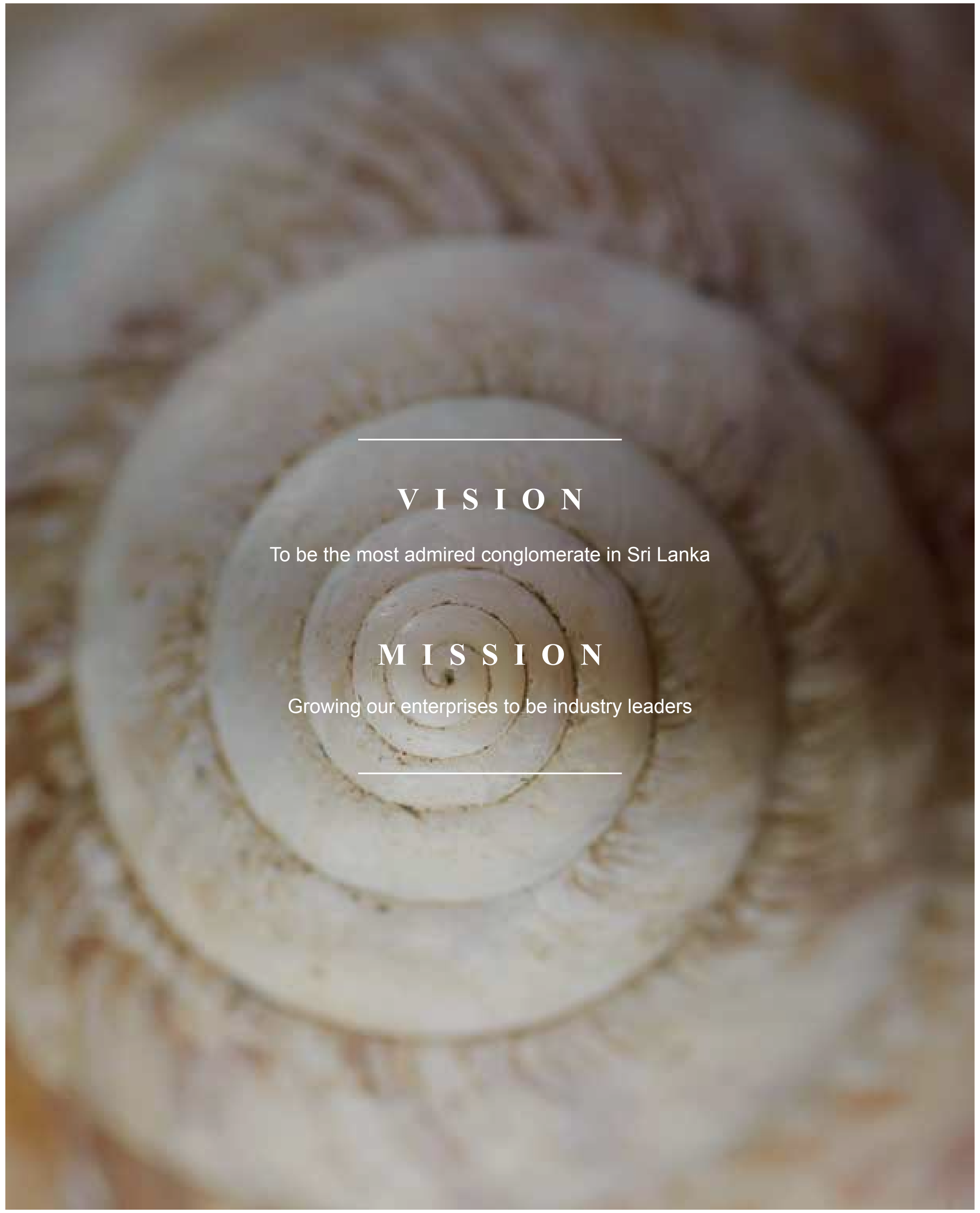
sunshine

sunshine holdings plc

ANNUAL REPORT 2015/16

THE TRIUMPHANT SOUND OF OUR BRANDS

The emblem of our company defines our path and emanates the essence of what we are: the energy of the sun that radiates prosperity. Each of our brands has been true to this spirit and the voice of our conch echoes their celebration.



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 PERFORMANCE

It is commonly said that the sound of the conch increases the positive attributes in the air. We proudly endorse it. The performance of all our sectors has increased, propelling the Group to a new pinnacle while creating new standards in the industry.

GROUP AT A GLANCE

GROUP

Rs. million

Revenue	17,422
EBIT	1,661
PAT	1,218
Total Comprehensive Income (TCI)	1,310
Profit for owners of parent	606
Total Assets	16,122
Employees	11,310

GROUP REVENUE

(Rs. billion)

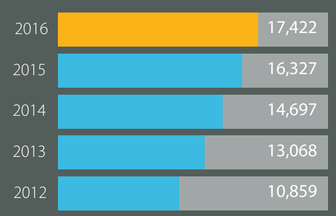
17.4

TCI

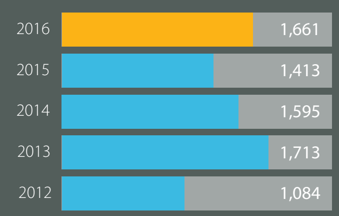
(Rs. billion)

1.31

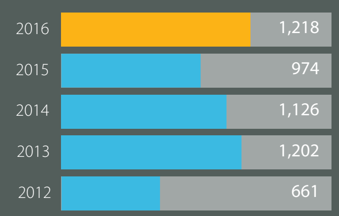
REVENUE (Rs. million)



EBIT (Rs. million)

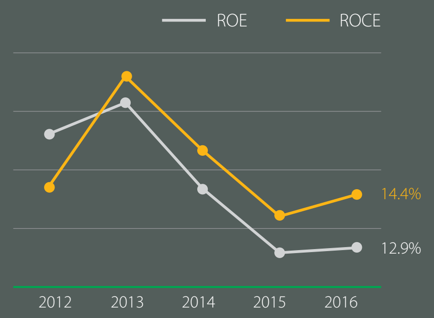


PAT (Rs. million)



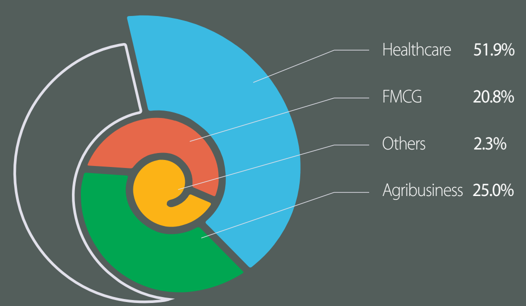
ROE & ROCE

(Return %)



PROFIT FOR EQUITY HOLDERS SEGMENTS

(Contribution %)



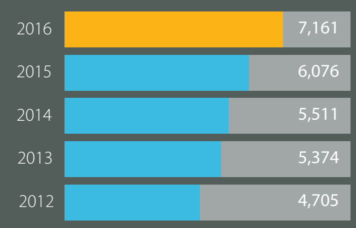
HEALTHCARE (Rs. million)

328

TCI (Rs. million)

Revenue	7,161
EBIT	514
PAT	327
Total Comprehensive Income (TCI)	328
Total Assets	3,759
Employees	768

Revenue (Rs. million)



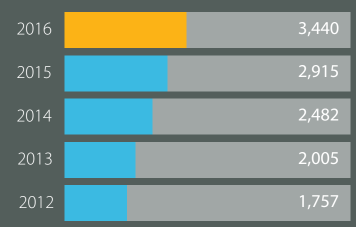
FMCG (Rs. million)

423

TCI (Rs. million)

Revenue	3,440
EBIT	469
PAT	423
Total Comprehensive Income (TCI)	423
Total Assets	1,118
Employees	161

Revenue (Rs. million)



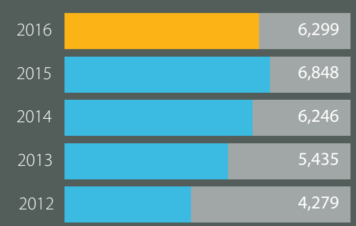
AGRI BUSINESS (Rs. million)

616

TCI (Rs. million)

Revenue	6,299
EBIT	669
PAT	518
Total Comprehensive Income (TCI)	616
Total Assets	7,746
Employees	10,205

Revenue (Rs. million)



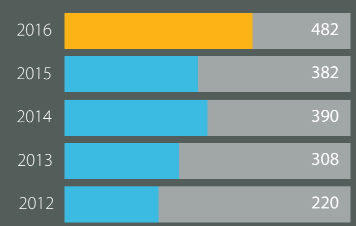
ENERGY & PACKAGING (Rs. million)

49

TCI (Rs. million)

Revenue	482
EBIT	86
PAT	48
Total Comprehensive Income (TCI)	49
Total Assets	1,792
Employees	162

Revenue (Rs. million)



FINANCIAL HIGHLIGHTS

	GROUP		COMPANY	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
Results for the year ended 31st March				
Revenue	17,422,249,764	16,326,528,096	265,431,378	313,557,464
Gross Profit	4,092,816,148	3,610,668,850	249,066,576	268,518,924
Gross Profit Margin %	**23.49%**	**22.12%**	**n/m**	**n/m**
EBIT	**1,660,598,576**	**1,413,268,709**	**157,704,853**	**221,878,292**
Net Finance Cost	(67,946,115)	(105,382,189)	63,471,545	72,862,462
Profit Before Tax	1,591,244,008	1,309,333,699	221,176,398	294,740,754
Income Tax	(373,645,411)	(335,820,583)	(769,355)	(2,023,953)
Profit for the Year	**1,217,598,597**	**973,513,116**	**220,407,043**	**292,716,801**
Profit Margin %	6.99%	5.96%	n/m	n/m
Other Comprehensive Income (Net of Tax)	92,461,096	73,387,932	(6,992,058)	57,076,838
Total Comprehensive Income	**1,310,059,693**	**1,046,901,048**	**213,414,985**	**349,793,639**
Total Comprehensive Income Margin %	**7.52%**	**6.41%**	**n/m**	**n/m**
Profit for Equity Holders	605,789,388	542,303,855	213,414,985	349,793,639
As at 31st March				
Stated Capital	730,939,657	730,939,657	730,939,657	730,939,657
Shareholders' Funds	5,781,589,520	5,303,378,067	2,858,954,670	2,773,923,622
Non-controlling Interest	4,168,557,293	3,643,544,084	-	-
Total Equity	**9,950,146,813**	**8,946,922,151**	**2,858,954,670**	**2,773,923,622**
Long Term liabilities				
- Debt	1,279,610,187	1,038,260,161	-	-
- Others	1,604,209,407	1,569,257,420	43,198,526	9,980,594
Current Liabilities				
- Debt	879,640,369	968,561,704	-	4,044,129
- Others	2,408,386,885	2,089,638,256	13,691,515	13,249,783
Total Equity & Liabilities	**16,121,993,661**	**14,612,639,692**	**2,915,844,711**	**2,801,198,128**
Non-Current Assets	9,293,473,964	8,282,167,250	1,777,258,116	1,640,266,465
Current Assets				
- Cash & Cash Equivalents	1,465,372,953	1,562,658,066	894,039,444	955,293,407
- Others	5,363,146,744	4,767,814,376	244,547,151	205,638,256
Total Assets	**16,121,993,661**	**14,612,639,692**	**2,915,844,711**	**2,801,198,128**

	GROUP		COMPANY	
	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
For the Year Ended 31st March				
Cash Generated from Operations	2,021,130,403	2,081,729,316	168,059,807	125,295,307
Income Tax Paid	(296,199,966)	(314,001,765)	(2,252,629)	(6,162,663)
Interest Paid	(176,960,928)	(213,684,461)	(1,569,267)	(2,747,894)
Gratuity Paid	(126,136,810)	(101,721,571)	(6,205,240)	(725,000)
Net Cash Generated from Operations	**1,421,832,699**	**1,452,321,519**	**158,032,671**	**115,659,750**
Capital Expenditure	(902,030,560)	(895,209,073)	(7,532,746)	(1,162,816)
Net cash Generated from/ (used in) Investing Activities	**(1,351,558,563)**	**(866,016,735)**	**(86,858,568)**	**(18,167,259)**
Dividend Paid				
- Owner of Parent	(128,383,937)	(127,135,210)	(128,383,937)	(127,135,210)
- Non-controlling Shareholders	(229,598,634)	(284,095,357)	-	-
Net Cash Generated from / (used in) Financial Activities	**(27,021,171)**	**(734,039,756)**	**(128,383,937)**	**(87,189,086)**
Net increase/ (Decrease) in Cash	**43,252,965**	**(147,734,972)**	**(57,209,834)**	**10,303,406**
Per Ordinary Share				
EPS	4.34	3.62	1.63	2.19
Net Assets	42.78	39.24	21.16	20.53
Market Value	50	48	50	48
DPS	1.05	0.95	1.05	0.95
Ratio				
Debt: Equity Ratio	21.70%	22.43%	n/m	0.15%
ROE	12.90%	12.16%	7.46%	12.61%
ROCE	14.40%	12.90%	5.52%	7.99%
Interest Cover	9.38x	6.56x	n/m	n/m
Liquid Assets Ratio	1.19x	1.20x	n/m	n/m
P/E Ratio	30.67x	21.92x	n/a	n/a
Market Capitalization (Rs.)	6,757,049,300	6,486,767,328	n/a	n/a
Enterprise Value (Rs.)	7,450,926,903	6,930,131,127	n/a	n/a

** n/m : Not Meaningful. n/a : Not Applicable*

> "The Group reaped dividends from several strategic initiatives, to enhance growth in its Healthcare and FMCG sectors, curtail losses in the Tea sub-sector and turnaround its packaging business."

CHAIRMAN'S MESSAGE

Welcome to the 43rd Annual General Meeting of Sunshine Holdings PLC. I am happy to present the Annual Report and audited financial statements for the year ended 31st March 2016.

Your Company had a commendable performance, in spite of challenges in the operating environment.
The Group reaped dividends from several strategic initiatives to enhance growth in its Healthcare and FMCG sectors, curtail losses in the Tea sub-sector and turn around its packaging business.

The diversity of your Group's portfolio as one of Sri Lanka's leading conglomerates equips it with the resilience to offset a slow-down in one sector by the upturn in another.

Your Group bolstered its position as a marketer with several leading brands in Sri Lanka. One of the Tea brands - Watawala Tea was the largest brand in volume, whilst Zesta became the exclusive brand of choice for the international hotel chain Shangri-La. The three tea brands comprising Zesta, Watawala Tea and Ran Kahata which are positioned to meet different taste palates, together enjoy market share of more than 36%.

Backdrop to performance – the global & local economy

The global economy continues to recover, albeit at a slow pace, but with increased uncertainty. Growth projections have been revised downwards by 0.2% points since IMF's forecasts in January, with growth now projected at 3.2% in 2016. This is a result of a slow growth in advanced economies, rebalancing of China and a further decline in commodity prices.

The year 2015 saw lackluster economic activity in Sri Lanka mainly due to two elections and the resultant transition. However, we are optimistic that the pace of economic activity will gather momentum in the year ahead. Sri Lanka's enhanced standing in the global market place and international platform further augments its prospects for higher growth in exports and investment inflows.

The agreement Sri Lanka has just reached with the IMF, for a USD 1.5 billion three year Extended Fund Facility (EFF) on 29th April is a positive step towards restoring economic stability. The IMF board approval is also expected to lead to further USD 650 million of multilateral/bilateral support. However, some of its conditions such as the transitioning to a flexible exchange rate could lead to further depreciation of the Rupee.

Report on corporate governance

The company's philosophy on corporate governance is to conduct its business in a manner which is ethical and transparent to all stakeholders in the company, including shareholders, creditors and employees. The company operates in compliance with all regulatory and policy requirements. The Company's philosophy on corporate governance is thus concerned with the ethics, values and morals of the company and its directors, who are expected to act in the best interests of the Company and remain accountable to shareholders and other beneficiaries for their actions.

Outlook

The year ahead will see us expand and diversify our portfolio in FMCG whilst being mindful not to dilute the value of our brands, which enjoy market leadership in the country.

Technology and Digital Marketing are now essential elements of our lives and cut-across industries, products, life styles and locations. The year under review saw your Group launch online marketing as well as enhance its digital presence. Leveraging technology for operational and service enhancements, and the digital platform for more retail engagement, are hence amongst the key thrust areas in the year ahead,

and for the Group's Healthcare and FMCG sectors in particular.

The necessity for alternate sources of energy for nations such as Sri Lanka needs re-emphasis and remains an urgent imperative. Your Group is currently engaged in expanding its generation capacity whilst also seeking new opportunities in Hydro as well as Solar and Wind power generation.

As we look to the year ahead with added vigour, we will continue to review our strategies to ensure that they remain relevant and most suited, in line with changing dynamics in the local and global marketplace. We will reinforce those strategies which serve us well whilst exploring alternatives as changing dynamics may require.

Acknowledgments

I would like to convey my sincere appreciation to my colleagues on the Board for their valuable support and guidance and to the entire team of employees for their tireless effort and dedication. And our customers, our raison d'être, for their confidence in our products. I also wish to extend my sincere gratitude to the shareholders for their support and the trust placed in us.

Munir Shaikh
30th May, 2016

"Our Healthcare sector resumed double digit growth during the year with PAT growing by 42.4% to Rs. 330 million and Revenues growing by 17.9% to Rs. 7.1 billion."

GROUP MANAGING DIRECTOR'S REVIEW

Dear Stakeholder,
It gives me great pleasure to share with you the performance, outlook and strategies as your Group ends the year with an excellent performance and looks to an exciting future.

Group Performance

All of our businesses across the board achieved commendable growth, despite challenges faced by the agriculture sector. Driven primarily by the Healthcare, Agribusiness and FMCG sectors, Group's consolidated Profit After Tax (PAT) increased by 25% to Rs. 1.2 billion whilst Revenue grew by 6.7% to Rs. 17.4 billion. Earnings per share of Sunshine Holdings PLC grew by 20% Y-o-Y to Rs. 4.34 compared with Rs. 3.62 in the year 2014/15.

In terms of contribution to Group Revenue, Healthcare has emerged as the largest contributor accounting for 40.6% (36.7% last year). Agribusiness which was the biggest contributor last year, slips down to 2nd with 35.7% of Group Revenue (41.4% last year). FMCG, a fast growing segment, accounted for 19.5% of the Revenue (17.6% last year)

I am delighted to share a significant milestone during the year; that your Group was able to capture an opportunity to be the exclusive supplier of Tea to the international chain of hotels Shangri-La to its properties located across the world. The Group will supply a Zesta Connoisseur range to be served at the hotel in 110 of its properties, across 38,000 rooms in 26 countries.

Sector Performance

Healthcare

Our Healthcare sector resumed double digit growth during the year with PAT growing by 41.2% to Rs. 327 million and Revenues growing by 17.9% to Rs. 7.2 billion, to exceed the average industry growth of 6%. This significant growth in profitability was supported by a multitude of factors which included productivity improvements, investments into training and development and a culture change.

'Healthguard' – the Group's Healthcare retail brand was infused with added vigour during the year and its positioning as a solutions provider for 'Beauty, Health and Wellness' further augmented. Four new fully fledged outlets, with visually enhanced layouts were opened during the year at premier locations in Colombo, combined with four new express outlets within Keells supermarkets, bringing the total number of Healthguard outlets to 24 at the end of the year. It is particularly heartening that one of these outlets was able to achieve profitability within a mere 6 months of operations establishing a new record, and the brand is well poised for future growth and expansion in the year ahead. Having identified the dearth of qualified individuals in the industry and the need for service enhancements as enumerated in our report of last year, Healthguard opened its own Training and Development centre during the year.

FMCG

The FMCG sector bettered its performance over the previous year to achieve its highest ever revenue and PAT of Rs. 3.4 billion and Rs. 423 million respectively, with Revenue growing by 18.0% and PAT by 7.6%. It is particularly noteworthy that this performance was despite an increase in competition due to the entrance of many new players into the retail market encouraged by lower Tea prices. The brand equity enjoyed by our three brands of Tea – Watawala, Zesta and Ran Kahata was once again the key factor in the Group's performance which was well supported by brand communication and expanded point of sale presence during the year. Watawala Tea became the largest brand in the country in terms of volume during the year. The Group's efforts to increase distribution by adding more volumes as well as outlets also supported our FMCG sector's performance during the year. The winning of an exclusive contract to supply value-added Tea to the Shangri-La chain of hotels will be a platform for the Group's plans to expand its Zesta brand into international markets.

Agribusiness

The profitability of our Agribusiness sector represented by Watawala Plantations PLC (WATA) was driven by the Palm Oil sub-sector, this year as well. The profits in this sub sector more than offset the losses in the Tea and Rubber sub-sectors allowing WATA to achieve a PAT growth of 32.5% to reach Rs. 518 million whilst Revenue contracted by 8.0% to Rs. 6.3 billion during the year mainly due to a contraction in Tea volumes by design.

The much improved performance in the Tea sub sector was enabled by two key strategic decisions, on the backdrop of a weak demand for Tea. Firstly the adoption of a strategy of higher quality over quantity, saw the Group increasing the production of higher quality teas and curtailing volumes, enabling better price margins whilst reducing overheads; thus, deviating from the previous years' status of being the largest producer. Secondly, was a focus on cost management initiatives led by operational efficiencies across the board. It is noteworthy that the Group was able to reap the dividends of its strategic initiatives, such as the Rs. 300 million investment in the Waltrim factory about five years ago, and the continuous application of sustainable agri practices, in enhancing and increasing the manufacture of higher quality teas. The strategies saw the loss

made in the Tea sub-sector (in the previous year) reduced by more than 29.3% to Rs. 314 million during the year under review in a year in which export demand continued to decrease due to economic and political strife in Sri Lanka's key export markets such as Russia, Ukraine and the Middle East.

The Palm Oil sub-segment continued to generate strong results despite the fact that revenues contracted by 3.3% during the year due to a slight dip in prices, reflecting a drop in global commodity prices as well as extreme weather conditions which impacted crop output during some months of the year.

Energy

The Group's Energy sector recorded its highest revenues and profits to date supported by heavy inter-monsoonal rainfall and improved plant and grid stability. Revenues rose by 6.9% to Rs. 120 million whilst PAT increased by 61.6% to Rs. 32 million. The hydropower plant in Lindula (Waltrim Lower) continued to generate 1.7 MW of power, supplying energy to the national grid. We have commenced the construction of two more plants which will be ready for commissioning by mid-2016 and early-2017 to expand the Group's generation to 7 MW by 2016/17.

Packaging

This year's robust performance by the Group subsidiary Sunshine Packaging (SPL) is particularly significant as it is a turnaround from the losses reported during the past two years. The sector achieved Rs. 16 million in PAT compared with a loss of 24 million in 2014/15, whilst Revenue grew by 34.1% to reach Rs. 362 million with printed tin sheets being a key contributor. As we indicated last year, the Company began to leverage on it strengths to venture into the direct export of value-added teas in alternate markets. The year under review saw this product line of tin packs reach new heights to become a key contributor to profitability. Furthermore, the Company also became an exclusive supplier of packaging to a leading confectionery manufacturer. Additionally, increased productivity, which also helped bring overhead costs down and lower input costs due to lower metal prices in the global market, were some of the other factors which supported this year's positive performance.

Our sustainable model of value creation

Your Group looks at this enterprise from a wider perspective, and contributing to nation building and the country's economic growth is intrinsic to the Triple Bottom Line approach to enterprise that we have adopted. It is not merely about keeping abreast with global trends in business and governance but one that truly springs from our belief that sustainability of an entity's profits ultimately depend on the sustainability of the community and environment that it is part of.
We have continued to be heartened by several external accolades received over the years for our efforts to constantly refine and enhance what we do and how we do. The accolades received during the year under review and listed

below reflect our commitment to a sustainable approach, and highest standards across the board.

Sunshine Holdings PLC emerged the Third best in Investor Relations from among the country's 296 listed corporates, at the 2015 edition of the prestigious 'Capital Market Awards' hosted by the CFA Sri Lanka Institute. Communicating interactively with the investor community forms, the foundation for these awards where increasing awareness on the crucial role played by investor relations for markets to function efficiently and encouraging best practices were the overarching fundamentals. As a strong investor relations function is closely linked with financial transparency and accountability, we are most pleased to receive this award, which recognizes Sunshine Holdings as an honest and transparent entity.

Our Plantations subsidiary (WATA) won the Silver award for the Best Annual Report & Accounts at the South Asian Federation of Accountants (SAFA) awards held in Pakistan.

WATA also won the Gold award in the large-scale sector in Manufacturing at the Sri Lanka China Business Co-operation Council (SLBCC) Star Awards held in September 2015.

Our sustainable practices have been intrinsic to our performance and in the Agriculture sector in particular where sustainable agri and social practices over the past few years, have yielded concrete benefits. During the year under review, our Plantation subsidiary was able to obtain Rainforest Alliance (RA) certification for all its sixteen estates, thus demonstrating its voluntary commitment and compliance with rigorous global standards in relation to the wellbeing of its associates and their families and the environment. The RA certification which encompasses Triple Bottom Line aspects, further reaffirms the Group's strong focus on sustainable and ethical business practices and complements the other international and local standards which WATA has already been compliant with; such as the Ethical Tea Partnership (ETP) and Fair Trade.

The Group's other social and environmental sustainability initiatives in 2016, are enumerated in the MD&A that follows.

