilometers away and separated by a very circuitous road network and hilly terrain. As acknowledged by the Doctor in charge of the hospital, "they have now received all what they need" to treat their patients.

Item	Quantity	Value (Rs.)
Electrocardiograph	1	161,000
Spinal Board	1	19,500
Rigid Cervical Collar (S)	1	1,800
Rigid Cervical Collar (M)	1	1,800
Rigid Cervical Collar (L)	1	1,800
Amboo Bag (Paediatric)	1	6,000
Amboo Bag (Adult)	1	6,000
Total		197,900

SHL conducts Eye camp

Investing in Education

A higher education for one's child is a dream of most parents, but for some, an unrealized dream due to lack of economic means. 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, with some of the initiatives being a continuation of schemes initiated more than 16 years ago.

Type of Educational Initiative	Investment During the Year 2014/15 (Rs.)
Scholarships to undergraduate students in the estate communities (WATA)	108,000
Scholarships to Advanced Level students (WATA)	935,944
Financial assistance to Head Office GMs, Estate Managers, Assistant Managers (WATA)	1,329,875
School Bags given to Associates Children Agrakande Estate (WATA)	12,250
Providing stationary to employees children at beginning of school year at Sunshine Packaging factory (SPL)	59,755
Year end Book allowance to children of Head office minor staff (Rs.5,000) (WATA)	25,000
Total investments by the Group	**2,470,824**

Responding in Times of Need

The Group distributed dry ration packs to drought stricken households in the Anuradhapura district on 31st August 2014 and a total of 545 ration packs containing rice, sugar, dhal, canned fish, and tea were distributed in Thanthirimale.

Sun group with CCC distributing dry rations to drought stricken households in Thanthirimale, Anuradhapura district

WTC Salutes Teachers

WTC launched an initiative based on a novel concept 'Watawala Guru Upahara' to celebrate and foster student/ teacher relations. This initiative commenced three years ago with the aim of fostering the concept of students honouring teachers who have made a lasting impact in their lives. Launched islandwide it comprises an essay competition amongst students on the topic of a teacher who has made difference in his/her life.

The competition has been receiving an increasing number of essays each year. During the year under review, 100 essays were short listed from over 1,000 entries, by a distinguished panel of judges who included top educationists in the country. The winner of the first place was Ms. Niranjala Prasadini Landewela from Minuwangoda Burullapitiya Maha Vidyalaya, for her essay titled 'The Best Lesson I Learnt in Life'. She wrote about how her teacher taught her to clean up her act when she got into some bad company in the 10th grade; a valuable lesson that got her through her O/Levels with excellent results. The 2nd place was a tie between two participants T.M. Samadhi Dulanjani Tennakoon from the Walisingha Harischandra Maha Vidyala for her essay titled 'The Best Teacher in the World' dedicated to her 6^{th} – 11^{th} grade teacher Ms. L.H.L. Sujeewa Nandani; and Supun Dhanushka from Prince of Wales Collage, Moratuwa for his essay titled 'The Life Lesson my Teacher Taught' about his favourite teacher Sarath Ananda who he says remains his mentor even today.

WTC "Guru Upahara"

Teachers not only instruct but also teach life lessons that help youngsters to become well rounded individuals in society. As explained by WTC, "At times where news reports were rife about parental abuse, attacks from teachers and elders, it was refreshing that the really committed are not a dying breed and teachers can and do influence the lives of students".

World Children's Day

Countries across the world celebrate Children's Day and several estates of our plantations subsidiary organized activity days in October.

ENVIRONMENT

Our Natural Capital

Whilst we strive to minimise our environmental footprint we proactively seek ways in which we can contribute to the sustainability of our 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.
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 custodian to 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 responsible management of our estates comes along with the benefits, those 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 whose high dependence 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-à-vis the detrimental effect of greenhouse 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, a commission of a Steam Boiler at a cost of Rs. 30 million last year, and the renewable fuel wood plantations which now contribute to the company's profits and the environment.

Making Our Own Bio Char for Sustainable Soil Management

As part of the continuous efforts of our plantations to improve soil productivity on our estates, the management of Henfold Estate, in collaboration with the Department of Agricultural Engineering, Faculty of Agriculture, University of Peradeniya commenced an experimental trial to manufacture Bio Char. Further scope of the trials are to introduce Bio Char as soil amendment with integrated soil management systems and to evaluate the possibility of producing in-situ Bio Char on fields, under actual field climatic conditions, by using available residue biomass of the estate. It is also intended to maintain cost of production of Bio Char at significantly lower levels than the market price of Bio Char (price of quality Biochar generally varies from Rs. 70 to Rs. 100 a kg).

At the Company's initiative, a simple double stage barrel pyrolyser was designed at the Department of Agricultural Engineering, University of Peradeniya and fabrication was done at the mechanical workshop of the Henfold Estate, Lindula. Pyrolyser consists of two firing barrels and tree feedstock barrels which were made using steel drum barrels. Production of Bio Char is now under way with pruned tea branches as initial feedstock. The pre production trials have been most encouraging as this barrel pyrolyser has demonstrated capability of producing 5-8 kg per batch with feedstock capacity of 15-20 kgs of pruned branches. Expected cost of production is Rs 26 to 30 per kg of Bio Char, which is less than half the cost than if purchased in the market.

Impacts of Climate Change

Climate change, once considered a threat for the distant future is now impacting our earth. 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 pries of fossil fuels and in turn indirectly impact the world market prices of Rubber.

Some of the contingency measures and efforts 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 re planting. Additionally, burial of pruning with the inclusion of compost, cleaning drains, shade establishment, re-supplying Tea and forking are also carried out regularly to mitigate impacts. 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 the long term perspective we have in our business. The importance of the Tea sector to the socio-economic fabric of our country is another factor which encourages our long term view and the Triple Bottom Line focus we have adopted.

World Environment Day Celebration at Head Office

World environment day distribution of Pomegranate trees at Head Office

The Group joined people all across the planet to celebrate and endorse the significance of World Environment Day on 5th June 2014. World Environment Day was marked by the United Nations to create awareness and garner political attention and public action to help sustain the environment and this year was themed "Raise your voice, not the sea level".

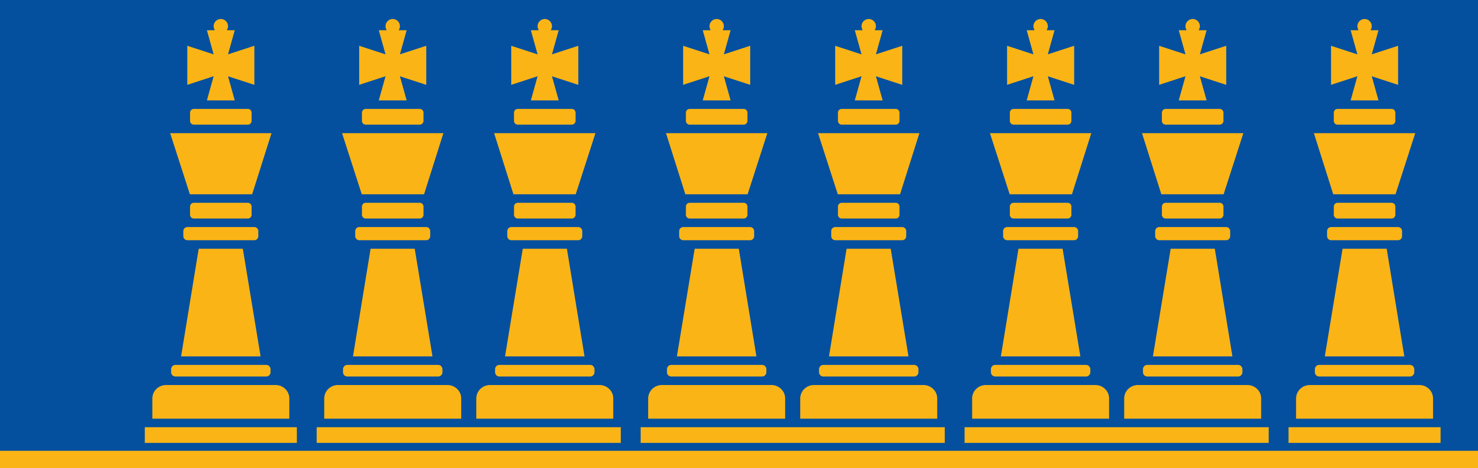
The celebration at Sunshine Holdings this year was spearheaded by the Generation Y team who distributed Pomegranate plants to all the employees at the Group's Head Office at Dharmapala Mawatha. The team also provided planting and tending instructions to ensure that the plants thrive. Pomegranate was selected as the fruit has a lot of health benefits such as the elimination of free radicals and supporting Cardiovascular health and Cancer prevention, amongst many others.

The Group's similar initiative on Environment Day the previous year has been 'fruitful' in both the metaphorical and literal sense as a number of employees spoke about how the trees were beginning to bear fruit.

Employees saw the previous year's Soursop trees beginning to bear fruit

CREATING LEADERS TO POWER GROWTH.

Our leadership believes in creating leaders across the Group, empowering our people to be powerful change agents. Coupled with a firm commitment to good governance and industry best practices, we are well-equipped to drive growth across all our business sectors.



THE BOARD OF DIRECTORS

Standing left to right:
B. A. Hulangamuwa, V. Govindasamy, H. D. Abeywickrama, N. B. Weerasekera,
T. Senthilverl, S. Haddegoda, S. Sathasivam

Seated left to right:
G. Sathasivam, S. A. Munir, U. L. Kadurugamuwa, S. Piyaratna

Absent: A. Hollingsworth

PROFILE OF THE BOARD OF DIRECTORS

S. A. Munir
Chairman

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 Chicago as Director Business Development from 1978 to 1982. He was the Regional Director for Pacific and Far East, based in Chicago, from 1983 to 1988 and then promoted as the Vice President 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.

G. Sathasivam
Director

Mr. G. Sathasivam began his career in the pharmaceutical sector. Over the 48 years of success and innovation, he established Sunshine Healthcare Lanka Limited (SHL) 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 testimony to 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 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 share in both domestic and international markets.
He holds a Bachelor of Science in Electrical Engineering and an MBA from the University of Hartford, USA. He is a Fellow Member of the Institute of Certified Professional Managers of Sri Lanka.

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.
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 USD 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 was 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 Sunshine Healthcare Lanka Limited (SHL) 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.

H. D. Abeywickrama Director	The board approved the appointment of Air Chief Marshal (Retd) Harsha Duminda Abeywickrama to the board of Sunshine Holdings PLC (the Company) with effect from 30th June 2014. Air Chief Marshal (Retd) Harsha Duminda Abeywickrama is a graduate of the Air Command & Staff College at Air University, Maxwell Air Force Base, Alabama, USA and the Royal College of Defense Studies, London UK. He holds a Master of Arts degree in International Studies from King's College, the University of London and a Master of Science degree in Management from the Kotalawala Defense University, Sri Lanka.
T. Senthilverl Director	Dr. Thirugnanasambandar Senthilverl has been appointed to the board of Sunshine Holdings PLC as a non-executive director with effect from 2nd February 2015. Dr. Senthilverl is the Chairman/Managing Director of Dollar Corporation, largest importer of chemicals and perfumery in Sri Lanka. He has over five decades of active engagement in sectors of manufacturing, trading, irrigation, land development health, insurance, finance, power, energy and industrial turn key projects. Currently, Dr. Senthilverl is a director of CT land development PLC, CW Mackie PLC, FLC hydropower PLC, Nawaloka Hospitals PLC, Orient Garments PLC, SMB Leasing PLC, Vidullanka PLC and many other private companies as well.
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.

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 42nd 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 2015. The details set out herein provide the pertinent information required by the Companies Act No.7 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices.

General

Sunshine Holdings PLC was incorporated on 16 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 05 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 25 May 2015. 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 30 to the financial statements.

Financial Statements

The Financial Statements which include the Statement of Profit or Loss and Other 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 31 March 2015 are set out on pages 127 to 209.

Audit Reports

The Report of the Independent Chartered Accountants on the Financial Statements is given on page 126.

Significant Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 134 to 159. 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 2014/15.

Directors

The Board of Directors of the company as at 31 March 2015 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 Mr. S. A. Munir who is over 70 years of age, and who retire 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, Messrs. B. A. Hulangamuwa, H. D. Abeywickrama, T. Senthilverl 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 2015 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 2015 were:

Mr. S.A. Munir – 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. H. D. Abeywickrama (Appointed on 30 June 2014)
Mr. U. L. Kadurugamuwa
Dr. T. Sentilverl (Appointed on 2 February 2015)
Mr. B. A. Hulangamuwa
Mr. R.T. Wijetilleke (Retired on 2 February 2015)

The biographical details of the Directors are given on pages 94 to 96.

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 2015, 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 2015, are given in Note 33.1 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:

	2015	2014
Mr. R. T. Wijetilleke	1,000	1,000
Mr. G. Sathasivam	1,000	1,000
Mr. V. Govindasamy	443,330	193,330
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	56,955	8,720
Mr. H. D. Abeywickrama	–	–
Dr. T. Senthilverl	31,684,390	–

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

Revenue

Revenue generated by the company amounted to Rs. 314 million (2013/14 - Rs. 233 million), whilst group revenue amounted to Rs. 16.3 billion (2013/14 - Rs. 14.7 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. 350 million (2013/14 - Rs. 1,211 million) whilst the group profit attributable to owners of the parent for the year was Rs. 542 million (2013/14 - Rs 688 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 changes in equity are stated in the in the Statement of Profit or Loss and Other Comprehensive Income and in the Statement of Changes in Equity on pages 127 and 130 respectively.

Detailed description of the results and appropriations are given below.

	Group		Company	
	2015 (Rs.)	2014 (Rs.)	2015 (Rs.)	2014 (Rs.)
Revenue	16,326,528,096	14,696,587,869	313,557,464	232,691,759
Profit & Appropriations				
Profit Before Interest & income tax	1,413,268,709	1,595,297,083	221,878,292	1,018,312,994
Less: Net finance cost	(105,382,189)	(145,396,692)	72,862,462	91,567,845
Profit Before income tax	1,309,333,699	1,450,026,167	294,740,754	1,109,880,839
Less: Income tax	(335,820,583)	(324,141,236)	(2,023,953)	(6,218,055)
Profit for the year	**973,513,116**	**1,125,884,931**	**292,716,801**	**1,103,662,784**
Other comprehensive income (net of tax)	73,387,932	42,414,470	57,076,838	107,525,886
Total comprehensive income	**1,046,901,048**	**1,168,299,401**	**349,793,639**	**1,211,188,670**
Less: Profit for non-controlling Shareholders	504,597,193	480,650,877	-	-
Profit for Owners of the Parent	**542,303,855**	**687,648,524**	**349,793,639**	**1,211,188,670**
Less: Appropriations				
Dividend Paid	-	127,135,210	-	127,135,210
Proposed Dividend	128,383,937	-	128,383,937	-
Balance carried forward for 2016	**413,919,918**	**560,513,314**	**221,409,702**	**1,084,053,460**

Dividend

The Directors recommend that a final dividend of Rs.128,383,937 equivalent to Rs. 0.95 per ordinary share (2013/14 Rs. 127,135,210 equivalent to Rs. 0.95 per ordinary share) be paid on 10 July 2015 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. 3.6 billion and Rs. 3 million (2013/14 - Rs. 3.5 billion and Rs. 3 million) for the Group and Company respectively. Capital Expenditure for the company and group amounted to Rs. 1 million (2013/14 – Rs. 3 million) and Rs. 895 million (2013/14 - Rs. 826 million), respectively. Details of property, plant and equipment and their movements are given in Note 11 to 14 the financial statements.

Investments

Investments of the company in subsidiaries, and other External Equity Investments amounted to Rs. 961 million (2013/14 - Rs. 961 million) and Rs. 673 million (2013/14 - Rs. 506 million), respectively. Detailed description of the long term investments held as at the financial position date, are given in Note 15 - 18 to the financial statements.

Shareholders' Funds

Total shareholders' fund as at 31 March 2015 for the company and group amounted to Rs. 2.8 billion (2013/14 - Rs. 2.5 billion) and Rs. 5.3 billion (2013/14 - Rs. 4.9 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 24 to the Consolidated Financial Statements. The Issued share capital as at 31 March 2015 was Rs. 730,939,657 divided into 135,140,986 shares. (2013/14 Rs.690,993,533 divided into 133,826,537 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.07 of 2007.

Share Information

Information relating to the composition and distribution of shareholders of the Company as at 31 March 2015 is given on page 210 of this Report. The percentage of shares held by the public was 5.99% (2013/14 – 18.89%).

Substantial Share Holdings

At 31 March 2015, the number of registered Shareholders of the company included 1,588 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 211.

Events after Reporting Date

No material events have taken place subsequent to the date of reporting which require an adjustment to or disclosure in the financial statements other than those described in Note 36 to the Accounts.

Related Party Transactions

Related party transactions in respect of the Group and the Company, for the financial year ended 31 March 2015 are given in Note 33 of the Financial Statements, on page 203 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 21 to 89.

Contingent Liabilities and Capital Commitment

The Commitments made on account of capital expenditure and the Contingent Liabilities as at 31st March 2015 are given in Note 34 and 35 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 212.

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

Directors' share ownership details appear on page 98 under the Share Information.

Board Committees

The composition of the Board and other Committees as at 31 March 2015, are given below:

Audit Committee

Mr. S. Piyaratna
Mr. N. B. Weerasekera
Mr. H. D. Abeywickrama
Mr. B. A. Hulangamuwa

Remuneration Committee

Mr. S. A. Munir
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 reporting date have been paid or, where relevant provided for, except as specified in Note 9 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 8 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 123 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 assurances 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 25 May 2015. 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 09 June 2015.

Annual General Meeting

The annual general meeting will be held at the 'Committee Room B', Bandaranaike Memorial Conference Hall, Bauddhaloka Mawatha, Colombo 07, on Tuesday, 30th June 2015 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.

Munir Shaikh
Chairman

V. Govindasamy
Group Managing Director

Secretaries and Financial Services (Pvt) Ltd.
Secretaries
25 May 2015
Colombo

REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination And Remuneration Committee appointed by the Board of Directors comprises three Non-Executive Directors namely Messrs. S.A. Munir, Mr. N. B. Weerasekera and G. Sathasivam. Other Directors attend Committee Meetings by invitation. The Secretaries of the company act as Secretaries for the Nomination and Remuneration Committee. The minutes of the Nomination 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 Nomination 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 caliber individuals with the skills and abilities required to lead the organization.

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

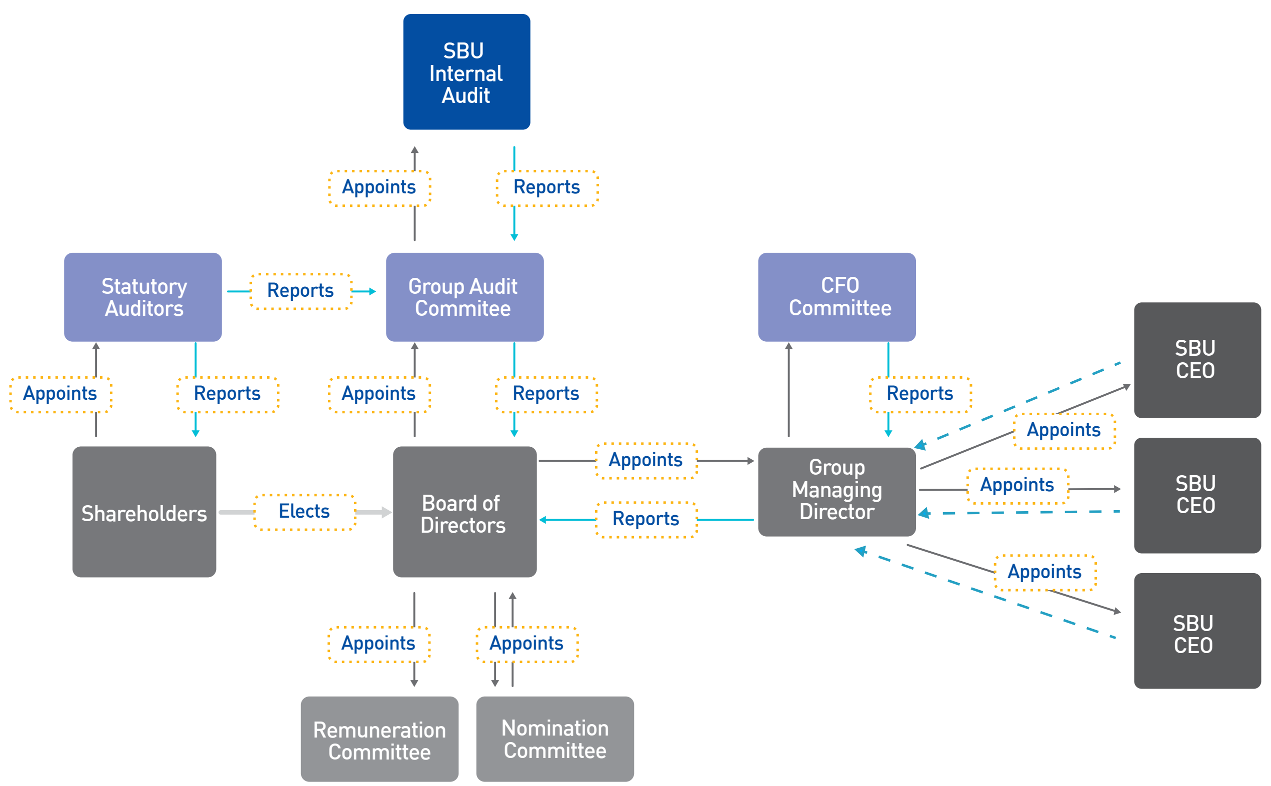
Munir Shaikh
Chairman
25 May 2015

CORPORATE GOVERNANCE

Sunshine Holdings PLC is the holding company of four subsidiaries namely Sunshine Healthcare Lanka Limited, Estate Management Services (Pvt) Limited, Sunshine Packaging Lanka Limited and Sunshine Energy Limited. The Businesses of the Group companies are given on pages 43 to 68 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.



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.

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 it's goals.

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 117 of this report. Further, the Audit Committee report is also given in Page 123.

Code of 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. Final dividends and 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.

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 five (5) meetings were held in the financial year ended 31 March 2015. The attendances of Directors at these Meetings were as follows;

	Attendance	
Name of Director	No.	%
Mr. S. A. Munir	04/05	80%
Mr. G. Sathasivam	05/05	100%
Mr. V. Govindasamy	05/05	100%
Mr. S. Piyaratna	04/05	80%
Mr. S. G. Sathasivam	05/05	100%
Mr. A. Hollingsworth	03/05	60%
Mr. N. B. Weerasekera	05/05	100%
Mr. U. L. Kadurugamuwa	04/05	80%
Mr. B. A. Hulangamuwa	05/05	100%
Mr. H. Abeywickrama*	04/04	100%
Dr. T. Senthilverl◊	01/01	100%

* Mr. H. Abeywickrama appointed on 30th June 2014
◊Dr. T. Senthilverl appointed on 02nd February 2015

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 eleven (11) members. Eight (8) members are Non-Executive Directors (including the chairman) and three (3) are Executive Directors. Five (5) Non-Executive Directors are independent as defined under the Listing Rules of the Colombo Stock Exchange.