Looking ahead

Sunshine Healthcare (SHL), remains Sri Lanka's second largest private healthcare company and has been the partner of choice for international healthcare suppliers who looks to grow their business in Sri Lanka. We expect this agency business to continue its growth momentum into the next year by leveraging on the strong relationships we have with globally reputed brands. We also envisage adding new agencies in the year ahead in the areas of chronic care and wellness, in particular, to fill gaps in our product portfolio. The company has also invested in HR initiatives to reduce attrition and improve the efficiency of its sales team and building on and further strengthening the HR initiatives will be a priority next year as well.

We are also mindful of some of the challenges we could face, such as in the registration of new products

with the National Medicines Regulatory Authority (NMRA) and due to possible exchange rate fluctuations and a further depreciation of the Rupee which would impact the import costs of Healthcare products.

We will continue with the rapid expansion of our specialty retail chain Healthguard, with six more outlets planned for the year ahead; the stores will focus on Pharma, Wellness, Beauty and excellence in service. The Group envisages the online retail store, launched in 2016, to become an important contributor to enhanced growth. We also expect to harness higher margins from better economies of scale and from a shift in the sales mix.

Our three Tea brands under FMCG are positioned to appeal to different palates. Some of our customers look for a more flavoursome Tea while others seek one with a strong taste to serve with milk. We will continue to expand distribution reach and improve availability of our products with a special emphasis on growing volumes in modern trade outlets. We will also focus on the converter brand 'Ran Kahata' which will tap into the huge unbranded volumes of loose Tea currently consumed in the Sri Lankan market. The international division launched during the year will provide us with a ready springboard to expand our brands overseas into new international channels which we have begun to explore. We will also extend our 'Zesta Connoisseur' range to other premium hotel chains. We will also re-launch 'Zest' our own brand of bottled drinking water in the year ahead whilst looking to diversify our FMCG portfolio. With a focus on technology, brand building and expanding overseas, the FMCG business stands well poised to grow, diversify and expand.

Agribusiness continues to be an important sector for Sunshine Holdings and also for Sri Lanka as a whole, particularly in terms of its impact on nation building. We employ over 10,000 people in that sector; in the Tea, Rubber, Palm Oil and Dairy businesses. Although buffeted by its own challenges, the Agribusiness sector remains a cornerstone of the Sri Lankan economy and the Group will continuously look for new ways to uplift and expand this sector.

The Tea sub-segment will continue the low-volume and high-quality strategy which has given us a superior bottom line, despite a contraction in top line. Wage negotiations with the estate workers which are still ongoing are expected to be resolved in the early part of the next financial year, and its outcome seems likely to have a material negative impact on profitability.

As we have repeatedly articulated, the Tea sector is beleaguered by diminishing cost competitiveness in the global market place due to escalating costs of production, low productivity, a need for replanting, and threats from climate change. A lack of a long term funding mechanism in order to improve the productivity of the tea plants themselves further augments the issues of productivity and the unique set of problems faced by the Regional Plantations Companies which became the managers of these estates about 20 years ago. The long term sustainability of Sri Lanka's Tea industry thus require solutions to address these challenges. Therein lies the need for the industry to collectively re-visit the fundamentals and take decisions such as how little or much of Tea we should produce. The introduction of a wage model that is linked to productivity remains an urgent imperative to address declining competitiveness as well as low productivity.

The Group's Palm Oil sub segment is expected to improve on this year's performance in the year ahead, on the back of increases in quantity and price. Local Crude Palm Oil (CPO) prices are expected to move upwards in the year ahead as it recovers from a trough, thus having a favorable impact on producers. Your Group is one of the largest producers of Palm Oil in Sri Lanka, with our operations in tandem with our joint venture partners, Pyramid Wilmar. The Group is actively engaged in expanding this business in the next few years. The Government's new policy to expand Palm Oil plantations, from its current scope of 7,000 hectares to 20,000 hectares in the future, widens our scope to acquire suitable land, and reinforces our interest to explore new opportunities in this sector.

We have identified tremendous potential in Sri Lanka's Dairy industry and are encouraged by the country's plans to become self-sufficient in its Dairy requirements. Your Group is currently engaged in the Dairy industry on a small scale as a pilot project and produces 1,300 litres of milk per day. Our planned investments of USD 11 million for the long term envisages transforming the current operations to a large commercial farm which produces 30,000 litres per day. Sri Lanka imports most of its milk requirements in powdered form into the country and this project would thus be a Triple Bottom Line one which benefits not just our business but the national economy and the consumer.

Sunshine's Energy sector expects its current plant to generate stable returns in 2016/17 whilst the construction of two more plants for an investment of Rs. 600 million will see the generation capacity expanded from its current level of 1.7 MW to 7 MW by end 2016/17. Driven by our Triple Bottom Line focus, the Group is actively engaged in looking for opportunities to expand its investments into renewable energy generation and sees much potential in Solar and Wind power generation.

The Group's Metal Packaging subsidiary is confident of continuing its positive performance of 2016/17 following a strong order book which will result in improved machine utilisation. At the same time we are also mindful of the global Tin metal prices, and that an increase from current levels as well as a further depreciation of the Rupee would have a negative impact on profitability. The business will be expanded during 2016/17 with a capital infusion of USD 2 million from Primeco Group, Hong Kong (FDI). As a result SUN's effective holding of the business will be diluted down to 60%.

It is our fervent hope that the Government will ensure consistency, transparency and long term horizons of policies as this would be the best incentive for the private sector to implement long-term investment strategies to add value to the Sri Lankan economy and harness its potential.

Sri Lanka's location holds great potential as a gateway to Europe and Asia and hence brims with potential to become a global logistics hub whilst our natural resources have given us the advantage to become an agricultural country. Combined with a democratic society and a stable Government, these are all things that we can take pride in and leverage on in order to take Sri Lanka to a new level of development and prosperity. Our optimism is further supported by the fact that Sri Lanka is one of the safest countries in the world today, insulated form security concerns and threats that challenge many nations at present. Sri Lanka would also stand to benefit from leveraging its proximity to India rather than by insulating itself as this would also mean closing the door to myriad opportunities for business and economic growth.

One of the Group's greatest strengths is the diversity of the sectors in which it operates. Thus, one segment of our business may be growing faster than another in one year whilst we see a reversal of that position in the next. For instance our Agribusiness in this financial year has grown at a slower pace than our Healthcare whilst the previous year saw us enjoy considerable growth in the Agribusiness whilst the pharma business had lower growth. This enables us to offer consistent shareholder earnings.

Year 2015/16 saw a lackluster economic environment due to a preoccupation with elections and the periods of transition that ensued. We are optimistic that the year ahead will see economic activity resume at a faster pace. Certain factors will pose challenges, such as slower improvements to consumer demand, due to the increased tax burden and higher costs of imports. However, the Group is buoyant on the prospects for all its businesses and expect them to deliver above market growth in the next financial year.

In conclusion

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 and create, 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 11,310 members that make up our team, for their passion, unwavering commitment and tireless efforts; our customers, shareholders, business associates and other stakeholders for their continued support and inspiration.

V. Govindasamy
30th May 2016

MANAGEMENT REVIEW AND PREVIEW

The call of the conch heralding hope, determination, willpower and courage reverberates in our air. It's the perfect combination to a state of mind for focusing on our core businesses and our unique strategies, which resulted in conquest through our Brands.

INTRODUCTION

This Annual Report of Sunshine Holdings PLC continues and builds on the Integrated approach to Reporting which the Group has adopted since 2013/14. In preparing this third Integrated Report, we have drawn on concepts, guidance and methodology given in the International Integrated Reporting Council's framework.

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

We continued with 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; taken 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 Group's methods of engagement with these key stakeholders below.

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

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.

ECONOMIC LANDSCAPE

Global Economy

The global economy continues to recover albeit at a slow pace and with increasing uncertainty. Growth, although in line with 2014, has been revised downwards by 0.2% points since IMF's forecasts in January, with growth for the year now projected at 3.2% in 2016. The slower than expected growth is a result of a loss of the growth momentum in advanced economies, a rebalancing of China, a further decline in commodity prices, related slowdown in investment and trade, declining capital flows to energy markets and developing economies. Decline in investment demand is worldwide, but commodity exporters are adversely impacted by the challenges in their terms of trade. In addition, geo political tensions have also weighed significantly on global growth.

For instance, output contractions in three particularly affected countries Ukraine, Libya and Yemen is estimated to have subtracted 0.1% from global growth in 2014/15.

The recovery is projected to strengthen in 2017 and beyond, driven primarily by emerging markets and developing economies as conditions in stressed economies start to normalize.

World Growth Percentage Change		Projections	
	2015	2016	2017
World output	3.1	3.2	3.5
Advanced economies	1.9	1.9	2.0
USA	2.4	2.4	2.5
Euro	1.6	1.5	1.6
UK	2.2	1.9	2.2
Japan	0.5	0.5	-0.1
CIS	-2.8	-1.1	1.3
Russia	-3.7	-1.8	0.8
China	6.9	6.5	6.2
India	7.3	7.5	7.5
ASEAN	4.7	4.8	5.1
Emerging & Developing Asia	6.6	6.4	6.2
Emerging & Developing economies	4.0	4.1	4.6
World Trade Volumes (goods & services)	2.8	3.1	3.8
Imports by Advanced economies	4.3	3.4	4.1
Imports by Emerging & Developing economies	0.5	3.0	3.7
Oil Prices (U.S. Dollar) (average price of intermediate crude oil)	-47.2	-31.6	17.9
London Interbank Offer Rate (LIBOR) (on US Dollar deposits)	0.5	0.9	1.5

Source: IMF, World Economic Outlook April 2016

Sri Lankan economy

Sri Lanka's economy grew at 4.8% during 2015 compared with 4.9% in 2014. A slower growth in exports, due to reduced demand from traditional export markets impacted the export sector whilst a strengthening of the US economy prompted short term capital outflows. The impact of these developments was offset to some extent by lower international commodity prices. Moreover, domestic consumption rebounded as incomes grew, particularly among public sector workers. Private consumption expenditure also grew during the year, mainly due to the low interest rate environment and increased real wages. However, investment activities, as measured by gross capital formation, decelerated during 2015.

The Services sector, which accounts for 56.6% of GDP, grew by 5.3%, supported by the growth in financial services (by 15.8%), real estate activities (by 9.6%), transport activities (5.5%) and wholesale and retail trade (4.7%). Despite the minor slowdown in construction (-0.9%) and mining and quarrying (-0.9%), industry activities, which account for 26.2% of GDP, grew by 3%, mainly supported by the growth in manufacturing activities (4.7%).

The growth in the Agriculture sector, by 5.5% compared with 4.9% in 2014 is largely attributable to the significant expansion in rice production (by 23.3%), as a result of the bumper harvest recorded during the year and the substantial contribution from the cultivation of vegetables (which grew by 24.9%) despite the contraction in fishing (-2.7%), rubber (-10.1%) and tea (-2.6%). Moreover, cultivation of fruits, animal production and growing of oleaginous fruits (coconut, king coconut, oil palm) also significantly contributed to this growth.

Percentage change in GDP growth

1998-2007 (avg)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2021
4.3	6.8	6.0	3.5	8.0	8.4	9.1	3.4	4.9	4.8	5.0*	5.0 *	5.0 *

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

The Industry sector slowed down to 3.0% in 2015 marginally reducing its contribution to GDP to 26.2%. The contraction in construction, mining and quarrying activities largely contributed to slower growth in the industry sector; whilst Manufacturing the largest component of the Industry Sector supported growth with an expansion of 4.7% mainly driven by the manufacture of food, beverages and tobacco products. Additionally, the manufacture of machinery, equipment, metals and metal products and furniture also supported the growth momentum in the manufacturing sector.

The unemployment rate increased to 4.6% during 2015, compared to 4.3% recorded in 2014 amidst a marginal increase in the labour force participation rate particularly by females.

Inflation – remained moderate

Inflation declined further in 2015 mainly reflecting the downward adjustments to administratively determined domestic prices, including fuel and key consumer items. Having remained below mid-single digits continuously for over a period of seven years due to favourable domestic supply conditions, subdued global commodity prices and the effect of demand management policies of the Central Bank, moved to negative territory for a brief period during July - September 2015 due to several supply side developments in the domestic and international market. Headline inflation, as measured by the year-on-year change in the Colombo Consumers' Price Index (CCPI), increased from 2.1% recorded at end December 2014 to 2.8% by end December 2015. However, annual average inflation moderated to 0.9% in 2015 compared to 3.3% recorded in 2014. Meanwhile, along with some upward movement observed due to price pressures in the non-food items of the CCPI basket, core inflation, which measures the demand driven component of inflation, indicated an upward trend in 2015. Accordingly, year-on-year core inflation was 4.5% at end December 2015 compared to 3.2% recorded at end December 2014, while annual average core inflation was at 3.1% compared to 3.5% recorded in 2014. In the meantime, as per the newly introduced National Consumer Price Index (NCPI), which covers all provinces in the country, year-on-year headline inflation was 4.2% in December 2015 and annual average inflation was recorded at 3.8%.

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	7.6	6.9	3.3	1.7	3.4	4.3	5.0	5.0	5.0

*Source : Central Bank of Sri Lanka, IMF, *IMF projections*

Interest Rates - from relaxed to tightening stance

In an environment of continued low inflation, the Central Bank continued to maintain its relaxed monetary policy stance (which it has followed since December 2012) during this year as well, but initiated a gradual tightening of monetary policy towards end 2015 to preempt the emergence of excessive demand pressures on inflation arising from high credit and money expansion. Considering the space created by the sharp decline in inflation as well as the favourable outlook for inflation, the Central Bank reduced its main policy interest rates, namely, the Standing Deposit Facility Rate (SDFR) and the Standing Lending Facility Rate (SLFR), by 50 basis points to 6.00% and 7.50%, respectively, in April 2015. This downward adjustment was also expected to provide greater stability to market interest rates by signaling the continuation of the accommodative monetary policy stance, thereby supporting continued flow of credit to the economy. As credit and monetary aggregates continued to grow at a higher pace than projected, while excess liquidity in the domestic money market remained persistently high, the Central Bank commenced tightening monetary policy towards end 2015. Accordingly, it raised the Statutory Reserve Ratio (SRR) applicable on all Rupee deposit liabilities of commercial banks by 1.50% points to 7.50% to be effective from the reserve period commencing 16th January 2016. This measure signaled the end of the relaxation cycle of monetary policy and the Average Weighted Call Money Rate (AWCMR,) which had settled close to the lower boundary of the policy rate corridor began an upward movement to end 2015 at 6.40% in comparison to 6.21% in end 2014. The Sri Lanka Inter Bank Offered Rate (SLIBOR) also moved in line with the movements in AWCMR. Accordingly, by end 2015, overnight and 12 months SLIBOR were recorded at 6.40% and 7.66% respectively; compared to 6.10% and 7.15%, respectively at end 2014. The Average Weighted Fixed Deposit Rate (AWFDR), which is based on interest rates for all time deposits held with commercial banks, increased by 24 basis points to 7.57% by end 2015 from 7.33% at end 2014. The Average Weighted Deposit Rates of Commercial Banks remained at the same level as in December 2014, at 6.20% whilst the Average Weighted Prime Lending Rate rose to 7.53% in 2015 compared with 6.26% in 2014.

Exchange Rates - Change in policy prompts depreciation

The Sri Lankan Rupee, which depreciated by 2.42% against the US dollar during the first eight months, depreciated at a higher rate during the last four months of the year following the Central Bank's decision to allow greater flexibility in the determination of the exchange rate from early September 2015. During the year, the Sri Lankan Rupee depreciated by 9.03% against the US Dollar. Greater flexibility in the exchange rate helped stabilise trade and current account deficits towards the end of 2015 although short term capital outflows continued into 2016 as well. The change in the exchange rate policy in early September was focused on curtailing import demand, maintaining gross official reserves at a healthy level and improving external competitiveness amidst the significant depreciation of several international currencies, including the Chinese Yuan and the Indian Rupee. In addition, other policy measures, such as the imposition of a maximum Loan to Value ratio and a minimum cash margin requirement of 100% against Letters of Credit for the importation of motor vehicles, introduced in 2015, were also targeted at curtailing the excessive demand for imports. These policy measures, which were complemented by the tightening of monetary policy in early 2016, are expected to strengthen the external sector in 2016.

Share Market

The Colombo Stock Exchange (CSE) performed sluggishly under volatile movements in the price indices in 2015. The All Share Price Index (ASPI) declined by 5.5% to 6,894 points and the S&P SL 20 Index declined by 11.3% to 3,626 points at end 2015. Increased investor uncertainty resulting from delayed policy directions along with political changes, increasing interest rates, depreciation in the exchange rate and reversal of capital flows to emerging markets contributed to a significant outflow from the equity market in 2015. As a result the price indices pertaining to main sub-sectors declined substantially with the index pertaining to diversified holdings declining by 12.2%.

Market capitalization of the CSE also declined by 5.4% with contribution to GDP dropping to 26.3% compared with 29.7% in 2014.

Outlook

Sri Lanka's economic environment was lackluster in 2015, owing to the pre occupation with two elections and the subsequent periods of transition. However, we are hopeful that the year ahead will see economic activity resume at a faster pace; and greater policy clarity and certainty will pave the way for increased investments by the private sector. The Central Bank projects the economy to grow by 5.6% in 2015 and to strengthen over the medium term into a higher growth trajectory of about 7%. The IMF projects Sri Lanka's GDP to grow by 5% in 2016 and 2017.

Improvement in investor sentiments; the new policy initiatives of the government to spur growth across all major sectors of the economy and increase private sector participation through the creation of an investor friendly environment, are factors which are expected to contribute to the growth trajectory of the economy over the medium term. Moreover, the implementation of policy measures to encourage small and large scale entrepreneurs to participate in the global economy and the resultant positioning of Sri Lanka in the global value chain, are expected to bolster the contribution of the Industry, Agriculture and Service sectors to this growth momentum. The gradual recovery of the global economy is also expected to provide the required impetus to maintain Sri Lanka's external demand at favourable levels. At the same time, a rise in income levels, expected from this improved external demand, will support Sri Lanka's graduation to upper middle income status, bringing forth new challenges, typical of the 'middle income trap.' Furthermore, appropriate monetary and fiscal policy measures are expected to create an environment conducive for investment. Accordingly, inflation is estimated to be at moderate at around 4%. Meanwhile, fiscal policy will continue to focus on strengthening the fiscal consolidation process.

The growth potential of Sri Lanka is expected to be enhanced through the adoption of advanced technology and the subsequent digitisation of the economy, attraction of new investment initiatives, including those of global tech giants, and the effective utilisation of socioeconomic infrastructure facilities.

Positive developments in the domestic and global economies, coupled with recent policy initiatives, are expected to result in a favorable outlook for the external sector over the medium term. The decline in the current account deficit is expected to be largely driven by the improvement in trade of merchandise, goods and services. Although import expenditure is expected to decline in 2016, as a result of the low level of international oil prices and the decline in motor vehicle imports as a result of the greater flexibility in the determination of exchange rates, it is expected to rise thereafter with the anticipated increase in crude oil prices in international markets and the growth in imports of investment goods required to facilitate the new growth trajectory. Exports, which recorded a decline in 2015, are expected to regain their upward momentum over the medium term with the expected recovery of global demand and the improvement in external competitiveness, induced by productivity improvements.

STRATEGIC OUTLOOK FOR 2016/17

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 2015-2020	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. Also, efforts were made to secure an International Hotel chain to partner with and increase export revenue. In Healthcare we reduced dependency on Pharma reducing the contribution to 66.3% from 67.3% during the year with share of Diagnostic growing from 9.2% to 9.8%, and Retail growing from 11.1% to 11.9%. The business was challenged in terms of introducing new products due to regulatory restrictions. In Agribusiness, we invested in a JV to commercially expand the Dairy Farm to 1,000 milking cows from the current level of 67 milking cows at the farm. We have also planted 50ha of Cinnamon to further diversify our crop portfolio. The Packaging division increased its Tin Sheet export business, reducing dependence on Tea Caddies and Confectionery tins.	Focus on the Zesta Connoisseur brand to exponentially grow the export business for branded Tea. Also expand the contribution from the 'Zest' branded bottled water in the FMCG sector. Introduce new molecules and principles in Healthcare, and build our brands in the Wellness sub-sector. Commence operations at the Dairy farm in early 2017. JV with Primeco Group to expand the Packaging business and Export of Tin Sheets. The 2nd Hydropower plant will commence operations in mid-2016 and the 3rd in early 2017 which will enhance the scale of the Renewable Energy Sector.
Increase our geographic presence.	Explored distribution of FMCG products to China through the partnership established last year with Wilmar International. Focus on printed sheet export business.	Begin the supply of Zesta Connoisseur brand to 110 Shangri-La hotels in 26 countries around the world. Enhance the Packaging plant to enable it to do more printed sheet export orders to Africa, Europe, and SAARC region countries
Enhance wealth for all our stakeholders and remain amongst the top conglomerates in Return on Equity (ROE).	ROE increased to 12.9% during 2015/16 due to better profitability in both Agribusiness and Healthcare sectors. Maintained a consistent dividend policy from each of the business sectors and proposed to pay out a dividend of Rs 1.05 per share this year compared to Rs. 0.95 paid last year. Profitability in the Palm Oil sub sector was boosted by improvements in productivity. Losses in the Tea sub-sector were reduced with focus on a quality strategy as opposed to a volume strategy. With a focus on the Printed sheet business, the Packaging plant enhanced its utilization which resulted in a profit of Rs. 16 million against a loss of Rs. 24 million last year.	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 continue to focus on a quality strategy to improve its price realised per kg and profitability. The 2nd Hydropower plant will commence operations in mid-2016 and the 3rd in early 2017 which will enhance the scale and profitability of the sector.
Enhance the value of our human and natural capital.	A further reduction in the attrition rate was achieved by a restructure of the working culture at Sunshine Healthcare and enhancement of systems and processes. Launch of a dedicated training centre for Healthguard to train Pharmacists and retail staff to provide superior customer service. Formation of a dynamic team consisting of cross discipline members from different Group companies to drive Innovation in each business segments.	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.

Strategic Imperatives for 2015-2020	Status	Next Year & Medium- to Long-Term
	Construction of two new hydro energy projects utilizing two water bodies located on our plantations. Leverage on the cool and wet climatic conditions in Lonach estate, which are ideal for Dairy Farming, to expand the commercial Dairy operation to 1,000 milking cows. Continued with Triple Bottom Line initiatives on our estates such as good agronomic practices and social sustainability projects. (Refer page 76)	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. The Group won the Bronze Award for Best Investor Relations at the CFA Capital Market Awards 2015. Expanded the Pharmacy channel for increased customer interaction. 8 stores added during 2015/16. The FMCG business managed to grow its distribution reach by over 40% by the end of 2015/16. A detailed description of how the Group engaged society towards achieving sustainable growth is depicted in page 71 to 75.	Provide value-added services for Tetleys Tea brands via the partnership with TATA Global Beverages. Leverage on Willmar's distribution network in China to penetrate into the Branded Tea market. Further increase our interaction with all our stakeholders by: a. attending supplier conferences b. developing investor relations c. interacting with society at large by way of meaningful and sustainable CSR projects.

GROUP PERFORMANCE

Highlights of 2015/16

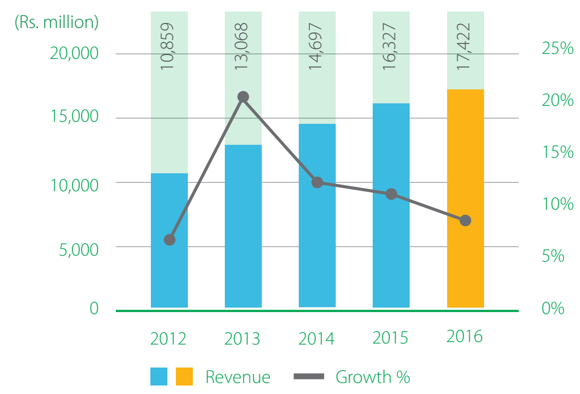
- All of the Group's businesses across the board achieved commendable growth in all indicators.
- Healthcare sector performed well above the industry to achieve a growth in PAT by 41.2% and a Revenue growth of 17.9% .
- The Group was awarded an exclusive contract to supply value-added Tea to the international hotel chain Shangri-La.
- The enhanced appeal of the Healthguard outlets and strengthened brand positioning combined with a rapid expansion saw its Revenue increase by 25.6% to reach a new high.
- The FMCG sector achieved its highest ever Revenue with a growth of 18.0%.
- Our three brands of Tea collectively became market leaders in terms of both volume and value in the local branded teas market and cemented its market leadership.
- The Tea sub sector was able to yield the benefits of some prudent strategic initiatives and curtail losses made compared to previous year, supporting the growth of the Agri sector which was led by Oil Palm.
- The Group continued to be the largest producer of Palm Oil in the country.
- The Packaging sector saw a turnaround in performance to achieve a profitability of Rs. 16 million.

Review of Group Financial Performance

Overview

The Group delivered a strong set of results for the year ended 31st March 2016 (2015/16), on the back of a conducive market environment of increased consumer spending at macro level which supported both the Healthcare and FMCG businesses. The sudden depreciation of the Rupee in the latter part of the year, however, had a slight negative impact on margins of the Healthcare business. Although the lower commodity prices dampened the top line of the Agribusiness, the segment managed to increase its profitability through a change in strategy and a tight control of costs.

Revenue



The Group's consolidated Revenues increased by 6.7% to Rs. 17.4 billion for 2015/16, despite a contraction in the Agribusiness revenue, by 8.0% Y-o-Y. Given low commodity prices for Tea due to demand side factors, the Group strategically decided to reduce volumes (down 8.7% Y-o-Y) and focus on increasing the quality. This paid dividends in terms of better profitability. Moreover, lower Palm Oil prices also had a negative impact on the Agribusiness top line.

Nevertheless, both Healthcare and FMCG witnessed strong top line growth on the back of increased consumer spending and market share expansion with the two segments growing well above the overall market growth, by 17.9% and 18.0% respectively.

Healthcare has emerged the largest contributor to Group Revenue, accounting for 41.1% (37.2% last year). Agribusiness which was the biggest contributor last year slips down to 2nd place contributing 36.2% to Group Revenue (41.9% last year). FMCG, a fast growing segment, accounted for 19.7% of the Revenue (with 17.9% last year).

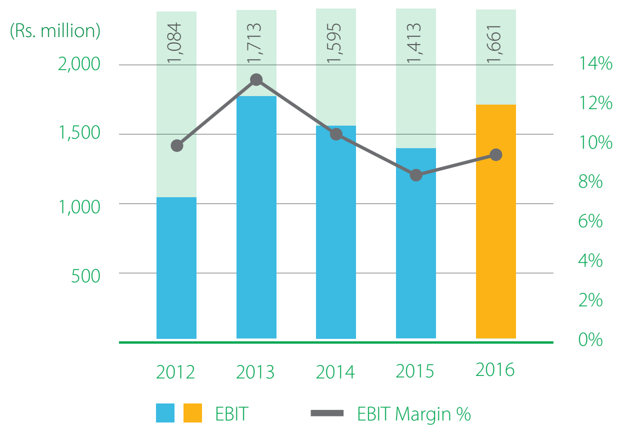
Group's foreign currency revenue amounted to Rs. 749 million in the year, an increase of 27.4% Y-o-Y from Rs. 588 million in 2014/15, bolstered by higher value-added Tea and printed Tin sheet exports.

Profitability

Gross Profit margin increased to 23.5% in 2015/16 from 22.1% in the previous year. The increase in margin is mainly attributed to the Agribusiness sector which saw its gross margins increasing to 13.5% in 2015/16 against 11.7% in 2014/15, where the increase is attributed to a focus on better quality Teas by cutting back on volumes. Gross margin for the Healthcare sector contracted slightly, due to the fact that the Company could not pass down the increase is cost of sales that stemmed from currency depreciation. Gross margin on the FMCG business contracted during the year due to change in sales mix and an increase in the cost of tea during the latter part of the year as demand for higher quality teas drove prices up at the Colombo auctions.

On an absolute basis, Gross Profit grew to Rs. 4.1 billion in 2015/16, up 13.4% Y-o-Y on the back of revenue growth and margin expansion.

Operating Profit



Group operating profit (EBIT) is up by 17.5% Y-o-Y to Rs. 1,661 million in the year. This is in-line with management expectations and comes on the back of a 13.4% increase in Gross Profit and tighter control of operating costs. The Group's EBIT margin stands at 9.5% compared to 8.7% during the previous year. Administration expenses, which account for bulk of the Operating expenses, only grew 7.1% Y-o-Y while Selling and Distribution expenses grew 19.2% Y-o-Y to support the strong top line growth in Healthcare and FMCG.

The earning per share (EPS) stood at Rs. 4.34 in 2015/16, up 20.0% from Rs. 3.62 in the previous year. The computation of EPS is given in Note 10 to the Financial statements.

Finance Expenses

Net finance cost for the Group declined by 35.5% Y-o-Y to Rs. 68 million in 2015/16 from Rs. 105 million in 2014/15 due to a reduction in debt at Estate Management Services Pvt Ltd, which is the holding company for both FMCG and Agribusiness. Reduction in interest cost and better earnings have increased the interest cover ratio to 9.4x in 2015/16 against 6.6x in the previous year.

Taxation

Income tax expenses amounted to Rs. 374 million in 2015/16, up 11.3% Y-o-Y as a result of higher profitability. The effective income tax rate stood at 23.5% for 2015/16 against 25.6% in 2014/15. The rate of income tax applicable to the company and its subsidiaries was 28%, except for the Tea plantation sub sector within the Agribusiness sector which enjoys a concessionary rate of 10%. Details of the tax computation is given in Note 09 to the financial statement.

Dividend

The Directors have recommended a first and final dividend of Rs. 1.05 per share (Rs. 0.95 - 2014/15). The gross dividend amounts to Rs. 142 million in 2015/16 compared to Rs. 128 million in the previous year. The dividend payout ratio amounts to 64.4% of Company profits for 2015/16 (43.4% - 2014/15).

The Company has access to necessary funds to finance the proposed dividend and the Company's Independent Auditors certified that the Company meets the requisite solvency levels for payment of the proposed dividend.

Return to Equity Shareholders

Return on Equity (ROE) for the Group saw an increase to 12.9%, compared to 12.2% in the previous financial year on the back of higher profitability depicted from the increase in net margin to 9.0% in 2015/16 from 6.4% in 2014/15. The company witnessed a slight dip in asset turnover, partly attributed to the dip in Agribusiness revenue, but financial leverage was constant at 1.6x.

	2012/13	2013/14	2014/15	2015/16
ROE	19.5%	15.0%	12.2%	12.9%
Net margin	9.2%	7.7%	6.4%	7.0%
Asset T/O	1.1x	1.2x	1.2x	1.1x
Leverage	1.9x	1.7x	1.6x	1.6x

Capital Expenditure

Group Capital Expenditure (CAPEX) which includes both acquisition of Property, Plant and Equipment and Field work in the Agri sector amounted to Rs. 902 million in 2015/16, up 0.8% Y-o-Y from Rs. 895 million in 2014/15. The majority of the increase is attributable to the Power sector (Rs. 373 million in 2015/16) where two new projects were under construction during the year. The growth in Group CAPEX was capped due to lower CAPEX in the Agribusiness sector which amounted to Rs. 289 million in 2015/16 compared to Rs. 590 million in the previous year which was due to considerable upgrading expenses in the Tea factories and the Palm Oil mill.

CAPEX	2014/15	2015/16
	(Rs million)	*(Rs million)*
Healthcare	93	154
FMCG	84	80
Agribusiness	590	289
Power	125	373
Packaging	1	2
Other	2	4
Total	895	902

Working Capital

Net working capital amounted to Rs. 3.0 billion at year-end compared with Rs. 2.6 billion at the beginning of the year and this increase was due to a higher level of debtors as at financial year end, which is in line with the increase in the top-line for Healthcare and FMCG sectors, and also a reduction in Agri sector revenue. As a result, debtor days have increased to 46 in 2015/16 compared to 37 in the previous year. Inventory days have increased by four days as a result of the Company holding larger stocks of Pharmaceuticals to avoid risk of losing revenue due to out of stock situations. The Net Working Capital Cycle (WCC) has reduced to 64 days during 2015/16, compared to 66 days last year.

	2012/13	2013/14	2014/15	2015/16
Debtor days	32	30	37	46
Inventory days	74	74	73	77
Creditor days	42	33	43	59
WCC	64	71	66	64

Capital Structure

Group capital employed amounted to Rs. 12.1 billion at the end of 2015/16, of which 82.2% is funded through equity. Total group equity amounts to Rs. 10.0 billion as at the end of the year, of which Rs. 5.8 billion belongs to the shareholders of Sunshine Holdings and Rs. 4.2 billion to minority shareholders who have invested in companies within the Group.

Borrowings

Interest bearing debt, including short term overdraft balances amounted to Rs. 2.2 billion (i.e. 17.8% of capital employed) as at end of the financial year, up from Rs. 2.0 billion at the beginning of the year. Out of the total, 40.8%, or Rs. 880 million of the interest bearing debt is from the Group's Agri sector, while Healthcare and Energy sectors carried Rs. 406 million and Rs. 503 million respectively as at year end.

Cash Management

Net operating cash flow for the year contracted marginally by 2.1% to Rs. 1.4 billion, from Rs. 1.5 billion last year. The decrease was as a result of higher working capital expenses which amounted to Rs. 286 million in 2015/16 (Rs. 72 million – 2014/15), despite an increase in revenue and profitability which had a positive impact on the net cash flow from operating activities.

Net cash outflow from investing activity increased to Rs. 1.4 billion in 2015/16 from Rs. 866 million in the previous year due to higher CAPEX which is explained in detail above, and the balance outflow is predominantly the investment of excess cash made in financial assets by the Agribusiness company.

Net movement in interest bearing debt was a cash inflow of Rs. 280 million in 2015/16 compared to an outflow of Rs. 363 million in 2014/15.

The net increase in cash and cash equivalents amounted to Rs. 43 million during 2015/16, and the year-end balance stood at Rs. 1,042 million. This net balance includes a bank overdraft of Rs. 423 million and bank deposits amounting to Rs. 1,035 million.

Share Price and Market Capitalization

The SUN share price settled at Rs. 50.00 at the end of the day's trading on 31st March 2016, slightly lower than at start of the year, which stood at Rs 54.50. The 52 week high for the period was Rs. 62.00 and a low of Rs. 45.20. As a result, market capitalization as at the year-end amounted to Rs. 6.8 billion.

VALUE CREATION IN 2015

Economic Value Creation by the Group

For the year ended 31st March	2016 Rs.	2015 Rs.	2014 Rs.
Direct economic value generated			
Revenue	17,422,249,764	16,326,528,096	14,696,587,869
Interest income	109,014,813	110,209,360	155,106,085
Profit on sale of assets	34,851,506	25,302,064	13,692,263
Other income	123,709,777	149,866,168	107,994,199
Total	**17,689,825,860**	**16,611,905,688**	**14,973,380,416**
Economic value distributed			
Payments to external sources for materials & services			
- Operating cost	11,133,711,097	10,499,258,789	8,291,372,086
Total	**11,133,711,097**	**10,499,258,789**	**8,291,372,086**
Payments to employees			
- Salaries, Wages & Other benefits	4,025,790,238	3,845,024,759	4,256,394,735
Total	**4,025,790,238**	**3,845,024,759**	**4,256,394,735**
Payments to providers of funds			
- Interest to money lenders	176,960,928	215,591,549	300,502,776
- Dividend to minority shareholders	229,598,634	284,095,359	65,731,738
- Dividend to owners of parent	128,383,937	127,135,210	66,913,269
Total	**534,943,499**	**626,822,117**	**433,147,783**
Payment to government			
- Income tax	296,199,966	314,001,765	263,315,674
- Value Added tax	44,020,158	40,482,615	46,139,274
- Nation Building Tax	114,003,816	96,630,734	82,920,324
- JEDB/SLSPC lease rentals	71,981,676	68,488,753	64,188,140
- ESC & other taxes	7,694,687	14,900,268	76,519,082
Total	**533,900,303**	**534,504,135**	**533,082,494**
Economic value retained			
- Profit after dividend	952,077,122	635,670,481	1,035,654,394
- Depreciation & amortisation	509,403,601	470,625,406	423,728,924
Retained for reinvestment/growth	1,461,480,723	1,106,295,887	1,459,383,318

HEALTHCARE

The Group's Healthcare business was established in 1967. Sunshine Healthcare 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. Sunshine Healthcare, through its principals, is a trusted healthcare partner to the state sector.

Performance Highlights 2015/16

- The Healthcare sector achieved an excellent performance with Revenues growing by 17.9% over the last financial year (2015/16).
- SHL's profitability rose by 56% to Rs. 322 million, despite an erosion of 8% of its profits on the back of the Rupee depreciation during the last half of 2015.
- The sector far out-performed the industry, exceeding budgeted targets every single month for the first time in its history.
- The sector added two new principals and 69 new products during the year to the portfolio of principals it represents.
- Improved productivity spurred by greater team spirit and a more cohesive and open culture were key factors in this year's performance.

Strategies

- Strengthen relationships with existing partners and forge new partnerships especially in niche product categories.
- Take steps to increase the contribution from the other segments in addition to Pharmaceuticals, namely Diagnostics, Surgicals and Wellness (OTC) products.
- Ensure that the portfolio remains broad based to mitigate risks, with a considerable contribution from many principals.
- Launch new products of existing principals.
- Focus on key brands.
- Explore organic as well as inorganic growth.

Objectives/Plans 2016/17

- 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.
- Build on the HR initiatives carried out in 2014 and 2015, including raising standards of recruitment.

Challenges

- Depreciation of the Rupee resulting in escalating costs of imports, and an inability to pass on these costs.
- Delays in registration and re-registration of products under the newly set up National Medicines Regulatory Authority (NMRA) which succeeded the Cosmetics, Devices & Drugs Regulatory Authority (CDDA) during the year.

Opportunities

- Government's commitment to improve rural healthcare provision.
- Increasing demand for Oncology products.
- Increasing interest in preventive care, wellness products and nutraceuticals.
- A rising demand for self-monitoring devices.
- Demographic changes of an ageing population leading to increasing demand for geriatric care products.
- An underdeveloped local manufacturing sector and a move towards self-sufficiency in essential medicines to bolster national health security further encouraged by the NMRA.

Healthcare achieved an excellent performance with PAT growing by

41%

over the previous year

Performance

Sunshine's Healthcare sector resumed double digit growth during the year with PAT growing by 41% to Rs. 327 million and Revenues increasing by 17.9% to Rs. 7.1 billion, to outperform the industry, which grew at 6% as per IMS data. This significant growth in profitability was supported by a multitude of factors which included productivity improvements and tight cost control. The Healthcare sector has remained the highest contributor to Group PATMI for the past several years. During the year under review, it also became the highest contributor to Group Revenue, surpassing the contribution from the Agribusiness sector.

The Pharmaceuticals segment grew by 16% during the year, retaining the dominant position enjoyed in therapeutic sub segments such as Cardiovascular, Metabolic (specifically Insulin), Gastrointestinal and Dermatology. This strong growth has been organically driven, with improved efficiencies and focused marketing and sales efforts. This year saw the acquisition of two new agencies, Indus Life Sciences and Eskayef. In the year under review our agency Zydus Cadila was awarded the number 1 manufacturer in the country, and our brand Atorva was ranked among the Top 3 brands.

The Diagnostics segment grew by 26% during the year. Siemens Healthcare Diagnostics was able to service government hospitals requirements and set up fully automated high end blood analyzers, driving the growth of the segment. GE Healthcare was the leading supplier of quality contrast media to the hospital segment, and was also able to increase presence in both private and state sectors during the year. Johnson & Johnson – Lifescan Division performed extremely well with significant growth with its blood glucose meters and test strips.

The Surgical segment grew at 11% during the year. Penetration into the minimally-invasive surgery (MIS) space doubled compared to the previous year, a significant achievement. The willingness and capability of doctors in this was driven by training support – so far over 100 surgeons nationally have been trained by Sunshine Healthcare in MIS. Consulting-In-Surgery (CIS), also helped improve our relationship with surgeons, and has resulted in a perceivable shift in surgical patterns towards staplering rather than suturing.

The Wellness range saw a remarkable growth of 41%, driven primarily by the relaunch of three of Healthcare sector's own-brand products (Pedia Plus, Mama Plus and Diabeta Plus), and improved

Revenue grows by

18%

well above the average industry growth of

6%

stocking and distribution. Following the exclusive partnership established with the largest global dairy group – Lactalis, France – Sunshine Healthcare launched their brand of child & maternal nutrition formula, Celia, during the year under review. They also ventured into the Personal Care category, with Zydus Wellness (a subsidiary of Zydus Cadila, one of the world's largest pharmaceutical manufacturers) introducing the Everyuth range of facial care products.

Once again, our strong distribution network was a key factor in SHL's performance, which in turn depends on the talents, passion and efforts of our people. Thus, training and development of our people continues to be a high priority. Training during the year was also expanded to reflect an enhanced commitment to innovation and talent development across the Group. The HR initiatives at Sunshine Healthcare have been a key focus area at the highest level of the Group and the year under review saw Healthcare sector begin to reap the rewards of these initiatives. Productivity improvements, and higher levels of energy and enthusiasm have propelled the team to exceed budgeted targets every month of the year for the first time ever, and to set new benchmarks. A greater participatory culture and a more cohesive team are some of the impacts which have contributed to higher profitability and revenues during the year. The improvement in the scores of the Employee Satisfaction survey, by more than 18 points as per the survey conducted in 2015 reflects higher motivation and satisfaction supported by a more participatory culture and a cohesive team.

Outlook

Sunshine Healthcare continues to be amongst the top two private healthcare companies in Sri Lanka. Buoyed by our performance during the year which well exceeded not only the performance of the industry, but the monthly budgeted targets set for 12 straight months; Sunshine Healthcare will look to sustain and enhance this momentum of growth. Continued growth in our agency business and expansion of our brand as well as product portfolio, will be key avenues for enhanced growth and market share in the next few years. The strong platform of experience and market expertise which spans over 48 years also positions us well to expand and grow in a market in which we foresee many opportunities as well as some challenges.

Amongst the challenges we anticipate is a further depreciation of the Rupee which would increase our costs of imports and hence inhibit our margins. Sunshine Healthcare will thus look to increase volumes to offset part of this erosion of margins.

Moreover, we are also mindful that delays in registration of new products could be a drawback to the industry.

The year under review saw Sunshine Healthcare venture into establishing a presence in the digital media space for enhanced customer engagement. We will grow our presence in the internet and digital space to leverage this essential and rapidly growing channel of communication and market information to increase our brand visibility and expand and enhance how we engage with our stakeholders.

Augmenting the HR initiatives which have begun to yield tangible as well as intangible results during the year will continue to be high on our agenda for the year ahead as well.

Supported by Sri Lanka's economic growth and increase in consumer spending, demographic changes and trends in the Sri Lankan healthcare market, and driven by your Group's platform of a strong distribution network; strong and enduring partnerships with globally reputed principals, partners as well as customers; this sector is well poised to sustain and enhance growth and remain amongst the top two Healthcare Companies in the country and the largest contributor to Group profitability.

HEALTHGUARD

Healthguard (HGL) is the sector's retailing arm and is a fully owned subsidiary of Sunshine Healthcare. It has established new benchmarks in Healthcare retailing since 2003. This modern brand of pharmacy has extended Healthcare retailing to offer solutions for Beauty, Wellness and Pharma. The 24 outlets, located across the Colombo district, offer a range of reputed and trusted brands to Live, Look and Feel better, and the Company is rapidly expanding its presence.

Performance Highlights 2015/16

- Healthguard achieved its best-ever performance to date with Revenue growing by 25.6% over the previous year.
- Profit After Tax following investments of over 50% of PAT into rapid expansion of our presence stood at Rs. 9.6 million.
- Opened 4 new fully fledged outlets and refurbished two during the year.
- Partnered with a Supermarket chain to open 4 express outlets during the year, bringing the total number of outlets to 24.
- The basket value per customer, as well as customer count at outlets, saw impressive growth.
- It is significant that on a backdrop of a Compound Annual Growth Rate of 14% by the market for personal and beauty products, Healthguard's beauty range grew by 50%.

Strategies

- Gain market share.
- Consistent offering of new products to engage customers.
- Achieve cross functional business excellence.
- Leverage technology to improve customer engagement
- Establish an online presence.
- Enhance service offering through continuous training.

Challenges

- Consumer spending is likely to decline due to the impact of Rupee depreciation on purchasing power.
- Low market growth due to escalating costs of Healthcare.
- Brand loyalty building index in pharmaceuticals tends to be low.
- Developing the talent pipeline and lack of skilled and qualified individuals.
- Finding the right fit in talent as a key determinant of the success of an outlet being the attitude and competencies of its employees.

Objectives/Plans 2016/17

- Communication campaign to enhance brand equity and consumer loyalty.
- Continue expansion plans of opening new outlets in 2016/17.
- Continue to improve operational efficiency.
- Consistently improve customer engagement and service across the stores.
- Expand our digital presence.
- Improve employee competencies and skills.
- Further expand Wellness and Beauty segments.

Strengths

- Healthguard enhanced equity and credibility.
- Fully regulatory and legally compliant.
- Expansion to new outlets.
- Employee technical knowledge and skills
- An integrated IT system.
- Outlet ambience and format.
- Product range and assortment.

Opportunities

- Service building
- Online opportunities.
- Regulation of industries will enhance safety, transparency and create a more level playing field.
- Beauty retailer space is limited.
- Rising demand for Women's lifestyle products.
- Savvy consumers increasingly seek more product info from line staff which provides an opportunity for establishing relationships and cross selling.

Performance

The year under review saw an excellent performance by Healthguard the Group's retailing arm in Healthcare, as it recorded the highest revenues to date of Rs. 850 million, growing by 25.6% over previous year's revenue of Rs. 677 million.

Profits were at Rs. 9.6 million as the Company invested more than 50% of PAT in the expansion of outlets, brand communication campaigns and the establishment of a training centre during the year. Revenues from our Pharmaceuticals, Wellness and Beauty categories grew substantially. It is significant that the Beauty range over the past three years has grown by a Compound Annual Growth of 55% compared with a market growth of 14%.

As enumerated last year, we focused on expanding our presence and building the brand in 2015/16. Accordingly 4 new outlets and 4 express stores were added, bringing the total number of Healthguard outlets to 24. The four outlets opened during the year at prime locations in Colombo 3, Colombo 7, Narahenpita and Kohuwala embody our view that Healthcare retailing extends beyond pharmaceuticals, and offers a wide range of products to live (Wellness), look (Beauty) and feel (Pharma) better, with trusted and reputed brands. The expansion of our chain offers greater convenience to customers whilst the aesthetically pleasing and spacious design transforms a routine activity into a pleasant and an enjoyable experience.

The brand communiqué campaign carried out consistently and continuously throughout the year proved effective in complementing the expansion and brand enhancement strategies of the company to position itself as a solutions provider in the 'Beauty, Wellness and Pharma' space.

Talent retention, as we identified last year, continues to be a challenge, mainly due to a dearth of qualified pharmacists in the industry. Healthguard has recognized the need for better engagement with these employees and a need to develop their technical competencies

as measures to address this issue. Thus, as we indicated previously, as being on the agenda for 2015/16, Healthguard established its own training school in February 2016 to meet this challenge and as a Win-Win sustainability initiative which benefits the Company, Industry, people in need of livelihoods and thereby the economy. This school envisages filling a vacuum for training and development and to support one of Healthguard's key differentiation strategies of superior customer engagement and service that can meet tomorrow's needs today.

Outlook

The year under review saw the Company harness the results of our strategic initiatives of the past few years. Whilst the Group expands its physical presence over the next few years, it will also focus on further widening the choice of reputed brands that it can offer to customers and on raising the benchmark for customer service. We see customisation and a personalised service with greater customer engagement, as keys to sustaining a competitive advantage in our market. Some of the HR and technological measures which commenced in 2013 will continue to support this strategy.

Availability of products, and particularly all medicines on a given prescription at a given time, has been identified as a key factor in ensuring repeat visits by customers to a pharmacy. The progress in ensuring better availability of Pharma products was a key factor in the growth achieved in the year under review. The Company will continue to focus on enhancing its product availability and utilize the "Availability Index" introduced in 2014 to ensure 100% availability of certain identified products at any given time.

Retail market trends in the past few years have demonstrated an increased blurring of product-based dividing lines, as we find book shops selling coffee and coffee shops selling music. Trends such as these will grow and we are mindful of the opportunities they create as well as the importance of constantly adapting to such evolving trends. We have also made it a priority to continuously monitor and enhance the integration of technology, not just for operational excellence but in customer engagement. Promoting the use of online doctor diagnosis and prescriptions and the use of Touch Screens to facilitate responses to customer queries, are some of the measures which we hope to introduce in the short to medium term.

The Company's key strategic focus for the year, in addition to expanding our physical presence, will also include the expanding and leveraging of the online channel which was launched during the year.

A trend of increasing demand amongst Sri Lankans consumers for personal care and wellness products finds Healthguard, with its expanded retailing concept and enhanced store appeal, well poised to reach its objective of becoming the Number One specialty retailer in the country.

FMCG

Represented by Watawala Tea Ceylon Limited (WTCL) since 2001, the Group's FMCG sector portfolio consists of Tea and Bottled Water. Its three brands of Tea - 'Zesta', 'Watawala Tea' and 'Ran Kahata' cater to distinct preferences in taste and are established household names which have propelled WTCL to achieve market leadership as the largest branded tea company in Sri Lanka today.

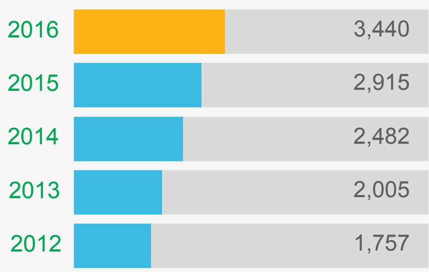
Performance Highlights 2015/16

- Achieved a Revenue of Rs. 3.4 billion (18.0% growth Y-o-Y), with a PAT of Rs. 423 million (7.6% growth Y-o-Y).
- The three brands of Tea collectively sold 3.7 million kg of tea. This translates to 2.2 billion cups of tea consumed by our consumers during the year.
- The company achieved a volume market share of 36.6% and value share of 33.8%, cementing its market leadership position.
- The 'Watawala Tea' brand became the market leader amongst the branded tea segment during the year as well. Its volume market share rose from 21.0% to 25.5% during the year.
- Ran Kahata achieved the highest brand-wise Revenue growth of 52%.
- Awarded the contract to be the exclusive supplier of Value-Added Teas to the international chain Shangri-La Hotels and Resorts.