The Non-Executive Independent Directors are;

Mr. S. A. Munir
Mr. S. Piyaratna
Mr. U. L. Kadurugamuwa
Mr. N. B. Weerasekera
Mr. H. Abeywickrama

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 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 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. 33.1 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. The report on the Audit Committee is presented on page 123 and the duties of the Audit Committee are included therein.

Nomination & Remuneration Committee

The committee recommends to the Board, 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	Nomination & 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	●	
A. Hollingsworth	28/02/2006		
T. Senthilverl	02/02/2015		
Independent Non-Executive			
S. A. Munir	16/07/2010	●	
N. B. Weerasekara	21/11/2008	●	●
U. L. Kadurugamuwa	18/12/2010		
S. Piyaratna	28/08/2006		●
H. Abeywickrama	30/06/2014		●

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.

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	94
	A 1.1	Regular Board meetings	Complied	Composition & attendance	106
	A 1.2	Responsibilities	Complied	Board Responsibility	106
	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	97
	A 1.4	Access to Company Secretary	Complied	Communication with stakeholders	106
	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.	107
Chairman and GMD	A 2	Chairman and GMD's division of responsibilities to ensure a balance of 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.	107
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.	107
	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 of power between executive & non-executive directors and control of group's affairs and communicate to stakeholders.	107

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	94
Board Balance	A 5.1	Non-Executive Directors	Complied	Eight out of Eleven are Non-Executive Directors	110
	A 5.2	Independent Non-Executive Directors	Complied	Five out of Eight Non-Executive Directors are independent	110
	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.	107
	A 5.4	Annual Declaration	Complied	Submitted the declarations as prescribed	103
	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.	107
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	107
	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.	107
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	109
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied	Nomination committee makes recommendations to the Board on new Board appointments	109
	A 7.2	Assessment of the capability of the Board to meet strategic demands of the company	Complied	Profile of the Board	94
	A 7.3	Disclosure of New Board member profile and interests	Complied	Profile of the Board	94
Re election	A 8 – 8.2	Board members should be subject to election, and re-election by shareholders	Complied	Re-election of Directors	107

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	109
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	94
Appraisal of GMD	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 financial & non-financial targets set with the discussion of the committee.	109
Directors' Remuneration	B 1	Establishment of the Remuneration Committee			109
	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	110
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Discussed under sub committees	108
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.	223
	C 1.2	Separate resolution to be proposed for each item	Complied	SUN propose a separate resolution at the AGM on each significant issue.	223
	C 1.3	Heads of Board subcommittees to be available to answer queries	Complied	Sub-committee Chairmans are present at the AGM	221
	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.	221
	C 1.5	Summary of procedures governing voting at General Meetings to be informed	Complied	Circulated through Notice of the Annual General Meeting	221
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.	97

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	97
	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	97
	D 1.3	Statement of Directors' responsibility	Complied	Directors' Responsibility report	122
	D 1.4	Management Review & Preview	Complied	Segment Analysis	43
Internal Control	D 2.1	Annual review of effectiveness of the system of internal control.	Complied	Inernal Auditors carry out an independant review, and report directly to the Audit Committee.	123
Audit Committee	D 3.1	Audit Committee composition	Complied	Composition of Audit Committee	110
	D 3.2	Terms of reference, duties and responsibilities	Complied	Clearly documented to Audit Committee charter	109
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.	108

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		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	Eight out of eleven Directors are Non-Executive Directors	110
Independent Directors	7.10.2 (a)	Two or one-third of Non- Executive Directors, whichever is higher should be independent	Complied	Five out eight Non-Executive Directors are independent	110
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	110
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Please refer page 107	107
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 107 under the heading of Board balance	107
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	Profile of Directors	94
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	94
Remuneration Committee	7.10.5	A listed company shall have a Remuneration Committee	Complied	Remuneration Committee comprises of Mr. S. A. Munir Mr. N. B. Weerasekera and Mr. G. Sathasivam	110
Composition of Remuneration Committee	7.10.5 (a)	Shall comprise Non-Executive directors a majority of whom will be independent	Complied	Two out of three are independent	110

Subject	Rule No.	Applicable Requirement		Details	Page No
Remuneration Committee Functions	7.10.5 (b)	Shall recommend the remuneration of the GMD and the Executive Directors	Complied	As above	109
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 110	110
		Statement of Remuneration Policy.	Complied	Please refer page 104	104
		Aggregated remuneration paid to Executive and Non-Executive Directors.	Complied	Note No 33.1 of Financial Statement	208
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Please refer Report of the Audit Committee on page 123	123
Composition of Audit Committee	7.10.6 (a)	Shall comprise of Non-Executive Directors, majority of whom will be independent	Complied	Three out of four Directors are Independent Non-Executive Directors	110
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an independent Non-Executive Director	110
		GMD and Chief Financial Officer should attend Audit Committee Meetings	Complied	GMD and Chief Financial Officer attend meetings by invitation	125
		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 Qualified Accountants	109
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	109
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 110	110
		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 123	123
		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 123	123

RISK ASSESSMENT AND MANAGEMENT

Risk Category	Risk	Corporate Impact	Risk Rating		Mitigating Actions
			Probability	Impact on profitability	
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 crops. The fast growing FMCG sector will also represent a bigger portion of the group as it expands. The group is also looking into opportunities outside its core businesses.
	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.
	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 to avoid cost over-runs
	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
	Health & safety of employees	Occupational hazards at factory	Low	Moderate	Priority is placed on training employees on acceptable procedure to act in case of an emergency, such as a fire. Additionally, implementation of Workmen Compensation and an adequate general insurance scheme and company welfare fund
	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.

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
	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 spells
	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. The Palm Oil mill, part of the Agri business also generates majority of its energy requirement by running an in-house generator fueled by waste
	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 triggers prompt attention
	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 of predators, chemical treatment and fumigation

Financial	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. dollars wherever profitable and obtains block loans on low interest rates such as loans refinanced by ADB and JBIC
	Liquidity	Higher than required net working capital would lead to unnecessary financing cost	Moderate	Moderate	The company measures liquidity risk by closely monitoring its net operating cash flow, inventory levels, debtor balances and credit extended by suppliers. Bank facilities are secured at competitive rates based on forecasted working capital funding requirements
	Foreign currency risk	Loss of income due to exchange rate fluctuations	Low	Moderate	Treasury management at each SBU level by making necessary bookings on spot rates as well as forward bookings. The group is looking for opportunities to increase its foreign currency revenue stream to offset the cost of imported drugs.
	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.

WE ARE POISED FOR GREATER THINGS.

Decades of experience have taught us the value of resilience through tough times. As a Group, we have done that each time external forces hindered our progress. Today, we are uniquely positioned to take our business to new frontiers.

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 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 2015 presented in the report have been prepared in accordance with the Sri Lanka Accounting Standards and the Companies Act No. 07 of 2007. In preparing the Financial Statements, the Directors have selected appropriate accounting policies and have applied them consistently. Reasonable and prudent judgments and estimates have been made and applicable accounting standards have been followed and the Financial Statements have been prepared on a going concern basis.

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

The Directors are required to provide the Auditors with every opportunity to take whatever steps and undertake whatever inspection they consider appropriate for the purpose of enabling them to give their Audit Report. The Directors are of the view that they have discharged their responsibilities in this regard.

Compliance Report

The Directors confirm that, to the best of their knowledge, all taxes and levies payable by the company and all contributions, levies and taxes payable on behalf of the employees of the company, and all other known statutory obligations as at the reporting 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
25th May 2015.

REPORT OF THE AUDIT COMMITTEE

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 Chartered 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 General Manager Finance of Watawala Plantations PLC, Head of Finance of Sunshine Healthcare Lanka Ltd. and Senior Accountant of Sunshine Packaging Lanka Limited 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 four (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, 2015. 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.

REPORT OF THE AUDIT COMMITTEE (CONTD.)

- 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.

- 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
25 May 2015

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 126 of the Annual Report. The Audit Committee of the company meets periodically with the internal audit team and the external auditors to review their audit plans, assess the manner in which these auditors are performing their responsibilities and to discuss their reports on, internal controls and financial reporting issues. To ensure complete independence, the external auditors and the internal auditor have full and free access to the members of the Audit Committee to discuss any matters of substance.

The Audit Committee pre-approves the audit and non-audit services provided by our external auditors KPMG in order to ensure that the provision of such services does not impair the External Auditor's independence. We confirm that the Company have complied with all applicable laws and regulations and guidelines and that there are no material litigations that are pending against the Company other than those disclosed in the Financial Statements in the Annual Report.

V. Govindasamy
Group Managing Director

WDPL Vithanage
Group Chief Financial Officer
25 May 2015

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 statement of financial position as at 31 March 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information set out in pages 127 to 209

Board's Responsibility for the Financial Statements

The Board of Directors ("Board") is responsible for the preparation of these financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as Board determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the -financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Board, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

As required by section 163 (2) of the Companies Act No. 07 of 2007, we state the following:

a) The basis of opinion and scope and limitations of the audit are as stated above.

b) In our opinion:

we have obtained all the information and explanations that were required for the audit and, as far as appears from our examination, proper accounting records have been kept by the Company,

The financial statements of the Company give a true and fair view of its financial position as at 31 March 2015, and of its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards,

The financial statements of the Company, and the Group comply with the requirements of sections 151 and 153 of the Companies Act No. 07 of 2007.

KPMG

CHARTERED ACCOUNTANTS
Colombo, Sri Lanka
25 May 2015

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
Revenue	5	16,326,528,096	14,696,587,869	313,557,464	232,691,759
Cost of sales		(12,715,859,246)	(11,185,590,240)	(45,038,540)	-
Gross profit		**3,610,668,850**	**3,510,997,629**	**268,518,924**	**232,691,759**
Other income	6	175,168,232	121,686,462	17,780,484	858,962,316
Selling and distribution expenses		(779,878,532)	(730,997,997)	-	-
Administrative expenses		(1,531,164,316)	(1,306,389,011)	(64,421,116)	(73,341,081)
Write off of goodwill		(61,525,525)	-	-	-
Results from operating activities		**1,413,268,709**	**1,595,297,083**	**221,878,292**	**1,018,312,994**
Finance income		110,209,360	155,106,084	75,610,356	99,416,044
Finance costs		(215,591,549)	(300,502,776)	(2,747,894)	(7,848,199)
Net finance income/ (costs)	7	**(105,382,189)**	**(145,396,692)**	**72,862,462**	**91,567,845**
Share of profit of equity accounted investees (net of income tax)		1,447,179	125,776	-	-
Profit before income tax expenses	8	**1,309,333,699**	**1,450,026,167**	**294,740,754**	**1,109,880,839**
Income tax expenses	9	(335,820,583)	(324,141,236)	(2,023,953)	(6,218,055)
Profit for the year		**973,513,116**	**1,125,884,931**	**292,716,801**	**1,103,662,784**
Other comprehensive income					
Fair value change in available for sale financial assets		56,656,536	107,525,886	56,656,536	107,525,886
Exchange gain/(loss)		2,774	1,000	-	-
Actuarial gain/(loss)		18,716,931	(92,430,228)	420,302	-
Income tax on other comprehensive income	9	(1,988,309)	27,317,812	-	-
Other comprehensive income for the year net of tax		**73,387,932**	**42,414,470**	**57,076,838**	**107,525,886**
Total comprehensive income for the year		**1,046,901,048**	**1,168,299,401**	**349,793,639**	**1,211,188,670**
Profit attributable to:					
Equity holders of the company		484,043,380	598,594,806	292,716,801	1,103,662,784
Non-controlling interest		489,469,736	527,290,125	-	-
Other comprehensive income attributable to:					
Equity holders of the company		58,260,475	89,053,718	57,076,838	107,525,886
Non-controlling interest		15,127,457	(46,639,248)	-	-
Total comprehensive income for the year		**1,046,901,048**	**1,168,299,401**	**349,793,639**	**1,211,188,670**
Earnings per share	10	**3.62**	**4.47**	**2.19**	**8.25**

The Accounting Policies and Notes set out in the pages 134 to 209 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

As at 31st March	Note	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
Assets					
Property, plant and equipment	11	3,618,271,031	3,459,686,826	3,031,897	2,860,593
Leasehold right to bare land	12	212,543,000	219,578,000	-	-
Biological assets	13	3,350,253,000	3,139,569,000	-	-
Intangible assets	14	110,539,090	153,569,864	-	-
Investment in subsidiaries	15	-	-	961,371,884	961,371,884
Investment in associate	16	4,292,875	2,845,696	2,719,920	2,719,920
Other investments	17	673,142,764	506,094,835	673,142,764	506,094,835
Investment in gratuity fund	18	220,262,000	200,000,000	-	-
Deferred tax asset	19	92,863,490	91,018,038	-	-
Non-current assets		**8,282,167,250**	**7,772,362,259**	**1,640,266,465**	**1,473,047,232**
Inventories	20	2,634,650,201	2,442,739,715	-	-
Income tax recoverable		12,128,379	8,332,155	3,158,748	3,158,748
Trade and other receivables	21	2,038,353,177	1,763,610,571	56,658,101	34,985,444
Amounts due from related parties	22	82,682,619	75,033,443	145,821,407	79,325,203
Cash and cash equivalents	23	1,562,658,066	1,437,545,412	955,293,407	940,945,873
Current assets		**6,330,472,442**	**5,727,261,296**	**1,160,931,663**	**1,058,415,268**
Total assets		**14,612,639,692**	**13,499,623,555**	**2,801,198,128**	**2,531,462,500**
Equity					
Stated capital	24	730,939,657	690,993,533	730,939,657	690,993,533
Reserves		1,257,725	1,257,725	1,257,725	1,257,725
Retained earnings		4,571,180,685	4,156,247,822	2,041,726,240	1,819,067,811
Equity attributable to owners of the company		**5,303,378,067**	**4,848,499,080**	**2,773,923,622**	**2,511,319,069**
Non controlling interests		3,643,544,084	3,422,806,466	-	-
Total equity		**8,946,922,151**	**8,271,305,546**	**2,773,923,622**	**2,511,319,069**

As at 31st March	Note	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
Liabilities					
Loans and borrowings	25	1,038,260,161	1,285,115,794	-	-
Employee benefits	26	1,143,212,840	1,061,711,077	9,980,594	8,800,364
Deferred income and capital grants	27	213,610,000	223,803,000	-	-
Deferred taxation	19	212,434,580	146,364,294	-	-
Non current liabilities		**2,607,517,581**	**2,716,994,165**	**9,980,594**	**8,800,364**
Bank overdrafts	23	563,992,230	291,144,604	4,044,129	-
Current tax liabilities		95,903,944	132,525,429	2,079,325	6,218,056
Loans and borrowings	25	404,569,474	513,603,836	-	-
Trade and other payables	28	1,992,789,177	1,573,882,987	10,251,078	4,972,246
Amounts due to related parties	29	945,135	166,988	919,380	152,765
Current liabilities		**3,058,199,960**	**2,511,323,844**	**17,293,912**	**11,343,067**
Total liabilities		**5,665,717,541**	**5,228,318,009**	**27,274,506**	**20,143,431**
Total equity and liabilities		**14,612,639,692**	**13,499,623,555**	**2,801,198,128**	**2,531,462,500**

The Accounting Policies and Notes set out in the pages 134 to 209 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.
Figures in brackets indicate deductions.

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
25 May 2015

Group Managing Director

STATEMENT OF CHANGES IN EQUITY

For the year ended 31st March 2015

GROUP	Stated Capital Rs.	Capital Accretion Reserve Rs.	General Reserve Rs.	Retained Profit Rs.	Total Rs.	Non Controlling Interest Rs.	Total Equity Rs.
Balance as at 01st April 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 for the Year	-	-	-	89,053,718	89,053,718	(46,639,248)	42,414,470
Transactions with Owners of the Company							
Dividend Paid to owners 2012 -13	-	-	-	(66,913,269)	(66,913,269)	-	(66,913,269)
Issue of Shares	10,993,584	-	-	-	10,993,584	-	10,993,584
Dividends paid to NCI Shareholders	-	-	-	-	-	(65,731,738)	(65,731,738)
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 Services (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)
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**
Profit for the year	**-**	**-**	**-**	**484,043,380**	**484,043,380**	**489,469,736**	**973,513,116**
Other Comprehensive Income	**-**	**-**	**-**	**58,260,475**	**58,260,475**	**15,127,457**	**73,387,932**
Effect on Percentage change in holding of Sunshine Power (Private) Limited	**-**	**-**	**-**	**(235,782)**	**(235,782)**	**235,782**	**-**
Transactions with Owners of the Company							
Dividend Paid 2013 - 14	**-**	**-**	**-**	**(127,135,210)**	**(127,135,210)**	**(284,095,357)**	**(411,230,567)**
Issue of Shares	**39,946,124**	**-**	**-**	**-**	**39,946,124**	**-**	**39,946,124**
Balance as at 31st March 2015	**730,939,657**	**399,837**	**857,888**	**4,571,180,685**	**5,303,378,067**	**3,643,544,084**	**8,946,922,151**

For the year ended 31st March 2015 COMPANY	Stated Capital Rs.	Capital Accretion Reserve Rs.	General Reserve Rs.	Retained Profit Rs.	Total Rs.
Balance as at 01st April 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
Transactions with Owners of the Company					
Dividend Paid to owners 2012 - 13	-	-	-	(66,913,269)	(66,913,269)
Issue of Shares	10,993,584	-	-	-	10,993,584
Balance as at 31st March 2014	**690,993,533**	**399,837**	**857,888**	**1,819,067,811**	**2,511,319,069**
Total Comprehensive Income for the Year					
Profit for the Year	**-**	**-**	**-**	**292,716,801**	**292,716,801**
Total Other Comprehensive income for the Year	-	-	-	**57,076,838**	**57,076,838**
Transactions with Owners of the Company					
Dividend Paid to owners 2013 - 14	**-**	**-**	**-**	**(127,135,210)**	**(127,135,210)**
Issue of Shares	**39,946,124**	**-**	**-**	-	**39,946,124**
Balance as at 31st March 2015	**730,939,657**	**399,837**	**857,888**	**2,041,726,240**	**2,773,923,622**

The Accounting Policies and Notes set out in the pages 134 to 209 form an integral part of these Financial Statements.
Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

For the year ended 31st March	GROUP		COMPANY	
	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Cash flows from operating activities				
Profit before income tax expense	1,309,333,699	1,450,026,167	294,740,754	1,109,880,839
Adjustments for;				
Interest Income	(110,209,360)	(155,106,084)	(75,610,356)	(99,416,044)
Share of profit of equity accounted investees	(1,447,179)	(125,776)	-	-
Profit on disposal of property, plant and equipment	(25,302,064)	(13,692,263)	-	-
(Gain)/ loss on fair value of biological assets	(1,723,000)	(26,970,000)	-	-
Interest expense	212,487,687	300,502,776	2,747,894	7,848,199
Depreciation & amortisation	470,625,406	423,728,924	991,512	554,283
Profit on disposal of investments	-	(4,419,170)	-	(858,958,972)
Provision / (Reversal) for bad and doubtful debts	17,053,069	(451,620)	-	-
Goodwill write off	61,525,525	-	-	-
Amortisation of deferred Income and capital grants	(10,193,000)	(10,782,000)	-	-
Amortisation of leasehold right to bare land	7,035,000	7,035,000	-	-
Timber fair valuation charged against timber proceeds	36,947,000	2,865,000	-	-
Provision for gratuity	201,940,265	185,141,207	2,325,532	2,686,351
Fair value (gain)/ loss on other investments	(17,776,595)	-	(17,776,595)	-
Exchange (gain)/ loss	3,103,862	1,189	-	-
	2,153,400,315	**2,157,753,350**	**207,418,741**	**162,594,656**
Changes in;				
Inventories	(191,910,486)	(321,161,885)	-	-
Trade and other receivables	(291,795,675)	11,687,635	(21,672,678)	39,693,452
Amounts due from related parties	(7,649,175)	(55,144,510)	(66,496,204)	(40,471,891)
Trade and other payables	418,906,190	(22,387,937)	5,278,833	2,208,399
Amounts due to related parties	778,147	(158,638)	766,615	(5,385,991)
Cash generated from Operations	**2,081,729,316**	**1,770,588,015**	**125,295,307**	**158,638,625**
Interest paid	(213,684,461)	(286,196,590)	(2,747,893)	(7,848,199)
Income tax paid	(314,001,765)	(263,315,674)	(6,162,663)	-
Gratuity paid	(101,721,571)	(104,625,110)	(725,000)	(171,150)
Cash generated from operating activities	**1,452,321,519**	**1,116,450,641**	**115,659,750**	**150,619,276**

For the year ended 31st March		GROUP		COMPANY	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
Cash flows from investing activities	Note				
Interest received		110,209,360	155,106,084	75,610,356	99,416,044
Investment in other investments		(92,614,798)	(100,663,101)	(92,614,799)	(100,663,101)
Investments in subsidiary		-	(733,111,028)	-	(159,784,006)
Investment gratuity fund		(20,262,000)	(72,733,000)	-	-
Field development expenditure		(357,798,000)	(331,321,000)	-	-
Acquisition of property, plant & equipment		(507,837,785)	(475,731,282)	(1,162,816)	(2,661,683)
Acquisition of intangible assets		(29,573,288)	(18,478,604)	-	-
Proceeds from disposal of investment in subsidiaries		-	915,349,942	-	915,349,942
Proceeds from disposal of property, plant & equipment		31,859,776	19,067,493	-	-
Net cash (used in) / from investing activities		**(866,016,735)**	**(642,514,496)**	**(18,167,259)**	**751,657,196**
Cash flows from financing activities					
Proceed from issue of shares		39,946,124	10,993,584	39,946,124	10,993,584
Proceeds from issue of shares to non controlling shareholders		-	322,219,012	-	-
Receipts of loans and borrowings		654,016,507	1,009,529,856	-	-
Repayments of loans and borrowings		(990,699,022)	(588,069,170)	-	-
Lease rentals paid		(26,072,798)	(44,918,651)	-	-
Dividend paid		(127,135,210)	(66,913,269)	(127,135,210)	(66,913,269)
Dividend paid to non controlling shareholders		(284,095,357)	(65,731,738)	-	-
Net cash from / (used in) financing activities		**(734,039,756)**	**577,109,624**	**(87,189,086)**	**(55,919,685)**
Net increase/(decrease) in cash and cash equivalents		**(147,734,972)**	**1,051,045,769**	**10,303,406**	**846,356,787**
Cash and cash equivalents at the beginning of the year	23	**1,146,400,808**	**95,355,039**	**940,945,872**	**94,589,085**
Cash and cash equivalents at the end of the year	23	**998,665,836**	**1,146,400,808**	**951,249,278**	**940,945,872**

The Accounting Policies and Notes set out in the pages 134 to 209 form 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 public limited liability company incorporated and domiciled in Sri Lanka. The ordinary shares of the Company are listed on the Colombo Stock Exchange of Sri Lanka. The 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 2015 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 of the Group and the separate Financial Statements of the Company have been prepared and presented 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 Board of Directors is responsible for the preparation and presentation of the Financial Statements of the Company and its Subsidiaries as per provisions of Companies Act No. 07 of 2007 and the Sri Lanka Accounting Standards (SLFRS's/LKAS's). The Board of Directors acknowledges this responsibility as set out in the 'Statement of Directors' Responsibility for Financial Statements', 'Annual Report of the Board of Directors' and in the statement appearing with the Statement of Financial Position of this Annual Report.

The financial statements were authorized for issue by the directors on 25 May 2015.

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 amortized 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 Critical Accounting Estimates and Judgments

The preparation of financial statements in conformity with SLFRS'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 based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results which form the basis of making the judgments about the carrying amount of assets and liabilities that are not readily apparent from other sources.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimates uncertainties that have a significant risk of resulting in a material adjustment in the financial statements are included in the table below:

Critical accounting estimate/judgment Disclosure reference

	Note	Page
Income tax expenses	9	162
Property, plant and equipment	11	164
Biological assets	13	167
Intangible assets	14	170
Deferred tax assets / liabilities	19	175
Employee benefits	27	189

2.5 Measurement Of Fair Value

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

The Company has an established control framework with respect to the measurement of fair values.

This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values, and reports directly to the Management.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments.

If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of LKAS's/SLFRS's including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group's Audit Committee.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

  If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

  The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

  Further information about the assumptions made in measuring fair values is included in the following notes: Note 13 – biological assets;

2.6 Materiality and Aggregation

Each material class of similar items is presented separately in the financial statements. Items of a dissimilar nature or function are presented separately unless they are immaterial.

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Group entities to all periods presented in these Consolidated Financial Statements have been applied consistently by the Company and its Subsidiaries, unless otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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.

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

3.1.2 Subsidiaries

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

3.1.3 Non-Controlling Interest

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

The non-controlling interests are presented in the Consolidated Statement of Financial Position within equity, separately from the equity attributable to the ordinary shareholders of the Company. Non-controlling interests in the profit or loss of the Group are disclosed separately in the Consolidated Statement of Comprehensive Income.

3.1.4 Equity Accounted Investees

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

Investments in Associates are accounted for using the Equity Method and are recognized initially at cost. The cost of the investment includes transaction costs. The Consolidated Financial Statements include the Group's share of the profit or loss and Other Comprehensive Income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

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

3.1.5 Transactions eliminated on Consolidation

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

3.2 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 presented 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 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 foreign operations that have functional currency different from the presentation currency (Rs.) of the Consolidated Financial Statements are translated in to Rupees as follows;

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

- 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, bank balances and those which are expected to be realized in cash during the normal operating cycle of the Company's business or within one year from the Balance Sheet date, whichever is shorter. Assets other than current assets are those, which the Company intends to hold beyond a period of one year from the 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 & 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 Profit or Loss and Other 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 assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

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

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

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

Operating lease payments are recognised as an operating expense in the Statement of Profit or Loss 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 de recognised on disposal; or when no future economic benefits are expected from its use. Gains and losses on de-recognition are recognized in Statement of Profit or Loss and gains are not classified as revenue.

3.3.1.7 Depreciation

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

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

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

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 Profit or Loss. 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 Profit or Loss in the year in which they are incurred.

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

	Freehold	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 Profit or Loss for the period in which they arise. All costs incurred in maintaining the assets are included in Statement of Profit or Loss in the year in which they are incurred.

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 cost 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 Profit or Loss in the year in which the expenditure is incurred.

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

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 Profit or Loss in the expense category consistent with the function of the intangible assets.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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 recorded in cost of sales. 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 amortized 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 Project Development Cost

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

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 Profit or Loss as incurred.

3.3.2.7 Amortization

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

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 Statement of Financial Position 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 and nurseries are stated at the lower of cost and net realizable 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 consumable 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 Profit or Loss 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 Profit or Loss. Subsequent recoveries of amounts previously written off, are credited against other operating expenses in the Statement of Profit or Loss.

3.3.3.3 Cash and Cash Equivalents

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

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

3.3.4 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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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 Profit or Loss, 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 Profit or Loss.

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 Profit or Loss. 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 Profit or Loss. 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. Amortized 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 Profit or Loss. The losses arising from impairment are recognized in the Statement of Profit or Loss 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.

Amortized 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 Profit or Loss. The losses arising from impairment are recognized in the Statement of Profit or Loss in finance costs.

d. Available-for-Sale Financial Investments

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

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After initial measurement, available-for-sale financial investments are subsequently measured at fair value with unrealized gains or losses recognized as other comprehensive income in the available-for-sale reserve until the investment is de recognised, at which time the cumulative gain or loss is recognized in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the available-for sale reserve to the Statement of Profit or Loss 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 Profit or Loss.

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 de recognised 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 re organisation 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 Profit or Loss. 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 Profit or Loss. 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 Profit or Loss.

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 Profit or Loss– is removed from other comprehensive income and recognised in the Statement of Profit or Loss. Impairment losses on equity investments are not reversed through the Statement of Profit or Loss; 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

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and the current fair value, less any impairment loss on that investment previously recognised in the Statement of Profit or Loss.

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 Profit or Loss, the impairment loss is reversed through the Statement of Profit or Loss.

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.

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 Profit or Loss.

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 Profit or Loss when the liabilities are de recognised as well as through the EIR amortization 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 Profit or Loss.

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 de recognised 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 Profit or Loss.

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 re measured 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 Profit or Loss, 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

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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 Profit or Loss 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 Profit or Loss 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 Profit or Loss 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 de recognised, the unamortised fair value is recognised immediately in the Statement of Profit or Loss.

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 Profit or Loss.

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 Profit or Loss 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 Profit or Loss 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 non-financial 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 is transferred to the Statement of Profit or Loss. 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 Profit or Loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the Statement of Profit or Loss.

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 derivatives 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 non-current liabilities are those obligations, which expire beyond a period of one year from the Balance Sheet date.

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

3.3.11.1 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 Profit or Loss 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 de-recognized 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.

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

3.3.11.2 Government Grants

The Government grants relating to the purchase of Property, Plant and Equipment and biological assets are measured at cost less any accumulated depreciation and any accumulated impairment losses, are 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 Profit or Loss as other income on a straight line basis over the expected lives of the related assets.

The grants that compensate the group expenses or losses already incurred are recognized in Statement of Profit or Loss 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 Profit or Loss 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 Profit or Loss 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 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.

Company

Provisions are made for Retirement Gratuity from the first year of service of the employee in conformity with Sri Lanka Accounting Standards –19 "Employee Benefits", using Projected Unit Credit method. The liability is not externally funded nor actuarially valued.

Subsidiaries

Watawala Plantations PLC has adopted the benefit plan as required under the Payment of Gratuity Act No. 12 of 1983 for all eligible employees. The benefit plan is 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 Profit or Loss 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 Profit or Loss 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.

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Sunshine Healthcare Lanka 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.

3.3.11.4.3 Short Term Benefits

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

3.3.11.4 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.

3.3.11.5 Provisions

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

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

3.3.11.6 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.

3.3.11.7 Current and Deferred Income Tax

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

3.3.11.7.1 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.

3.3.11.7.2 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.

3.3.11.8 Value Added Tax

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

- Where the value added tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognized as part of the cost of acquisition of the asset or part of the expense as applicable

- Receivables and payables that are stated with the amount of value added tax included

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

3.3.11.9 Contingent Liabilities

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

3.3.11.10 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 Profit or Loss and Other 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 Profit or Loss on the date the entity's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

b. Perennial Crops

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

- 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. Rental Income is Recognized in Profit and Loss as it accrues.

f. 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.

3.4.3 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.

3.4.4 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.

3.4.5 Gains and Losses on the Disposal of Investments
Such gains and losses are recognized in profit and loss.

3.5 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.

3.5.1 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.

3.5.2 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.

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

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

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

3.5.4 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.

3.5.4.1 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 Profit or Loss. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

3.5.4.2 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.

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

3.6 General

3.6.1 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

3.6.2 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.

3.7 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 Group Managing Director with the Board of Directors 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
Sunshine Healthcare Lanka Limited (Pharmaceutical items)	- Whole sale and Retail
Watawala Plantations PLC	- Plantation
Sunshine Packaging Lanka Limited	- Packaging
Estate Management Services (Private) Ltd	- Management Services
Sunshine Power (Pvt) Limited	- Hydro power generation

Upper Waltrim Hydropower (Pvt) Limited	- Hydro power generation
Elgin Hydropower (Pvt) Limited	- Hydro power generation
Sunshine Energy Limited	- Investments
Healthguard Pharmacy Limited	- Retail pharmacy
Watawala Tea Ceylon Limited	- Manufacturing & retail
Watawala Australia Pty Limited	- Import and Sale of Branded Teas

The activities of the segments are described on pages 190 & 191 in the notes to the Financial Statements.

3.8 Statement of Cash Flows

The Statement of Cash Flows 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.

3.9 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

Standard issued but not yet effective up to the date of issuance of the Group's financial statements are listed below. This listing is of standards issued, which the Group reasonably expects to be applicable at a future date. The group intends to adopt those standards when they become effective.

4.1 SLFRS 9 – Financial Instruments

SLFRS 9 as issued reflects the replacement of LKAS 39 and applies to the classification and measurement of financial assets and financial liabilities as defined in LKAS 39. This standard becomes effective for annual periods beginning on or after 1 January 2015. The adoption of SLFRS 9 will have an impact on classification and measurement of Group's financial assets.

4.2 SLFRS 15 – Revenue from Contracts with Customers

SLFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces the existing revenue recognition guidance including LKAS 18 - Revenue and LKAS 11- Construction Contracts.
SLFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31st March	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
5. REVENUE				
Healthcare	6,075,767,826	5,510,977,216	-	-
Plantation	6,773,634,964	6,246,271,000	-	-
Management Services	-	94,147,000	-	-
Packaging	269,909,590	293,186,016	-	-
Investment	313,557,464	232,691,759	313,557,464	232,691,759
FMCG	2,914,951,528	2,381,942,666	-	-
Export Revenue	74,856,036	100,484,431	-	-
Energy	112,574,294	96,808,750	-	-
Gross Revenue	**16,535,251,702**	**14,956,508,838**	**313,557,464**	**232,691,759**
Less: Inter Company Revenue	(208,723,606)	(259,920,969)	-	-
Net Revenue	**16,326,528,096**	**14,696,587,869**	**313,557,464**	**232,691,759**
6. OTHER OPERATING INCOME				
Profit on Disposal of Property, Plant and Equipment	25,302,064	13,692,263	-	-
Amortization of Capital Grants	10,193,000	10,782,000	-	-
Royalty Income	3,557,598	2,123,954	-	-
Sale of Trees (Note 6.1)	36,296,000	14,562,000	-	-
Exchange Gain/(Loss)	-	(1,189)	-	-
Biological Asset-Gain/(Loss) On Fair Valuation	6,648,000	26,970,000	-	-
Profit from sale of Subsidiary Shares	-	4,419,170	-	858,958,972
Scrap Sales	6,020,987	8,924,263	-	-
Sundry Income	21,042,878	12,416,610	3,889	3,344
Fair Value Gain on Quoted Investments	17,776,595	-	17,776,595	-
E-Channeling Income	124,110	157,391	-	-
Hydro Power Income	48,207,000	27,640,000	-	-
	175,168,232	**121,686,462**	**17,780,484**	**858,962,316**

6.1 Income from sale of trees of Watawala Plantations PLC, a subsidiary of the Company, represents the disposal of trees recognised as consumable biological assets. 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	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
7.	**NET FINANCE INCOME/(COSTS)**				
	FINANCE COSTS				
	Interest on Overdrafts & Loans	82,057,299	146,634,653	2,747,894	7,848,199
	Interest on Finance Lease	1,997,378	3,776,914	-	-
	Import Loan Interest	34,452,185	10,501,323	-	-
	Term Loan Interest	30,671,040	45,275,148	-	-
	Interest on leasehold rights payable to JEDB/SLSPC	62,739,000	80,233,148	-	-
	Packing Credit Loan Interest	570,785	58,249,000	-	-
	Exchange Loss	3,103,862	-	-	-
		215,591,549	**300,502,776**	**2,747,894**	**7,848,199**
	FINANCE INCOME				
	Interest Income on Loans given to Related Companies	-	-	6,325,100	6,077,703
	Interest Income on Others	110,203,412	155,106,084	69,285,256	93,338,341
	Exchange Gain	5,948	-	-	-
		110,209,360	**155,106,084**	**75,610,356**	**99,416,044**
7.1	**Net Finance Income/(Costs)**	**(105,382,189)**	**(145,396,692)**	**72,862,462**	**91,567,845**
8.	**PROFIT FROM OPERATING ACTIVITIES**				
	Is stated after charging all expenses including the following;				
	Auditors' Remuneration				
	Statutory Audit - KPMG	2,515,000	2,204,000	990,000	834,000
	- Other Auditors	6,314,719	3,153,063	-	-
	Audit Related - KPMG	675,000	52,390	675,000	-
	Non Audit - KPMG	400,000	75,000	75,000	75,000
	- Other Auditors	268,000	1,436,439	-	-
	Amortization - Leasehold right to bare land	7,035,000	7,035,000	-	-
	Provision/(Reversal) for Doubtful Debtors	17,053,069	(451,638)	-	-
	Depreciation				
	- Property Plant and Equipment	330,197,868	301,913,264	991,512	554,283
	- Immovable Lease Assets	17,459,000	17,335,000	-	-
	- Biological Assets-Bearer	111,890,000	95,938,000	-	-
	Amortization of Intangible Assets	11,078,538	8,542,660	-	-
	Personnel Costs Include;				
	- Defined Benefit Plan - Gratuity	201,940,265	185,141,207	2,325,532	2,686,351
	- Defined Contribution Plan - EPF & ETF	294,834,090	277,706,288	2,036,172	2,439,719
	- Salaries and Wages & Other staff Costs	3,348,250,405	3,320,211,240	18,027,603	22,907,886

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31st March	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
9. INCOME TAX EXPENSE				
Income Tax-2014/15				
Current Income Tax Expense (Note 9.2)	219,017,798	233,917,850	2,079,324	6,218,055
Deferred Taxation Charge / (Reversal) for the year (Note 19)	64,224,834	19,153,826	-	-
WHT on dividends	64,656,799	43,751,748	-	-
Under provision/ (Over provision) in respect of previous year	(10,090,539)	-	(55,371)	-
	337,808,892	**296,823,424**	**2,023,953**	**6,218,055**
Income Tax (Expenses)/ Savings on Other Comprehensive income	(1,988,309)	27,317,812	-	-
Tax Expenses on profit or loss	**335,820,583**	**324,141,236**	**2,023,953**	**6,218,055**

9.1 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% (2014 - 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 provisions of the Inland Revenue Act No. 10 of 2006 the local subsidiary companies of the Company are liable for income tax at the following rates;

		Tax Rate 2015	Tax Rate 2014
Sunshine Healthcare Lanka Limited		28%	28%
Estate Management Services (Private) Limited	- Management Fee (N/A)	-	12%
	- Interest Income	28%	28%
Watawala Plantations PLC	- Profits from Cultivation	10%	10%
	- Profits from bulk tea exports	28%	28%
	- Profits from packeted tea exports	10%	10%
	- Profits from other activities	28%	28%
Healthguard Pharmacy Limited		28%	28%
Watawala Tea Ceylon Limited		10%	28%
Sunshine Packaging Lanka Limited		28%	28%
Sunshine Energy Limited		28%	28%
Sunshine Power (Private) Limited	- Income from Energy Supply	Exempt	Exempt
	- Interest Income	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 (Private) 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 2013/14 at the earliest.

Watawala Tea Ceylon Limited claim Tax relief under section 16 of Inland revenue act No 10 of 2006.

For the year ended 31st March	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
9.2 **Reconciliation between Accounting Profit and Taxable Profit**				
Accounting Profit before Tax	1,309,333,699	1,450,026,167	294,740,754	1,109,880,839
Inter Group adjustments	683,182,387	1,289,500,635	-	-
	1,992,516,086	**2,739,526,802**	**294,740,754**	**1,109,880,839**
Aggregate Disallowable Items	774,711,225	808,186,257	4,471,928	17,077,067
Aggregate Allowable Items	(934,068,895)	(1,107,030,887)	(26,047,436)	(1,142,037)
Aggregate Exempt Income	(1,099,496,622)	(1,427,308,719)	(261,740,391)	(1,091,650,731)
Profit / (Loss) from Business	**733,661,794**	**1,013,373,453**	**11,424,855**	**34,165,138**
Less Tax Loss Utilised during the year	(59,927,591)	(141,761,205)	(3,998,699)	(11,957,798)
Taxable Profit	**673,734,203**	**871,612,248**	**7,426,156**	**22,207,340**
Taxation at 28%	137,332,386	157,969,458	2,079,324	6,218,055
Taxation at 10%	45,171,987	-	-	-
Taxation at 30%	23,768	-	-	-
Taxation at Effective Rates	36,489,657	75,948,392	-	-
	219,017,798	**233,917,850**	**2,079,324**	**6,218,055**
TAX LOSS				
Opening Balance	1,147,817,802	1,099,705,086	158,607,835	170,565,633
Reassessment of previous year tax losses	212,586,886	-	4,957,713	-
Tax Loss for the year of assessment	29,647,929	189,873,921	-	-
Tax Loss claimed during the year	(59,927,591)	(141,761,205)	(3,998,699)	(11,957,798)
Closing Balance	**1,330,125,026**	**1,147,817,802**	**159,566,849**	**158,607,835**

10. 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 in issue during the year.

	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
Profit attributable to Ordinary Shareholders (Rs.)	484,043,380	598,594,806	292,716,801	1,103,662,784
Weighted average number of ordinary shares in issue during the year	133,880,555	133,826,537	133,880,555	133,826,537
Earnings per Share (Rs.)	**3.62**	**4.47**	**2.19**	**8.25**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

		Balance as at 01.04.2014 Rs.	Additions Rs.	Disposal Rs.	Transfers Rs.	Balance as at 31.03.2015 Rs.
11.	**PROPERTY, PLANT & EQUIPMENT**					
11.1.1	**Cost**					
	Freehold Assets					
	Land	311,972,691	-	-	-	311,972,691
	Buildings	1,013,201,507	52,505,091	-	-	1,065,706,598
	Plant & Machinery	1,534,651,410	148,713,745	-	-	1,683,365,155
	Power Plant	593,806,610	2,951,777	-	-	596,758,387
	Tools	18,232,788	1,114,212	-	-	19,347,000
	Machinery oil project	2,399,658	-	-	-	2,399,658
	Factory Equipment	8,944,567	215,443	-	-	9,160,010
	Furniture & Fittings	115,274,802	5,205,488	-	-	120,480,290
	Equipment	186,251,657	15,086,230	(95,000)	-	201,242,887
	Water Tank	158,435	-	-	-	158,435
	Computer Equipment	80,722,094	6,786,814	(1,716,842)	-	85,792,066
	Motor Vehicles	583,106,241	113,623,058	(52,655,193)	39,668,472	683,742,578
	Electrical Equipment	17,636,611	4,654,401	(247,250)	-	22,043,762
	Capital Work In Progress	25,010,000	108,690,957	-	-	133,700,957
	Medical Equipment	102,679,882	42,680,569	-	-	145,360,451
	Others	172,701,098	5,610,000	-	-	178,311,098
		4,766,750,051	**507,837,785**	**(54,714,285)**	**39,668,472**	**5,259,542,023**
	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
	Motor Vehicles	55,970,469	4,961,000	-	(39,668,472)	21,262,997
	Mature Plantations	408,378,536	-	-	-	408,378,536
		602,641,005	**4,961,000**	**-**	**(39,668,472)**	**567,933,533**
	Total Cost	**5,369,391,056**	**512,798,785**	**(54,714,285)**	**-**	**5,827,475,556**

		Balance as at 01.04.2014 Rs.	Charge for the year Rs.	On Disposal Rs.	On Transfers Rs.	Balance as at 31.03.2015 Rs.
11.1.2	**Accumulated Depreciation**					
	Freehold Assets					
	Buildings	154,883,081	28,530,480	-	-	183,413,561
	Plant & Machinery	608,943,747	101,611,972	-	-	710,555,719
	Power Plant	58,097,058	26,721,298	-	-	84,818,356
	Tools	14,191,840	1,322,694	-	-	15,514,534
	Machinery oil project	795,589	184,589	-	-	980,178
	Factory Equipment	2,600,571	1,120,858	-	-	3,721,429
	Furniture & Fittings	78,634,112	9,754,587	-	-	88,388,699
	Equipment	124,434,284	13,126,387	(32,551)	-	137,528,120
	Water Tank	118,790	19,804	-	-	138,594
	Computer Equipment	49,221,022	13,631,499	(1,568,608)	-	61,283,913
	Motor Vehicles	293,211,119	88,703,245	(46,308,164)	39,668,472	375,274,672
	Electrical Equipment	16,734,888	2,094,969	(247,250)	-	18,582,607
	Medical Equipment	39,769,327	28,515,189	-	-	68,284,516
	Others	41,182,067	3,816,010	-	-	44,998,077
		1,482,817,495	**319,153,581**	**(48,156,573)**	**39,668,472**	**1,793,482,975**
	Leasehold Assets					
	Roads & Bridges	256,000	11,000	-	-	267,000
	Improvements to Land	2,417,000	111,000	-	-	2,528,000
	Vested Other Assets	977,000	44,000	-	-	1,021,000
	Buildings	81,292,000	3,752,000	-	-	85,044,000
	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
	Motor Vehicles	41,453,735	11,044,287	-	(39,668,472)	12,829,550
	Mature Plantations	262,607,000	13,541,000	-	-	276,148,000
		426,886,735	**28,503,287**	**-**	**(39,668,472)**	**415,721,550**
	Total Depreciation	**1,909,704,230**	**347,656,868**	**(48,156,573)**	**-**	**2,209,204,525**
11.1.3	**Carrying Value**	**3,459,686,826**				**3,618,271,031**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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

11.1.5 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 11 and 12.