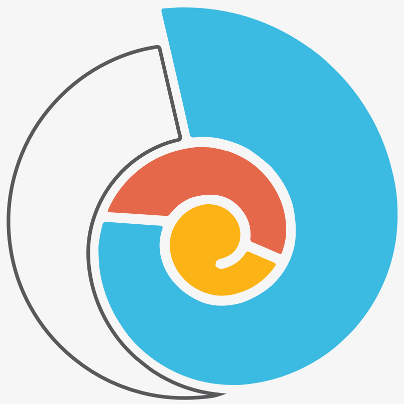
Strategies

- Continue to enhance and leverage on the brand equities and consumer preferences of all three Tea brands.
- Significantly increase all-island distribution coverage
- Maintain our cost competitiveness vis-à-vis competitors.
- Strategic partnership with leading FMCG categories/ brands for mutual brand growth
- Establish our presence in international markets by penetrating into the wider HoReCa (Hotels, Restaurants & Catering) channel.
- Invest in advanced technology to improve sales force efficiency and enhance analytic capabilities.

Revenue (Rs. million)



Contribution to FMCG



- FMCG (93%)
- Gift tea boutiques (5%)
- Export (2%)

Objectives/Plans 2016/17

- Continue on Revenue growth trajectory.
- Build on existing market share leadership to increase the share gap.
- Expand distribution width and increase outlet call frequency.
- Extend Zesta Connoisseur range to premium international hotel chains.
- Re-launch 'Zest' bottled drinking water.
- Focused investment into training and development of our people.

Challenges

- Reduced purchasing power due to inflation of essential household items and depreciation of the Sri Lankan Rupee.
- Fierce competition amongst players in the industry with trade battles for shelf space etc.
- Meeting high expectations of global customers; overcoming country-specific regulatory hurdles within a rapid deployment period.

Strengths

- The strong equity of all three brands, each driving a unique value proposition
- Wide distribution network
- Own sales force working with dedication and commitment
- Superior tea selection and blending resource panel

Opportunities

- Brand loyalties are presently low in the industry.
- Geographical opportunities to improve distribution and market share.
- Unbranded or loose tea yet comprising 60% of the market.
- Untapped channels available to be leveraged on.

Performance

The year under review was a milestone year for the FMCG business, with WTCL brands achieving clear market leadership in both volume and value terms. The sector improved its performance over the previous year to achieve the highest ever Revenue and PAT of Rs. 3.4 billion and Rs. 423 million respectively, with Revenue growing by 18.0% and PAT by 7.6%. It is particularly noteworthy that this performance was despite an intensification of competition due to the entrance of many new players into the retail market, encouraged by lower tea prices. The brand equity enjoyed by our three brands of Tea – 'Zesta', 'Watawala Tea', and 'Ran Kahata' - was once again the key factor in WTCL's performance which was well supported by brand communication and an expanded point of sale presence during the year. Watawala Tea acquired undisputed leadership across volume and value shares as reported by two independent research agencies (LMRB and Nielsen). WTCL's efforts to increase distribution by servicing more outlets also supported the FMCG sector growth. The company increased its numeric distribution to more than 80,000 outlets spread across the country. The Western and Central provinces saw highest growth realisation in brand.

It is also noteworthy that all three brands performed well, with Zesta, the premium brand, growing by 8%, Watawala Tea by 14% and Ran Kahata by 52% in terms of volume. The 14% growth in volumes of Watawala Tea, further reinforced its market leadership amongst branded teas, and saw its market share grow from 21.0% to 25.5% during the year. WTCL's value-for-money brand, Ran Kahata, was able to gain share from the loose tea market especially in the Southern and Central provinces.

A significant breakthrough in international business was winning the exclusive contract to supply Value-Added Teas to renowned international hotel chain Shangri-La Hotels & Resorts for their properties located across the world. WTCL will supply a premium range of teas - 'Zesta Connoisseur Collection' - to be served across its 110 hotel properties located in 26 countries. This expanding international distribution network is a launching pad for Zesta to rapidly penetrate into adjacent channels and markets.

Outlook

Having attained market leadership, our objective now is to strengthen our position by enhancing the share gap versus our main competitors. Sri Lanka's Tea market remains intensely competitive with close to 400 branded tea players. With exports currently being constrained due to turbulence in the global environment, we expect more export players to be diverted to the local market. This can lead to fierce trade battles and retaliatory marketing efforts.

Prices of essential grocery items have also increased year-on-year, thereby exerting greater pressure on consumer spending and a need for economisation. WTCL is mindful of the imperative to consider these changing trends when it comes to pricing and marketing. We will focus on re-positioning our brands to connect powerfully with consumers in order to build brand loyalty. Our converter brand Ran Kahata will tap into the substantial volumes of unbranded or loose tea currently being consumed in the Sri Lankan market. As per market research data, 60% of Tea consumed in Sri Lanka is unbranded and hence holds significant potential for Ran Kahata.

Increasing our distribution and depth in outlets during the year ahead will be a key priority for enhanced growth. We will continue to improve all-island availability of our products with a special emphasis on Small & Medium Modern Trade (SMMT) outlets, and national Modern Trade chains, which are becoming the preferred shopping channels.

WTCL will also re launch 'Zest', our own-brand of bottled drinking water, with the aim of diversifying our FMCG portfolio. The investment made during the year into our own bottling plant in Hatton has provided us with a strong supply chain. Going ahead the focus would be on getting the distribution model correct in order to efficiently penetrate the HoReCa (Hotels, Restaurants & Catering) channel.

The international division launched during the year, combined with the partnership with Pyramid Wilmar and its worldwide distribution network, provides us with a ready springboard to expand Zesta to become a global brand. WTCL will extend the 'Zesta Connoisseur' range to other premium hotel chains. To support global presence, WTCL will leverage on technology for operational and service enhancements and a digital platform for greater customer engagement.

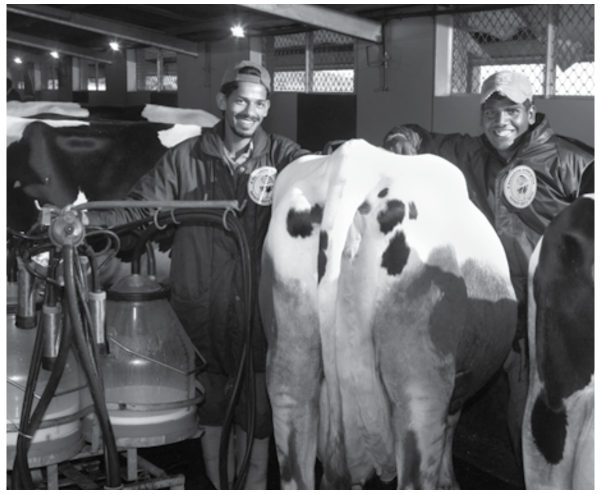
Increased distribution, brand building investment and overseas expansion, supported by improved use of technology and people development remain the key strategic imperatives. The FMCG business stands well poised to reach a new tier of growth.

AGRIBUSINESS

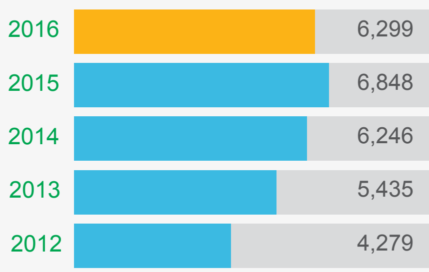
The Group's Agribusiness, managed by its subsidiary Watawala Plantations (WATA) engages in the cultivation, manufacture and sale of Tea, Rubber and Palm Oil with a total land extent of 12,440 hectares. The agriculturally productive extent of this land includes 36% of Tea, 24% of Oil Palm and 6% of Rubber, with the Tea plantations including all three elevations of High, Mid and Low country. WATA for four successive years held the record as the highest producer of Tea until a change in strategy in 2015; whilst it was the highest producer of Oil Palm amongst RPCs in 2015/16. The partnerships formed with TATA Global Beverages and Pyramid Wilmar, provide a platform for the Company to integrate further in the value chain and explore new markets for sustained growth and profitability.

Performance Highlights 2015/16

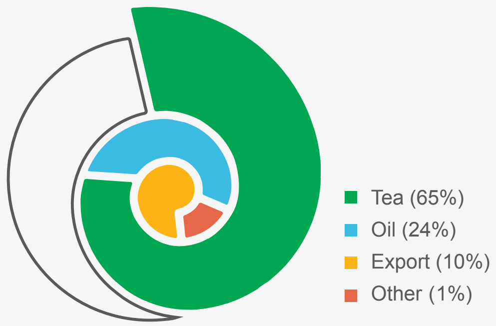
- PAT earned by the Group's Agribusiness grew by 32.5% despite a decline in Revenue by 8.0% over the previous year, mainly as a result of the increase in production of the Oil Palm crop.
- The Oil Palm sub sector continued to be the highest producer and achieved the highest yields in the country in 2015/16.
- The Tea sub-sector was able to benefit from its strategic decisions made in the previous year and curtail losses during the year to become the best performing amongst Regional Plantations Companies.
- A quality focused strategy saw WATA's five tea marks improve in their NSA rankings to 5th place, from 19th place in the previous years.
- WATA was able to increase average price per Kg of Tea by Rs. 13 whilst average prices in the market declined by about Rs. 27 per Kg of Tea.
- It is a significant achievement that WATA was able to reduce its cost of production of Tea by Rs. 21 a Kg during the year.
- All our Tea estates obtained Rainforest Alliance certification.



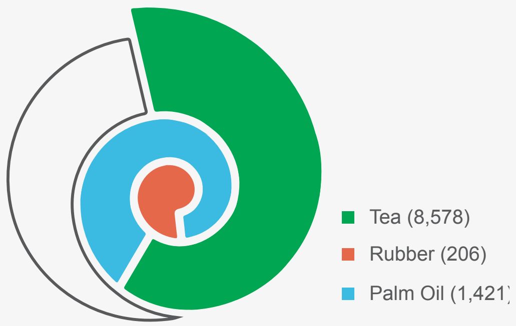
Revenue (Rs. million)



Contribution to Agribusiness



No. of Employees in each Sub-sector



Strategies

- Move from a wage-guaranteed model to a livelihood-guaranteed model as a win-win strategy which would reduce costs of production and improve productivity whilst also empowering the worker.
- Continue to give priority to the development of renewable energy for a sustainable Triple Bottom Line impact.
- Look at partnerships with global leaders which provide synergies with our core strengths, as an avenue for growth.
- 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 2016/17

- Increase Oil Palm 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 Tea production.
- The cost impact of the newly imposed VAT.
- Removal of fertilizer subsidies.
- Lack of a substitute for the banned chemical weedicide Glyphosate
- The labour intensive nature of the Tea industry (with labour costs amounting to nearly 70% of costs), and constraints against automation especially in the plucking process, such as sloped terrain and the need for human discernment.
- Financial unviability of replacing low yielding aged tea bushes due to high costs and long payback periods.
- Worker retention poor in the Tea industry due to more attractive economic opportunities elsewhere, which are on the rise with the growth in the country's Construction and Tourism sectors and new industrial investments.
- Although Tea plantation companies support the entire resident population on an estate, providing them physical and social infrastructure, only approximately one fifth of the population now work on the estates as other family members work outside.
- Declining cost competitiveness of Sri Lankan Tea in the world market.
- Impacts of climate change.
- High costs of production, low land and labour productivity, combined with decreasing extents of cultivation in the Rubber sector.
- Land limitations for expansion of Oil Palm.
- Low fuel prices.

Strengths

- Being a Company with a diversified crop portfolio.
- Being the largest producer of the most profitable primary crop at present, accounting for 50% of Sri Lanka's Palm Oil production and 40% of Sri Lanka's Oil Palm cultivated land.
- Strong agricultural practices implemented over the years.
- A well balanced portfolio of grades in tea.
- Representation of all three elevations in Tea.
- The sustainable Triple Bottom Line approach and practices that have helped build strong community relationships.
- Best environmental practices for the long term.
- Opportunity for renewable energy.
- The easy accessibility of our plantations being located off the A7 route and the opportunity it affords to expand to eco-tourism.

Opportunities

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

Performance

It is commendable that was able to achieve a PAT of Rs. 518 million despite several adverse impacts on the external environment for Tea as well as Oil Palm. The Palm Oil sub sector was able to more than offset the losses in the Tea and Rubber sub-sectors during the year as well.

The much improved performance in the Tea sub-sector was enabled by the implementation of two key strategic decisions which WATA made during the previous year, on the backdrop of a weak demand for Tea. For one, the adoption of a strategy of higher quality over quantity, which saw the Group increase the production of higher quality teas and curtail volumes, enabling better price margins whilst reducing overheads. Thus, deviating from the previous years' status of being the largest producer. Secondly, a focus on cost management initiatives led by operational efficiencies across the Board. This two pronged strategy saw the loss made in the Tea sub-sector (in the previous year), reduced by about 30% to Rs. 314 million during the year under review in a year in which export demand, and hence prices continued to decrease due to economic and political strife in Sri Lanka's key export markets such as Russia, Ukraine and the Middle East. The Group's adoption of sustainable agri practices and

its strategic investments over the years, to facilitate high standards in production and management driven by a long term focus, for instance the investment of Rs. 300 million to upgrade the Waltrim factory in 2012; proved invaluable in supporting the production of higher quality Teas.

Moreover, whilst WATA focused on managing costs though sharing of resources, right sizing and by enhancing productivity, it continued to invest in best practices, advanced scientific methodologies and technology and in uplifting the quality of life of its Associates.

Reflecting our Triple Bottom Line focus, all our tea estates during the year received Rain Forest Alliance certification. Seven of the WATA estates are also Fair Trade Certified and all estates have been ETP (Ethical Tea Partnership) certified, whilst all our factories are ISO 22000 certified for meeting food safety standards.

The Group's Palm Oil sub-sector was impacted by adverse weather, with heavy rainfall impacting crop until mid-December whilst a spell of extreme dry weather reduced crop output during the last quarter of the year. Moreover, your Company's profitability was also reduced by the lower Palm Oil prices in the global market with price per Kg of palm oil crop declining to Rs. 167 compared with Rs. 177 the previous year. The prices in the global market remained low due to the continuing low prices of fossil fuels which is substitute for one of the key uses of palm oil - as a bio fuel. It is thus most commendable that this sub sector was able to achieve a PAT of Rs. 682 million despite the fall in global prices. In addition, the Company was also able to maintain costs at almost the budgeted targets by increasing productivity and the application of best agri practices.

The Group's intention to reduce Rubber output in order to curtail losses saw Rubber production volumes decline by 20%; thus enabling WATA to reduce Costs of Production by Rs. 75. The Company was also able to achieve a higher Net Sales Average which was Rs. 6 more, during the year.

Outlook

Despite the challenges experienced during the year under review, we remain optimistic about the future and the vast untapped potential of the Group's asset rich plantations, and the role of agriculture in Sri Lanka's economy. However, crop diversity, innovative thinking that births alternatives to reduce the vulnerability of primary crops to world market conditions, and a sustainable model for wage increases, are prerequisites. The Tea sub-segment will continue the low volume and high quality strategy which has given the Group a superior bottom line, despite a contraction in the top line. It will hence venture into niche marketing to obtain higher and more stable prices; and accordingly, value addition to manufacture specialty teas which fetch higher prices will be an area of focus in the next few years.

The Group's Palm Oil sub segment is expected to improve on this year's performance in the year ahead, on the back of increases in quantity and price. Local Crude Palm Oil (CPO) prices are expected to move upwards in the year ahead as it recovers from a trough, thus having a favorable impact on producers. WATA is one of the largest producers of Palm Oil in Sri Lanka, with operations in partnership with our joint venture partners, Pyramid Wilmar. The Company is actively engaged in expanding this business into the next few years. The Government's new policy to expand Palm Oil plantations, from its current scope of 7,000 hectares to 20,000 hectares in the future, widens our scope to acquire suitable land and reinforces our interest to explore new opportunities in this sector.

WATA commenced a dairy project as a pilot project on its Lonach estate in Hatton, which today produces 1,300 litres of milk per day. During the year under review, the Group invested USD 3 million for a joint venture Dairy project with Duxton Asset Management, Singapore to transform current operations into a large commercial farm which will produce 30,000 litres per day. This commercial Dairy farm will seek to increase yields as well as quality of milk. Sri Lanka imports most of its milk requirements in powdered form into the country and this project would thus be a Triple Bottom Line one which benefits not just our business but the national economy and the consumer.

OTHER INVESTMENTS

POWER & ENERGY

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 1.7 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.

POWER & ENERGY

Performance Highlights 2015/16

- Achieved the highest ever Revenue of Rs. 120 million
- PAT grew by 62%
- Began the construction of Upper Waltrim a new hydropower plant, and committed capital to commence the construction of the third plant - Elgin-Hydro Power Limited.

Challenges

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

Opportunities

- The tremendous growth potential in the sector.
- Guaranteed demand in Sri Lanka (at present) due to Power Purchase Agreements with the Ceylon Electricity Board (CEB).
- Relatively lower cost of hydro energy vis-à-vis alternative sources such as solar and wind power.
- Being an environmentally friendly renewable source in a world that is being increasingly challenged by environmental impacts.
- High economic growth in Sri Lanka and the continuously growing demand for cost effective energy.
- Sri Lanka's favourable geo climatic conditions for many types of renewable energy.

Strategies

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

Objectives/Plans 2016/2017

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

Performance

The Group's Energy sector, recorded its highest revenues and profits to date, supported by heavy inter-monsoonal rainfall and improved plant and grid stability. Revenues rose by 6.9% to Rs. 120 million whilst PAT increased by 62% to Rs. 32 million.

The construction of the Group's second hydro power plant (as enumerated last year) under its subsidiary Upper Waltrim Hydro Power Limited continued during the year and is due to be commissioned in the year that just began. The construction of the third plant Elgin-Hydro Power Limited on Lippakalle estate, commenced during the year with a capital commitment of Rs. 500 million and is scheduled to be complete by 2017. 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 1.7 MW.

Outlook

We expect the current plant of Sunshine Energy to generate stable returns in 2016/17 whilst the construction of two more plants with an investment of Rs. 600 million will see the generation capacity expanded from its current level of 1.7 MW to 7 MW by end 2016.

The Ceylon Electricity Board (CEB) is the sole licensee in Sri Lanka holding responsibility to develop and maintain a system of electricity supply as well as distribute nationwide. Hydropower remains the main source of renewable energy for electricity with most of the large scale hydro resources owned by the CEB whilst a considerable share of small scale projects having capacities below 10 MW, termed 'mini hydros' have been developed and owned by the private sector. The guaranteed buy back (with purchase agreements for 20 years) by the CEB is thus 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, and the need for better tariff rates for renewable energy.

Despite the continuing decline in global oil prices since January 2014, which has facilitated some relief to consumers, Fossil Fuels would remain expensive to importing nations like Sri Lanka whose energy mix contains as much as 18 percentage 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. Encouraged by the triple bottom line impact, the need and the potential in this sector, Sunshine Energy 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.

Forecasts for Electricity

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

Source: Ceylon Electricity Board

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

PACKAGING

Sunshine Packaging Lanka (SPL) is a pioneer in the manufacture 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 Highlights 2015/16

- The Packaging business saw Revenue grow by 34% to reach Rs. 362 million and achieved a remarkable turnaround to record a PAT of Rs. 16 million vis-à-vis a loss of Rs. 24 million in 2014/15.
- Direct exports which grew by 191% and a new product segment of printed sheets drove our performance in 2015/16.
- Productivity improvements, driven by a new incentive scheme and operational efficiencies, was another key factor in this year's positive performance.

Strategies

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

Objectives/Plans 2016/17

- Automate certain aspects of production to increase productivity.
- Expand into export segments with more focus on direct export of printed sheets.
- Invest in new machinery to take up manufacturing aspects which are currently outsourced.

Challenges

- High dependency on imports for raw materials as well as machinery. The imported input accounts for as much as 90% in the metal packaging business in Sri Lanka.
- Depreciation of the Rupee and further escalation in cost of imported input.
- Competition by much cheaper imports from China which are considerably cheaper due to the economies of scale of their markets, and domestic availability of raw materials.
- Rising costs of Tea production.
- Dearth of skilled workers.

Opportunities

- To harness the excellent quality of printing at SPL.
- Direct exports of value-added tea.
- Greater value-addition to the current product line.
- Environment friendliness of metal packaging vis-à-vis 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) means Sri Lankan packaging exports to India could capitalize on the benefits of lower duty vis-à-vis Chinese imports to India.

Performance

The year under review saw a robust performance by the Group subsidiary Sunshine Packaging (SPL) and is particularly significant as it is a turnaround from the loss reported in the previous year. The sector achieved Rs. 16 million in PAT compared with a loss of Rs. 24 million in 2014/15, whilst Revenue grew by 34% to reach Rs. 362 million with printed tin sheets exports being a key contributor.

As was indicated last year, the Company began to leverage on it strengths to venture into the direct export of printed sheets in alternate markets. The year under review saw this product line of tin sheets reach new heights to become a key contributor to profitability. Furthermore, the Company also became an exclusive supplier of packaging to a leading Confectionery manufacturer. Additionally, increased productivity, which also supported a reduction in overhead costs and lower input costs due to lower metal prices in the global market, were some of the other factors which supported this year's positive performance.

Efficiency and productivity has also increased with the steps taken to introduce new training sessions and employee development programs. Training has specifically been focused on the lower line staff also to select key people and to enhance their working capabilities before appointing them to responsible roles.

Outlook

SPL is confident of continuing on its positive growth trajectory which began in 2015/16, following a strong order book which will result in improved machine utilization. We will intensify our focus on growing exports. At the same time we are also mindful of a possible escalation in input costs due to a possible pick up in Tin metal prices in the event of a reversal in the declining trend of global Oil prices; as global Tin metal prices move in line with Oil prices. An increase from current levels, as well as a further depreciation of the Rupee would have a negative impact on SPL's profitability as imported input accounts for as much as 90% of metal packaging business in Sri Lanka.

The company has also taken the decision to invest in a new UV two color machine to increase daily productivity and to meet superior quality in printing.

CONSUMER BRAND PORTFOLIO

Healthcare

Own Brands

Pedia Plus
Diabeta Plus
Mama Plus
Enlive SENIOR 50+
Healthguard pharmacy wellness beauty
RING

Brands Represented

BRAND'S
Sugar Free Natura
EVEROSE Evening Primrose Oil
Celia
WOODWARD'S GRIPE WATER

FMCG

Own Brands

Zesta Plantation Fresh
වටවල තේ
රන් කහට
Zest! BOTTLED DRINKING WATER

OUR HUMAN CAPITAL

We know that the assertion "Our People are our most valuable asset" is today almost a cliché, but then again we will not be doing justice to our story of growth and expansion if we don't say so. Whether it be in building the value of our brands or the quality of the tea we produce, the team of 11,310 that makes up Sunshine Group has been a corner stone of the competitive advantage it has gained.

Strategic priorities of our HR efforts of 2015/16

- Creating and retaining talent.
- Creating an environment which promotes innovation.
- 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 composition of the total workforce as at 31st March 2016:

Training & Development

Training and Development continues to be high on our agenda for HR management and the investments into Training & Development during the year amounted to Rs. 12 million compared with Rs. 11 million the previous year.

As articulated before, the dearth of skilled and qualified people is one of the key challenges faced by the Healthcare retailing arm - Healthguard. During the year under review the Company, reflecting its commitment to a culture of learning and service excellence, launched its own training centre.

The facility with a futuristic training curriculum will soon evolve into a centre of learning. It will be the foundation to enhancing and sustaining the key differentiating factor for Healthguard – service excellence and fostering relationships with customers.

The Group's HR development initiatives since 2014 have given special focus to the Healthcare sector and the impacts of these initiatives have begun to yield tangible as well as intangible dividends. For example, productivity improvements, higher enthusiasm and a rejuvenation which has led the team to achieve budgeted targets every month of the year and to set new benchmarks. A greater participatory culture and a more cohesive team have contributed to higher profitability and revenues during the year. The improvement in the results of the Employee Satisfaction surveys further underscore this fact, as Sunshine Healthcare's score has improved by more than 17.2 points to 79.2% during the past 2 years.

A key focus and theme of HR Management during the year was the building of a culture which promoted innovation and in which innovation thrives across the group in order to strengthen the Group's future readiness and sustainable growth through new products and new ideas. Towards this end, a 19 member "Innovation Team" was created representing all seven companies of the Group (inclusive of Sunshine Holdings). The initial incubation period saw the Innovation Team generate and maintain a central idea pool and one idea has been shortlisted to carry out as a pilot project right up to commercial marketability, to get a better understanding and overview of what the process and next steps. The team also looked at harvesting ideas from the grassroots upwards, and to provide a platform by which all employees would be able to make suggestions, or highlight process pain-points, and implement solutions.

In order to facilitate this and to shape a vibrant, dynamic and winning culture thereby ensuring the sustainability of performance, the Group held many out bound programmes which is based on an experiencial training platform. One such programme was held at the Sarvodaya Educational Training Centre in Bandaragama, had 450 members of Sunshine Healthcare staff from a cross-section of silos participating in a series of learning activities based on situational issues typically faced by members of the organisation. The programme was conducted by Wild Drift, an organisation renowned for specialisation in team building and leadership training for top corporates, the tailor-made programme tested and taught endurance and spirit to the Sunshine Healthcare teams through a number of activities.

Another experiential session had employees applying themselves to activities they had never engaged in before such as wood carving and Batik. The programme, held with the services of High5 honed leadership skills, team work, innovation and emotional intelligence. In order to manage diverse learning styles and aptitudes, the Amazing Chase required learners to relate theoretical concepts and ideas to existing

practices or phenomena. The sessions were modeled on the lines of the Television series “The Amazing Race” and linked the group’s values. The programme elicited much interest and enthusiasm and rekindled much energy amongst the participants.