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

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

11. 1.8 The group corrected the classification of leasehold and freehold property, plant and equipment which were erroneously classified in the previous year financial statements.
The summary of reclassification is as follows;

	GROUP		
	As Previously Reported	Reclassification	Reclassified
Cost			
Free Hold Assets	4,754,626,312	12,123,739	4,766,750,051
Leasehold Assets	616,090,783	(13,449,778)	602,641,005
Total Cost	**5,370,717,095**	**(1,326,039)**	**5,369,391,056**
Accumulated Depreciation			
Free Hold Assets	(1,472,663,280)	(10,154,215)	(1,482,817,495)
Leasehold Assets	(438,366,989)	11,480,254	(426,886,735)
Total Depreciation	**(1,911,030,269)**	**1,326,039**	**(1,909,704,230)**
Carrying value as at 01.04.2014	**3,459,686,826**	**-**	**3,459,686,826**

	Company	Balance as at 01.04.2014 Rs.	Additions Rs.	Balance as at 31.03.2015 Rs.
11.2	**Cost**			
	Furniture & Fittings	1,784,034	174,966	1,959,000
	Equipment	755,037	-	755,037
	Computer Equipment	1,773,611	987,850	2,761,461
	Total Cost	**4,312,682**	**1,162,816**	**5,475,498**
		Balance as at 01.04.2014 Rs.	**Charge for the year Rs.**	**Balance as at 31.03.2014 Rs.**
	Accumulated Depreciation			
	Furniture & Fittings	50,735	378,318	429,053
	Equipment	52,139	151,007	203,146
	Computer Equipment	1,349,215	462,187	1,811,402
	Total Depreciation	**1,452,089**	**991,512**	**2,443,601**
	Carrying Value	**2,860,593**	**-**	**3,031,897**

As at 31st March	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
12. LEASEHOLD RIGHT TO LAND OF JEDB / SLSPC ESTATES				
Cost				
Balance at the beginning of the year	372,840,000	372,840,000	-	-
As at the end of the year	**372,840,000**	**372,840,000**		
Accumulated amortization				
Balance at the beginning of the year	153,262,000	146,227,000	-	-
Amortization for the year	7,035,000	7,035,000	-	-
As at the end of the year	**160,297,000**	**153,262,000**	-	-
Carrying amount	**212,543,000**	**219,578,000**	-	-

The leases of JEDB/SLSPC estates handed over to Watawala Plantations PLC for a period of 53 years have all been executed. The leasehold rights to the land on all these estates have been taken into the books of Watawala Plantations PLC as at 18th June 1992 immediately after formation of the Subsidiary. The bare land has been recorded at the value established for each 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 19th December 2012. Corresponding Liability is shown as a lease payable to JEDB/SLSPC.

As at 31st March	Group 2015 Rs.	Group 2014 Rs.
13. BIOLOGICAL ASSETS		
Carrying Value		
Biological Assets - Bearer (Note 13.1)	2,743,030,000	2,518,564,000
Biological Assets - Consumables (Note 13.2)	566,967,000	575,944,000
Biological Assets - Live Stock (Note 13.3)	40,256,000	45,061,000
	3,350,253,000	**3,139,569,000**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

		Nurseries Rs.	Immature Plantations Rs.	Mature Plantations Rs.	Total Rs.
13.1	**Biological Assets - Bearer - Group**				
	Cost				
	As at 1 April 2013	**27,224,000**	**678,395,000**	**2,057,431,000**	**2,763,050,000**
	Additions	16,050,000	321,444,000	-	**337,494,000**
	Impairment losses and write-downs	-	-	(13,544,000)	**(13,544,000)**
	Transfers	(26,107,000)	(295,677,000)	295,677,000	**(26,107,000)**
	As at 31 March 2014	**17,167,000**	**704,162,000**	**2,339,564,000**	**3,060,893,000**
	Additions	14,753,000	321,603,000	-	**336,356,000**
	Transfers	-	(393,807,000)	393,807,000	**-**
	As at 31 March 2015	**31,920,000**	**631,958,000**	**2,733,371,000**	**3,397,249,000**
	Accumulated depreciation				
	As at 01 April 2013	-	-	(446,392,000)	**(446,392,000)**
	Charged for the year	-	-	(98,646,000)	**(98,646,000)**
	Depreciation on impaired plantations	-	-	2,709,000	**2,709,000**
	As at 31 March 2014	-	-	**(542,329,000)**	**(542,329,000)**
	Charged for the year	-	-	(111,890,000)	**(111,890,000)**
	As at 31 March 2015	-	-	**(654,219,000)**	**(654,219,000)**
	Carrying value				
	As at 31 March 2014	17,167,000	704,162,000	1,797,235,000	**2,518,564,000**
	As at 31 March 2015	**31,920,000**	**631,958,000**	**2,079,152,000**	**2,743,030,000**

(a) Investments in biological assets -plantations since the formation of the Company have been classified as shown above and includes bearer biological assets comprising mainly tea, rubber and palm 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.

		Immature Plantations Rs.	Mature Plantations Rs.	Total Rs.
13.2	**Biological Assets - Consumables - Group**			
	As at 01 April 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**
	Additions	21,322,000	-	21,322,000
	Gain / (loss) arising from changes in fair value less costs to sell	-	6,648,000	6,648,000
	Decrease due to harvest	-	(36,947,000)	(36,947,000)
	Transfers	(2,412,000)	2,412,000	-
	As at 31 March 2015	**86,917,000**	**480,050,000**	**566,967,000**

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 12.5% [2014 - 15%]
- Maturity for harvesting - 25 years [2014 - 25 years]

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

13.2.1 **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	**480,050,000**
Value Stand as at 10% positive variance	**528,054,310**
Value Stand as at 10% negative variance	**432,044,436**
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	**480,050,000**
Value Stand as at 1% positive variance	**492,269,920**
Value Stand as at 1% negative variance	**468,785,689**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

13.3 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.

	Group	
	2015 Rs.	2014 Rs.
Balance at the beginning of the year	45,061,000	32,231,000
Increase due to purchases	120,000	831,000
Increase due to births	-	5,590,000
Decrease due to sales	(3,690,000)	(4,400,000)
Decrease due to deaths	(1,235,000)	(1,877,000)
Price and physical changes	-	12,686,000
As at 31 March	**40,256,000**	**45,061,000**

As at 31st March 2015 livestock comprised 186 cattle (2014 -144 cattle). During the year Company sold 10 (died 3) cattle (2014 - 29 cattle).

		GROUP		COMPANY	
	As at 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
14.	**INTANGIBLE ASSETS**				
	Softwares (Note 14.1)	10,588,957	17,167,936	-	-
	Goodwill (Note 14.2)	-	61,525,525	-	-
	Brand (Note 14.3)	56,192,500	59,150,000	-	-
	Project Development Cost (Note 14.4)	43,757,633	15,726,403	-	-
	Total	**110,539,090**	**153,569,864**	-	-
14.1	**Softwares**				
	Cost				
	Balance at the beginning of the year	35,690,302	24,913,268	-	-
	Additions during the year	1,542,059	10,777,034	-	-
	Balance at the end of the year	**37,232,361**	**35,690,302**	-	-
	Amortization				
	Balance at the beginning of the year	(18,522,366)	(9,979,706)	-	-
	Charge during the year	(8,121,038)	(8,542,660)	-	-
	Balance at the end of the year	(26,643,404)	(18,522,366)	-	-
	Carrying amount	**10,588,957**	**17,167,936**	-	-

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

14.2 **Goodwill**

	GROUP		COMPANY	
As at 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
At the beginning of the year	61,525,525	61,525,525	-	-
Write off during the year	(61,525,525)	-	-	-
At the end of the year	**-**	**61,525,525**	-	-

The Goodwill on acquisition represents the excess of the cost of acquisition of the net assets (both tangible and intangible) of Health-guard Pharmacy Ltd. The Board of Directors has decided to write off the goodwill fully during the year.

		GROUP		COMPANY	
	As at 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
14.3	**Brand**				
	At the beginning of the year	59,150,000	59,150,000	-	-
	Additions	-	-	-	-
	At the end of the year	**59,150,000**	**59,150,000**	-	-
	Amortization				
	Balance at the beginning of the year	-	-	-	-
	Charge during the year	(2,957,500)	-	-	-
	Balance at the end of the year	(2,957,500)	-	-	-
	Carrying amount	**56,192,500**	**59,150,000**	-	-

14.3.1 **Brand Acquisition**

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

14.4 **Project Development Cost**

	GROUP	
As at 31st March	2015 Rs.	2014 Rs.
Balance at the beginning of the year	15,726,403	8,024,834
Additions	28,031,230	7,701,570
Balance at the end of the year	**43,757,633**	**15,726,403**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	As at 31st March	2015 Holding %	2015 No. of Shares	2015 Cost Rs.	2014 Holding %	2014 No. of Shares	2014 Cost Rs.
15.	INVESTMENT IN SUBSIDIARIES						
15.1	**Company - Unquoted**						
	Sunshine Healthcare Lanka Limited	100%	7,359,184	186,657,168	100%	7,359,184	186,657,168
	Estate Management Services (Private) Limited	33.15%	12,571,402	258,418,516	33.15%	12,571,402	258,418,516
	Sunshine Energy Limited	60.59%	13,832,310	159,796,180	60.59%	15,979,618	159,796,180
	Sunshine Packaging Lanka Limited	100%	35,650,007	356,500,000	100%	36,650,000	356,500,000
	Elgin Hydropower (Private) Limited	-	1	10	50%	1	10
	Upper Waltrim Hydropower (Private) Limited	-	1	10	50%	1	10
				961,371,884			**961,371,884**
15.2	**Group - Indirect Holdings**						
	Watawala Plantations PLC	25.08%			25.08%		
	Watawala Tea Ceylon Limited	33.15%			33.15%		
	Watawala Tea Australia Pty Ltd	25.08%			25.08%		
	Healthguard Pharmacy Limited	100%			100%		
	Sunshine Power (Private) Limited	59.06%			60.59%		
	Elgin Hydropower (Private) Limited	60.59%			-		
	Upper Waltrim Hydropower (Private) Limited	60.59%			-		
16.	INVESTMENTS IN ASSOCIATE						
	Group						
	Sunshine Travels and Tours Limited	24.73%	271,992	2,719,920	24.73%	271,992	2,719,920
	Share of Profit of Equity Accounted Investees (Net of Income Tax)			1,572,955	-	-	125,776
				4,292,875	-	-	**2,845,696**
	Company						
	Sunshine Travels and Tours Limited	24.73%	271,992	2,719,920	24.73%	271,992	2,719,920

As at 31st March	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
17. OTHER LONG TERM INVESTMENTS				
Investment in Unquoted Shares (Note 17.1)	511,434,655	455,150,635	511,434,655	455,150,635
Investment in Quoted Shares (Note 17.2)	111,335,593	50,944,200	111,335,593	50,944,200
Investment in Unit Trust (Note 17.3)	50,372,516	-	50,372,516	-
	673,142,764	**506,094,835**	**673,142,764**	**506,094,835**

	Lanka Commodity Brokers Limited Rs.	Secretaries and Financial Services (Pvt) Ltd. Rs.	TATA Communications Lanka Ltd. Rs.	Total Rs.
17.1 Investment in Unquoted Shares				
Company & Group				
Cost				
Balance as at 01st April 2014	117,692,727	10	75,000,000	192,692,737
Investments made during the year	-	-	-	-
Carrying Value as of 31st March 2015	**117,692,727**	**10**	**75,000,000**	**192,692,737**
Fair Value adjustment				
Balance as at 01st April 2014	84,223,768	-	178,234,130	262,457,898
Increase in Fair Valuation during the year	4,760,903	-	51,523,117	56,284,020
Balance as at 31st March 2015	88,984,671	-	229,757,247	318,741,918
Carrying value of Investment as at 31st March 2015	**206,677,398**	**10**	**304,757,247**	**511,434,655**
Carrying value of Investment as at 31st March 2014	201,916,495	10	253,234,130	455,150,635

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	As at 31st March	2015 No of Shares	2015 Cost Rs.	2015 Market Value Rs.	2014 No of Shares	2014 Cost Rs.	2014 Market Value Rs.
17.2	**Investment in Quoted Shares**						
	Company & Group						
	Dialog Axiata PLC	-	-	-	2,000,000	18,605,966	18,000,000
	John Keells Holdings PLC	-	-	-	35,000	7,503,053	7,945,000
	Commercial Bank of Ceylon PLC	160,719	18,681,413	26,582,923	173,000	20,114,023	21,279,000
	Aitken Spence PLC	193,000	19,051,472	19,203,500	38,000	3,772,282	3,720,200
	Hatton National Bank PLC - Non Voting	149,598	18,613,432	24,683,670	-	-	-
	Kelani Tyres PLC	134,800	7,988,836	10,514,400	-	-	-
	Hayleys Mgt. Knitting Mills PLC	300,000	3,221,091	5,310,000	-	-	-
	Distilleries Company of Sri Lanka PLC	75,000	17,723,302	18,037,500	-	-	-
	Piramal Glass Ceylon PLC	500,000	2,983,040	2,850,000	-	-	-
	Ceylon Hotels Corporation PLC	176,000	4,347,536	4,153,600	-	-	-
					-	-	-
			92,610,122	**111,335,593**		49,995,324	50,944,200
	Fair value adjustment		**18,725,471**			948,876	
			111,335,593			50,944,200	

		2015 No of Units	2015 Cost Rs.	2015 Market Value Rs.	2014 No of Units	2014 Cost Rs.	2014 Market Value Rs.
17.3	**Investment in Unit Trusts**	**4,139,073**	**50,000,000**	**50,372,516**	-	-	-
	Total Cost		**50,000,000**			-	
	Fair value adjustment		372,516				
			50,372,516				

	As at 31st March	GROUP 2015 Rs.	GROUP 2014 Rs.
18.	INVESTMENT IN GRATUITY FUND		
	Balance at the beginning of the year	**200,000,000**	127,267,000
	Investments made during the year	**-**	72,733,000
	Reinvestment of income	**20,262,000**	-
	Balance at the end of the year	**220,262,000**	**200,000,000**

As at the date of the financial reporting Watawala Plantations PLC, a subsidiary of the Company has set aside Rs. 220,262,000/- in the form of a bank deposit in order to cover up part of the future liabilities towards the Retirement Benefit Obligations. The management of fund is assigned to Guardian Fund Management Limited.The average yield for the year was 10.13% (2014- Nil)

As at 31st March		GROUP 2015 Rs	GROUP 2014 Rs	COMPANY 2015 Rs	COMPANY 2014 Rs
19.	**DEFERRED TAXATION**				
19.1	**DEFERRED TAX ASSET**				
	Balance at the beginning of the year	91,018,038	86,445,883	-	-
	On Disposal of Sunshine Travels & Tours Limited	-	(357,019)	-	-
	Charge / (Reversal) for the year	(1,798,752)	4,929,174	-	-
	Reclassified from deferred tax liability	3,644,204	-	-	-
	Balance at the end of the year	**92,863,490**	**91,018,038**	-	-
19.2	**DEFERRED TAX LIABILITY**				
	Balance at the beginning of the year	146,364,294	122,281,294	-	-
	Charge / (Reversal) for the year	62,426,082	24,083,000	-	-
	Reclassified from deferred tax assets	3,644,204	-	-	-
	Balance at the end of the year	**212,434,580**	**146,364,294**	-	-
	Net Deferred Tax Asset/(Liability)	**(119,571,090)**	**(55,346,256)**	-	-

	2015 Temporary Difference Rs.	2015 Tax effect on Temporary Difference Rs.	2014 Temporary Difference Rs.	2014 Tax effect on Temporary Difference Rs.
GROUP				
On Property, Plant & Equipment	(1,316,636,096)	(286,164,051)	(1,386,972,642)	(196,393,628)
On Biological Assets - Bearer	(2,743,030,000)	(341,504,000)	(2,518,564,000)	(276,330,000)
On Biological Assets - Consumable	(566,967,000)	(48,050,000)	(575,944,000)	(50,794,000)
On Retirement Benefit Obligation	1,143,212,840	182,404,782	1,061,711,077	174,223,994
On Capital Grants	213,610,000	59,811,000	223,803,000	62,665,000
On Debtors Provision	27,622,975	7,734,433	21,143,317	5,920,129
On Tax losses carried forward	1,304,178,578	361,068,004	1,147,817,802	279,133,554
	(1,938,008,703)	**(64,699,832)**	**(2,027,005,446)**	**(1,574,951)**
Less: Unrecognized deferred tax assets				
Sunshine Holdings PLC		(47,008,074)		(47,675,262)
Sunshine Energy Limited		(2,459,032)		(4,645,086)
Sunshine Power (Private) Limited		(5,404,152)		(1,450,956)
Deferred Tax recognized in the Financial Statements		**(119,571,090)**		**(55,346,255)**

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. 47,008,074/- (Rs. 47,675,262 in 2014), Rs. 2,459,032/- (Rs. 4,645,086/- in 2014) and Rs. 5,404,152/- (Rs. 1,450,956/- in 2014) respectively as it is not probable that future taxable profits will be available against which those companies can utilize the benefit thereon.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March	2015 Temporary Difference Rs.	2015 Tax effect on Temporary Difference Rs.	2014 Temporary Difference Rs.	2014 Tax effect on Temporary Difference Rs.
COMPANY				
On Property, Plant & Equipment	(1,661,466)	(465,210)	2,860,593	800,966
On Retirement Benefit Obligation	9,980,594	2,794,566	8,800,364	2,464,102
On Tax Losses Carried Forward	159,566,849	44,678,718	158,607,835	44,410,194
	167,885,977	**47,008,074**	**170,268,792**	**47,675,262**

The Company has not recognized Deferred Tax Assets amounting to Rs. 47,008,074/- (2014- Rs. 47,675,262/-) as the management is of the opinion that the reversal of deferred tax asset will not be crystalized in the foreseeable future
The deferred tax assets and liabilities are arrived by applying the relevant tax rate applicable for the sources of income of the Company and its subsidiaries.

	As at 31st March	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
20.	**INVENTORIES**				
	Medical Items	1,628,343,372	1,043,373,029	-	-
	Harvested Crops	502,109,000	710,559,000	-	-
	Input Materials, Spares and Consumables	343,852,493	423,006,116	-	-
	Finished Goods	122,934,899	228,712,672	-	-
	Work in Progress	33,485,188	32,819,450	-	-
	Machinery Spares	-	1,880,861	-	-
	Goods In Transit	3,925,249	2,388,587	-	-
		2,634,650,201	**2,442,739,715**	-	-
21.	**TRADE AND OTHER RECEIVABLES**				
	Trade Receivables	1,427,614,229	1,265,333,455	-	-
	Less: Provision for Bad Debts	(38,589,317)	(21,536,248)	-	-
		1,389,024,912	**1,243,797,207**	-	-
	Staff Loan Recoverable	10,243,062	7,540,873	-	-
	Other Receivables	121,363,820	79,585,696	2,663,646	3,344
	Withholding Tax Recoverable	16,298,704	13,140,599	15,874,062	11,947,389
	Interest Income Receivables	35,560,042	17,595,573	35,550,807	17,581,913
	ESC Recoverable	739,356	45,373,213	739,356	4,330,298
	ACT Recoverable	36,359,166	41,359,000	-	-
	Other Taxes Receivable	10,637,018	14,517,085	-	-
	VAT Recoverable	103,614,112	198,425,486	-	-
	Advances and Deposits	314,512,985	102,275,839	1,830,230	1,122,500
		2,038,353,177	**1,763,610,571**	**56,658,101**	**34,985,444**

	As at 31st March	Relationship	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
22.	**AMOUNTS DUE FROM RELATED PARTIES**					
	Sunshine Travels & Tours Limited	Associate	30,000	-	-	-
	Tetley Group Limited	Affiliated	64,235,000	-	-	-
	Secretaries and Financial Services (Pvt) Ltd	Affiliated	-	200,000	-	-
	Sun Pharmaceuticals Limited	Affiliated	15,007,711	-	-	-
	Sunshine Agri Investment Ltd	Affiliated	135,908	135,908	135,908	135,908
	Sunshine Tea (Pvt) Ltd	Affiliated	-	11,870,535	-	-
	Sunshine Packaging Lanka Ltd	Subsidiary	-	-	63,737,516	63,251,000
	Sunshine Energy Ltd	Subsidiary	-	-	78,673,983	15,938,295
	TATA Global Beverages Ltd	Affiliated	-	62,827,000	-	-
	Sunshine Holdings International Pte Ltd	Affiliated	3,274,000	-	3,274,000	-
			82,682,619	**75,033,443**	**145,821,407**	**79,325,203**
23.	**CASH AND CASH EQUIVALENTS**					
23.1	**Favorable balance**					
	Fixed Deposits		923,796,724	1,045,013,963	866,860,857	936,094,243
	Call Deposits		24,194,979	4,741,132	1,010,489	-
	USD Saving Deposits		-	40,685,000	-	-
	TR Margin & Bank Guarantee		15,157,706	-	-	-
	Cash at Bank		597,278,677	341,970,736	87,402,860	4,828,430
	Cash in Hand		2,229,980	5,134,581	19,201	23,200
			1,562,658,066	**1,437,545,412**	**955,293,407**	**940,945,873**
23.2	**Unfavorable balance**					
	Bank Overdrafts		(563,992,230)	(291,144,604)	(4,044,129)	-
	Cash and Cash Equivalents for the purpose of Statement of Cash Flow		**998,665,836**	**1,146,400,808**	**951,249,278**	**940,945,872**
24.	**STATED CAPITAL**					
	No. of Shares					
	Balance at the beginning of the year		133,826,537	133,333,330	133,826,537	133,333,330
	Issued during the year		1,314,449	493,207	1,314,449	493,207
	Balance as at the end of the year		**135,140,986**	**133,826,537**	**135,140,986**	**133,826,537**
	Value					
	Balance at the beginning of the year (Rs.)		690,993,533	679,999,949	690,993,533	679,999,949
	Issued during the year		39,946,124	10,993,584	39,946,124	10,993,584
	Balance as at 31st March (Rs.)		**730,939,657**	**690,993,533**	**730,939,657**	**690,993,533**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	As at 31st March	GROUP		COMPANY	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
25.	LOANS AND BORROWINGS				
	Amount repayable after one year				
	Loans (Note 25.1)	691,866,103	933,439,567	-	-
	Finance Lease Obligations (Note 25.2)	3,868,058	3,170,227	-	-
	SLSPC / JEDB Lease Creditors (Note 25.3)	342,526,000	348,506,000	-	-
	Trust Receipt Loan (Note 25.4)	-	-		
		1,038,260,161	**1,285,115,794**	-	-
	Amount repayable within one year				
	Loans (Note 25.1)	358,590,161	361,347,512	-	-
	Finance Lease Obligations (Note 25.2)	5,322,013	19,476,324	-	-
	SLSPC / JEDB Lease Creditors (Note 25.3)	6,210,000	5,980,000	-	-
	Trust Receipt Loan/Money Market & Other Loans (Note 25.4)	34,447,300	100,000,000	-	-
	Packing Credit Loan (Note 25.5)	-	26,800,000	-	-
		404,569,474	**513,603,836**	-	-
	Total Loans and Borrowings	**1,442,829,635**	**1,798,719,630**	-	-
25.1	**Loans**				
	Balance at the beginning of the year	1,294,786,079	991,235,881	-	-
	Add: Loans obtained during the year	219,249,607	725,510,856	-	-
	Less: Repayment during the year	(463,579,422)	(421,960,658)	-	-
	Balance at the end of the year	**1,050,456,264**	**1,294,786,079**	-	-
	Amount repayable within one year	**358,590,161**	**361,347,512**	-	-
	Amount repayable after one year	**691,866,103**	**933,438,567**	-	-
25.2	**Finance Lease Obligations**				
	Balance at the beginning of the year	24,528,739	49,127,390	-	-
	Addition made during the year	5,946,192	-	-	-
	Less: Repayment during the year	(19,862,798)	(24,598,651)	-	-
	Balance at the end of the year	**10,612,133**	**24,528,739**	-	-
	Interest in suspense	(1,422,062)	(1,882,188)	-	-
	Net Lease Obligation	**9,190,071**	**22,646,551**	-	-
	Amount repayable within one year	**5,322,013**	**19,476,324**	-	-
	Amount repayable after one year	**3,868,058**	**3,170,227**	-	-

	As at 31st March	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
25.3	**SLSPC / JEDB Lease Creditors**				
	Balance at the beginning of the year	629,920,000	650,240,000	-	-
	Repayment during the year	(5,980,000)	(20,320,000)	-	-
	Balance at the end of the year	**623,940,000**	**629,920,000**	-	-
	Interest in suspense	(275,204,000)	(275,434,000)	-	-
	Net Lease Obligation	**348,736,000**	**354,486,000**	-	-
	Amount repayable within one year	**6,210,000**	**5,980,000**	-	-
	Amount repayable after one year	**342,526,000**	**348,506,000**	-	-
25.4	**Trust Receipt and Money Market Loans**				
	Balance at the beginning of the year	100,000,000	8,889,512	-	-
	Add: Loan obtained during the year	426,187,900	100,000,000	-	-
	Less: Repayment during the year	(491,740,600)	(8,889,512)	-	-
	Balance at the end of the year	**34,447,300**	**100,000,000**	-	-
	Amount repayable within one year	**34,447,300**	**100,000,000**	-	-
	Amount repayable after one year	-	-	-	-
25.5	**Packing Credit & Other Loans**				
	Balance at the beginning of the year	26,800,000	-	-	-
	Add: Loan obtained during the year	8,579,000	184,019,000	-	-
	Less: Repayment during the year	(35,379,000)	(157,219,000)	-	-
	Balance at the end of the year	-	**26,800,000**	-	-
	Amount repayable within one year	-	-	-	-
	Amount repayable after one year	-	-	-	-

The annual lease series of payments payable by Watawala Plantations PLC, a subsidiary of the Company, with effect from 18th 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 18th June 2003, resulting in a fixed lease payment of Rs 29,041,405/-. Since this agreement lapsed on 31st March 2008, the subsidiary continued to adopt the same terms and conditions until such time the fresh terms and conditions are negotiated and agreed. The gross liability to the lesser represents the total basic lease series payable by the Company for the remaining term of the lease. The net liability to the 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 18th 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.)

As at 31st March 2015

	Company/Lender	Interest Rate % p.a.	2014/ 2015 Repayable within one year	Repayable after one year	Balance as at 31 March 2015	2013 / 2014 Repayable within one year	Repayable after one year	Balance as at 31 March 2014
25.6	Subsidiary							
	TERM LOANS							
i.	SUNSHINE HEALTHCARE LANKA LIMITED							
	Public Bank Berhad	9.75%	2,185,791	2,574,559	4,760,350	2,642,709	4,126,585	6,769,294
	Public Bank Berhad	9.75%	1,259,885	2,893,955	4,153,840	1,260,000	4,026,000	5,286,000
	Public Bank Berhad	7.50%	9,447,743	27,280,808	36,728,551	11,426,943	34,105,118	45,532,061
			12,893,419	**32,749,322**	**45,642,741**	**15,329,652**	**42,257,703**	**57,587,355**
ii.	WATAWALA PLANTATIONS PLC							
	Commercial Bank of Ceylon PLC	11.5%	-	-	-	1,501,000	-	1,501,000
		11.5%	-	-	-	1,253,000	-	1,253,000
		11.5%	-	-	-	4,666,000	1,167,000	5,832,000
		9.74%	-	-	-	6,804,000	11,331,000	18,135,000
		9.74%	-	-	-	6,605,000	15,981,000	22,587,000
		9.74%	-	-	-	147,000	406,000	552,000
			-	-	-	**20,976,000**	**28,885,000**	**49,861,000**
	Hatton National Bank PLC	6.5%	-	-	-	8,333,000	-	8,333,000
		AWPLR + 0.5%	31,250,000	187,500,000	218,750,000	31,250,000	218,750,000	250,000,000
			31,250,000	**187,500,000**	**218,750,000**	**39,583,000**	**218,750,000**	**258,333,000**
	ICICI Bank Limited	SLIBOR +1% (1 year)	-	-	-	10,000,000	9,167,000	19,166,668
		SLIBOR + 1% (2 to 5 years)	18,334,000	-	18,334,000	10,000,000	9,167,000	19,166,668
			18,334,000	**-**	**18,334,000**	**20,000,000**	**18,334,000**	**38,333,336**
	Public Bank Berhad	11%	-	-	-	905,000	3,061,000	3,966,000
		11%	-	-	-	328,000	952,000	1,280,000
			-	-	-	**1,233,000**	**4,013,000**	**5,246,000**
			49,584,000	**187,500,000**	**237,084,000**	**81,792,000**	**269,982,000**	**351,774,000**

Repayment Terms		Purpose	Security
Equal monthly installments	Date Commencing		
60	2012/April		Primary mortgage over vehicle bearing No. WP KT-0179
60	2013/Feb.		Primary mortgage over vehicle bearing No. WP KV-1828
60	2013/Sept.		Primary Moorage Property bearing assessment No 60/52, Sriwickrama Mawatha, Mattakkuliya Lot 20 plan no. 2317
40	2003/May	For field development activities from commercial bank under ADB re-finance scheme	
40	2000/Nov.		
40	2004/Sept.		
36	2001/Nov.	For processing development, vehicles and equipment from commercial banks under ADB re-finance scheme	Leasehold rights on specified estates and machinery purchased under Environmental Friendly scheme
48	-		
48	2009/June		
72	2009/March	For environment friendly activities from Hatton National Bank PLC	Machinery purchased under Environmental Friendly scheme and leasehold rights on specified estates
96	2014/April	Replanting of plantation	
60	2011/March	Purchase of fixed assets	Unsecured
60	2011/March	Purchase of fixed assets	Unsecured
60	2012/March	For purchase of vehicle	Mortgage of assets
60	2012/March		

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March 2015

			2014/ 2015			2013 / 2014		
25.6	Company/Lender	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2015	Repayable within one year	Repayable after one year	Balance as at 31 March 2014
	Subsidiary							
	TERM LOANS (CONTD.)							
iii.	SUNSHINE PACKAGING LANKA LIMITED							
	Hatton National Bank PLC	AWPLR + 2%	98,112,742	24,708,261	122,821,003	71,881,860	37,311,995	109,193,855
		(Monthly)						
			98,112,742	**24,708,261**	**122,821,003**	**71,881,860**	**37,311,995**	**109,193,855**
iv.	SUNSHINE POWER (PVT) LTD							
	Hatton National Bank PLC	AWPLR + 0.5%	51,000,000	217,505,220	268,505,220	45,344,000	269,386,868	314,730,868
		(3 month avg)						
			51,000,000	**217,505,220**	**268,505,220**	**45,344,000**	**269,386,868**	**314,730,868**
v.	ESTATE MANAGEMENT SERVICES (PVT) LTD							
	ICICI Bank Limited	SLIBOR + 2.5%	100,000,000	50,000,000	150,000,000	147,000,000	314,500,000	461,500,000
		SLIBOR + 3.25%	47,000,000	117,500,000	164,500,000	-	-	-
			147,000,000	**167,500,000**	**314,500,000**	**147,000,000**	**314,500,000**	**461,500,000**
vi.	UPPER WALTRIM HYDROPOWER (PRIVATE) LIMITED							
	DFCC Bank PLC	AWPLR + 0.5%	-	61,903,300	61,903,300	-	-	-
			-	**61,903,300**	**61,903,300**	-	-	-
	TOTAL GROUP		358,590,161	691,866,103	1,050,456,264	361,347,512	933,438,567	1,294,786,079

Repayment Terms		Purpose	Security
Equal monthly installments	Date Commencing		
60	2009/May		Primary mortgage over project land and building at No 75, Kandawala road Ratmalana for 111.25 million and corporate guarantee of 105 million
			Primary on current mortgage bond for Rs. 290 million over the sub-lease right over the project property and structure to be constructed/ machinery to be installed herein
8 Years including	2014		
2 Years grace period			
20 (semi annual)	2012/June	For invest in subsidiary	
10 (semi annual)	2013		
8 Years including 2 Years grace period	2015		Corporate Guarantee of the Sunshine Holdings PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	As at 31st March	2015	2014	Security
25.7	BANK OVERDRAFTS			
	Company			
	Muslim Commercial Bank Limited	4,044,129	-	
		4,044,129	-	
	Subsidiary			
i.	SUNSHINE HEALTHCARE LANKA LIMITED			
	Muslim Commercial Bank Limited	126,272,569	66,080,996	A.) Lien over deposits in the name of the company for Rs. 50 Million.
				B.) Clearing and Post dated cheques of Rs. 123 Million.
	Nations Trust Bank PLC	115,756,712	41,587,108	Bank Overdraft agreement
	Hong kong and Shanghai Banking Corporation Limited	-	7,382,158	Bank Overdraft agreement
	Commercial Bank of Ceylon	31,701,675	-	Bank Overdraft agreement
	Hatton National Bank PLC	98,214,298	11,148,928	Bank Overdraft agreement
		371,945,254	**126,199,190**	
ii.	HEALTHGUARD PHARMACY LIMITED			
	Hatton National Bank PLC	20,553,636	-	
	Nation Trust Bank PLC	2,785,000	4,082,357	
		23,338,636	**4,082,357**	
iii.	WATAWALA PLANTATIONS PLC			
	Hatton National Bank PLC	46,397,000	23,491,000	Leasehold rights on specific estates
	Commercial Bank of Ceylon PLC	15,746,000	27,112,445	Leasehold rights on specific estates
	Hong Kong and Shanghai Banking Corporation	-	13,882,000	Mortgage over stocks and book debts
	Citi Bank, N.A	13,139,000	-	Mortgage over stocks and book debts
	ICICI Bank Ltd	2,790,000	-	Unsecured
	MCB Bank Ltd	-	29,421,000	Unsecured
	Nations Trust Bank PLC	54,734,000	-	Unsecured
	Seylan Bank PLC	1,245,000	-	Unsecured
		134,051,000	**93,906,000**	

	As at 31st March	2015	2014	Security
25.7	BANK OVERDRAFTS			
iv.	ESTATE MANAGEMENT SERVICES (PVT) LTD			
	Hatton National Bank PLC	7,000	-	Unsecured
		7,000	-	
v.	WATAWALA TEA CEYLON LIMITED			
	Hatton National Bank PLC	-	29,028,545	
		-	**29,028,545**	
vi.	SUNSHINE PACKAGING LANKA LIMITED			
	Hatton National Bank PLC	30,606,211	28,293,893	
	Peoples Bank PLC	-	7,849,864	
		30,606,211	**36,143,757**	
vii.	SUNSHINE POWER (PRIVATE) LIMITED			
	Hatton National Bank PLC	-	1,784,756	
		-	**1,784,756**	
	TOTAL GROUP	**563,992,230**	**291,144,604**	

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
26. **EMPLOYEE BENEFITS**				
Balance at the beginning of the year	1,061,711,077	890,050,437	8,800,364	6,285,163
Elimination on Disposal of Sunshine Travels and Tours Limited	-	(1,285,685)	-	-
Provision made during the year	183,223,334	277,571,435	1,905,230	2,686,351
Payments made during the year	(101,721,571)	(104,625,110)	(725,000)	(171,150)
Balance at the end of the year	**1,143,212,840**	**1,061,711,077**	**9,980,594**	**8,800,364**
Present Value of Unfunded Obligations	1,143,212,840	1,061,711,077	9,980,594	8,800,364
Present Value of Funded Obligations	-	-	-	-
Total Present value of Obligations	1,143,212,840	1,061,711,077	9,980,594	8,800,364
Fair Value of Plan Assets	-	-	-	-
Present Value of Net Obligations	1,143,212,840	1,061,711,077	9,980,594	8,800,364
Unrecognised Acturial (Gain)/Loss	-	-	-	-
Recognised Liability for the Defined Obligation	**1,143,212,840**	**1,061,711,077**	**9,980,594**	**8,800,364**
The movement in the defined benefit obligation over the year is as follows;				
At the beginning of the year	1,061,711,077	890,050,437	8,800,364	6,285,163
Elimination on Disposal of Sunshine Travels and Tours Limited	-	(1,285,685)	-	-
Current Service Cost	88,268,283	82,349,559	1,539,858	1,719,024
Interest Cost	113,671,982	102,791,648	785,674	967,327
Actuarial (Gain) / Loss	(18,716,931)	92,430,228	(420,302)	-
Benefits paid	(101,721,571)	(104,625,110)	(725,000)	(171,150)
As at 31st March	**1,143,212,840**	**1,061,711,077**	**9,980,594**	**8,800,364**
The amounts recognised in the statement profit or loss are as follows:				
Current Service Cost	88,268,283	82,349,559	1,539,858	1,719,024
Interest Cost	113,671,982	102,791,648	785,674	967,327
Staff cost on Retirement Benefit charged to Profit or Loss	**201,940,265**	**185,141,207**	**2,325,532**	**2,686,351**
Actuarial (Gain)/Loss recognized in Other Comprehensive Income	**(18,716,931)**	**92,430,228**	**(420,302)**	**-**
Total Provision for the year	**183,223,334**	**277,571,435**	**1,905,230**	**2,686,351**

26.1 **Company**

The company applied Projected Unit Credit (PUC) method and used the following key assumptions in arriving at the retirement benefit liability;

	2015	2014
Rate of interest (Net of Tax) per annum	11%	11%
Rate of salary increase	10%	10%
Staff Turnover factor	13.33%	13.33%
Retiring Age	65 years	65 years

26.2 **Subsidiaries**

Watawala Plantations PLC

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

As at 31st March	2015	2014
Rate of interest (Net of Tax) per annum	11%	12%
Rate of salary increase		
- Tea estate workers (every 2 years)	19%	19%
- Rubber estate workers (every 2 years)	19%	19%
- Palm Oil factory workers (every 2 years)	19%	19%
- Estate staff (every 3 years)	20%	20%
- Estate management and head office staff (every year)	7.5%	7.5%
Retiring age	55 years	55 years
The subsidiary will continue in business as a going concern.		

Estate Management Services (Private) Limited

The provision is neither externally funded nor has it been actually valued.

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

Watawala Tea Ceylon Limited		
Rate of Interest (Net of Tax)	10.5%	10%
Rate of salary Increase	12.5%	10%
Retirement Age	55 years	55 years
The subsidiary will continue in business as a going concern.		
Sunshine Healthcare Lanka Limited		
Rate of Interest (Net of Tax)	11%	11%
Rate of salary Increase	10%	10%
Staff Turnover - Staff	18%	18%
Retirement Age	55 years	55 years
The subsidiary will continue in business as a going concern.		

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March	2015	2014
Healthguard Pharmacy Ltd		
Rate of Interest (Net of Tax)	11%	11%
Rate of salary Increase	11%	10%
Staff Turnover - Staff	13%	15%
Retirement Age	55 years	55 years
The subsidiary will continue in business as a going concern.		
Sunshine Packaging Lanka Ltd		
Rate of Interest (Net of Tax)	10%	11%
Rate of salary Increase	2.5%	2.5%
Staff Turnover - Staff	40%	31%
- Workers	21%	15%
Retirement Age	55 years	55 years
The subsidiary will continue in business as a going concern.		
Sunshine Power (Pvt) Ltd		
Rate of Interest (Net of Tax)	11%	11%
Rate of salary Increase	10%	10%
Staff Turnover - Staff	10%	0%
Retirement Age	55 years	55 years
The subsidiary will continue in business as a going concern.		

26.3 **Sensitivity of Assumptions Used**

A quantitative sensitivity analysis for significant assumptions used by the Company as at 31st March 2015 is as shown below;

Group

Discount rate	Salary /wage escalation rate	Present value of defined benefit obligation
One percentage point increase	As given above	1,026,881,261
One percentage point decrease	As given above	1,215,962,731
As given above	One percentage point increase	1,172,320,951
As given above	One percentage point decrease	1,060,818,143

The sensitivity analysis above have been determined based on a method that extrapolates the impact on employee benefit obligation as a result of reasonable change in key assumptions occurring at the end of the reporting period.

Company

Discount rate	Salary /wage escalation rate	Present value of defined benefit obligation
One percentage point increase	As given above	9,984,521
One percentage point decrease	As given above	10,896,111
As given above	One percentage point increase	10,891,822
As given above	One percentage point decrease	9,980,594

As at 31st March	GROUP 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
27. **DEFERRED INCOME AND CAPITAL GRANTS**				
Balance at the beginning of the year	223,803,000	234,585,000	-	-
Amortised during the year	(10,193,000)	(10,782,000)	-	-
Balance at the end of the year	**213,610,000**	**223,803,000**	-	-

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 2015 Rs.	GROUP 2014 Rs.	COMPANY 2015 Rs.	COMPANY 2014 Rs.
28. **TRADE AND OTHER PAYABLES**					
Trade Payables		1,262,155,255	1,024,022,130	-	-
Advance From customers		619,459	328,572	-	-
Sales Representatives Security Deposits		16,910,123	16,816,040	-	-
Withholding Tax Payables		5,199,434	5,167,432	-	-
Advances received for Share issue		43,680,000	-	-	
Accrued Expenses and Other Payables		664,224,906	527,548,813	10,251,078	4,972,246
		1,992,789,177	**1,573,882,987**	**10,251,078**	**4,972,246**
29. **AMOUNTS DUE TO RELATED PARTIES**					
Secretaries and Financial Services (Private) Limited	Affiliated	25,755	166,988	-	-
Sunshine Travels & Tours Limited	Associate	919,380	-	919,380	152,765
		945,135	**166,988**	**919,380**	**152,765**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	INVESTMENT		HEALTHCARE		PLANTATIONS		FMCG	
For the year ended/ As at 31st March	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
30. SEGMENT ANALYSIS								
NET REVENUE	313,557,464	232,691,759	6,075,767,826	5,510,977,216	6,848,491,000	6,246,271,000	2,914,951,528	2,482,427,097
RESULT								
Operating Profit	221,878,292	1,018,312,994	381,649,933	509,769,421	549,623,000	678,381,000	445,388,756	349,393,684
Net Finance Cost	72,862,462	91,567,845	(14,922,746)	(13,957,367)	(85,874,000)	(97,600,000)	6,331,106	11,216,306
Share of Profit/(loss) from Associate	-	-	-	-	-	-	-	-
Income Tax	(2,023,953)	(6,218,055)	(134,857,744)	(138,245,465)	(73,002,000)	(83,587,000)	(59,050,022)	(50,933,875)
Profit for the year	**292,716,801**	**1,103,662,784**	**231,869,443**	**357,566,589**	**390,747,000**	**497,194,000**	**392,669,840**	**309,676,115**
Other comprehensive income (net of income tax)	57,076,838	107,525,886	(4,214,125)	(2,968,895)	16,832,000	(63,147,000)	4,135,776	973,707
Total comprehensive income	**349,793,639**	**1,211,188,670**	**227,655,318**	**354,597,694**	**407,579,000**	**434,047,000**	**396,805,616**	**310,649,822**
ASSETS								
Non Current Assets	1,640,266,465	1,473,047,232	532,912,931	588,190,465	5,857,718,000	5,559,264,000	298,458,756	276,113,073
Current Assets	1,160,931,663	1,058,415,268	2,906,131,277	2,197,339,024	1,256,358,000	1,501,686,000	706,968,422	640,239,647
Total Assets	**2,801,198,128**	**2,531,462,500**	**3,439,044,208**	**2,785,529,489**	**7,114,076,000**	**7,060,950,000**	**1,005,427,178**	**916,352,720**
Equity & Reserves								
Shareholders' Fund	2,773,923,622	2,511,319,069	1,712,764,837	1,606,536,169	4,282,741,000	4,218,328,000	826,240,306	694,974,705
Non controlling Interest	-	-	-	-	-	-	-	-
Sub Total	**2,773,923,622**	**2,511,319,069**	**1,712,764,837**	**1,606,536,169**	**4,282,741,000**	**4,218,328,000**	**826,240,306**	**694,974,705**
Non Current Liabilities								
Long Term Borrowings	-	-	32,749,322	44,709,150	530,026,000	618,748,000	-	-
Other Liabilities	9,980,594	8,800,364	80,976,004	64,949,212	1,425,749,000	1,318,540,000	20,400,440	18,293,591
Sub Total	**9,980,594**	**8,800,364**	**113,725,326**	**109,658,362**	**1,955,775,000**	**1,937,288,000**	**20,400,440**	**18,293,591**
Current Liabilities								
Short Term Borrowings	4,044,129	-	446,340,530	162,689,333	190,019,000	310,554,000	-	29,028,545
Other Liabilities	13,249,783	11,343,067	1,166,213,515	906,645,625	685,541,000	594,890,000	158,786,432	174,055,879
Sub Total	**17,293,912**	**11,343,067**	**1,612,554,045**	**1,069,334,958**	**875,560,000**	**905,444,000**	**158,786,432**	**203,084,424**
Total Equity & Liabilities	**2,801,198,128**	**2,531,462,500**	**3,439,044,208**	**2,785,529,489**	**7,114,076,000**	**7,061,060,000**	**1,005,427,178**	**916,352,720**
Other Information								
Depreciation	991,512	554,283	88,242,827	72,491,438	280,893,000	258,366,000	54,586,846	49,859,888
Capital Expenditure	1,162,816	2,661,683	93,077,958	124,552,910	590,342,000	617,466,000	84,254,916	58,893,849
Cash generated from operation	115,659,751	150,619,277	(43,518,296)	342,052,355	1,045,355,000	414,215,000	501,019,432	384,207,135