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” to renew “renewed, altered”. Renewing and course correction happens across our estates and factories on a daily basis. Inventing is now more critical than ever for the industry to remain commercially viable and respond to customer preferences.

Some of the innovations on our estates which were recognised during the year at the annual Employee recognition scheme and which will contribute to profitability are summarized below :

Employee Innovations in 2015

Innovation	Impact	Benefit
PALM OIL SECTOR:		
A new system for numbering of trees for easy identification.	A longer lasting one in place of the earlier method of painting on trunk which didn’t last more than an year.	A cost saving of Rs. 4.01 per tree resulting in a total cost saving of Rs. 919,497.68 for the estate.
An environment friendly mechanism to prevent rat damage to oil fronds.	Environment friendly.	A total cost saving of Rs. 919,497.68 per year on rat poison.
Modification of harvesting knife to avoid cutting of extra fronds when harvesting.	The impact on weight of fruits due to the earlier method is no longer an issue.	An increase in yield by 500 Kg per Hectare.
Fabricating a trailer to replace old tipping trailer.	Ability to transport 500 Kgs more than the tractor. More durable trailer which also better withstands rugged terrain. Combats the monopoly of the tractor suppliers.	Reduced costs due to use of own resources.
Design of a pocket diary record book.	A clearer and more concise way to monitor and keep records.	More effective monitoring.
Introduction of a postcard with pictures to help harvesters identify bunch quality.	Better able to discern the most suitable from the unsuitable.	Better oil palm extraction rates.
Construction of an alternate road to transport FFB to the village.	Better and alternate infrastructure.	Improved productivity due to easier and faster access to fields for the workers. Reduced vehicle running costs. Enhanced community relations. Less wear & tear on the vehicles.
Cutting a drain to prevent illicit sand mining.	Preventing illicit sand mining.	End to unnecessary externalities and hence saving of management time and costs on litigation etc. Reduce environmental damage from sand mining.

Employee surveys by companies are valuable tools which tell us how employees feel about their work, the working culture and the Company, and thus enable us to respond, fine tune and enhance the workplace environment and culture.

Employee Satisfaction (%)

Year	SHL	WTCL	WPL	HGL
2013/14	62	76	89	-
2014/15	76	72	89	59
2015/16	79	78	82	68

Attrition rates improved across 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 our subsidiary Sunshine Healthcare. Accordingly, the initiatives begun in 2014 to redefine the organizational structure, enhance technology and create a more nimble culture which helps to expand the potential of the individual and thereby, that of the Company; began to yield dividends as demonstrated by the enhanced performance as well as better attrition given below. We also implemented a variety of measures and took corrective action across the group Companies which helped control attrition rates during the year as follows. These action included motivational and rewarding measures to better monitoring etc.

Attrition Rate (%)

Subsidiary Company	2015/16	2014/15
SHL	22	23
WTCL	22	37
WATA	5	5
HGL	32	42
SPL	12	13

Themed ‘Passion to Win’, the SHL 2015 Awards Night celebrated the company’s achievements by recognizing the outstanding accomplishments of its amazing team.

ENGAGING SOCIETY

The Group firmly believes in the importance of mutually beneficial/ reciprocal approach and that the sustainability of its profitability ultimately depends on the sustainability of the communities and environment it is part of.

Rainforest Alliance certification by all our tea estates

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

During the year all of Watawala tea estates obtained Rainforest Alliance (RA) Certification for all its 16 tea gardens. The certificate from Rainforest Alliance confirms Watawala Plantations' compliance with the requirements of the Sustainable Agriculture Network (SAN) a global standard given to organizations which satisfy stringent conditions relating to the environment (eco system, wildlife, soil and water conservation), community relations (occupational health & safety, fair treatment and good working conditions for workers) and economic aspects (integrated crop and waste management). The RA certification which encompasses Triple Bottom Line aspects, further reaffirms the Group's strong focus on sustainable and ethical business practices.

The fact that we have voluntarily adopted environmental and social best practices and are already compliant with other global standards including the Ethical Tea Partnership (ETP) and Fair Trade for 6 and all of our estates respectively, reflect our Triple Bottom Line focus. These endorsements demonstrate the Group's voluntary commitment and compliance with rigorous global standards in relation to the wellbeing of its associates and their families and the environment.

Zesta promotes innovation through partnership with the Academy of Design

Watawala Tea Ceylon initiated an unique partnership with the Academy of Design by extending an opportunity for the students of the Academy of Design (AOD) to enhance their creative skills by engaging them to develop a new packaging design solution for the Company's Zesta brand. WTCL intends to challenge and incentivize the young third year students of AOD to come up with innovative ideas and develop breakthrough pack design solutions for Zesta. As a part of this joint project, the AOD students received exposure to state-of-the-art processes and methodologies of the country's leading branded tea company and its procedures. The Company will look to create more such opportunities for partnership between corporate and academic institutions which can be mutually beneficial resulting in innovation and support for students in their professional development.

Sunshine Holdings Powers Sri Lanka Economic Summit

Sunshine Holdings was Platinum sponsor of the country's annual premier economic summit this year on the timely theme of "Towards exports of USD 50 billion. The high level annual forum brings together thought leaders, policy makers, top local and foreign academics and corporate sector leaders to one platform to deliberate on and explore key economic issues of the country.

Enabling people to regain sight

Sunshine Healthcare continued to contribute in the realm of healthcare, aligning itself with Sri Lanka's national objectives such as the 'Vision 2020' programme for the prevention of avoidable blindness. During the year under review, Sunshine Healthcare enabled 250 individuals to regain their eyesight by sponsoring their cataract surgeries. This brings the total number of sponsorship of cataract surgeries by Sunshine Healthcare over the past four years to 1,085.

Sunshine Healthcare partners CMC for free diabetes screening

Moreover, Sunshine Healthcare partnered the Colombo Municipal Council (CMC) for free screening for Diabetes for people from low income backgrounds as part of Sunshine Healthcare's long standing "Seeni Maru" community initiative to combat, prevent and raise awareness of diabetes. Around 170 individuals were screened at the first such screening held in Stacepura to coincide with World Diabetes Day on 14th November.

Sunshine Healthcare sponsors Careerlead Fair

Sunshine Healthcare supported ‘Careerlead 2015,’ a national-level initiative to provide greater opportunities to students and entrepreneurs from outside the Western Province by bringing students from tertiary education institutions across the country, entrepreneurs and employers, to one platform.

Sunshine Healthcare Lanka was a Silver Sponsor of the “Careerlead” Employment and Entrepreneurship Fair organized by the Young Members’ Forum (YMF) of the Ceylon Chamber of Commerce (CCC) and the Rajarata University. The Career fair was held at the Rajarata University premises recently with the participation of thousands of students and a significant number of companies/employers.

In addition to supporting the event through a sponsorship, Sunshine Healthcare participated with a stall to interact with students on prospective employment opportunities within the company while a number of senior Sunshine Healthcare and Sunshine Holdings PLC officials were present at the event. Participants included students of the Rajarata, South Eastern, Jaffna and Wayamba Universities.

Career guidance by the Homadola Estate

A Career Guidance Programme organized by Homadola Estate was held over a two day period from 10th to 11th September at the estate’s Social Development Centre. Thirty unemployed youth and many current GCE O’Level and A’Level students who participated gained invaluable tips for the future to help build and guide their careers. The Manpower and Employment Department along with Job Opportunities/Creation and Career Guidance Section - District Secretariat Galle as well as Etisalat – Galle helped in making this a successful event. The end of the event saw two young men being offered employment by Etisalat.

At our plantations, the communities in which we operate are the key stakeholders of our business in many different ways. The Group considers long term relationships with all its stakeholders to be a strategic imperative for sustainable growth.

Continuing to uplift local infrastructure

During recent heavy rains, the road which goes across the Mamanadola division at Nakiyadeniya Rubber estate was severely damaged; inconveniencing people living around the area. With the support of Mamanadola division’s Associates and Associates of the Metal quarry, a new Road was constructed and around 200 families on our Nakiyadeniya Estate and the Mamanadola, Yatalamaththa Villagers benefitted from this project. Watawala Plantations PLC also contributed generously for this project and the road was declared open on the 21st July 2015.

Women empowerment continues to be high on WATA’s agenda

Watawala Plantations over the past years has championed the empowerment of women, recognizing the role they play in our country’s socio economic progress, working in the fields and factories, then returning home to care for the family. Our estates employ 5,255 women and over 90% of them are resident on our estates together with their families. Consequently, family fortunes and harmony play a key role in estate productivity, giving stakeholders sufficient reason to invest in their well-being. Women employed on estates managed by Watawala Plantations have the following benefits:

- Pre and post-natal care
- Day care and early childhood development facilities for children aged 3 months to 6 years
- Monitoring of attendance at school of children below 14 years
- Home visits by Welfare Officers to identify issues
- Awareness programmes on relevant social issues
- Capacity building programmes
- Self-employment programmes

Sports meet for the differently-abled

Waltrim estate organized the first ever National level Sports Meet for differently abled children on 22nd December at Mahinda Rajapaksha Stadium,Diyagama.

Many children won Gold medals, and cash prizes of up to Rs. 10,000 presented to the winners with certificates for all participants.

Our initiatives to improve the communities in and around our estates carried out through the years have proven to have a 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).

Redefining norms to empower women

Wigton Estate, with the help of Sewa Lanka Foundation, held a programme under WATA’s Women Empowerment programme to raise the quality of family life at the Estate in October 2015. Thirty seven participants learnt how to nurture family unity and encouraged the families to be more cohesive and the husbands to be more helpful and caring towards their wives.

Activities for the elders

"Respect your elders and the world will respect you." Saeed Ahmed A Psychological Well Being Program for elders was organized on the 22nd September 2015 on Tangakelle Estate with the help of Berendina Development Service. 50 people participated and benefitted from this insightful talk.

In addition to our business integrated action aimed at benefitting communities and the environment, Group Companies also support local communities in numerous ways. These include the following :

Project	No of Beneficiaries	Investment by the Company	Other Supporting Organisations
04 Nutrition Education Seminars for pregnant mothers	240	265,000	Medical officers of Health (MOH's) of Keselwatte Kolonnawa & Negombo.
Donation to Cancer hospital	500	537,500	Cancer Hospital
Donation to premature baby ward	25	19,250	-do-
Psychological training session on Women's Day	95	52,250	COMSEPT Lanka - Center for Operation of Mind & Self-Empowerment Training
School supplies for the year to St. John's orphanage in Moratuwa	18	15,000	
Milk powder, Pampers, and Nestum for Preethipura Children's Home	28	35,000	
Tea dansala for Vesak & Poson in Anuradhapura & at Head office	65,000	150,000	
Avurudu gifts for an avurudu festival	40	350,000	
Voluntary blood testing to check haemoglobin counts for estate associates and families	100	4,000	World Bank
Spectacles for Associates	18	1,500	PHDT, Optivision care
Dental Camp at Vellaioya estate	350	300,000	Unilever
Issuing of wheel chairs			Cerebral Palsy Lanka Foundation
Cataract Operation for - Associates at Vellaioya	24	124,000	Berandina
Celebration of World Children's Day 2015 - Nakiyadeniya Oil Palm Estate	40	8,000	Estate Worker Housing Cooperation
Home Gardening – at Waltrim Vocational Training Centre	27	Income generating project	World Vision

ENHANCING OUR NATURAL CAPITAL & SUSTAINING ITS VALUE

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

Preservation Initiatives

1.Adoption of environmental best practices and international standards

Watawala Plantations has issued policies with specific procedures and action stipulated to meet those policies in keeping with the Group's focus on enhancing and sustaining the environment which it is part of. The following are policies adopted:

Policies and Procedures:

1. For Fuel Wood felling
2. For Waste Water Testing and Sampling
3. For sampling and testing of Drinking water
4. To ensure the elimination of use of WHO prohibited pesticides
5. For Conservation & Restoration of Eco-systems
6. For protection of threatened and endangered species
7. For Wild Life conservation

Examples of two of the policies :

Procedures stipulated in the policy for Conservation & Restoration of Eco Systems:

1. Forests, grass-lands, shrub lands, streams, rivers, river banks, ponds and marshy lands are identified and demarked as conserved ecosystems in the estate.
2. All ecosystems are protected to avoid human and domestic animal activities and allowed to mature with native species of fauna and flora.
3. River banks and water bodies are conserved by creating vegetative buffer-zones. These buffers-zones are allowed to re-establish ecosystems. The use of agrochemicals is not allowed.
4. Tree species and cover plant are cultivated on river banks and bare lands close to water bodies and other fallow areas of the estate.
5. All ecosystems are demarcated on the estate map.
6. Regular awareness and educational programmes are conducted for the estate employees and residents to avoid degradation of ecosystems.
7. An integrated waste management system is implemented to avoid adverse effects to the ecosystems.
8. Minimize the soil erosion by implementing good agricultural methods to avoid sedimentation of aquatic ecosystem and other adverse effects.
9. Vetiver, Bamboo plants, Kumbuk plants and other suitable fauna and flora species are planted on bare lands to arrest soil erosion.
10. Natural forest, boundaries of rivers and streams are not permitted for production activities of the estate. Existing areas are conserved as buffer-zones.
11. Habitats of wild life are encouraged by creating mini-water-ponds and cultivating feeding species.
12. Collaboration of villagers is sought to protect the estate ecosystem. All persons in the estate are educated to protect the ecosystems.

Procedures specified for Wild Life Conservation on our Estates

1. Hunting, capturing, extracting, trafficking and hurting wild animals are prohibited.
2. More attention to be given to wildlife which is threatened or endangered.
3. Exotic wildlife should not be introduced to the estates.
4. Should not destroy the habitats of wildlife.
5. Identified areas with wildlife habitats should be marked with sign boards.
6. Prevent frequent access to the areas where wildlife is present. Those areas are clearly marked with sign boards.
7. Wildlife already in captivity should be released to the environment.
8. Educate the estate community on the importance of wildlife and their importance of preventing extinction.
9. Wildlife sighting records must be maintained

2. Planning for and responding to climate change impact

Impacts of Climate Change

Climate change, once considered a threat for the distant future now looms in front of us impacting everyone. 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 up country region to about 417 mm per month in the other regions.

Implications of Climate Change to 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 impacts prices of fossil fuels and in turn indirectly impacts the world market prices of rubber.

Some of the contingency measures and efforts we've taken to minimise the adverse impacts of climate change and other environmental factors include infilling, use of drought and heat tolerant cultivars, soil and soil moisture conservation, soil improvement, intercropping, crop diversification, planting and managing of shade trees, and increased scrutiny in selection of lands for re-planting. Additionally, activities such as 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.

Development Initiatives

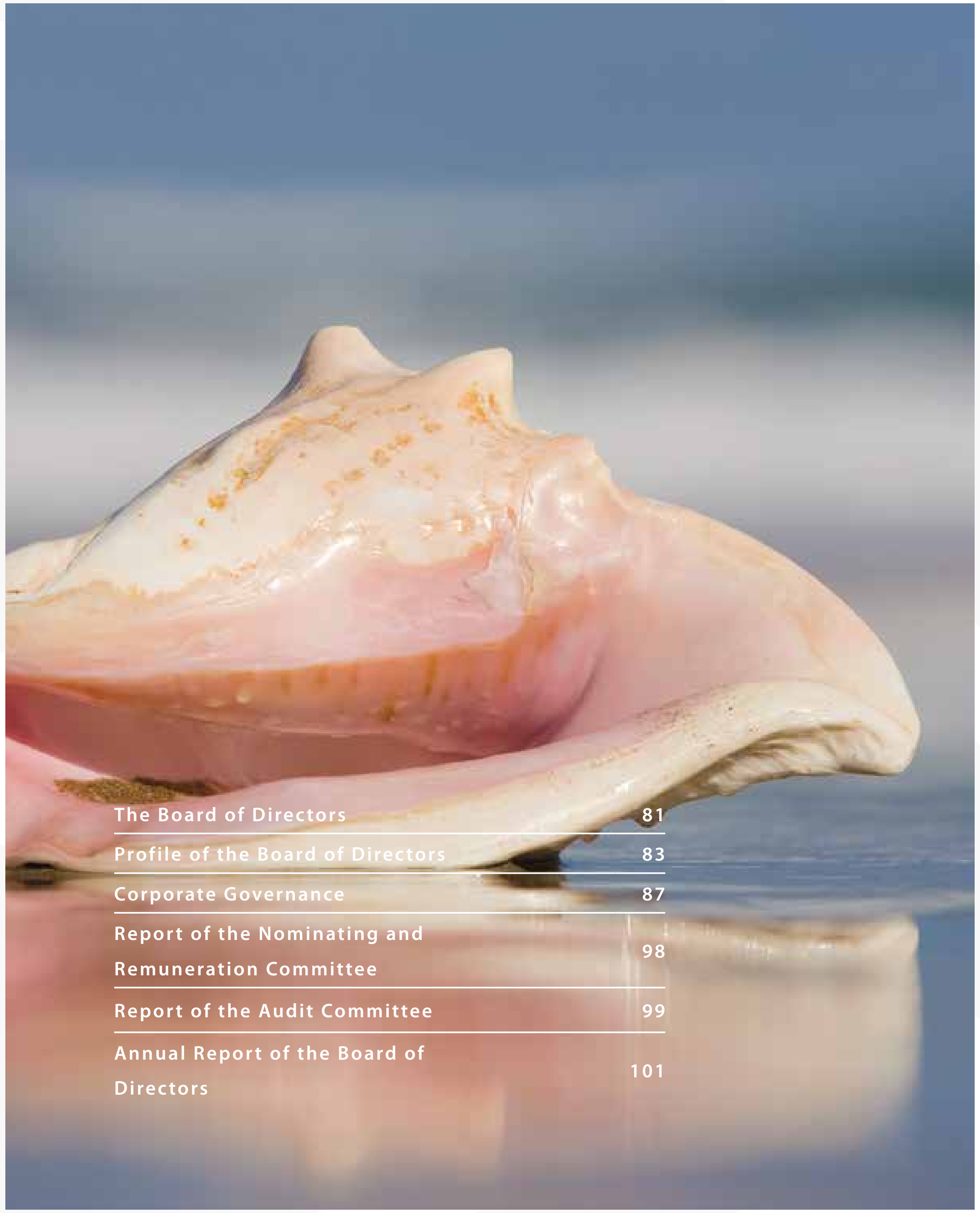
3. Developing Renewable Energy

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-a-vis the detrimental effect of green-house gas emissions from other forms of energy. WPL's previous initiatives to produce alternate sources of renewable energy which were described in our previous reports include the mini hydro power generating schemes and the renewable fuel wood plantations which now contribute to the company's profits and the environment.

4. Leveraging natural climatic conditions for value creation

Dairy Farming

Leveraging the cool and wet climatic conditions in Lonach estate, which are ideal for Dairy Farming, WPL has expanded the commercial Dairy operation to 1,000 milking cows. This is expected to significantly enhance value created from the natural capital available to the company.



CORPORATE GOVERNANCE

The conch shell's hard casing protects life within. Its pearly luster symbolizes brilliance and purity. And to us it's a familiar stanza. Good governance, systems, best practices and accountability created the solid framework that outlined the way to fruitful accomplishment.

THE BOARD OF DIRECTORS

Standing left to right:

N. B. Weerasekera

T. Senthilverl

H. D. Abeywickrama

R. Kobbekaduwa

V. Govindasamy

B. A. Hulangamuwa

S. Sathasivam

A. Talwatte

Seated left to right:

G. Sathasivam

Munir Shaikh

S. Piyaratna

Absent: A. Hollingsworth

PROFILE OF THE BOARD OF DIRECTORS

Munir Shaikh
Chairman

Mr. Munir Shaikh was the Managing Director of Abbott Pakistan from 1970 to 1977. He was the Regional Manager Caribbean and West Indies for Abbott based in Puerto Rico from 1977 to end 2008 and posted to Abbott's headquarters in Chicago as Director Business Development from 1978 to 1982. He was the Regional Director for Pacific and Far East, based in Chicago, from 1983 to 1988 and then promoted as the Vice President Asia Pacific and Africa based in Singapore. Mr. Munir Shaikh 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.

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 co-founder and the Group Managing Director of the Mann Made Group. Previous to this he held Director Positions with several companies including subsidiaries of Union Bank of Switzerland and Fortis Bank. He is the nominated representative for Deepcar Limited and Moneymore Securities Limited.

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.

A. Talwatte
Director

Mr. Asite Talwatte has been appointed to the board of Sunshine Holdings PLC as an Independent non-executive director with effect from 30th May 2016. He is a fellow member of the Institute of Chartered Accountants of Sri Lanka (ICASL) and the Chartered Institute of Management Accountants of the UK, has served as the Country Managing Partner of Ernst & Young for over a decade. Besides his distinguished career of more than 37 years in Assurance, Business Risk and Advisory Services, Talwatte has served as the head of numerous leading industry bodies and has been closely associated with the development of Corporate Governance in Sri Lanka.

A former President of the Institute of Chartered Accountants of Sri Lanka (ICASL) (in 2002/2003) and the Chartered Institute of Management Accountants (in 1995/96), he now functions as the Chairman of Management Systems (Pvt) Limited (MSL) also chairs the Committee reviewing the applicability of Integrated Reporting in Sri Lanka and the Committee reviewing the Corporate Governance Code.

R. Kobbekaduwa
Director

Ms. Roshani Kobbekaduwa has been appointed to the board of Sunshine Holdings PLC as an Independent non-executive director with effect from 30th May 2016. She is a Life Member of the Bar Association of Sri Lanka with over 20 years of experience, at present serves as Partner, Corporate Law Division, F. J. & G. de Saram, Attorneys-at-Law & Notaries Public. She possesses significant experience on all aspects of Commercial and Corporate Law, having advised corporates, investors and international law firms in her distinguished career.

She specialises in New Investments, Trusts and Associations and Amalgamations. As the partner responsible for the pro bono work of her firm, she has contributed to the establishment of a number of leading institutions including the Sri Lanka Press Institute, Sri Lanka College of Journalism and Lanka Business Coalition on HIV and AIDS.

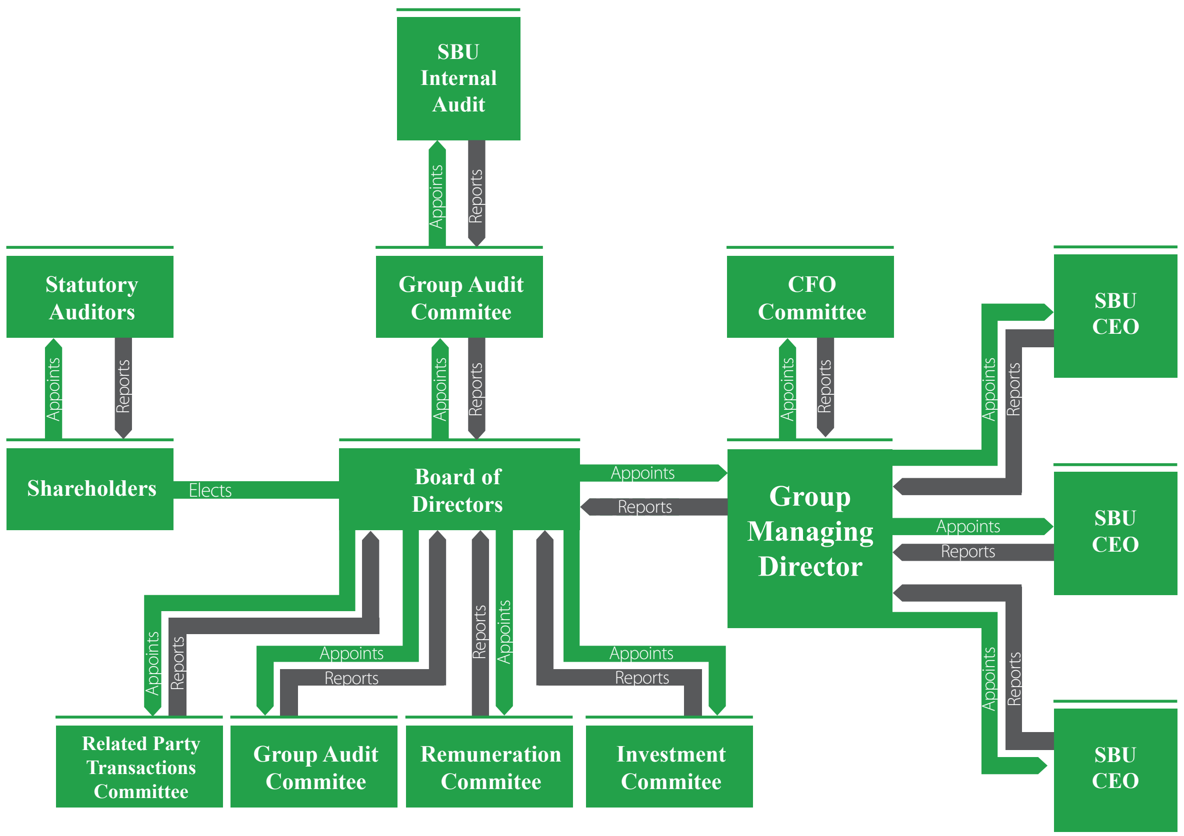
CORPORATE GOVERNANCE

Sunshine Holdings PLC (SUN) 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 37 to 65 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 Listing Rules of the Colombo Stock Exchange 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 109 of this report. Further, the Audit Committee report is also given in Page 99.