ENERGY		MANAGEMENT		PACKAGING		INTER COMPANY		GROUP	
2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
112,574,294	96,808,750	**-**	94,147,000	**269,909,590**	293,186,016	**(208,723,606)**	(259,920,969)	**16,326,528,096**	14,696,587,869
45,190,291	40,531,377	452,823,000	267,799,000	(1,763,784)	20,631,016	(681,520,779)	(1,289,521,409)	1,413,268,709	1,595,297,083
(25,252,378)	(40,570,402)	(37,464,000)	(68,485,000)	(21,068,581)	(27,568,073)	5,948	-	(105,382,189)	(145,396,692)
-	-	-	-	-	-	1,447,179	125,776	1,447,179	125,776
(471,256)	-	(856,000)	(3,128,000)	(1,227,487)	1,631,458	(64,332,121)	(43,660,300)	(335,820,583)	(324,141,236)
19,466,657	(39,025)	**414,503,000**	196,186,000	**(24,059,852)**	(5,305,599)	**(744,399,773)**	(1,333,055,933)	**973,513,116**	1,125,884,931
(81,508)	50,967	-	-	(39,375)	(21,195)	(321,674)	1,000	73,387,932	42,414,470
19,385,149	11,942	**414,503,000**	196,186,000	**(24,099,227)**	(5,326,794)	**(744,721,747)**	(1,333,054,933)	**1,046,901,048**	1,168,299,401
658,144,804	556,165,006	1,855,801,000	1,855,801,000	335,640,068	353,073,272	(2,896,774,774)	(2,889,291,789)	8,282,167,250	7,772,362,259
119,240,841	73,818,229	121,912,000	147,162,000	218,788,148	213,861,718	(159,857,909)	(105,260,590)	6,330,472,442	5,727,261,296
777,385,645	629,983,235	**1,977,713,000**	2,002,963,000	**554,428,216**	566,934,990	**(3,056,632,683)**	(2,994,552,379)	**14,612,639,692**	13,499,623,555
292,149,072	268,849,513	1,637,074,000	1,522,540,000	314,063,345	338,162,573	(6,535,578,115)	(6,312,210,949)	5,303,378,067	4,848,499,080
7,271,533	20	-	-	-	-	-	3,422,806,446	3,643,544,084	3,422,806,466
299,420,605	268,849,533	**1,637,074,000**	1,522,540,000	**314,063,345**	338,162,573	**(6,535,578,115)**	(2,889,404,503)	**8,946,922,151**	8,271,305,546
283,179,143	268,655,220	167,500,000	314,500,000	24,805,695	37,771,774	-	731,650	1,038,260,161	1,285,115,794
608,138	334,474	23,668,000	16,830,000	5,346,430	4,130,728	2,528,814	-	1,569,257,420	1,431,878,371
283,787,281	268,989,694	**191,168,000**	331,330,000	**30,152,125**	41,902,502	**2,528,814**	731,650	**2,607,517,581**	2,716,994,165
52,069,745	47,860,405	147,007,000	147,000,000	192,333,299	108,347,806	(63,251,999)	(731,649)	404,569,474	804,748,440
142,108,014	44,283,603	2,464,000	2,093,000	17,879,447	78,522,109	(96,603,935)	(105,257,879)	2,653,630,486	1,706,575,404
194,177,759	92,144,008	**149,471,000**	149,093,000	**210,212,746**	186,869,915	**(159,855,934)**	(105,989,528)	**3,058,199,960**	2,511,323,844
777,385,645	629,983,235	**1,977,713,000**	2,002,963,000	**554,428,216**	566,934,990	**(6,692,905,235)**	(2,994,662,381)	**14,612,639,692**	13,499,623,555
28,259,585	28,097,022	-	-	17,528,732	17,069,708	122,904	(2,709,415)	470,625,406	423,728,924
3,892,687	13,835,791	-	-	1,359,905	8,773,145	121,118,792	(652,492)	895,209,074	825,530,886
6,903,494	53,109,596	(68,157,000)	(43,746,000)	14,534,192	24,755,689	(119,475,050)	(208,762,411)	1,452,321,523	1,116,450,641

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	As at 31st March	Group		Company	
		2015 Rs.	2014 Rs.	2015 Rs.	2014 Rs.
31.	**FINANCIAL INSTRUMENTS**				
31.1	**Financial Instruments - Statement of Financial Position**				
	Financial Assets				
	Fair value through profit and loss				
	The Group and the Company does not hold any Financial Asset which falls to the category of Fair Value through Profit or Loss.	166,000,984	53,789,896	164,428,029	53,664,120
	Held-to-maturity				
	SOFP Line Item :				
	Investment in Gratuity fund	220,262,000	200,000,000	-	-
	Cash and cash equivalent	963,149,409	1,090,440,095	867,871,346	936,094,243
	Total	**1,183,411,409**	**1,290,440,095**	**867,871,346**	**936,094,243**
	Loans and receivables				
	SOFP Line Item :				
	Trade and other receivables	1,556,191,836	1,348,519,349	38,214,474	17,585,257
	Amounts due from related parties	82,682,619	75,033,443	145,821,407	79,325,203
	Income tax refunds	12,128,379	8,332,155	3,158,727	3,158,748
	Total	**1,651,002,834**	**1,431,884,947**	**187,194,608**	**100,069,208**
	Availabale-for-sale				
	SOFP Line Item :				
	Investment in subsidiaries	-	-	961,371,884	961,371,884
	Other Investments	511,434,655	455,150,635	511,434,655	455,150,635
	Total	**677,435,639**	**508,940,531**	**1,637,234,568**	**1,470,186,639**
	Cash and Cash Equivalents	599,508,657	347,105,317	87,422,061	4,851,630
		4,111,358,539	**3,578,370,890**	**2,779,722,583**	**2,511,201,720**

As at 31st March	Group 2015 Rs.	Group 2014 Rs.	Company 2015 Rs.	Company 2014 Rs.
Financial Liabilities				
Fair value through Profit or Loss				
The Group and the Company does not hold any Financial Liabilities which falls to the category of Fair Value through Profit or Loss				
Other Financial Liabilities				
SOFP Line Item :				
Loans and Borrowings- Non Current	1,038,260,161	1,285,114,794	-	-
Loans and Borrowings- Current	404,569,474	513,603,836	-	-
Trade and other Payables	1,931,579,595	1,556,738,375	10,251,078	4,972,246
Amounts due to related parties	945,135	166,988	919,380	152,765
Income Tax Payable	95,903,944	132,525,429	-	-
Total	**3,471,258,309**	**3,488,149,422**	**11,170,458**	**5,125,011**
Bank Overdraft	563,992,230	291,144,604	4,044,129	-
	4,035,250,539	**3,779,294,026**	**15,214,587**	**5,125,011**

	Group	31.03.2015 Gains / Income Rs.	31.03.2015 Losses / Expenses Rs.	31.03.2014 Gains / Income Rs.	31.03.2014 Losses / Expenses Rs.
31.2	**Financial Instruments - Statement of Comprehensive Income**				
	Held-to maturity Investments	110,203,412	-	155,106,084	-
	Loans and Receivables	-	-	-	-
	Asset Classified as Held for Sale	-	-	-	-
	Other financial liabilities	-	215,591,549	-	300,502,776
	Total	**110,203,412**	**215,591,549**	**155,106,084**	**300,502,776**

Company	31.03.2015 Gains / Income Rs.	31.03.2015 Losses / Expenses Rs.	31.03.2014 Gains / Income Rs.	31.03.2014 Losses/ Expenses Rs.
Held-to maturity Investments	69,285,256	-	93,338,341	-
Loans and Receivables	6,325,100	-	6,077,703	-
Asset Classified as Held for Sale	-	-	-	-
Other financial liabilities	-	2,747,894	-	7,848,199
Total	**75,610,356**	**2,747,894**	**99,416,044**	**7,848,199**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

		Group		Company	
		31.03.2015	31.03.2014	31.03.2015	31.03.2014
		Rs.	Rs.	Rs.	Rs.
31.	**FINANCIAL INSTRUMENTS (Continued)**				
31.3	**Financial Instruments Carried at Fair Value**				
31.3.1	**Carrying value of Financial Instrument Carried at Fair Value**				
	Financial Assets				
	Available -for-sale Financial Assets- unquoted equity instruments	511,434,655	455,150,635	511,434,655	455,150,635
	Fair Value Through Profit or Loss Financial Assets- quoted equity instruments	111,335,593	50,944,200	111,335,593	50,944,200
	Available -for-sale Financial Assets- quoted equity instruments	50,372,516	-	50,372,516	-
		673,142,764	**455,150,635**	**673,142,764**	**455,150,635**

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 investments were 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.

Those unquoted investments are valued using the valuation technique of discounted cash flow method which consider the present value of expected net cash flows from those investments discounted using a risk adjusted discount rate. The expected cash flows are derived based on the budgeted cash flow forecasts of those investments determined by considering the sensible probability of the forecast EBITDA.

Significant unobservable inputs	Inter relationship between significant unobservable inputs and fair value measurement
Forecast annual EBIT growth rate - LCBL 3%- 15%	The estimated fair value increase /(decrease) if:
TATA (2.5%)	The annual revenue growth rate were higher /(lower)
	The EBITDA margin were higher /(lower)
	The risk adjusted discount rate were lower/ (higher)
Risk adjusted discount rate - LCBL 11.75%	Generally a change in annual revenue growth rate is accompanied
TATA 12.4%	by a directionally similar change in EBITDA margin

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

31.4 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 present qualitative and quantitative information about the Group's exposure to each of the above risks, 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.

31.4.1 Credit Risk

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

Group's credit exposure is closely monitored. Credit given is reviewed with the pre-determined 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 31.03.2015 is;

	Carrying Amount	
	Group Rs.	Company Rs.
Financial Assets		
Availabale-for-sale financial assets	511,434,655	1,472,806,539
Held to maturity investments	1,183,411,409	867,871,346
Loans and receivables	1,651,002,834	187,194,608
Cash and cash equivalents	599,508,657	87,422,061
	3,945,357,555	**2,615,294,554**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	Group		Company	
	Carrying Amount 31.03.2015	Impairment 31.03.2015	Carrying Amount 31.03.2015	Impairment 31.03.2015
	Rs.	Rs.	Rs.	Rs.
31. FINANCIAL INSTRUMENTS (Continued)				
Loans and receivables	1,651,002,834	38,589,317	187,194,608	-
	1,651,002,834	**38,589,317**	**187,194,608**	**-**

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

	Group	Company
	2015	2015
	Rs.	Rs.
Balance at the beginning of the year	21,356,428	-
Provision for the year	17,232,889	-
Balance as at 31st March	**38,589,317**	-

31.4.2 Liquidity Risk

Group	Note	Carrying Value	Contractual Cash Flow	Less Than one year	More than 1 Years
		Rs.	Rs.	Rs.	Rs.
Financial Liability					
Loans and borrowings	25	1,442,829,635	1,442,829,635	404,569,474	1,038,260,161
Trade and other payables	28	1,992,789,177	1,992,789,177	1,992,789,177	-
Income tax payable		95,903,944	95,903,944	95,903,944	-
Amounts due to related parties	29	945,135	945,135	945,135	-
Bank overdraft	23	563,992,230	563,992,230	563,992,230	-
		4,096,470,121	**4,096,470,121**	**3,058,209,960**	**1,038,260,161**
Company					
Financial Liability					
Trade and other payables	28	10,251,078	10,251,078	10,251,078	-
Amounts due to related parties	29	919,380	919,380	919,380	-
		11,170,458	**11,170,458**	**11,170,458**	**-**

31.4.3 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.

31.4.3.1 Currency Risk

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

This risk is minimised by hedging the currency' either by forward foreign exchange contracts in respect of actual or forecasted currency exposures or hedged 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.

	Average rate	Closing Rate	
		Buying	Selling
USD	132.9000	131.91	134.73
Euro	143.8709	141.92	146.65
Australian Dollar	101.5888	99.91	103.96
Singapore Dollar	96.5808	95.43	98.52
Japanese Yen	1.1066	1.09	1.13

31.4.3.2 Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instruments fluctuate because of changes in market interest rates.

The group exposure to the risk of changes in market interest rates relates primarily to the group's long term debt obligation and investments with floating Interest rates.

However the Company do not have material long term floating rate borrowings or deposits as at the reporting date which results a material interest rate risk.

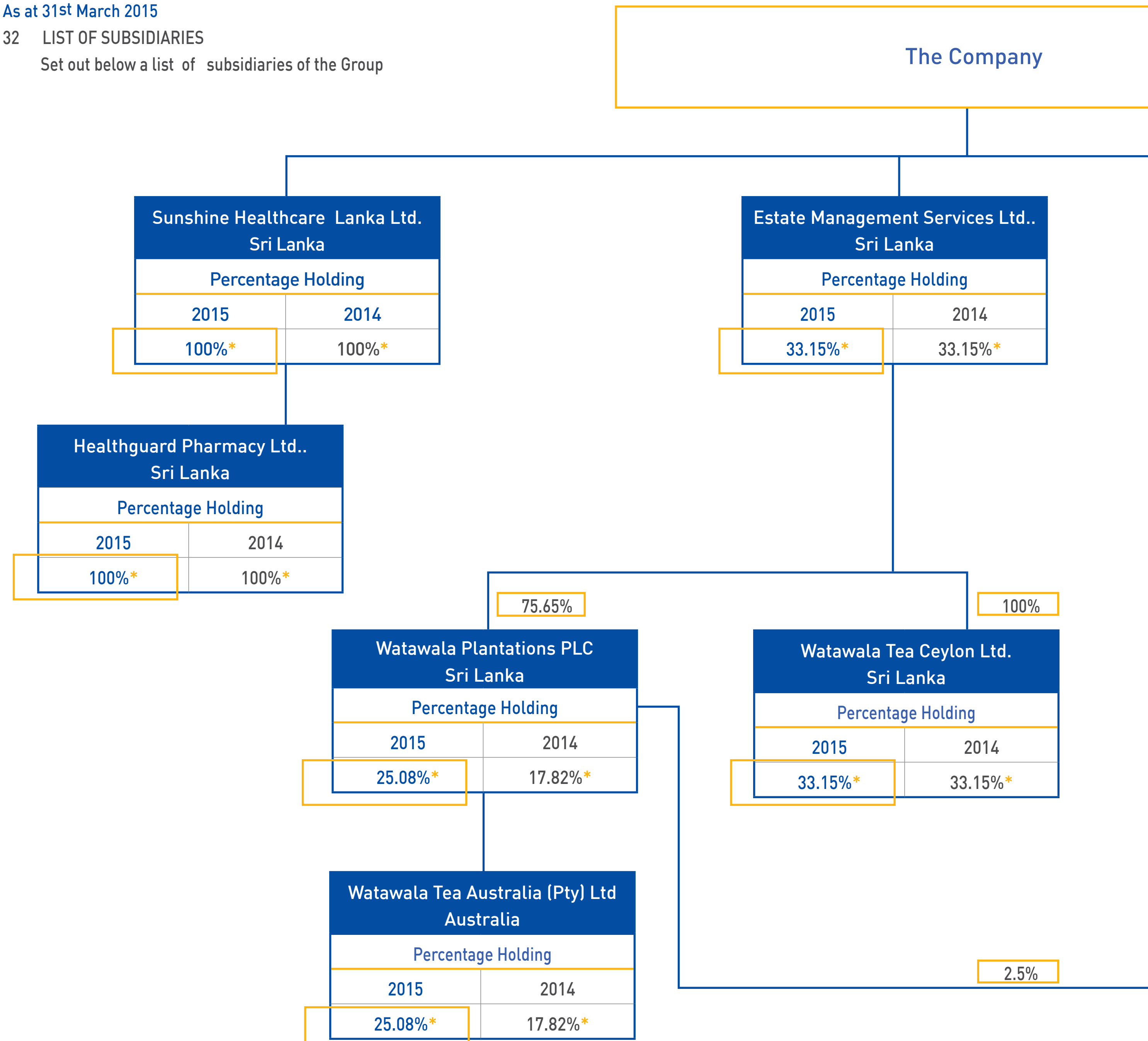
The group utilises various financial instruments to manage exposures to interest rate risks arising due to financial instruments.

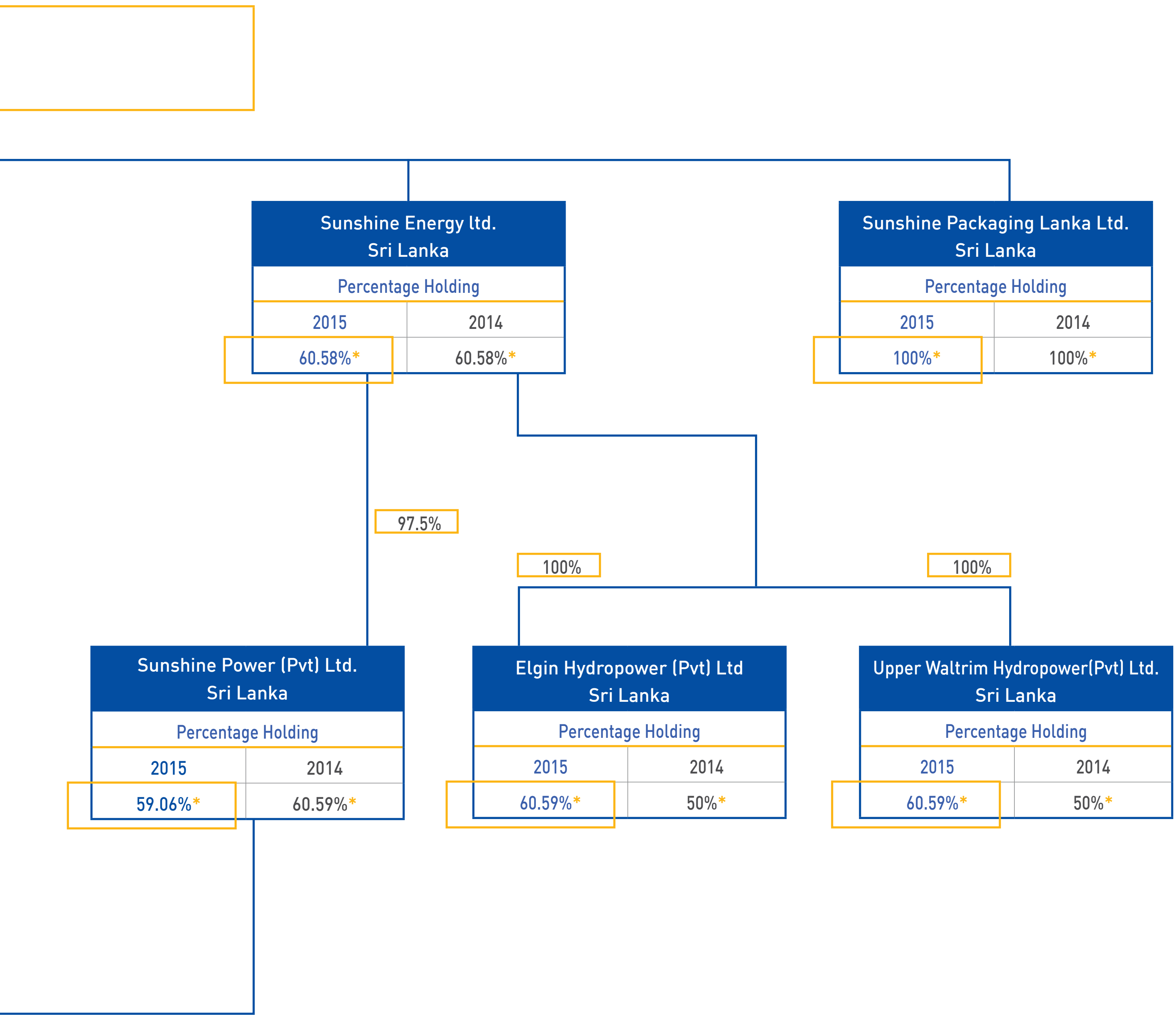
NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March 2015

32 LIST OF SUBSIDIARIES

Set out below a list of subsidiaries of the Group





* Represents the effective Group Holding of Sunshine Holdings PLC.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March 2015

32.1 NON-CONTROLLING INTEREST

The following is summarized financial information of Estate Management Services (Pvt) Ltd, Sunshine Energy Ltd.,Watawala Plantations PLC, Watawala Tea Ceylon Limited, Watawala Tea Australia (Pty) Ltd, Sunshine Power (Pvt) Ltd., Upper Waltrim Hydropower (Pvt) Ltd. and Elgin Hydropower (Pvt) Ltd. modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The information is before intercompany eliminations.

31st March, 2015	Estate Management Services (Pvt) Ltd	Sunshine Energy Ltd.
Principal Place of Business	Sri Lanka	Sri Lanka
Operating Segment	Management	Energy
NCI Percentage	**66.85%**	**39.42%**
Revenue	-	-
Profit	414,503,000	(3,508,477)
Other Comprehensive Income	-	-
Total comprehensive income	**414,503,000**	**(3,508,477)**
`-Elimination of Inter company Dividends	(525,139,851)	-
Total comprehensive income adjusted to inter group transactions	**(110,636,851)**	**(3,058,477)**
Profit attributable to NCI	**(73,957,253)**	**(1,383,182)**
Total Other comprehensive income attributable to NCI	-	-
Total comprehensive income attributable to NCI	**(73,957,253)**	**(1,383,182)**
Current assets	121,912,000	76,464,339
Non-current assets	1,855,801,000	327,313,807
Current liability	(149,471,000)	(122,529,495)
Non-current liability	(191,168,000)	-
Unrealized Profits	-	-
Net asset	**1,637,074,000**	**281,248,651**
Net asset attributable to NCI before NCI Investments	**1,094,383,993**	**110,879,501**
NCI Investment	-	-
Carrying amount of NCI	**1,094,383,993**	**110,879,501**
Cash flow from operating activities	(68,157,000)	(27,027,608)
Cash flow from investing activities	472,626,000	(241,133)
Cash flow from financing activities	(446,969,000)	69,239,573
Net increase in cash and cash equivalents	**(42,500,000)**	**41,970,832**
Dividend paid to NCI during the year	**(200,529,195)**	**-**

Watawala Plantations PLC	Watawala Tea Ceylon Limited	Watawala Tea Australia Pty Ltd	Sunshine Power (Pvt) Ltd.	Upper Waltrim Hydropower (Pvt) Ltd.	Elgin Hydro-power (Pvt) Ltd.	TOTAL
Sri Lanka	Sri Lanka	Australia	Sri Lanka	Sri Lanka	Sri Lanka	
Plantation	FMCG	FMCG	Energy	Energy	Energy	
74.92%	**66.85%**	**74.92%**	**40.30%**	**39.42%**	**39.42%**	
6,773,635,000	2,914,951,528	74,856,036	112,574,294	-	-	9,876,016,858
390,565,000	392,994,289	167,398	23,300,539	(385,859)	(91,208)	1,217,544,682
16,832,000	3,811,329	2,774	(81,508)	-	-	20,564,595
407,397,000	**396,805,618**	**170,172**	**23,219,031**	**(385,859)**	**(91,208)**	**1,238,109,277**
-	-	-	-	-	-	(525,139,851)
407,397,000	**396,805,618**	**170,172**	**23,219,031**	**(385,859)**	**(91,208)**	**712,969,426**
292,617,563	**262,716,682**	**125,415**	**9,538,561**	**(152,097)**	**(35,952)**	**489,469,737**
12,610,875	**2,547,871**	**2,078**	**(33,367)**	**-**	**-**	**15,127,458**
305,228,438	**265,264,553**	**127,493**	**9,505,194**	**(152,097)**	**(35,952)**	**504,597,194**
1,249,066,000	706,968,422	7,292,231	63,420,297	3,280,403	57,630	2,228,461,322
5,858,570,000	300,901,570	75,832	513,907,057	119,618,491	21,998,801	8,998,186,558
(869,146,000)	(158,786,432)	(6,415,891)	(68,353,489)	(13,377,535)	(13,899,066)	(1,401,978,908)
(1,955,861,000)	(22,843,254)	-	(218,113,358)	(65,673,924)	-	(2,453,659,536)
(458,951,000)	-	-	-	-	-	(458,951,000)
3,823,678,000	**826,240,306**	**952,172**	**290,860,507**	**43,847,435**	**8,157,365**	**6,912,058,436**
2,864,776,988	**552,341,645**	**713,368**	**119,077,612**	**17,284,671**	**3,215,639**	**4,762,673,416**
(744,846,843)	**(237,317,505)**	**(638,336)**	**(115,523,249)**	**(17,494,415)**	**(3,308,985)**	**(1,119,129,333)**
2,119,930,145	**315,024,140**	**75,032**	**3,554,363**	**(209,744)**	**(93,346)**	**3,643,544,084**
1,043,965,000	501,019,432	17,969	28,931,020	2,261,210	5,373,670	1,486,383,694
(535,561,000)	(60,540,542)	-	(2,473,210)	(107,288,552)	(13,710,240)	(247,188,677)
(592,568,000)	(265,540,015)	-	258,576	105,937,056	8,394,180	(1,121,247,631)
(84,164,000)	**174,938,875**	**17,969**	**26,716,386**	**909,714**	**57,610**	**117,947,386**
(83,566,162)	**-**	**-**	**-**	**-**	**-**	**(284,095,357)**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March 2015

32.2 EQUITY ACCOUNTED INVESTEES

ASSOCIATES

Sunshine Travels & Tours Limited is the only Associate which the group owns. The company is involved in providing wide variety of services relating to leisure and corporate Travel Services and Solutions.

The following table summarises the financial information of Sunshine Travels & Tours Limited as included in its own financial statements adjusted for fair value adjustments at acquisition and differences in accounting policies. The table also reconciles the summarised financial information to the carrying amount of the Group's interest in Sunshine Travels & Tours Limited.

	2015
Percentage ownership interest	24.73%
Non-current assets	1,270,604
Current assets	104,119,650
Non-current liabilities	(1,232,658)
Current liabilities	(86,796,113)
Net assets (100%)	**17,361,483**
Group's share of net assets	4,292,875
Carrying amount of interest in associate	**4,292,875**
Revenue	23,991,233
Profit from continuing operations (100%)	307,330
Other comprehensive income (100%)	545,413
Total comprehensive income (100%)	852,742
Total comprehensive income (24.73 %)	**210,853**
Group's share of profit and total comprehensive income	**210,853**
Equity Adjustment	1,236,327
	1,447,180

33. RELATED PARTY TRANSACTIONS

For the year ended 31st March 2015

	Name of the Company	Relationship	Name of the Directors	Nature of the transaction	Amount Received / (Paid) Rs.
i.	**Sunshine Holdings PLC**				
	Sunshine Healthcare Lanka Ltd	Subsidiary	G. Sathasivam	Dividend received	121,426,487
			S. Piyaratna	Other services	(8,195)
			S. G. Sathasivam		
			B . A. Hulangamuwa		
			V. Govindasamy		
	Estate Management Services (Pvt) Ltd	Subsidiary	G. Sathasivam	Dividend received	99,439,806
			V. Govindasamy		
	Secretaries & Financial Services (Pvt) Ltd	Affiliate	V. Govindasamy	Professional fees	(3,790,714)
			B. A. Hulangamuwa	Secretarial Fee	(420,388)
				Dividend received	4,500
	Sunshine Holdings International PLC	Affiliate	V. Govindasamy	Advance given	(3,274,000)
	Sunshine Travels & Tours Limited	Associate	V. Govindasamy	Services	(919,380)
	Sunshine Packaging Lanka Limited	Subsidiary	S. G. Sathasivam		
			V. Govindasamy	Interest received	5,210,951
	Watawala Plantations PLC	Subsidiary	G. Sathasivam	Purchases	(1,591,000)
			V. Govindasamy	Services	2,372,000
			B A Hulangamuwa		
	Watawala Tea Ceylon Ltd	Subsidiary	G. Sathasivam	Purchases	(35,680)
			S. G. Sathasivam	Services	10,828,215
			V. Govindasamy		
	Sunshine Energy Limited	Subsidiary	G. Sathasivam	Advance given	(47,232,392)
			B. A. Hulangamuwa		
			S. G. Sathasivam		
			V. Govindasamy		
ii.	**Sunshine Healthcare Lanka Ltd**				
	Sunshine Holdings PLC	Parent	G. Sathasivam	Dividend paid	(121,426,487)
			V. Govindasamy	Other services	8,195
			S. G. Sathasivam		
			S. Piyaratna		
			B. A. Hulangamuwa		
	Sun Pharmaceuticals Limited	Affiliate	V. Govindasamy	Advance given	(15,007,711)

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31st March 2015

	Name of the Company	Relationship	Name of the Directors	Nature of the transaction	Amount Received / (Paid) Rs.
	Sunshine Packaging Lanka Ltd	Affiliate	S. G. Sathasivam	Purchases	(7,401,482)
			W D P L Vithanage		
	Healthguard Pharmacy Ltd	Subsidiary	B. A. Hulangamuwa	Sales	82,289,357
			S. G. Sathasivam		
			W D P L Vithanage		
	Watawala Plantations PLC	Affiliate	G. Sathasivam	Sales	321,000
			V. Govindasamy	Purchases	(1,060,000)
			B. A. Hulangamuwa		
	Sunshine Tea (Pvt) Ltd	Affiliate	S. G. Sathasivam	Stores rent	3,741,748
				Other services rended	(523,222)
				Other services	323,965
	Watawala Tea Ceylon Ltd	Affiliate	G. Sathasivam	Purchases	(2,757,106)
			V. Govindasamy		
			W D P L Vithanage		
	Secretaries & Financial Services (Pvt) Ltd	Affiliate	B. A. Hulangamuwa	Services	(3,276,441)
iii.	**Healthguard Pharmacy Limited**				
	Watawala Tea Ceylon Ltd	Affiliate	V. Govindasamy	Purchases	(1,277,189)
			G. Sathasivam		
			W D P L Vithanage		
	Sunshine Healthcare Lanka Ltd	Parent	B. A. Hulangamuwa	Purchases	(82,289,357)
			G. Sathasivam		
			W D P L Vithanage		
	Sunshine Tea (Pvt) Ltd	Affiliate	G. Sathasivam	Purchases	(262,800)
	Watawala Plantations PLC	Affiliate	V. Govindasamy	Sales	1,678,000
			B A Hulangamuwa		
iv.	**Watawala Plantations PLC**				
	Sunshine Tea (Private) Limited	Affiliate	V. Govindasamy	Sales	756,000
			B. A. Hulangamuwa	Purchases	(37,987,000)
	Sunshine Healthcare Lanka Ltd	Affiliate	G. Sathasivam	Sales	1,060,000
			B. A. Hulangamuwa	Purchases	(321,000)
	Secretaries and Financial Service (Private) Ltd	Affiliate	V. Govindasamy	Sales	864,000
			B. A. Hulangamuwa	Purchases	(2,429,000)

For the year ended 31st March 2015 Name of the Company	Relationship	Name of the Directors	Nature of the transaction	Amount Received / (Paid) Rs.
Sunshine Travels & Tours Limited	Associate	V. Govindasamy	Sales	36,000
			Purchases	(10,713,000)
Watawala Tea Ceylon Limited	Affiliate	G. Sathasivam	Sales	76,987,000
		V. Govindasamy		
		K. Venkataramanan		
		A. Misra		
Tata Global Beverages Limited	Affiliate		Sales	412,751,000
Sunshine Power (Private) Limited	Affiliate	G. Sathasivam	Lease rent received	10,012,902
		B. A. Hulangamuwa	Invest in shares	(10,881,780)
		V. Govindasamy		
Sunshine Holdings PLC	Ultimate parent	G. Sathasivam	Sales	1,591,000
		B. A. Hulangamuwa	Services	(2,372,000)
		V. Govindasamy		
Estate Management Services (Private) Ltd	Parent	G. Sathasivam	Dividend paid	(46,981,000)
		V. Govindasamy		
		P. T. Singaporia		
		R. K. Krishnakumar		
Healthguard Limited	Affiliate	V. Govindasamy	Puchases	(1,678,000)
		B. A. Hulangamuwa		
Pyramid Wilmar (Pvt) Ltd	Affiliate		Sales	1,320,867,000
Sunshine Packaging Lanka Ltd	Affiliate	V. Govindasamy	Purchases	(26,000)
v. **Watawala Tea Ceylon Limited**				
Sunshine Tea Pvt Ltd	Affiliate	V. Govindasamy	Sales	1,643,913
		B. A. Hulangamuwa	Purchases	(38,566,580)
		S. G. Sathasivam		
Watawala Plantations PLC	Affiliate	G. Sathasivam	Purchases	(76,987,000)
		V. Govindasamy		
		K. Venkataramanan		
		A. Misra		

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31st March 2015

	Name of the Company	Relationship	Name of the Directors	Nature of the transaction	Amount Received / (Paid) Rs.
	Sunshine Holdings PLC	Ultimate parent	G. Sathasivam	Sales	35,680
			S. G. Sathasivam	Services	(10,828,215)
			V. Govindasamy		
	Sunshine Healthcare Lanka Ltd	.Affiliate	G. Sathasivam	Sales	2,757,106
	Healthguard Pharmacy Limited	Affiliate	B. A. Hulangamuwa	Sales	1,277,189
			S. G. Sathasivam		
			W D P L Vithanage		
	Sunshine Packaging Lanka Ltd	Affiliate	V. Govindasamy	Purchases	(3,060,522)
vi.	**Estate Management Services (Pvt) Ltd**				
	Watawala Plantations PLC	Subsidiary	G. Sathasivam	Dividend received	46,981,000
			R. K. Krishnakumar		
			P. T. Singaporia		
			V. Govindasamy		
	Sunshine Holdings PLC	Parent	G. Sathasivam	Dividend paid	(99,439,806)
			V. Govindasamy		
	Secretaries and Financial Service (Pvt) Ltd	Affiliate	V. Govindasamy	Services	(117,673)
vii.	**Sunshine Packaging Lanka Ltd**				
	Sunshine Holdings PLC	Parent	G. Sathasivam	Interest paid	(5,210,951)
			V. Govindasamy		
	Sunshine Healthcare Lanka Ltd	Affiliate	S. G. Sathasivam	Sales	7,401,482
			W D P L Vithanage		
	Watawala Tea Ceylon Ltd	Affiliate	V. Govindasamy	Sales	3,060,522
	Watawala Plantations PLC	Affiliate	V. Govindasamy	Sales	26,000
viii.	**Elgin Hydropower (Pvt) Ltd**				
	Sunshine Energy Limited	Parent	G. Sathasivam	Project development expenses	11,818,400
			V. Govindasamy	Share issue	8,394,180
			B. A. Hulangamuwa		

	For the year ended 31st March 2015 Name of the Company	Relationship	Name of the Directors	Nature of the transaction	Amount Received / (Paid) Rs.
	Upper Waltrim Hydropower (Private) Limited	Affiliate	G. Sathasivam	Project development expenses	2,040,659
			B. A. Hulangamuwa		
			V. Govindasamy		
ix.	**Upper Waltrim Hydropower (Pvt) Ltd**				
	Sunshine Energy Limited	Parent	G. Sathasivam	Share issue	44,379,540
			V. Govindasamy		
	Elgin Hydropower (Private) Limited	Affiliate	G. Sathasivam	Project development expenses	(2,040,659)
			V. Govindasamy		
x.	**Sunshine Energy Limited**				
	Sunshine Holdings PLC	Parent	G. Sathasivam	Advance received	47,232,392
			V. Govindasamy		
			B. A. Hulangamuwa		
	Elgin Hydropower (Private) Limited	Subsidiary	V. Govindasamy	Invest in shares	(8,394,180)
			B. A. Hulangamuwa	Project development expenses	(11,818,400)
	Upper Waltrim Hydropower (Private) Ltd	Subsidiary	B. A. Hulangamuwa	Invest in shares	(44,379,540)
			V. Govindasamy		
xi.	**Sunshine Power (Pvt) Ltd**				
	Watawala Plantations PLC	Affiliate	G. Sathasivam	Lease rent paid	(10,012,902)
			V. Govindasamy	Share issues	10,881,780
			B. A. Hulangamuwa		
	Lamurep Property Ltd	Affiliate	G. Sathasivam	Rent payment	(547,347)
			S. G. Sathasivam		

Note: All transactions were carried out under arms length basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31st March 2015

33.1 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 Company. Accordingly, the Board of Directors (including executive and non executive Directors) have been classified as Key Management Personnel of the Company/Group.

Company

(i) Loans to the Directors
No loans have been granted to the Directors of the Company.

(ii) Compensation paid to Key Management Personnel

For the year ended 31st March	2015 Rs.	2014 Rs.
Salaries and Other Employee Benefits	28,522,948	23,280,870

(iii) Employee Share Purchase Scheme
The Company has issued 1,314,449 shares to employees(inclusive of Directors) of the Company ad 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. 39,946,124/-.

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

Group

Subsidiaries
Sunshine Healthcare Lanka Limited , Watawala Plantations PLC, Sunshine Packaging Lanka Limited., Estate Management Services Ltd., Healthguard Pharmacy Limited, Watawala Tea Ceylon Limited., Sunshine Energy Ltd., Sunshine Power (Pvt) Ltd., Elgin Hydropower (Pvt) Ltd and 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 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	2015 Rs.	2014 Rs.
Salaries and Other Employee benefits	281,340,026	210,927,799

(iii) Other Transactions with Key Management Personnel
There were no other transactions with Key Management Personnel of the Group other than disclosed above and in Note No. 33.

34. CAPITAL COMMITMENTS

Company

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

Subsidiaries
Watawala Plantation PLC, a subsidiary of the Company, as disclosed in their 2014/2015 annual report, capital commitments as at 31st March 2015 is Rs. 590.34 million (2014 -617.47 million). However the budgeted capital expenditure approved but not committed by the directors for the financial year 2015 /16 amounting to Rs. 407.09 million -.(2014/15 Rs. 591.11 million).

There were no material capital commitments outstanding as at 31st March 2015 other than those disclosed above.

35. CONTINGENCIES

Company

The contingent liabilities as at 31st March 2015 on guarantee given by the Company to banks and other institutions on behalf of subsidiaries to facilities obtained are as follows;

As at 31st March	2015 Rs.	2014 Rs.
Sunshine Healthcare Lanka Limited		
People's Leasing Co. Limited		
Hatton National Bank PLC	-	-
Hong kong and Shanghai Banking Corporation	-	150,000,000
MCB Bank	-	420,000,000
NDB Bank PLC	-	200,000,000
Sampath Bank PLC	-	130,000,000
Commercial Bank of Ceylon PLC	-	30,000,000
Nations Trust Bank	-	100,000,000
Standard Chartered Bank	-	350,000,000
	-	**1,380,000,000**
Sunshine Packaging Limited		
Hatton National Bank PLC	105,000,000	105,000,000
	105,000,000	**105,000,000**
Sunshine Travels & Tours Limited		
Hatton National Bank PLC	-	20,000,000
	-	**20,000,000**
Healthguard Pharmacy Limited		
Nations Trust Bank	-	10,000,000
Public Bank Berhad	-	10,000,000
	-	**20,000,000**
Upper Waltrim Hydropower (Private) Limited		
DFCC Bank PLC	**420,000,000**	-

However the above corporate guarantees were given on top of the collateral already vested by the respective subsidiaries.

Subsidiary

Watawala Plantation PLC, a subsidiary of the Company, has given a bank guarantees amounting to Rs. 10,356,126/- to the Sri Lanka Customs to facilitate the subsidiary to import green tea. As at the reporting date the subsidiary is in compliance with the terms 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.

36. EVENTS OCCURRING AFTER THE REPORTING DATE

Company

The Directors of the Company have proposed the payment of dividend of Rs. 0.95 per share on ordinary shares amounting to Rs. 128,383,937 /- for the year ended 31st March 2015. (2014 - Rs. 127,135,210/-) at the meeting held on 25th May 2015.

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

INVESTOR INFORMATION

Stock Exchange Listing

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

Shareholder Information

Total no of Shareholders	1,558	(As at 31st March 2014 - 1,999)
Total no of shares	135,140,986	(As at 31st March 2014 - 133,826,537)

Range of shareholdings		Resident			Non-resident			Total		
		No of share holders	No of shares	%	No of share hold-ers	No of shares	%	No of share holders	No of shares	%
1	1,000	1,127	543,096	0.40%	7	3,800	0.00%	1,134	546,896	0.40%
1,001	5,000	253	656,969	0.49%	8	25,110	0.02%	261	682,079	0.50%
5,001	10,000	56	485,993	0.36%	-	-	0.00%	56	485,993	0.36%
10,001	50,000	70	1,925,866	1.43%	4	141,501	0.10%	74	2,067,367	1.53%
50,001	1,000,000	18	3,798,820	2.81%	7	1,056,491	0.78%	25	4,855,311	3.59%
Over	1,000,000	6	78,092,610	57.79%	2	48,410,730	35.82%	8	126,503,340	93.61%
	Total	**1,530**	**85,503,354**	**63.27%**	**28**	**49,637,632**	**36.73%**	**1,558**	**135,140,986**	**100.00%**

Analysis of shareholders	31st March 2015			31st March 2014		
	No of share-holders	No of shares	%	No of share-holders	No of shares	%
Individuals	1,481	10,177,907	7.53%	114	6,663,288	4.98%
Institutions	77	124,963,079	92.47%	1,885	127,163,249	95.02%
Total	**1,558**	**135,140,986**	**100.00%**	**1,999**	**133,826,537**	**100.00%**

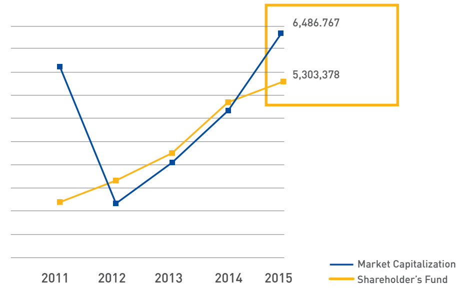
Public Shareholding

The percentage of shares held by the public 5.99% (2014 -18.90%)

Share Trading Information from 1st April 2014 To 31st March 2015

	2015	2014		2013	2012	2011	2010
Highest price (Rs)	63.50	38.90	07.06.2013	34.00	32.00	57.00	900.00
Lowest price (Rs)	28.00	26.60	04.04.2013	18.10	17.00	42.00	141.00
As at 31st March (Rs)	48.00	28.70		26.60	20.00	42.10	325.00
No. of Transactions	**6,626**	**2453**		**1794**	**939**	**2,756**	**1,346**
No. of shares traded	59,275,212	20,960,576		2,574,012	1,852,621	5,857,600	1,020,700
Value of shares traded (Rs)	2,348,879,263	710,627,572		67,442,412	43,113,108	299,084,260	295,456,625

Market Capitalisation vs Shareholder's Fund



Dividend	2015	2014	2013	2012	2011
Proposed & final (Rs)	128,383,937	127,135,210	66,666,665	39,999,999	39,999,999
Dividend per share (Rs)	0.95	0.95	0.50	0.30	0.30
Normalised Dividend pay out ratio (%)	43.9	36.1	37.2	30.6	36.1

Twenty (20) Largest Shareholders As At	31st March 2015		31st March 2014	
Name	No of Shares Held	%	No of Shares Held	%
Sampath Bank/Seylan Bank/Dr. T. Senthilverl	31,684,390	23.45%	-	-
Lamurep Investments Limited	27,392,830	20.27%	27,392,830	20.47%
Deepcar Limited	25,600,000	18.94%	25,600,000	19.13%
Moneymore Securities Limited	22,810,730	16.88%	22,810,730	17.04%
Tansinghe (Private) Limited	16,015,390	11.85%	16,015,390	11.97%
Ceylon Property Development Limited	3,000,000	2.22%	3,000,000	2.24%
Est of Late M. Radhakrishnan (Deceased)	750,000	0.55%	750,000	0.56%
Hatton National Bank PLC	669,661	0.50%	-	-
Nuwara eliya Property Developers (Pvt) Ltd	575,261	0.43%	-	-
Deutsche Bank AG as Trustee for JB Vantage Value	386,793	0.29%	386,793	0.29%
Pershing LLC S/A Averbach Grauson & Co.	322,286	0.24%	-	-
Mr. V. Govindasamy	443,330	0.33%	193,330	0.14%
GF Capital Global Limited	261,540	0.19%	-	-
Amana Takaful PLC	136,100	0.10%	-	-
BNYM SA/NV-Numerica Emerging Frontiers, Delniski GL	117,010	0.09%	-	-
Mr. W D P L Vithanage	114,703	0.08%	-	-
Mr. M.H.M Nazeer	105,320	0.08%	-	-
Mr. I. M. Dabah	100,000	0.07%	-	-
Dr. W.S.E. Fernando	100,000	0.07%	-	-
Freudenberg Shipping Agencies Limited	100,000	0.07%	-	-
Sub Total	**130,685,344**	**96.70%**	**96,149,073**	**71.85%**
Others	4,455,642	3.30%	37,677,464	28.15%
Total	**135,140,986**	**100.00%**	**133,826,537**	**100.00%**

MILESTONES

1967

Entrepreneurial quest begins as Lanka Medical

1992

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

1997-98

Acquired Watawala Plantations, a regional plantation company listed on the CSE

Entered into the Branded Tea business with Zesta

2002

1.1 BN

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

1.8 BN

Established Healthguard Pharmacy, a top of the line, value-added Health, Wellness & Beauty outlets in Greater Colombo

2005

4.7 BN

Diversified into Printing and Packaging solutions for Beverages and Confectionery industry via acquisition of Sunshine Packaging

2008

7.2 BN

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 — 9.4 BN

Sunshine Holdings announced a 1:10 stock split

Established Sunshine Energy

2011-12 — 10.8 BN

Entered into the Wellness segment by launching Surelife Wellness brands

Launched 1st own Wellness brand: 'Pedia Plus'

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

2012-13 — 13.1 BN

Maintained number 2 Branded Tea company in SL

Launched three additional Wellness brands : 'Mama Plus', 'Enlive Plus' and 'Diabeta Plus'