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 31st March 2016. The attendances of Directors at these Meetings were as follows;

Attendance		
Name of Director	No.	%
Mr. Munir Shaikh	04/05	80%
Mr. G. Sathasivam	04/05	80%
Mr. V. Govindasamy	05/05	100%
Mr. S. Piyaratna	05/05	100%
Mr. S. G. Sathasivam	05/05	100%
Mr. A. Hollingsworth	02/05	40%
Mr. N. B. Weerasekera	05/05	100%
Mr. U. L. Kadurugamuwa*	01/01	100%
Mr. B.A. Hulangamuwa	05/05	100%
Mr. H. Abeywickrama	05/05	100%
Dr. T. Senthilverl	03/05	60%

*Mr. U. L. Kadurugamuwa retired from the board w.e.f 30th June 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 twelve (12) members. Nine (9) members are Non-Executive Directors (including the Chairman) and three (3) are Executive Directors. Six (6) Non-Executive Directors are independent as defined under the Listing Rules of the Colombo Stock Exchange.

The Non-Executive Independent Directors are;

Mr. Munir Shaikh
Mr. S. Piyaratna
Mr. N. B. Weerasekera
Mr. H. Abeywickrama
Mr. A. Talwatte*
Ms. R. Kobbekaduwa*

*Appointed to the Board with effect from 30th May 2016

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. 33.3 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.

Secretaries & Financial Services (Pvt) Ltd, (No 60, Dharmapala Mawatha, Colombo 03) resigned as Company Secretaries on 1st April 2016. Corporate Services (Pvt) Ltd, (No, 216, De Saram Place, Colombo 10) was appointed as the new secretaries with effect from 1st April 2016.

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 and also published in print media. 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 four Board sub committees,

1. Audit Committee
2. Nomination & Remuneration Committee
3. Investment Committee
4. Related Party Transactions 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 99 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.

Investment Committee

The role of the Investment Committee is to review capital expenditure budgets and new projects and make recommendations to the Board of Directors.

Related Party Transactions Committee

The Committee exercise oversight on behalf of the Board, that all Related Party Transactions (RPTs), other than those exempted by the CSE listing rules on the RPTs) are carried out and disclosed in a manner consistent with the CSE Lisitng Rules.

Membership of Sub Board Committees are listed below.

	Appointment to The Board	Nomination & Remuneration Committee	Audit Committee	Investment Committee	Related Party Transactions Committee
Executive					
V. Govindasamy	08/02/2000				
S. G. Sathasivam	13/06/2006				
B. A. Hulangamuwa	01/02/2002		x		x
Non-Executive					
G. Sathasivam	08/02/2000	x			
A. Hollingsworth	28/02/2006				
T. Senthilverl	02/02/2015				
Independent Non-Executive					
Munir Shaikh	16/07/2010	x	x		x
N. B. Weerasekara	21/11/2008	x	x	x	x
S. Piyaratna	28/08/2006	x	x		x
H. Abeywickrama	30/06/2014		x		x

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	83
	A 1.1	Regular Board meetings	Complied	Composition & attendance	88
	A 1.2	Responsibilities	Complied	Board Responsibility	88
	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	101
	A 1.4	Access to Company Secretary	Complied	Communication with stakeholders	90
	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.	90
Chairman and Group Managing Director (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.	89
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.	89
	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.	89
Financial Acumen	A 4	Availability of financial acumen within the Board	Complied	Profile of the Board	83
Board Balance	A 5.1	Non-Executive Directors	Complied	Nine out of Twelve are Non-Executive Directors	89

Subject	Rule/ Code No	Compliance Requirement	Compliance Status	Section	Page No
	A 5.2	Independent Non-Executive Directors	Complied	Six out of Nine Non-Executive Directors are independent	89
	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.	89
	A 5.4	Annual Declaration	Complied	Submitted the declarations as prescribed	87
	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.	89
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	89
	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.	89
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	91
	A 7.1	Nomination Committee to make recommendations on new Board appointments	Complied	Nomination committee makes recommendations to the Board on new Board appointments	91
	A 7.2	Assessment of the capability of the Board to meet strategic demands of the company	Complied	Profile of the Board	83
	A 7.3	Disclosure of New Board member profile and interests	Complied	Profile of the Board	83
Re election	A 8 – 8.2	Board members should be subject to election, and re-election by shareholders	Complied	Re-election of Directors	89
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	91

Subject	Rule/ Code No	Compliance Requirement	Compliance Status	Section	Page No
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	83
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.	91
Directors' Remuneration	B 1	Establishment of the Remuneration Committee			91
	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	91
Disclosure of Remuneration	B 3.1	Disclose the remuneration policy and aggregate remuneration	Complied	Discussed under sub committees	91
Relations with Shareholders	C 1.1	Counting of proxy votes	Complied	A Form of Proxy accompanies the Annual Report, when they are dispatched to the shareholders. The Chairman makes and announcement of the proxies received at the commencement of the General Meeting	224
	C 1.2	Separate resolution to be proposed for each item	Complied	The Company propose a separate resolution at the AGM on each significant issue.	224
	C 1.3	Heads of Board subcommittees to be available to answer queries	Complied	Sub-committee Chairmans are present at the AGM	222
	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.	224
	C 1.5	Summary of procedures governing voting at General Meetings to be informed	Complied	Circulated through Notice of the Annual General Meeting	224
Major Transactions	C 2 - 2.1	Disclosure of all material facts involving any proposed acquisition, sale or disposal of assets	Complied	Major transactions of the Group were disclosed to all stakeholders through the Colombo Stock Exchange, print media, and the Company website	99

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	99
	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	99
	D 1.3	Statement of Directors' responsibility	Complied	Directors' Responsibility report	113
	D 1.4	Management Review & Preview	Complied	Segment Analysis	37
Internal Control	D 2.1	Annual review of effectiveness of the system of internal control.	Complied	Internal Auditors carry out an independent review, and report directly to the Audit Committee.	99
Audit Committee	D 3.1	Audit Committee composition	Complied	Composition of Audit Committee	90
	D 3.2	Terms of reference, duties and responsibilities	Complied	Clearly documented to Audit Committee charter	90
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 the Group website & provided to the Colombo Stock Exchange.	90

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

Subject	Rule No.	Applicable Requirement	Compliance Status	Details	Page No
Non-Executive Directors	7.10.1	At least one third of the total number of Directors should be Non-Executive Directors	Complied	Nine out of Twelve Directors are Non-Executive Directors	89
Independent Directors	7.10.2 (a)	Two or one-third of Non-Executive Directors, whichever is higher should be independent	Complied	Six out of Nine Non-Executive Directors are independent	89
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	91
Disclosure relating to Directors	7.10.3 (a)	Name of independent Directors should be disclosed in the Annual Report	Complied	Please refer page 89	89
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 89 under the heading of Board balance	89
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	83
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	83
Remuneration Committee	7.10.5	A listed company shall have a Remuneration Committee	Complied	Remuneration Committee comprises of Mr. Munir Shaikh Mr. N. B. Weerasekera Mr. G. Sathasivam And Mr. S. Piyaratna	91
Composition of Remuneration Committee	7.10.5 (a)	Shall comprise Non-Executive directors a majority of whom will be independent	Complied	All members are Non-Executive and Three out of Four are independent	91
Remuneration Committee Functions	7.10.5 (b)	Shall recommend the remuneration of the GMD and the Executive Directors	Complied	As above	91

Subject	Rule No.	Applicable Requirement	Compliance Status	Details	Page No
Disclosure in the Annual Report relating to Remuneration Committee	7.10.5 (c)	The Annual Report should set out Names of Directors comprising the Remuneration Committee.	Complied	Please refer page 91	91
		Statement of Remuneration Policy.	Complied	Please refer page 91	91
		Aggregated remuneration paid to Executive and Non-Executive Directors.	Complied	Note No 33.3 of Financial Statement	207
Audit Committee	7.10.6	The Company shall have an Audit Committee	Complied	Please refer Report of the Audit Committee on page 99	99
Composition of Audit Committee	7.10.6 (a)	Shall comprise of Non-Executive Directors, majority of whom will be independent	Complied	Four out of five Directors are Independent Non-Executive Directors	91
		Non-Executive Directors shall be appointed as the Chairman of the Committee	Complied	Chairman of the Committee is an independent Non-Executive Director	91
		GMD and Group Chief Financial Officer should attend Audit Committee Meetings	Complied	GMD and Group Chief Financial Officer attend meetings by invitation	99
		The Chairman of the Audit Committee or one member should be a member of a professional Accounting body	Complied	Two members are Qualified Accountants	84
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	91
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 91	91
		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 99	99
		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 99	99

REPORT OF THE NOMINATION AND REMUNERATION COMMITTEE

The Nomination And Remuneration Committee appointed by the Board of Directors comprises four Non-Executive Directors namely Messrs. Munir Shaikh, N. B. Weerasekera, G. Sathasivam and S. Piyaratna. 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
30th May 2016

REPORT OF THE AUDIT COMMITTEE

The Audit Committee was established in 2006. The Committee consists of Four Independent Non-Executive Directors and one member is a Senior Chartered Accountant. The Committee is chaired by Mr. S. Piyaratna, and 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, and other Head of Finance personal of the Group 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 this is updated to reflect the views that the members of the Audit Committee express in the independent discharge of their duties.

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

H. Abeywickrama (Member)
04 of 04 meetings

B. A. Hulangamuwa (Member)
04 of 04 meetings

Munir Shaikh (Member)*
02 of 02 meetings

*Appointed to the Audit Committee w.e.f 11th February 2016

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. The committee reviews the statutory accounts and published financial statements, assess compliance with regulatory requirements, considers 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 the 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 31st March 2016. 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 the financial position of the Company.

• Recommended that the Board select KPMG Chartered Accountants as independent auditors to audit and report on the annual consolidated and the company's financial statements and forward copies of the Annual Report to the Colombo Stock Exchange prior to the Annual General Meeting.

• Reviewed the procedures for identifying business risk and management of the impact on the Group. Reviewed the policies, procedures and internal controls.
• Reviewed the operational effectiveness and internal controls of the policies, systems and procedures.

• Reviewed and discussed with the Management, the annual and the quarterly financial statements prior to their release, including the extent of compliance with the Sri Lanka Accounting Standards and the Companies Act, No. 7 of 2007.
• Reviewed the procedures established by Management for compliance with the requirements of regulatory bodies. The Group 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.

The 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

Munir Shaikh
30th May 2016

ANNUAL REPORT OF THE BOARD OF DIRECTORS

The Directors have pleasure in presenting the 43rd annual report of your company together with the audited financial statements of Sunshine Holdings PLC (SUN), and the audited consolidated financial statements of the group for the year ended 31st March 2016. The details set out herein provide the pertinent information required by the Companies Act No.7 of 2007, the Colombo Stock Exchange Listing Rules and are guided by recommended best accounting practices.

General

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

Principal Activities

Sunshine Holdings PLC is the group's holding company. The principle activities of the company during the year under review were investment in subsidiaries and other investments where the Group's interest in equity capital is less than 20% or where the group does not exercise significant influence or control over the financial and operating policies, which together constitute the Sunshine Holdings Group. The company and its business activities are described in the Annual Report.

Powerful Vision & Beliefs

The company's Powerful Vision & Beliefs are given on page 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 30th May 2016. 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 Flows, Statement of Changes in Equity, and the Notes to the Financial Statements of the Company and the Group for the financial year ended 31st March 2016 are set out on pages 116 to 208.

Audit Reports

The Report of the Independent Chartered Accountants on the Financial Statements is given on page 115.

Significant Accounting Policies

The Accounting Policies adopted in the preparation of the Financial Statements are given on pages 123 to 208. 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 2015/16.

Directors

The Board of Directors of the company as at 31st March 2016 and their brief profiles are given in the Board of Directors section of the Annual Report.

Mr. Munir Shaikh is over 70 years of age,and a resolution is proposed that the age limit stipulated in Section 210 of the Companies Act No 7 of 2007 shall not apply to the above director and that he be re-elected as a director of the company. In accordance with Article 104 of the Articles of Association of the company, Messrs. S. Piyaratna, G. Sathasivam, S. G. Sathasivam retire by rotation and, being eligible, offer themselves for re-election. As newly appointed directors A. Talwatte and R. Kobbekaduwa will submit themselves for retirement and re-election at the Annual General Meeting in accordance with article 110 of the Articles of Association of the Company.

The group directory details the names of persons holding office as Directors of the company and all its subsidiary and associate companies, as at 31st March 2016 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 2016 were:

Mr. Munir Shaikh – *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
Dr. T. Senthilverl
Mr. B. A. Hulangamuwa

The profile of the Directors are given on pages 83 to 86.

Directors Interest in Contracts and Proposed Contracts

Except as stated in Note 33.1 to these Financial Statements, during and at the end of the financial year 2016, 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 2016, are given in Note 33.3 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:

	2016	2015
Mr. Munir Shaikh	–	–
Mr. G. Sathasivam	1,000	1,000
Mr. V. Govindasamy	443,330	443,330
Mr. S. G. Sathasivam	1,000	1,000
Mr. S. Piyaratna	1,000	1,000
Mr. N. B. Weerasekera	–	–
Mr. Alan Hollingsworth	–	–
Mr. B. A. Hulangamuwa	56,955	56,955
Mr. H. D. Abeywickrama	–	–
Dr. T. Senthilverl	30,946,100	31,684,390

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

Revenue

Revenue generated by the company amounted to Rs. 265 million (2014/15 - Rs. 314 million), whilst group revenue amounted to Rs. 17.4 billion (2014/15 - Rs. 16.3 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. 213 million (2014/15 - Rs. 350 million) whilst the group profit attributable to owners of the parent for the year was Rs. 606 million (2014/15 - Rs 542 million).

The results for the year under review and changes in equity are stated in the Statement of Profit or Loss and Other Comprehensive Income and in the Statement of Changes in Equity on pages 116 and 118 respectively.

Dividend

The Directors recommend that a final dividend of Rs.141,898,035 equivalent to Rs. 1.05 per ordinary share (2014/15 Rs. 128,383,937 equivalent to Rs. 0.95 per ordinary share) be paid on 21st July 2016 to those shareholders on the register of shareholders 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 a dividend of Rs. 1.05 per share.

Detailed description of the results and appropriations are given below.

	Group		Company	
	2016 (Rs)	**2015 (Rs)**	**2016 (Rs)**	**2015 (Rs)**
Revenue	17,422,249,764	16,326,528,096	265,431,378	313,557,464
Profit & Appropriations				
Profit before Interest & Income Tax	**1,660,598,576**	**1,413,268,709**	**157,704,853**	**221,878,292**
Less: Net Finance Cost	(67,946,115)	(105,382,189)	63,471,545	72,862,462
Profit Before Income Tax	1,591,244,008	1,309,333,699	221,176,398	294,740,754
Income Tax	(373,645,411)	(335,820,583)	(769,355)	(2,023,953)
Profit for the Year	**1,217,598,597**	**973,513,116**	**220,407,043**	**292,716,801**
Other Comprehensive Income (Net of Tax)	92,461,096	73,387,932	(6,992,058)	57,076,838
Total Comprehensive Income	**1,310,059,693**	**1,046,901,048**	**213,414,985**	**349,793,639**
Less: Profit for non-controlling shareholders	704,270,305	504,597,193		
Profit for Owners of the Company	**605,789,388**	**542,303,855**	**213,414,985**	**349,793,639**
Less: Appropriations				
Dividend Paid		128,383,937		128,383,937
Proposed Dividend	141,898,035		141,898,035	
Balance Carried Forward	**463,891,353**	**413,919,918**	**71,516,950**	**221,409,702**

Property, Plant and Equipment, Leasehold right to bare land, Biological Assets and Intangible Assets

The carrying value of Property, Plant and Equipment, Leasehold right to bare land, Biological Assets and Intangible Assets as at the reporting date amounted to Rs. 7.7 billion and Rs. 8.2 million (2014/15 - Rs. 7.2 billion and Rs. 3.0 million) the Group and Company respectively. Capital Expenditure for the company and group amounted to Rs. 7.5 million (2014/15 – Rs. 1.2 million) and Rs. 902 million (2014/15 - Rs. 895 million), respectively. Details of Fixed Assets 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. 83 million (2014/15 - nill) and Rs. 61 million (2014/15 - Rs. 93 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 31st March 2016 for the company and group amounted to Rs. 2.9 billion (2014/15 - Rs. 2.8 billion) and Rs. 5.8 billion (2014/15 - Rs. 5.3 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 31st March 2016 was Rs. 730,939,657 divided into 135,140,986 shares. (2014/15 Rs. 730,939,657 divided into 135,140,986 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 31st March 2016 is given on page 209 of this Report. The percentage of shares held by the public was 6.46% (2014/15 – 5.99%).

Substantial Share Holdings

At 31st March 2016, the number of registered Shareholders of the company included 1,451 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 210.

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 31st March 2016 are given in Note 33.1 of the Financial Statements, on page 200 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 19 to 78.

Contingent Liabilities and Capital Commitment

The Commitments made on account of capital expenditure and the Contingent Liabilities as at 31st March 2016 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 215.

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 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 102 under the Share Information.

Board Committees

The composition of the Board and other Committees as at 31st March 2016, are given below:

Audit Committee

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

Remuneration Committee

Mr. Munir Shaikh
Mr. G. Sathasivam
Mr. N. B. Weerasekera
Mr. S. Piyaratna

Investment Committee

Mr. N. B. Weerasekera
Mr. S. G. Wijesinha (Chairman, Watawala Plantations PLC)

Related Party Transactions Committee

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

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 99 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 30th May 2016. 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 17th June 2016.

Annual General Meeting

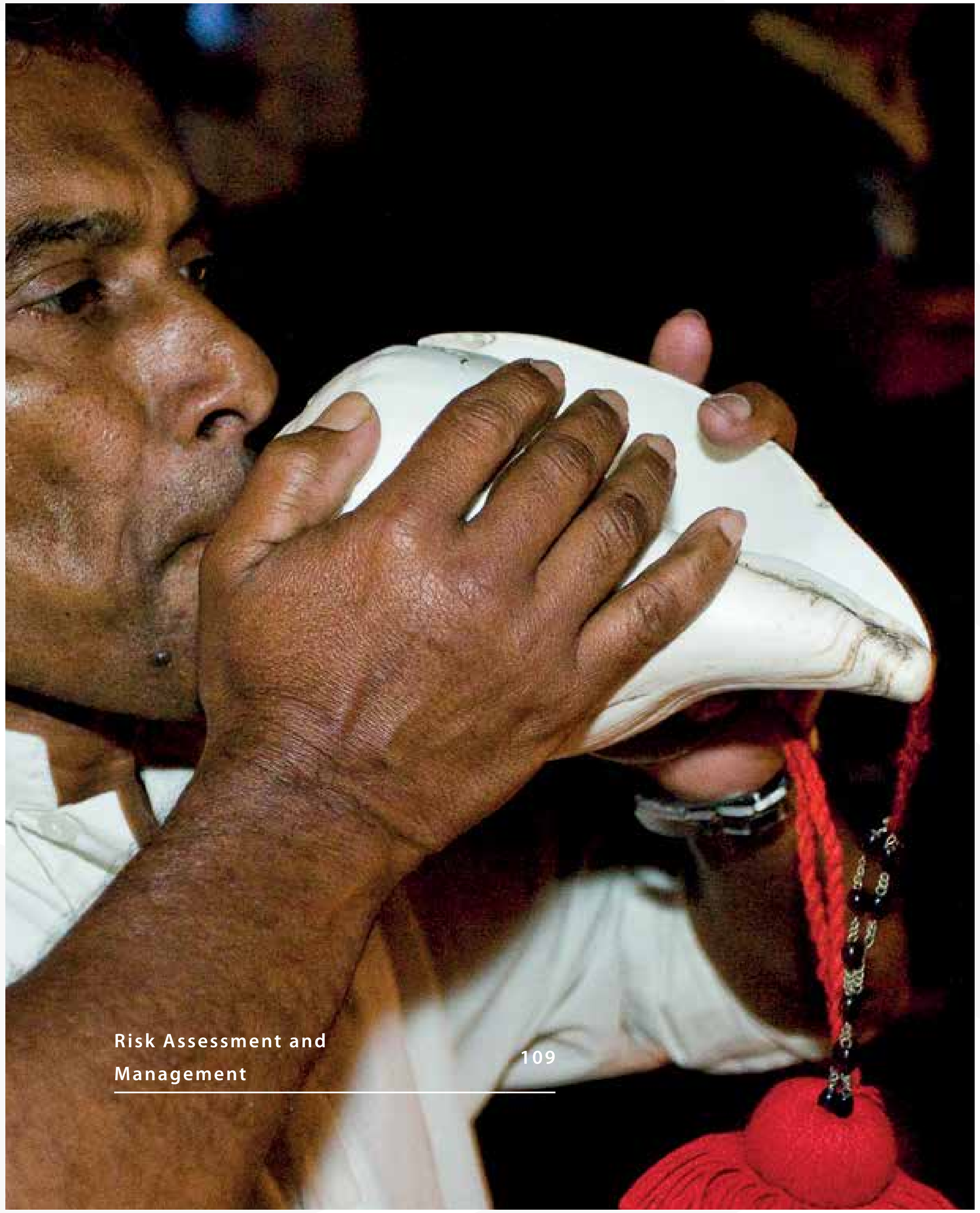
The annual general meeting will be held at the 'Committee Room B', Bandaranaike Memorial Conference Hall, Bauddhaloka Mawatha, Colombo 07, on Monday, 11th July 2016 at 10.00 a.m. The notice of meeting appears in the Supplementary Information section of the integrated Annual Report. This annual report is signed for and on behalf of the Board of Directors.

By Order of the Board.

Munir Shaikh
Chairman

V. Govindasamy
Group Managing Director

Director
Corporate Services (Private) Limited.
Secretaries
30th May 2016
Colombo



RISK MANAGEMENT

The conch shell is blown at the beginning of rituals and ceremonies with the belief that vibrations emitted dispel negative energy and purifies the environment. We too believe prevention and readiness is invaluable for any and every cure.

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, while aggressively expanding the Healthcare Retail business, Healthguard. In Agri, the group has diversified from the traditional lines of tea and rubber, and focused on palm oil another crops, and expanding into commercial dairy farming. The fast growing FMCG sector will also represent a bigger portion of the group as it expands in to new geographies and products. 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, implementation of performance based reward mechanisms and investing in own training center for Healthcare.
	Investment Risk	Non-achievement of Required Return.	Low	High	All investments are reviewed by the Investment Committee of the Board of Directors before initial approval. 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.

Risk Category	Risk	Corporate Impact	Risk Rating		Mitigating Actions
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 all 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 The Group has also obtained a credit rating of A(lka) from Fitch Ratings Sri Lanka, demonstrating the low interest rate risk and leverage.
	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.

FINANCIAL INFORMATION

The symbol that fearlessly proclaims the truth, the conch silently says what we believe in and the way we conduct business. The bottom line of our Brands, which is the result of this, gives us a great sense of fulfillment.

STATEMENT OF DIRECTORS' RESPONSIBILITY

This statement of Directors' Responsibility 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 2016 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 controls 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
30th May 2016.

GROUP MANAGING DIRECTOR'S AND GROUP 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 Group 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 115 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
30 May 2016

KPMG
(Chartered Accountants)
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Sri Lanka.

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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 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and, statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information set out in pages 116 to 208.

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 2016, 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 2016, 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.

CHARTERED ACCOUNTANTS
Colombo
30th May 2016.

KPMG, a Sri Lankan partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

M.R. Mihular FCA, T.J.S. Rajakarier FCA, Ms. S.M.B. Jayasekara ACA, G.A.U. Karunaratne FCA, R.H. Rajan ACA, P.Y.S. Perera FCA, W.W.J.C. Perera FCA, W.K.D.C Abeyrathne FCA, R.M.D.B. Rajapakse FCA, C.P. Jayatilake FCA, Ms. S. Joseph FCA, S.T.D.L. Perera FCA, Ms. B.K.D.T.N. Rodrigo FCA

Principals - S.R.I. Perera FCMA(UK), LLB, Attorney-at-Law, H.S. Goonewardene ACA

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31st March	Note	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
Revenue	5	17,422,249,764	16,326,528,096	265,431,378	313,557,464
Cost of sales		(13,329,433,616)	(12,715,859,246)	(16,364,802)	(45,038,540)
Gross profit		**4,092,816,148**	3,610,668,850	**249,066,576**	268,518,924
Other operating income	6	158,561,283	175,168,232	119,819,056	17,780,484
Administration expenses		(1,639,871,812)	(1,531,164,316)	(211,180,779)	(64,421,116)
Selling and distribution expenses		(929,384,452)	(779,878,532)	-	-
Write off expenses incurred on new venture		(21,522,591)	-	-	-
Write off of goodwill		-	(61,525,525)	-	-
Results from operating activities		**1,660,598,576**	1,413,268,709	**157,704,853**	221,878,292
Finance income		109,014,813	110,209,360	65,040,812	75,610,356
Finance expense		(176,960,928)	(215,591,549)	(1,569,267)	(2,747,894)
Net finance income/ (expense)	7	**(67,946,115)**	(105,382,189)	**63,471,545**	72,862,462
Share of profit of equity accounted associate (net of income tax)		(1,408,453)	1,447,179	-	-
Profit before income tax expenses	8	**1,591,244,008**	1,309,333,699	**221,176,398**	294,740,754
Income tax expense	9	(373,645,411)	(335,820,583)	(769,355)	(2,023,953)
Profit for the year		**1,217,598,597**	973,513,116	**220,407,043**	292,716,801
Other comprehensive income					
Actuarial gain/(loss)		95,650,888	18,716,931	(9,147,887)	420,302
Exchange gain/(loss)		-	2,774	-	-
Fair value change in available for sale financial assets		12,918,829	56,656,536	2,155,829	56,656,536
Taxes related to other comprehensive income		(16,108,621)	(1,988,309)	-	-
Total other comprehensive income for the year net of tax		**92,461,096**	73,387,932	**(6,992,058)**	57,076,838
Total comprehensive income for the year		**1,310,059,693**	1,046,901,048	**213,414,985**	349,793,639
Profit attributable to:					
Equity holders of the company		586,787,880	484,043,380	220,407,043	292,716,801
Non-controlling interest		630,810,717	489,469,736	-	-
Total other comprehensive income attributable to:					
Equity holders of the company		19,001,508	58,260,475	(6,992,058)	57,076,838
Non-controlling interest		73,459,588	15,127,457	-	-
Total comprehensive income for the year		**1,310,059,693**	1,046,901,048	**213,414,985**	349,793,639
Earnings per share	10	**4.34**	3.62	**1.63**	2.19

The accounting policies and notes set out in the pages 123 to 208 form an integral part of these financial statements.
Figures in brackets indicate deductions.

STATEMENT OF FINANCIAL POSITION

For the year ended 31st March	Note	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
Assets					
Non-current assets					
Property, plant and equipment	11	3,899,448,315	3,618,271,031	6,077,792	3,031,897
Leasehold right to bare land	12	205,508,000	212,543,000	-	-
Biological assets	13	3,431,155,000	3,350,253,000	-	-
Intangible assets	14	137,471,955	110,539,090	2,191,875	-
Investment in subsidiaries	15	-	-	1,041,371,979	961,371,884
Investment in associate	16	6,275,928	4,292,875	6,111,426	2,719,920
Other investments	17	1,296,865,044	673,142,764	721,505,044	673,142,764
Investment in gratuity fund	18	234,369,000	220,262,000	-	-
Deferred taxation	19	82,380,722	92,863,490	-	-
Total non-current assets		9,293,473,964	8,282,167,250	1,777,258,116	1,640,266,465
Current assets					
Inventories	20	2,892,173,039	2,634,650,201	-	-
Trade and other receivables	21	2,370,524,216	2,038,353,177	32,983,484	56,658,101
Income tax recoverable		16,487,167	12,128,379	3,158,748	3,158,748
Amounts due from related parties	22	83,962,322	82,682,619	208,404,919	145,821,407
Cash and cash equivalents	23	1,465,372,953	1,562,658,066	894,039,444	955,293,407
Total current assets		6,828,519,697	6,330,472,442	1,138,586,595	1,160,931,663
Total assets		16,121,993,661	14,612,639,692	2,915,844,711	2,801,198,128
Equity and liabilities					
Equity					
Stated capital	24	730,939,657	730,939,657	730,939,657	730,939,657
Other reserves		1,257,725	1,257,725	1,257,725	1,257,725
Retained earnings		5,049,392,138	4,571,180,685	2,126,757,288	2,041,726,240
Equity attributable to owners of the company		5,781,589,520	5,303,378,067	2,858,954,670	2,773,923,622
Non-controlling interest		4,168,557,293	3,643,544,084	-	-
Total equity		9,950,146,813	8,946,922,151	2,858,954,670	2,773,923,622

For the year ended 31st March	Note	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
Non-current liabilities					
Interest bearing borrowings	25	1,279,610,187	1,038,260,161	-	-
Employee benefits	26	1,127,179,002	1,143,212,840	43,198,526	9,980,594
Deferred income and capital grants	27	203,569,000	213,610,000	-	-
Deferred taxation	19	273,461,405	212,434,580	-	-
Total non-current liabilities		2,883,819,594	2,607,517,581	43,198,526	9,980,594
Current liabilities					
Interest bearing borrowings	25	456,186,217	404,569,474	-	-
Trade and other payables	28	2,284,702,647	1,992,789,177	11,735,061	10,251,078
Income tax payable		122,307,205	95,903,944	596,051	2,079,325
Amounts due to related parties	29	1,377,033	945,135	1,360,403	919,380
Bank overdrafts	23	423,454,152	563,992,230	-	4,044,129
Total current liabilities		3,288,027,254	3,058,199,960	13,691,515	17,293,912
Total liabilities		6,171,846,848	5,665,717,541	56,890,041	27,274,506
Total equity and liabilities		16,121,993,661	14,612,639,692	2,915,844,711	2,801,198,128

The accounting policies and notes set out in the pages 123 to 208 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

Group Managing Director

30th May 2016
Colombo

STATEMENT OF CHANGES IN EQUITY

GROUP For the year ended 31st March 2016	Stated Capital Rs.	Capital Accretion Reserve Rs.	General Reserve Rs.	Retained Profit Rs.	Total Rs.	Non Controlling Interest Rs.	Total Rs.
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**
Total comprehensive income for the year							
Profit for the year	-	-	-	484,043,380	484,043,380	489,469,736	973,513,116
Other comprehensive income for the year	-	-	-	58,260,475	58,260,475	15,127,457	73,387,932
Effect on percentage change in holding of Sunshine Power (Pvt) Ltd	-	-	-	(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**
Total comprehensive income for the year							
Profit for the year	-	-	-	586,787,880	**586,787,880**	630,810,717	**1,217,598,597**
Other comprehensive income	-	-	-	19,001,508	**19,001,508**	73,459,588	**92,461,096**
Effect on percentage change in holding of Sunshine Energy Group	-	-	-	806,002	**806,002**	(806,002)	**-**
Transactions with owners of the company							
Dividend paid 2014/15	-	-	-	(128,383,937)	**(128,383,937)**	(229,598,634)	**(357,982,571)**
Effect on share issue to NCI shareholders by the subsidiary	-	-	-	-	**-**	51,147,540	**51,147,540**
Balance as at 31st March 2016	**730,939,657**	**399,837**	**857,888**	**5,049,392,138**	**5,781,589,520**	**4,168,557,293**	**9,950,146,813**

COMPANY For the year ended 31st March 2016	Share Capital Rs.	Capital Accretion Reserve Rs.	General Reserve Rs.	Retained Profit Rs.	Total Rs.
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
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**
Total comprehensive income for the year					
Profit for the year	-	-	-	220,407,043	**220,407,043**
Other comprehensive income for the year	-	-	-	(6,992,058)	**(6,992,058)**
Transactions with owners of the Company					
Dividend paid to owners 2014/15	-	-	-	(128,383,937)	**(128,383,937)**
Issue of shares	-	-	-	-	**-**
Balance as at 31st March 2016	**730,939,657**	**399,837**	**857,888**	**2,126,757,288**	**2,858,954,670**

The accounting policies and notes set out in the pages 123 to 208 form an integral part of these financial statements.
Figures in brackets indicate deductions.

STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
For the year ended 31st March	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
Cash flows from operating activities				
Profit before income tax expense	1,591,244,008	1,309,333,699	221,176,398	294,740,754
Adjustments for:				
Interest income	(109,014,813)	(110,209,360)	(65,040,812)	(75,610,356)
Share of profit of equity accounted investees	1,408,453	(1,447,179)	-	-
Profit on disposal of property, plant and equipment	(34,851,506)	(25,302,064)	(40,500)	-
(Gain)/loss on fair value of biological assets	(29,491,000)	(6,648,000)	-	-
Interest expense	176,960,928	215,591,549	1,569,267	2,747,894
Depreciation & amortisation	509,403,601	470,625,406	2,294,976	991,512
Provision / (reversal) for bad and doubtful debts	(12,500,437)	17,053,069	-	-
Goodwill write off		61,525,525	-	-
Amortisation of deferred income and capital grants	(10,041,000)	(10,193,000)	-	-
Amortisation of leasehold right to bare land	7,035,000	7,035,000	-	-
Profit of sales of biological assets	(16,179,000)	(36,296,000)	-	-
Movement in livestock	12,721,000	4,805,000	-	-
Provision for gratuity excluding actuarial gain/loss	205,753,860	201,940,265	5,765,535	2,325,532
Fair value (gain)/loss/ fair value through Profit or Loss	14,809,084	(17,776,595)	14,809,084	(17,776,595)
	2,307,258,178	2,080,037,315	**180,533,948**	207,418,741
Changes in:				
Inventories	(257,522,838)	(191,910,486)	-	-
Trade and other receivables	(319,670,602)	(291,795,675)	23,674,617	(21,672,678)
Amounts due from related parties	(1,279,703)	(7,649,175)	(38,073,764)	(66,496,204)
Trade and other payables	291,913,470	418,906,190	1,483,983	5,278,833
Amounts due to related parties	431,898	778,147	441,023	766,615
Cash generated from/ (used in) operations	**2,021,130,403**	2,008,366,316	**168,059,807**	125,295,307
Interest paid	(176,960,928)	(213,684,461)	(1,569,267)	(2,747,894)
Income tax paid	(296,199,966)	(314,001,765)	(2,252,629)	(6,162,662)
Gratuity paid	(126,136,810)	(101,721,571)	(6,205,240)	(725,000)
Cash generated from operating activities	**1,421,832,699**	1,378,958,519	**158,032,671**	115,659,751

	GROUP		COMPANY	
For the year ended 31st March	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.
Cash flows from investing activities				
Interest received	109,014,813	110,209,360	65,040,812	75,610,356
Investment in other investments	(625,612,533)	(92,614,798)	(61,015,533)	(92,614,799)
Investment in subsidiary	-	-	(80,000,000)	-
Investment in associates	(3,391,601)	-	(3,391,601)	-
Investment gratuity fund	(14,107,000)	(20,262,000)	-	-
Mature and immature plantation expenditure	(209,025,000)	(357,798,000)	-	-
Acquisition of property, plant & equipment	(656,253,473)	(507,837,785)	(4,610,246)	(1,162,816)
Acquisition of intangible assets	(36,752,087)	(29,573,288)	(2,922,500)	-
Proceeds from disposal of biological assets	29,252,000	73,243,000	-	-
Proceeds from disposal of property, plant & equipment	55,316,318	31,859,776	40,500	-
Net cash (used in) / from investing activities	**(1,351,558,563)**	(792,653,735)	**(86,858,568)**	(18,167,259)
Cash flows from financing activities				
Proceed from issue of shares	-	39,946,124	-	39,946,124
Proceeds from issue of shares to non controlling shareholders	51,147,540	-	-	-
Receipts of interest bearing borrowings	917,092,994	654,016,507	-	-
Repayments of interest bearing borrowings	(624,442,282)	(990,699,022)	-	-
Lease rentals paid	(12,836,852)	(26,072,798)	-	-
Dividend paid	(128,383,937)	(127,135,210)	(128,383,937)	(127,135,210)
Dividend paid to non controlling shareholders	(229,598,634)	(284,095,357)	-	-
Net cash from / (used in) financing activities	**(27,021,171)**	(734,039,756)	**(128,383,937)**	(87,189,086)
Net increase/(decrease) in cash and cash equivalents	**43,252,965**	(147,734,972)	**(57,209,834)**	10,303,406
Cash and cash equivalents at the beginning of the year (note-23)	**998,665,836**	1,146,400,808	**951,249,278**	940,945,872
Cash and cash equivalents at the end of the year (note-23)	**1,041,918,801**	998,665,836	**894,039,444**	951,249,278

The accounting policies and notes set out in the pages 123 to 208 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 2016 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 (SLFRSs/LKASs).

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 30th May 2016.

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 SLFRSs 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	09	157
Property, plant and equipment	11	160
Biological assets	13	163
Intangible assets	14	166
Deferred tax assets / liabilities	19	171
Employee benefits	26	183

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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/ SLFRSs 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 and 17

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, unless otherwise indicated.

3.1 Basis of consolidation
The Consolidated Financial Statements (referred to as the "Group") comprise the Financial Statements of the Company and its Subsidiaries.

The Consolidated Financial Statements have been prepared using uniform accounting policies for like transactions/events in similar circumstances and where necessary, appropriate adjustments have been made in the Consolidated Financial Statements.

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

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. Transaction 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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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 statement of profit or loss.

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;

• 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 re-attributed 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 reporting 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 reporting 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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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 during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Company. Major renovations are depreciated over the remaining useful life of the related asset.

3.3.1.3 Capital work-in-progress

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

3.3.1.4 Leasehold assets

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

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

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

Freehold Assets	
Buildings - Plantations	40 Years
Buildings – Others	15 Years
Roads & Bridges	40 Years
Sanitation, water & electricity	20 Years
Plant & Machinery	13 Years
Furniture & Fittings	05 - 10 Years
Equipment	05 - 08 Years
Computer Equipment	04 - 05 Years
Computer Software	06 Years
Motor Vehicles	04 – 05 Years
Electrical Equipment	02 Years
Diagnostics and Analyzer Equipment	04 Years
Medical Equipment	04 Years
Hydro Power plant	20 Years
Fence and Security Lights	03 Years
Leasehold Assets	
Bare Land	53 Years
Roads & Bridges	40 Years
Improvements to Land	30 Years
Vested Other Assets	30 Years
Buildings	25 Years
Plant & Machinery	13 Years
Sanitation, water & electricity	20 Years
Water Supply System	20 Years
Mini-Hydro Power Plant	10 Years
Motor Vehicles	04 – 05 Years

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

3.3.1.8 Biological assets

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

3.3.1.8.1 Livestock

A biological asset is a living animal or plant. Livestock are measured at their fair value less estimated costs to sell with any change therein 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 knowledgably, prudently and without compulsion.

3.3.1.8.2 Mature & immature plantations

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

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

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

All expenses incurred in land preparation, planting and development of crops up to maturity or up to the harvesting of the crop are capitalized as biological assets. 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 amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash - generating units).

3.3.2 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation 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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

goodwill on acquisition of associate is included in investment in associates and is tested for impairment as part of the overall balance.

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

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

3.3.2.2 Research and development costs

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

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

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

c. How the asset will generate future economic benefits

d. The availability of resources to complete the asset

e. The ability to measure reliably the expenditure during development

Following initial recognition of the development expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit. Amortisation is 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 Name 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 amortisation 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 capitalized 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 Amortisation

Amortisation 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 - 06 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 consumables are valued at cost on a weighted average basis

• Nurseries are valued at cost.

• Agricultural produce harvested from biological assets are measured at fair value less cost to sell at the point of harvest.

• Medical Items are valued at actual cost, on first in first out basis.

• Other Sundry Stocks are valued at actual cost, on first in first out basis

3.3.3.2 Trade and other receivables

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

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

The amount of the provision for impairment of trade receivable is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the Statement of 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 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 and Other Comprehensive Income, loans and receivables, held-to-maturity investments, available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus transaction costs, except in the case of financial assets recorded at fair value through Statement of 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 or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in other income in the Statement of Profit or Loss. Financial assets designated upon initial recognition at fair value through profit or loss are designated at their initial recognition date and only if the criteria under LKAS 39 are satisfied.

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 amortisation 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 amortisation 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.

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-recognized, 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 Other Comprehensive Income.

3.3.6.3 De-recognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is 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 reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3.3.6.5 Financial assets carried at amortised cost

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

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

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of 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 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-recognized as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of 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 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 derivates that are not closely related to the host contract are classified consistent with the cash flows of the host contract.

• Derivative instruments that are designated as, and are effective hedging instruments, are classified consistently with the classification of the underlying hedged item. The derivative instrument is separated into a current portion and a non-current portion only if a reliable allocation can be made.

3.3.10 Stated capital

3.3.10.1 Ordinary shares

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

3.3.11 Liabilities and provisions

Liabilities classified as current liabilities in the statement of financial position are those obligations payable on demand or within one year from the financial position date. Liabilities classified as noncurrent liabilities are those obligations, which expire beyond a period of one year from the reporting 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 amortized 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 amortized 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.

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 capitalized 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 recognize 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 projected unit credit 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 Plantaions PLC has adopted the benefit plan as required under the Payment of Gratuity Act No. 12 of 1983 for all eligible employees.
The benefit plan is partially funded. Provision for gratuity is made by the Company taking account of the recommendation of an independent qualified actuaries firm, Messrs. Actuarial & Management Consultants (Private) Limited who carry out actuarial valuation of the plan every two years.

The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the statement of financial position date together with adjustments for unrecognized past service cost. The defined benefit obligation is calculated annually by the Company using the projected unit credit method prescribed in Sri Lanka Accounting Standard 19 Employee Benefits. The present value of the defined

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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.

Sunshine Healthcare Lanka Ltd has also adopted projected unit credit method in determining the liability at the end of financial year. However, Sunshine Packaging Lanka 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.

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. Commission Income
When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognized is the

commission made by the Group and income is recognized on completion of job on an accrual basis.

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.

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 Consolidated 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 events after the reporting date 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.

The activities of the segments are described on pages 187 & 188 in the notes to the Financial Statements.

Sunshine Holdings PLC	- Investment
Sunshine Healthcare Lanka Limited	- Whole sale and retail (pharmaceutical items)
Watawala Plantations PLC	- Plantation
Sunshine Packaging Lanka Limited	- Packaging
Estate Management Services (Private) Ltd	- Management services
Sunshine Power (Pvt) Limited	- Hydro power generation
Watawala Australia Pty Limited	- Import and sales of branded teas
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

3.8 Statement of cash flows

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

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

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

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 01 January 2018. 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 01 January 2018, with early adoption permitted.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	For the year ended 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
5.	REVENUE				
	Healthcare	7,161,309,054	6,075,767,826	-	-
	Plantation	6,298,769,000	6,848,491,036	-	-
	Packaging	361,904,888	269,909,590	-	-
	Investment	265,431,378	313,557,464	265,431,378	313,557,464
	FMCG	3,439,945,117	2,914,951,528	-	-
	Energy	120,297,977	112,574,295	-	-
	Gross revenue	17,647,657,414	16,535,251,739	265,431,378	313,557,464
	Less: inter company revenue	(225,407,650)	(208,723,643)	-	-
	Net revenue	17,422,249,764	16,326,528,096	265,431,378	313,557,464
5.1	The revenue includes export sales as follows				
	Plantation	604,527,000	487,607,000	-	-
	Packaging	72,853,510	25,050,995	-	-
	FMCG	72,103,146	74,995,650	-	-
	Total	749,483,656	587,653,645	-	-
6.	OTHER OPERATING INCOME				
	Profit on disposal of property, plant and equipment	34,851,506	25,302,064	40,500	-
	Amortisation of capital grants	10,041,000	10,193,000	-	-
	Royalty income	2,333,697	3,557,598	-	-
	Sale of trees (note 6.1)	16,179,000	36,296,000	-	-
	Service income	-	-	134,587,640	
	Biological asset-gain/(loss) on fair valuation (note 6.2)	29,491,000	6,648,000	-	-
	Scrap sales	6,182,535	6,020,987	-	-
	Sundry income	26,331,629	21,166,988	-	3,889
	Fair value gain / (loss) on quoted investments and unit trust	(14,809,084)	17,776,595	(14,809,084)	17,776,595
	Hydro power income	47,960,000	48,207,000	-	-
	Total other operating income	158,561,283	175,168,232	119,819,056	17,780,484

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 at the reporting date.

6.2 The gain on fair value of trees of Watawala Plantations PLC, a subsidiary of the Company, represents the unrealized gain from valuation of trees/timber at the reporting date.

	For the year ended 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
7.	NET FINANCE INCOME/(EXPENSE)				
	Finance expense				
	Interest on overdrafts & loans	107,605,732	147,751,309	1,569,267	2,747,894
	Interest on finance lease	1,297,164	1,997,378	-	-
	Interest on leasehold rights payable to JEDB/SLSPC	67,640,000	62,739,000	-	-
	Exchange loss	418,032	3,103,862	-	-
	Total finance expense	176,960,928	215,591,549	1,569,267	2,747,894
	Finance income				
	Interest income on loans given to related companies	-	-	7,670,205	6,325,100
	Interest income on bank deposits	108,339,187	110,203,412	57,370,607	69,285,256
	Exchange gain	675,626	5,948		-
	Total finance income	109,014,813	110,209,360	65,040,812	75,610,356
7.1	Net finance income/(expense)	(67,946,115)	(105,382,189)	63,471,545	72,862,462
8.	PROFIT FROM OPERATING ACTIVITIES				
	Is stated after charging all expenses including the following;				
	Auditors' remuneration				
	- Statutory audit - KPMG	3,378,500	2,515,000	1,089,000	990,000
	- Other auditors	6,033,024	6,314,719	-	-
	- Audit related - KPMG	625,000	675,000	625,000	675,000
	- Non audit - KPMG	400,000	400,000	150,000	75,000
	- Other auditors	567,000	268,000	-	-
	Amortisation - Leasehold right to bare land	7,035,000	7,035,000	-	-
	Provision/(reversal) for doubtful debtors	(12,500,437)	17,053,069	-	-
	Depreciation				
	- Property plant and equipment	350,305,377	330,197,868	1,564,351	991,512
	- Immovable lease assets	17,459,000	17,459,000	-	-
	- Biological assets-bearer	131,820,000	111,890,000	-	-
	Amortisation of intangible assets	9,819,222	11,078,538	730,625	-
	Personnel costs include;				
	- Defined benefit plan - Gratuity	205,512,860	201,940,265	5,765,535	2,325,532
	- Defined contribution plan - EPF & ETF	307,628,276	294,834,090	11,156,272	2,036,172
	- Salaries and wages & other staff costs	3,512,649,102	3,348,250,405	128,674,665	18,027,603

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
9. INCOME TAX EXPENSE				
Income tax				
Current income tax expense (note 9.2)	253,111,155	219,017,798	596,051	2,079,324
Deferred taxation charge / (reversal) for the year (note 19)	71,509,593	64,224,834	-	-
WHT on dividend	64,733,898	64,656,799	-	-
Under provision/ (over provision) in respect of previous year	399,386	(10,090,539)	173,304	(55,371)
	389,754,032	337,808,892	769,355	2,023,953
Income tax (expenses)/ savings on other comprehensive income	**(16,108,621)**	(1,988,309)	-	-
Tax expenses on profit or loss	**373,645,411**	335,820,583	**769,355**	2,023,953

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% (2015 - 28%) on its taxable income.

(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;

For the year ended 31st March	Tax Rate 2016	Tax Rate 2015
Sunshine Healthcare Lanka Limited	28%	28%
Estate Management Services (Private) Limited - 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 - Export & Tea Packet less than 500g	10%	10%
- Other activities	28%	28%
Sunshine Packaging Lanka Limited - Export	12%	12%
- Other activities	28%	28%
Sunshine Energy Limited	28%	28%
Sunshine Power (Private) Limited - Income from Energy Supply	Exempt	Exempt
- Interest Income	28%	28%
Upper Waltrim Hydropower (Pvt) Limited - Interest Income	28%	-
Watawala Tea Australia Pty Ltd is liable for Income Tax at 30% as per the Tax regulation in Australia.		

Sunshine Power (Private) Limited
Pursuant to the agreement entered in to with the Board of Investments (BOI) of Sri Lanka, profit of the Sunshine Power (Pvt) Ltd, is exempt from Income Tax for a period of 5 years reckoned from the year of assessment as may be determined by the Board, in which the subsidiary commences to make profits or any year of assessment not later than 2 years from the date of commencement of commercial operations of the subsidiary, whichever is earlier. As such, the exemption period would commence from financial year 2013/14 at the earliest.

Upper Waltrim Hydropower (Pvt) Limited
Pursuant to the agreement entered into with the Board of Investments (BOI) of Sri Lanka, Upper Waltrim Hydropower (Pvt) Ltd shall qualify for a tax exemption period of Seven (07) years as stipulated in Inland Revenue Act No.10 of 2006 as amended by Inland Revenue (Amendment) Act No.8 of 2012 (Sec.17A) based on the proposed investment of more than Rupees Five Hundred Million (Rs.500 Mn.) in fixed assets in the Project.

For the above purpose, the “year of assessment” shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date of commencement of commercial operations whichever year is earlier as determined by the Commissioner General of Department of Inland Revenue.

However, the Company has not commenced its commercial operations by 31st March 2015 as required by the BOI Agreement entered on 18th December 2014, to claim the tax benefits as stipulated above.

Nevertheless, the Company is in the process of entering in to a new agreement with BOI in order to extend the deadline and claim the aforesaid tax benefits.

Elgin Hydropower (Pvt) Limited
Pursuant to the agreement entered into with the Board of Investments (BOI) of Sri Lanka, the Elgin Hydropower (Pvt) Ltd shall qualify for a tax exemption period of Seven (06) years as stipulated in Inland Revenue Act No.10 of 2006 as amended by Inland Revenue (Amendment) Act No.8 of 2012 (Sec.17A) based on the proposed investment of more than Rupees Three Hundred Million (Rs.300 Mn.) in fixed assets in the Project.

For the above purpose, the “year of assessment” shall be reckoned from the year in which the enterprise commences to make profits or any year of assessment not later than two (02) years reckoned from the date of commencement of commercial operations whichever year is earlier as determined by the Commissioner General of Department of Inland Revenue.

However, the Company has not commenced its commercial operations by 31th March 2015 as required by the BOI Agreement entered on 18th December 2014, to claim the tax benefits as stipulated above.

Nevertheless, the Company is in the process of entering in to a new agreement with BOI in order to extend the deadline and claim the aforesaid tax benefits.