2014 — 14.7 BN

JV with Wilmar International to strengthen Agri business

2012-13 — 16.3 BN

Healthcare
Celebrated 48 Years in the industry
Rebranded the company as Sunshine Healthcare Lanka
Increased our Wellness portfolio:
Re-launch – Enlive Senior 50+, Mama Plus, Diabeta Plus
Launch – Ring Condoms

FMCG
3 million kg's of Branded Tea sold
#1 Branded Tea company in Sri Lanka
Inked a partnership with Diabetes Association to promote awareness

Agri - RA certification

SUN - Aureos Fund exit

DECADE AT A GLANCE

Year ended 31st March	2015 Group Rs.	2015 Company Rs.	2014 Group Rs.	2014 Company Rs.	2013 Group Rs.	2013 Company Rs.	2012 Group Rs.	2012 Company Rs.
Operating Results								
Revenue	16,326,528,096	313,557,464	14,696,587,869	232,691,759	13,067,664,329	230,073,381	10,859,486,197	190,134,023
Gross profit	3,610,668,850	268,518,924	3,510,997,629	232,691,759	3,319,045,536	230,073,381	2,432,572,189	190,134,023
Profit Before interest & Tax	**1,413,268,709**	**221,878,292**	**1,595,297,083**	**1,018,312,994**	**1,712,747,391**	**165,957,234**	**1,078,580,853**	**112,197,331**
Profit before tax	1,309,333,699	294,740,754	1,450,026,167	1,109,880,839	1,502,387,454	177,206,637	962,105,071	114,012,109
Income Tax	(335,820,583)	(2,023,953)	(324,141,236)	(6,218,055)	(299,952,674)	-	(300,914,098)	-
Profit for the year	**973,513,116**	**292,716,801**	**1,125,884,931**	**1,103,662,784**	**1,202,434,780**	**177,206,637**	**661,190,973**	**114,012,109**
Other comprehensive income	73,387,932	57,076,838	42,414,470	107,525,886	51,423,000	2,124,123	(95,826,331)	16,703,238
Total comprehensive income	**1,046,901,048**	**349,793,639**	**1,168,299,401**	**1,211,188,670**	**1,253,857,780**	**179,330,760**	**565,364,642**	**130,715,347**
Profit Attributable to owners of parent company	542,303,855	349,793,639	687,649,273	1,211,188,670	631,051,369	179,330,760	430,937,400	130,715,347
Equity & Liabilities								
Stated Capital	730,939,657	730,939,657	690,993,533	690,993,533	679,999,949	679,999,949	679,999,949	679,999,949
Reserves	1,257,725	1,257,725	1,257,725	1,257,725	1,076,455	1,257,725	1,291,295	1,257,725
Retained Profit	4,571,180,685	2,041,726,240	4,156,248,570	1,819,067,811	3,071,318,173	674,792,410	2,480,051,964	535,461,649
Shareholders' fund	**5,303,378,067**	**2,773,923,622**	**4,848,499,828**	**2,511,319,069**	**3,752,394,577**	**1,356,050,084**	**3,161,343,208**	**1,216,719,323**
Non-controlling Interest	3,643,544,084	-	3,422,805,717	-	2,972,805,082	-	2,457,276,937	-
Total Equity	**8,946,922,151**	**2,773,923,622**	**8,271,305,545**	**2,511,319,069**	**6,725,199,659**	**1,356,050,084**	**5,618,620,145**	**1,216,719,323**
Non Current Liabilities	2,607,517,581	9,980,594	2,747,833,165	8,800,364	2,394,963,231	6,285,163	2,752,190,835	3,778,569
Current Liabilities	3,058,199,960	17,293,912	2,480,487,844	11,343,067	2,647,366,645	8,322,763	2,725,753,398	4,923,647
Total Equity & Liabilities	**14,612,639,692**	**2,801,198,128**	**13,499,626,554**	**2,531,462,500**	**11,767,529,535**	**1,370,658,010**	**11,096,564,378**	**1,225,421,539**
Assets								
Property, Plant & Equipment	3,830,814,031	3,031,897	3,679,264,826	2,860,593	3,534,983,050	753,193	3,594,369,237	763,825
Biological Assets	3,350,253,000	-	3,139,569,000	-	2,880,079,000	-	2,766,583,000	-
Intangible Assets	110,539,090	-	153,569,864	-	143,633,919	-	134,829,240	-
Investments in subsidiaries	-	961,371,904	-	961,371,884	-	860,698,768	-	817,752,548
Other Investments	673,142,764	673,142,764	506,094,835	506,094,835	297,905,868	297,905,868	295,781,725	295,781,725
Investment in Gratuity fund	220,262,000	-	200,000,000	-	127,267,000	-	42,641,000	-
Investment in Associate	4,292,875	2,719,920	2,845,696	2,719,920				
Deferred tax	92,863,490	-	91,018,038	-	86,088,863	-	85,734,448	-
Current Assets	6,330,472,442	1,160,931,663	5,727,264,295	1,058,415,268	4,697,571,835	211,300,181	4,176,625,728	111,123,441
Total Assets	**14,612,639,692**	**2,801,198,128**	**13,499,626,554**	**2,531,462,500**	**11,767,529,535**	**1,370,658,010**	**11,096,564,378**	**1,225,421,539**
Key Indicators								
Earnings Per Share	3.62	2.19	4.47	8.25	4.59	1.33	3.51	0.86
Dividends Per Share	0.95	0.95	0.95	0.95	0.50	0.50	0.30	0.30
Net Assets Per Share	39.24	20.53	36.23	18.77	28.14	10.17	23.71	9.13
Return on Equity (ROE)	10.68%	13.24%	13.92%	57.08%	17.69%	13.94%	14.75%	11.16%
Current Ratio	2.07	67.13	2.3	93.3	1.7	25.3	1.5	22.5
Dividend Payout Ratio	-	26.20%	-	*36.1%	-	37.2%	-	35.1%

* Adjusted

The above information is based on the audited financial statement and those financial statements for the year ended 31st March 2015, 2014, 2013 and 2012 have prepared in accordance with Sri Lanka 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.

2011		2010		2009		2008		2007		2006	
Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
10,281,930,865	134,837,248	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
2,416,637,850	134,837,248	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
1,857,390,036	**110,973,985**	**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**
1,725,163,080	110,973,985	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
(219,814,038)	-	(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)
1,505,349,042	**110,973,985**	**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**
56,345,000	-	-	-	-	-	-	-	-	-	-	-
1,561,694,042	**110,973,985**	**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**
650,465,999	110,973,985	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
679,999,949	679,999,949	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
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
2,014,947,427	444,746,301	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
2,696,205,101	**1,126,003,975**	**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**
2,531,624,546	-	1,609,021,951	-	1,520,382,041	-	1,407,283,124	-	965,864,263	-	856,647,103	-
5,227,829,647	**1,126,003,975**	**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**
1,827,729,438	1,992,436	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
2,131,948,903	3,552,428	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
9,187,507,988	**1,131,548,839**	**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**
2,948,102,603	156,165	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
2,460,320,000	-	-	-	-	-	-	-	-	-	-	-
120,728,232	-	36,712,570	-	-	-	-	-	15,934,341	-	15,934,341	-
-	817,752,548	-	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
279,078,487	279,078,487	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
-	-	-	-	-	-	-	-	-	-	-	-
46,412,333	-	-	-	-	-	-	-	-	-	-	-
3,332,866,333	34,561,639	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
9,187,507,988	**1,131,548,839**	**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**
4.76	0.83	2.97	0.86	14.37	7.03	20.54	3.23	9.81	7.2	14.34	0.35
0.30	0.30	0.30	0.30	2.5	2.5	2.5	2.5	1.5	1.5	1.5	1.5
18.56	8.45	13.98	6.9	103.88	62.77	72.65	26.8	65.12	25.06	54.94	19.36
23.88%	11.64%	24.36%	13.03%	12.39%	10.04%	28.22%	12.07%	15.07%	28.72%	26.09%	1.82%
1.5	9.7	1.59	40.44	1.5	24.14	1.47	0.66	1.15	1.27	1.12	0.41
-	36.1%	-	34.90%	-	35.60%	-	77.40%	-	20.80%	-	428%

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	GROUP 2015 US$	GROUP 2014 US$	COMPANY 2015 US$	COMPANY 2014 US$
Revenue	**122,848,217**	**112,449,590**	**2,359,349**	**1,780,420**
Cost of Sales	(95,679,904)	(85,585,514)	(338,890)	-
Gross Profit	**27,168,313**	**26,864,076**	**2,020,459**	**1,780,420**
Other Income	1,318,045	931,073	133,788	6,572,271
Selling and Distribution Expenses	(5,868,161)	(5,593,164)	-	-
Administration Expenses	(11,521,176)	(9,995,715)	(484,734)	(561,163)
Write off of Goodwill	(462,946)	-	-	-
Results From Operating Activities	**10,634,075**	**12,206,270**	**1,669,513**	**7,791,528**
Interest Income	829,265	1,186,780	568,927	760,673
Finance Cost	(1,622,209)	(2,299,269)	(20,676)	(60,050)
Net Finance Income/ (Costs)	**(792,944)**	**(1,112,489)**	**548,251**	**700,623**
Share of Profit of Equity Accounted Investees (Net of Income Tax)	10,889	962	-	-
Profit before Income Tax Expenses	**9,852,020**	**11,094,743**	**2,217,764**	**8,492,151**
Income Tax Expense	(2,526,867)	(2,480,137)	(15,229)	(47,577)
Profit for the year	**7,325,153**	**8,614,606**	**2,202,535**	**8,444,574**
Other Comprehensive Income				
Actuarial gain/(loss)	140,835	(707,221)	3,163	-
Exchange gain/(loss)	21	8	-	-
Fair value change in Available for Sale Financial Assets	426,310	822,724	426,310	822,724
Taxes related to Other Comprehensive Income	(14,961)	209,020	-	-
Total Other Comprehensive Income for the year net of tax	**552,205**	**324,531**	**429,473**	**822,724**
Total Comprehensive Income for the year	**7,877,358**	**8,939,136**	**2,632,008**	**9,267,298**
Profit Attributable to:				
Equity holders of the Company	3,642,161	4,580,093	2,202,535	8,444,574
Non-Controlling Interest	3,682,992	4,034,513	-	-
Total Other Comprehensive Income Attributable to:				
Equity holders of the Company	438,378	681,387	429,473	822,724
Non-Controlling Interest	113,827	(356,856)	-	-
Total Comprehensive Income for the year	**7,877,358**	**8,939,135**	**2,632,008**	**9,267,298**
Earnings Per Share	**0.03**	**0.03**	**0.02**	**0.06**

STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
As at 31st March	2015 US$	2014 US$	2015 US$	2014 US$
ASSETS				
Non-Current Assets				
Property, Plant and Equipment	27,225,516	26,471,475	22,813	21,888
Leasehold Land	1,599,270	1,680,081	-	-
Biological Assets	25,208,826	24,022,123	-	-
Intangible Assets	831,746	1,175,026	-	-
Investment in Subsidiaries	-	-	7,233,799	7,355,848
Investment in Associate	32,302	21,774	20,466	20,811
Other Investments	5,065,032	3,872,338	5,065,032	3,872,338
Investment in Gratuity Fund	1,657,351	1,530,282	-	-
Deferred Tax Asset	698,747	696,416	-	-
Non-Current Assets	**62,318,790**	**59,469,515**	**12,342,110**	**11,270,885**
Inventories	19,824,306	18,690,398	-	-
Income Tax Recoverable	91,259	63,753	23,768	24,169
Trade and Other Receivables	15,337,496	13,494,104	426,321	267,688
Amounts Due From Related Parties	622,142	574,111	1,097,227	606,949
Cash and Cash Equivalents	11,758,149	10,999,246	7,188,062	7,199,561
Current Assets	**47,633,352**	**43,821,612**	**8,735,378**	**8,098,367**
Total Assets	**109,952,142**	**103,291,127**	**21,077,488**	**19,369,252**
EQUITY AND LIABILITIES				
Capital and Reserves				
Stated Capital	5,499,922	5,287,073	5,499,922	5,287,073
Reserves	9,623	9,623	9,623	9,623
Retained Earnings	34,395,482	31,801,148	15,362,717	13,918,430
Shareholders' Fund	**39,905,027**	**37,097,844**	**20,872,261**	**19,215,126**
Non Controlling Interest	27,415,682	26,189,289	-	-
Total Equity	**67,320,709**	**63,287,133**	**20,872,261**	**19,215,126**
Non-Current Liabilities				
Loans and Borrowings	7,812,341	9,832,945	-	-
Employee Benefits	8,602,053	8,123,585	75,099	67,335
Deferred Income and Capital Grants	1,607,299	1,712,408	-	-
Deferred Taxation	1,598,454	1,119,893	-	-
Total Non Current Liabilities	**19,620,147**	**20,788,831**	**75,099**	**67,335**
Current Liabilities				
Bank Overdrafts	4,243,734	2,227,666	30,430	-
Current Tax Liabilities	721,625	1,014,006	15,646	47,577
Loans and Borrowings	3,044,165	3,929,792	-	-
Trade and Other Payables	14,994,651	12,042,421	77,134	38,045
Amounts Due to Related Parties	7,111	1,278	6,918	1,169
Total Current Liabilities	**23,011,286**	**19,215,163**	**130,128**	**86,791**
Total Liabilities	**42,631,433**	**40,003,994**	**205,227**	**154,126**
Total Equity and Liabilities	**109,952,142**	**103,291,127**	**21,077,488**	**19,369,252**

STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
For the year ended 31st March	2015 US$	2014 US$	2015 US$	2014 US$
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before Income Tax Expense	9,852,020	11,094,743	2,217,764	8,492,151
Adjustments for;				
Interest Income	(829,265)	(1,186,780)	(568,927)	(760,673)
Share of Profit of Equity Accounted Investees	(10,889)	(962)	-	-
Profit on Disposal of Property, Plant and Equipment	(190,384)	(104,765)	-	-
Gain/(Loss) on fair value of Biological Assets	(12,965)	(206,358)	-	-
Interest Expense	1,622,209	2,299,269	20,676	60,050
Depreciation & Amortisation	3,541,199	3,242,123	7,461	4,241
Profit on Disposal of Investments	-	(33,813)	-	(6,572,246)
Provision / (Reversal) for Bad and Doubtful Debts	128,315	(3,456)	-	-
Goodwill Write off	462,946	-	-	-
Amortisation of Deferred Income and capital grants	(76,697)	(82,497)	-	-
Amortisation of Leasehold right to Bare Land	52,935	53,828	-	-
Timber fair valuation charged against timber proceeds	278,006	21,921	-	-
Provision for Gratuity Excluding Actuarial Gain/Loss	1,519,490	1,416,591	17,498	20,554
Fair Value (Gain)/Loss on Other Investments	(133,759)	-	(133,759)	-
Conversion (Gain) /Loss	(145,539)	9	(119,455)	-
	16,057,622	**16,509,853**	**1,441,258**	**1,244,077**
Changes in;				
Inventories	(1,444,022)	(2,457,341)	-	-
Trade and Other Receivables	(2,195,603)	89,427	(163,075)	303,711
Amounts Due From Related Parties	(57,556)	(421,933)	(500,348)	(309,667)
Trade and Other Payables	3,152,041	(171,299)	39,720	16,897
Amounts Due to Related Parties	5,855	(1,214)	5,769	(41,210)
Cash generated from/ (used in) Operations	**15,518,337**	**13,547,493**	**823,324**	**1,213,808**
Interest Paid	(1,607,859)	(2,189,807)	(20,676)	(60,050)
Income Tax Paid	(2,362,692)	(2,014,736)	(46,371)	-
Gratuity Paid	(765,399)	(800,529)	(5,455)	(1,310)
Cash Generated from operating activities	**10,782,387**	**8,542,421**	**750,822**	**1,152,448**

	GROUP		COMPANY	
For the year ended 31st March	2015 US$	2014 US$	2015 US$	2014 US$
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest Received	829,265	1,186,780	568,927	760,673
Investment in Other Long Term Investments	(696,876)	(770,214)	(696,876)	(770,214)
Investments in Subsidiaries	-	(5,609,332)	-	(1,222,573)
Investment Gratuity fund	(152,460)	(556,510)	-	-
Field development expenditure	(2,692,235)	(2,535,072)	-	-
Acquisition of Property, Plant & Equipment	(3,821,202)	(3,640,014)	(8,750)	(20,366)
Acquisition of Intangible Assets	(222,523)	(141,387)	-	-
Proceeds from disposal of Investment in Subsidiaries	-	7,003,716	-	7,003,716
Proceeds from disposal of Property, Plant & Equipment	239,727	145,893	-	-
Net Cash from /(used in) Investing Activities	**(6,516,304)**	**(4,916,140)**	**(136,699)**	**5,751,236**
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceed from Issue of Shares	300,573	84,116	300,573	84,116
Proceeds from issue of shares to Non Controlling Share holders	-	2,465,429	-	-
Receipts on Loans and Borrowings	4,921,117	7,724,325	-	-
Repayments of Interest Bearing Borrowings	(7,454,470)	(4,499,557)	-	-
Lease Rentals Paid	(196,184)	(343,691)	-	-
Dividend Paid	(956,623)	(511,981)	(956,623)	(511,981)
Dividend paid to Non Controlling Shareholders	(2,137,663)	(502,940)	-	-
Net Cash from / (used in) Financing Activities	**(5,523,250)**	**4,415,701**	**(656,050)**	**(427,865)**
Net Increase/(Decrease) in Cash and Cash Equivalents	**(1,257,166)**	**8,041,981**	**(41,927)**	**6,475,821**
Cash and Cash Equivalents at the beginning of the year	8,771,580	729,600	7,199,561	723,740
Cash and Cash Equivalents at the end of the year	**7,514,416**	**8,771,582**	**7,157,634**	**7,199,561**

USD Accounts

The Statements of comprehensive income, financial position and cash flow given in USD on pages 216 to 219 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 Kg. Per hectare per year)

NOTICE OF MEETING

NOTICE is hereby given that the Forty Second (42nd) 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 Tuesday the 30th day of June 2015 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 2015 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. S. A. Munir, who retires having attained the age of seventy one years and the Company has received a special notice to pass the under noted ordinary resolution in compliance with Section 211 of the Companies Act No. 07 of 2007 in relation to his appointment.

   ### Ordinary Resolution

   'RESOLVED THAT Mr. S. A. Munir a retiring Director who has attained the age of seventy one years is hereby re-appointed as a Director of the Company and it is hereby declared that the age limit of seventy years referred to 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. H. Abeywickrama who retires in terms of Article 110 of the Articles of Association of the Company, as a Director.
5. To re-appoint Dr. T. Senthilverl who retires in terms of Article 110 of the Articles of Association of the Company, as a Director.
6. To re-elect Mr. B.A. Hulangamuwa 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. N.B. Weerasekera who retires by rotation in terms of Article 104 of the Articles of Association of the Company as a Director.
8. To re-appoint Messrs.. KPMG (Chartered Accountants) as Auditors of the Company and authorize the Directors to determine their remuneration.
9. To authorize the Directors to determine contributions to charities.

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

By Order of the Board

Secretaries & Financial Services (Pvt) Ltd
Secretaries

25 May 2015
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 Rules: Submission of unaudited interim financial statements to CSE as per listing rules.

Period	Listing Rules	Date of Release 2014-15	Date of Release 2013-14
01st Quarter 2013/2014	within 45 days of the end of the quarter	06th August 2014	15th August 2013
02nd Quarter 2013/2014	within 45 days of the end of the quarter	03rd November 2014	05th November 2013
03rd Quarter 2013/2014	within 45 days of the end of the quarter	02nd February 2015	07th February 2014
04th Quarter 2013/2014	within 60 days of the end of the quarter	25th May 2015	22nd May 2014

2. Audited Financial Statements

Listing Rules: Submission of Audited Financial Statements 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	2012/33	01st July 2013	24th July 2013
41st Annual General Meeting	2013/14	5th June 2014	30th June 2014
42nd Annual General Meeting	2014/15	8th June 2015	30th June 2015

FORM OF PROXY

I/We ....of

....

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

....of

.... or failing him,
Mr. S. A. Munir (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 Tuesday the 30th day of June 2015 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 2015 with the Report of the Auditors thereon.		
02	To declare a Final Dividend of Rs. 0.95 (cents ninety five) per share as recommended by the Directors.		
03	To re-appoint Mr. S. Munir, who retires having attained the age of seventy one years, a Director by passing the Ordinary Resolution set out in the notice.		
04	To re-appoint Mr. H. Abeywickrama who retires in terms of Article 110 of the Articles of Association of the Company as a Director.		
05	To re-appoint Dr. T. Senthilverl who retires in terms of Article 110 of the Articles of Association of the Company as a Director.		
06	To re-elect Mr. B. A. Hulangamuwa 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. N.B. Weerasekera who retires by rotation in terms of Article 104 of the Articles of Association of the Company as a Director.		
08	To re-appoint Messrs.. KPMG (Chartered Accountants) as Auditors of the Company and authorize the Directors to determine their remuneration.		
09	To authorize the Directors to determine contributions to charities.		

Dated this .... day of 2015

....
Signature of Shareholder

(a) A proxy need not be a member of the Company.
(b) Instructions regarding completion appear overleaf.

Instructions as to completion of The Form of Proxy

- 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.
- In perfecting the form of proxy, please ensure that all the details are legible.
- 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.
- 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.
- 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.
- 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

Corporate Information
Name of Company
Sunshine Holdings PLC

Legal Form
Public Limited Liability Company
(Incorporated in 1973 and listed in the Colombo Stock Exchange)

Date Of Incorporation
16th June 1973

Registration Number
PQ13

Accounting Year
31st March

Principal Activities
Holding Company, carrying out investment in subsidiaries

Registered Office
No. 60, Dharmapala Mawatha, Colombo 03

Directors
Mr. S. Munir - (Chairman)
Mr. G. Sathasivam
Mr. V. Govindasamy -(Group Managing Director)
Mr. U.L. Kadurugamuwa
Mr. N.B. Weerasekera
Mr. S. Piyaratna
Mr. A. Hollingsworth
Mr. S.G. Sathasivam
Mr. H. Abeywickrama (appointed wef 30.06.2014)
Dr. T. Senthilverl (appointed wef 02.02.2015)
Mr. B.A. Hulangamuwa

Secretaries
Ms. S. Haddegoda- (Jt. Secretary)
Secretaries & Financial Services (Pvt) Ltd
No. 60, Dharmapala Mawatha,
Colombo 03
Tel : 011 4 702 400

Auditors
KPMG
Chartered Accountants
32A, Sri Mohamed Macan Marker Mawatha,
Colombo 03

Lawyers
F J & G de Saram (Attorney- at -Law)
No.216, de Saram Place
Colombo 10

Bankers
Hatton National Bank PLC
National Development Bank
MCB Bank Limited
Hong Kong & Shanghai Banking Corporation Limited