Further, Elgin Hydropower (Pvt) Ltd and Upper Waltrim Hydropower (Pvt) Limited are not liable for income tax on their business profits as they have not yet commenced commercial operations.

However, during the year Upper Waltrim Hydropower (Pvt) Limited is liable for income tax at 28% on its interest income.

Watawala Tea Ceylon limited cliam tax relief under section 16 of Inland revenue act No 10 of 2006

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

For the year ended 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
9.2 Reconciliation between accounting Profit and taxable profit				
Accounting profit before tax	1,591,244,008	1,309,333,699	221,176,398	294,740,754
Inter group adjustments	691,045,371	683,182,387	-	-
	2,282,289,379	1,992,516,086	**221,176,398**	294,740,754
Aggregate disallowable items	807,730,618	774,711,225	26,763,995	4,471,928
Aggregate allowable items	(1,287,747,697)	(934,068,895)	(10,407,895)	(26,047,436)
Aggregate exempt income	(246,327,992)	(1,099,496,622)	(234,257,492)	(261,740,391)
Profit / (loss) from business	**1,555,944,308**	733,661,794	**3,275,006**	11,424,855
Less tax loss utilised during the year	(58,276,807)	(59,927,591)	(1,146,252)	(3,998,699)
Taxable profit	**1,497,667,501**	673,734,203	**2,128,754**	7,426,156
Taxation at 28%	157,656,274	137,332,386	596,051	2,079,324
Taxation at 10%	48,827,072	45,171,987	-	-
Taxation at 30%	-	23,768	-	-
Taxation at effective rates	46,627,809	36,489,657	-	-
	253,111,155	219,017,798	**596,051**	2,079,324
Tax loss				
Opening balance	1,330,125,026	1,147,817,802	159,566,849	158,607,835
Reassessment of previous year tax losses	(54,636,441)	212,586,886	(333,278)	4,957,713
Tax loss for the year of assessment	7,640,452	29,647,929	-	-
Tax loss claimed during the year	(58,276,807)	(59,927,591)	(1,146,252)	(3,998,699)
Closing balance	**1,224,852,230**	1,330,125,026	**158,087,319**	159,566,849

10 EARNINGS PER SHARE

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

	GROUP 2016	GROUP 2015	COMPANY 2016	COMPANY 2015
Profit attributable to ordinary shareholders (Rs.)	586,787,880	484,043,380	220,407,043	292,716,801
Weighted average number of ordinary shares in issue during the year	135,140,986	133,880,555	135,140,986	133,880,555
Earnings per share (Rs.)	4.34	3.62	1.63	2.19

11. PROPERTY, PLANT & EQUIPMENT

GROUP	Balance as at 01.04.2015 Rs.	Additions Rs.	Disposal Rs.	Transfers Rs.	Balance as at 31.03.2016 Rs.
11.1.1 Cost					
Freehold assets					
Land	311,972,691	-	-	-	311,972,691
Buildings	1,065,706,598	50,840,627	-	3,917,000	1,120,464,225
Plant & machinery	1,683,365,155	34,404,428	(159,812)	4,549,000	1,722,158,771
Power plant	596,758,387	520,243	-	-	597,278,630
Tools	19,347,000	-	-	-	19,347,000
Machinery oil project	2,399,658	-	-	-	2,399,658
Factory equipment	9,160,010	656,750	-	-	9,816,760
Furniture & fittings	120,480,290	31,376,272	(1,295,397)	-	150,561,165
Equipment	201,242,887	5,986,706	-	221,000	207,450,593
Water tank	158,435	-	-	-	158,435
Computer equipment	85,792,066	11,346,746	(1,487,063)	-	95,651,749
Motor vehicles	683,742,577	103,412,428	(119,854,938)	16,301,997	683,602,064
Electrical equipment	22,043,762	1,940,772	(812,700)	-	23,171,834
Capital work in progress	133,700,957	374,384,530	-	(8,687,000)	499,398,487
Medical equipment	145,360,451	30,430,611	-	-	175,791,062
Others	178,311,100	4,954,000	-	-	183,265,100
Total freehold assets	5,259,542,024	650,254,113	(123,609,910)	16,301,997	5,802,488,224
Leasehold assets					
Roads & bridges	484,000	-	-	-	484,000
Improvements to land	3,340,000	-	-	-	3,340,000
Vested other assets	3,305,000	-	-	-	3,305,000
Buildings	93,279,000	-	-	-	93,279,000
Water supply system	3,838,000	-	-	-	3,838,000
Machinery	32,506,000	-	-	-	32,506,000
Mini-hydro power plant	1,540,000	-	-	-	1,540,000
Equipment	-	-	-	-	-
Computers	-	-	-	-	-
Motor vehicles	21,262,997	19,965,060	-	(16,301,997)	24,926,060
Mature plantations	408,378,536	-	-	-	408,378,536
Total leasehold assets	567,933,533	19,965,060	-	(16,301,997)	571,596,596
Total cost	5,827,475,557	670,219,173	(123,609,910)	-	6,374,084,820

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

		GROUP (Continued...)				
		Balance as at 01.04.2015 Rs.	Charge for the year Rs.	On Disposal Rs.	On Transfers Rs.	Balance as at 31.03.2016 Rs.
11.	PROPERTY, PLANT & EQUIPMENT (CONTD.)					
11.1.2	Accumulated depreciation					
	Freehold assets					
	Buildings	183,413,561	32,213,687	-	-	215,627,248
	Plant & machinery	710,555,719	111,569,628	(111,536)	-	822,013,811
	Power plant	84,818,356	26,826,086	-	-	111,644,442
	Tools	15,514,534	1,383,028	-	-	16,897,562
	Machinery oil project	980,178	184,589	-	-	1,164,767
	Factory equipment	3,721,429	1,028,348	-	-	4,749,777
	Furniture & fittings	88,388,699	9,734,094	(1,221,750)	-	96,901,043
	Equipment	137,528,120	11,959,891	-	-	149,488,011
	Water tank	138,594	2,221	-	-	140,815
	Computer equipment	61,283,914	9,564,523	(1,459,169)	-	69,389,268
	Motor vehicles	375,274,672	95,239,484	(99,539,943)	16,301,996	387,276,209
	Electrical equipment	18,582,607	2,712,372	-	-	21,294,979
	Medical equipment	68,284,516	35,933,862	-	-	104,218,378
	Others	44,998,077	3,925,187	-	-	48,923,264
	Total freehold assets	1,793,482,976	342,277,000	(102,332,398)	16,301,996	2,049,729,574
	Leasehold assets					
	Roads & bridges	267,000	11,000	-	-	278,000
	Improvements to land	2,528,000	111,000	-	-	2,639,000
	Vested other assets	1,021,000	44,000	-	-	1,065,000
	Buildings	85,044,000	3,752,000	-	-	88,796,000
	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	12,829,550	8,028,377	-	(16,301,996)	4,555,931
	Mature plantations	276,148,000	13,541,000	-	-	289,689,000
	Total leasehold assets	415,721,550	25,487,377	-	(16,301,996)	424,906,931
	Total depreciation	2,209,204,526	367,764,377	(102,332,398)	-	2,474,636,505
11.1.3	Carrying value	3,618,271,031				3,899,448,315

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

		COMPANY			
		Balance as at 01.04.2015 Rs.	Additions Rs.	Disposal Rs.	Balance as at 31.03.2016 Rs.
11.2	Company				
	Cost				
	Freehold assets				
	Furniture & fittings	1,959,000	675,446	-	2,634,446
	Equipment	755,037	66,300	-	821,337
	Computer equipment	2,761,461	368,500	(188,345)	2,941,616
	Motor vehicles	-	3,500,000	-	3,500,000
	Total cost	5,475,498	4,610,246	(188,345)	9,897,399

	Balance as at 01.04.2015 Rs.	Charge for the year Rs.	Disposal Rs.	Balance as at 31.03.2016 Rs.
Accummulated depreciation				
Furniture & fittings	429,053	398,085	-	827,138
Equipment	203,146	153,968	-	357,114
Computer equipment	1,811,402	429,284	(188,345)	2,052,341
Motor vehicles	-	583,014	-	583,014
Total depreciation	2,443,601	1,564,351	(188,345)	3,819,607
Carrying value	3,031,897	-	-	6,077,792

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
12. LEASEHOLD RIGHT TO LAND OF JEDB / SLSPC ESTATES				
Cost			-	-
Balance at the end of the year	372,840,000	372,840,000	-	-
Accumulated amortisation				
Balance at the beginning of the year	160,297,000	153,262,000	-	-
Amortisation for the year	7,035,000	7,035,000	-	-
Balance at the end of the year	167,332,000	160,297,000	-	-
Carrying amount	**205,508,000**	212,543,000	-	-

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 2016 Rs.	GROUP 2015 Rs.
13. BIOLOGICAL ASSETS		
Carrying value		
Biological assets - Bearer (note 13.1)	2,794,625,000	2,743,030,000
Biological assets - Consumables (note 13.2)	608,995,000	566,967,000
Biological assets - Live stock (note 13.3)	27,535,000	40,256,000
	3,431,155,000	3,350,253,000

	Nurseries Rs.	Immature plantations Rs.	Mature plantations Rs.	Total Rs.
13.1 Biological assets - Bearer - Group				
Cost				
As at 1st April 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 31st March 2015	31,920,000	631,958,000	2,733,371,000	**3,397,249,000**
Additions	1,580,000	181,835,000	-	183,415,000
Transfer from nurseries to immature	(20,053,000)	20,053,000	-	-
Transfer from immature to mature	-	(325,698,000)	325,698,000	-
As at 31st March 2016	13,447,000	508,148,000	3,059,069,000	**3,580,664,000**
Accumulated depreciation				
As at 31st March 2014	-	-	(542,329,000)	**(542,329,000)**
Charged for the year	-	-	(111,890,000)	(111,890,000)
As at 31st March 2015	-	-	(654,219,000)	**(654,219,000)**
Charged for the year	-	-	(131,820,000)	(131,820,000)
As at 31st March 2016	-	-	(786,039,000)	**(786,039,000)**
Carrying value				
As at 31st March 2015	31,920,000	631,958,000	2,079,152,000	**2,743,030,000**
As at 31st March 2016	13,447,000	508,148,000	2,273,030,000	**2,794,625,000**

(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 from immature plantations to mature plantations commence at the time the plantation is ready for commercial harvesting.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

		Immature plantations Rs.	Mature plantations Rs.	Total Rs.
13.2	Biological assets - Consumables - Group			
	As at 1st April 2014	68,007,000	507,937,000	575,944,000
	Additions	21,322,000	-	21,322,000
	Gain 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 31st March 2015	86,917,000	480,050,000	566,967,000
	Additions	25,610,000	-	25,610,000
	Gain arising from changes in fair value less costs to sell		29,491,000	29,491,000
	Decrease due to harvest		(13,073,000)	(13,073,000)
	Transfers	(22,405,000)	22,405,000	-
	As at 31st March 2016	90,122,000	518,873,000	608,995,000

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 13.5% [2015 - 12.5%]
- Maturity for harvesting - 25 years [2015 - 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	608,995,000
Value stand as at 10% positive variance	669,894,000
Value stand as at 10% negative variance	548,095,000
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	608,995,000
Value stand as at 1% positive variance	633,350,000
Value stand as at 1% negative variance	587,102,000

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	
	2016 Rs.	2015 Rs.
As at 1st April	40,256,000	45,061,000
Increase due to purchases	788,000	120,000
Increase due to births	488,000	-
Decrease due to sales	(5,390,000)	(3,690,000)
Decrease due to deaths	(1,785,000)	(1,235,000)
Price and physical changes	(6,822,000)	-
As at 31st March	27,535,000	40,256,000

As at 31st March 2016 livestock comprised 171 cattle (2015 -186 cattle). During the year Company sold 47 cattle (2015 - 13 cattle).

		GROUP		COMPANY	
	As at 31st March	2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
14.	INTANGIBLE ASSETS				
	Software (note 14.1)	9,595,228	10,588,957	2,191,875	-
	Goodwill (note 14.2)	-	-	-	-
	Brand (note 14.3)	53,235,000	56,192,500	-	-
	Project development cost (note 14.4)	74,641,727	43,757,633	-	-
		137,471,955	110,539,090	2,191,875	-
14.1	Software				
	Cost				
	Balance at the beginning of the year	37,232,361	35,690,302	-	-
	Additions during the year	5,867,993	1,542,059	2,922,500	-
	Balance at the end of the year	43,100,354	37,232,361	2,922,500	-
	Amortisation				
	Balance at the beginning of the year	(26,643,404)	(18,522,366)	-	-
	Charge during the year	(6,861,722)	(8,121,038)	(730,625)	-
	Balance at the end of the year	(33,505,126)	(26,643,404)	(730,625)	-
	Carrying amount	9,595,228	10,588,957	2,191,875	-

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	As at 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
14.2	Goodwill				
	At the beginning of the year	-	61,525,525	-	-
	Write Off during the year	-	(61,525,525)	-	-
	At the end of the year	-	-	-	-

The goodwill on acquisition represents the excess of the cost of acquisition of the net assets (both tangible and intangible) of Healthguard Pharmacy Ltd. The Board of Directors has decided to write off the goodwill fully during the year 2014/15.

	As at 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 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	-	-
	Amortisation				
	Balance at the beginning of the year	(2,957,500)	-	-	-
	Charge during the year	(2,957,500)	(2,957,500)	-	-
	Balance at the end of the year	(5,915,000)	(2,957,500)	-	-
	Carrying amount	53,235,000	56,192,500	-	-

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 2014/15.

	As at 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.
14.4	Project Development Cost		
	Balance at the beginning of the year	43,757,633	15,726,403
	Additions	30,884,094	28,031,230
	Balance at the end of the year	74,641,727	43,757,633

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.

	As at 31st March	2016 Holding %	2016 No. of Shares	2016 Cost Rs.	2015 Holding %	2015 No. of Shares	2015 Cost Rs.
15.	INVESTMENT IN SUBSIDIARIES						
15.1	Company - Unquoted						
	Sunshine Healthcare Lanka Limited	100.00%	7,359,184	186,657,168	100.00%	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	60.68%	17,832,310	239,796,180	60.58%	13,832,310	159,796,180
	Sunshine Packaging Lanka Limited	100.00%	35,650,007	356,500,000	100.00%	35,650,007	356,500,000
	Elgin Hydropower (Private) Limited	-	1	10	-	1	10
	Upper Waltrim Hydropower (Private) Limited	-	1	10	-	1	10
	Sunshine Holdings International (Pte) Ltd	-	1	95		-	-
				1,041,371,979			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 Limited	25.08%			25.08%		
	Healthguard Pharmacy Limited	100.00%			100.00%		
	Sunshine Power (Private) Limited	59.78%			59.69%		
	Elgin Hydropower (Private) Limited	60.68%			60.58%		
	Upper Waltrim Hydropower (Private) Limited	60.68%			60.58%		
16.	INVESTMENTS IN ASSOCIATES						
	Group						
	Sunshine Travels and Tours Limited	24.73%	409,364	6,111,426	24.73%	271,992	2,719,920
	Share of profit of equity accounted investees (net of income tax)			164,502			1,572,955
	Total			6,275,928			4,292,875
	Company						
	Sunshine Travels and Tours Limited	24.73%	409,364	6,111,426	24.73%	271,992	2,719,920

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
17. OTHER LONG TERM INVESTMENTS				
Investment in unquoted shares (note 17.1)	513,590,484	511,434,655	513,590,484	511,434,655
Investment in quoted shares (note 17.2)	103,041,910	111,335,593	103,041,910	111,335,593
Investment in unit trust (note 17.3)	669,469,650	50,372,516	104,872,650	50,372,516
Investment in Unit Energy Lanka (Pvt) Limited	10,763,000	-	-	-
Total	**1,296,865,044**	673,142,764	**721,505,044**	673,142,764

Note: During the year Watawala Plantations PLC, a subsidiary of the Company has received Rs. 10,763,000 worth of investment from Unit Energy Lanka (Pvt) Limited.

	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				
Group & Company				
Cost				
Balance as at 01st April 2015	117,692,727	10	75,000,000	192,692,737
Investments made during the year	-	-	-	-
Balance as of 31st March 2016	117,692,727	10	75,000,000	**192,692,737**
Fair value adjustment				
Balance as at 01st April 2015	88,984,671	-	229,757,247	318,741,918
Increase/ (decrease) in fair valuation during the year	(82,005,745)	-	84,161,574	2,155,829
Balance as at 31st March 2016	6,978,926	-	313,918,821	320,897,747
Carrying value of investment as at 31st March 2016	124,671,653	10	388,918,821	**513,590,484**
Carrying value of investment as at 31st March 2015	206,677,398	10	304,757,247	511,434,655

As at 31st March	2016 No of Shares	2016 Cost Rs.	2016 Market Value Rs.	2015 No of Shares	2015 Cost Rs.	2015 Market Value Rs.
17.2 Investment in quoted shares						
Group & Company						
Dialog Axiata PLC	550,000	6,132,928	5,610,000	-	-	-
Aitken Spence Hotels Holdings PLC	18,000	1,456,128	954,000	-	-	-
Commercial Bank of Ceylon PLC	142,327	16,645,307	17,862,039	160,719	18,681,413	26,582,923
Aitken Spence PLC	193,000	19,051,472	14,185,500	193,000	19,051,472	19,203,500
Hatton National Bank PLC - Non Voting	112,598	15,013,929	19,589,247	149,598	18,613,432	24,683,670
Kelani Tyres PLC	80,000	5,676,070	5,120,000	134,800	7,988,836	10,514,400
Hayleys Mgt.Knitting Mills PLC	300,000	3,221,091	5,400,000	300,000	3,221,091	5,310,000
Distilleries Company of Sri Lanka PLC	90,000	21,515,302	18,558,000	75,000	17,723,302	18,037,500
Piramal Glass Ceylon PLC	-	-	-	500,000	2,983,040	2,850,000
Ceylon Hotels Corporation PLC	223,966	5,565,735	5,375,184	176,000	4,347,536	4,153,600
Ceylinco Insurance PLC	10,000	6,774,917	7,820,000	-	-	-
Peoples Insurance Limited	72,700	1,090,500	1,228,630	-	-	-
Softlogic Holdings PLC	100,700	1,482,276	1,339,310	-	-	-
Total		**103,625,655**	**103,041,910**		92,610,122	111,335,593
Fair value adjustment		**(583,745)**			18,725,471	
Total		**103,041,910**			111,335,593	

As at 31st March	2016 Cost Rs.	2016 Market Value Rs.	2015 Cost Rs.	2015 Market Value Rs.
17.3 Investment in unit trusts				
Group				
Cost	664,597,000	669,469,650	50,000,000	50,372,516
Total cost	**664,597,000**		50,000,000	
Fair value adjustment	4,872,650		372,516	
Total	**669,469,650**		50,372,516	

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March	2016 Cost Rs.	2016 Market Value Rs.	2015 Cost Rs.	2015 Market Value Rs.
17.3 Investment in unit trusts (contd.)				
Company				
Cost	100,000,000	104,872,650	50,000,000	50,372,516
Total cost	**100,000,000**		50,000,000	
Fair value adjustment	4,872,650		372,516	
Total	**104,872,650**		50,372,516	

As at 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.
18. INVESTMENT IN GRATUITY FUND		
Balance at the beginning of the year	220,262,000	200,000,000
Reinvestment of income	14,107,000	20,262,000
Balance at the end of the year	**234,369,000**	220,262,000

As at the date of the financial reporting Watawala Plantations PLC, a subsidiary of the Company has set - aside Rs. 234,369,000/- in the form of an investment fund 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 6.04% (2015- 10.13%)

As at 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
19. DEFERRED TAXATION				
19.1 Deferred tax asset				
Balance at the beginning of the year	92,863,490	91,018,038	-	-
Charge / (reversal) for the year	(10,482,768)	(1,798,752)	-	-
Reclassified from deferred tax liability	-	3,644,204	-	-
Balance at the end of the year	**82,380,722**	92,863,490	-	-
19.2 Deferred tax liability				
Balance at the beginning of the year	212,434,580	146,364,294	-	-
Charge / (reversal) for the year	61,026,825	62,426,082	-	-
Reclassified from deferred tax assets	-	3,644,204	-	-
Balance at the end of the year	273,461,405	212,434,580	-	-
Net deferred tax asset/(liability)	**(191,080,683)**	(119,571,090)	-	-

As at 31st March	2016 Temporary Difference Rs.	2016 Tax effect on Temporary Difference Rs.	2015 Temporary Difference Rs.	2015 Tax effect on Temporary Difference Rs.
Group				
On property, plant & equipment	(1,822,147,164)	(304,057,811)	(1,316,636,096)	(286,164,051)
On biological assets - bearer	(2,808,821,000)	(381,916,000)	(2,743,030,000)	(341,504,000)
On biological assets - consumable	(267,661,674)	(10,318,000)	(566,967,000)	(48,050,000)
On retirement benefit obligation	1,127,179,002	189,424,203	1,143,212,840	182,404,782
On capital grants	203,569,000	56,638,000	213,610,000	59,811,000
On debtors provision	15,040,374	4,211,305	27,622,975	7,734,433
On tax losses carried forward	1,224,852,230	328,437,454	1,330,125,026	361,068,004
Total	**(2,327,989,232)**	**(117,580,849)**	(1,912,062,255)	(64,699,832)
Less: Unrecognized deferred tax assets				
Sunshine Holdings PLC		(56,092,150)		(47,008,074)
Sunshine Energy Limited		(7,984,693)		(2,459,032)
Sunshine Power (Private) limited		(8,685,747)		(5,404,152)
Upper Waltrim Hydropower (Private) Limited		(737,244)		-
Deferred tax recognized in the financial statement		**(191,080,683)**		(119,571,090)

The management of Sunshine Holdings PLC, Sunshine Energy Limited, Sunshine Power (Private) Limited and Upper Waltrim Hydropower (Private) Limited is of the opinion that the above deferred tax asset amounting to Rs.56,092,150/- (Rs. 47,008,074/- in 2015), Rs.7,984,693/- (Rs. 2,459,032/- in 2015), Rs.8,685,747/- (Rs. 5,404,152/- in 2015) and Rs. 737,244/- (nill in 2015) respectively as it is not probable that future taxable profits will be available against which those companies can utilize the benefit thereon.

As at 31st March	2016 Rs.	2016 Rs.	2015 Rs.	2015 Rs.
Company				
On property, plant & equipment	(956,736)	(267,886)	(1,661,466)	(465,210)
On retirement benefit obligation	43,198,526	12,095,587	9,980,594	2,794,566
On tax losses carried forward	158,087,319	44,264,449	159,566,849	44,678,718
Total	**200,329,109**	**56,092,150**	167,885,977	47,008,074

The Company has not recognized deferred tax assets amounting to Rs. 56,092,150/- (2015- Rs. 47,008,074/-) as the management is of the opinion that the reversal of deferred tax asset will not be crystalized in the forseeable 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
20. INVENTORIES				
Medical items	1,667,453,068	1,448,522,311	-	-
Harvested crops	388,775,000	502,109,000	-	-
Input materials, spares and consumables	412,947,443	343,852,493	-	-
Finished goods	200,544,636	122,934,899	-	-
Work in progress	37,892,547	33,485,188	-	-
Machinery spares	9,977,803	-	-	-
Goods in transit	174,582,542	183,746,310	-	-
Total	2,892,173,039	2,634,650,201	-	-
21. TRADE AND OTHER RECEIVABLES				
Trade receivables	1,501,960,437	1,427,614,229	-	-
Less: Provision for bad debts	(26,088,880)	(38,589,317)	-	-
Total	1,475,871,557	1,389,024,912	-	-
Staff loan recoverable	6,451,934	10,243,062	-	-
Other receivables	293,383,999	121,363,820	322,670	2,663,646
Withholding tax recoverable	25,237,481	16,298,704	24,042,574	15,874,062
Interest income receivables	36,026,446	35,560,042	3,661,879	35,550,807
ESC recoverable	30,398,618	739,356	663,578	739,356
ACT recoverable	31,359,000	36,359,166	-	-
Other taxes receivable	-	10,637,018	-	-
VAT recoverable	110,276,579	103,614,112	-	-
Advances and deposits	361,518,602	314,512,985	4,292,783	1,830,230
Total	2,370,524,216	2,038,353,177	32,983,484	56,658,101

As at 31st March	Relationship	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
22. AMOUNTS DUE FROM RELATED PARTIES					
Sunshine Travels & Tours Limited	Associate	-	30,000	-	-
Estate Management Services (Private) Limited	Subsidiary	-	-	24,268,750	-
Sun Pharmaceuticals Limited.	Affiliated	-	15,007,711	-	-
Sunshine Agri investment Ltd.	Affiliated	-	135,908		135,908
Sunshine Tea (Pvt) Ltd.	Affiliated	3,726,633	-	-	-
Sunshine Packaging Lanka Ltd.	Subsidiary	-	-	64,350,881	63,737,516
Sunshine Energy Ltd.	Subsidiary	-	-	116,085,599	78,673,983
TATA Global Beverages Ltd.	Affiliated	76,536,000	64,235,000	-	-
Sunshine Holdings International Pte Ltd.	Affiliated	3,699,689	3,274,000	3,699,689	3,274,000
Total		83,962,322	82,682,619	208,404,919	145,821,407

As at 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
23. CASH AND CASH EQUIVALENTS				
23.1 Favourable balance				
Fixed deposits	965,016,279	923,796,724	837,478,179	866,860,857
Call deposits	70,156,311	24,194,979	51,044,851	1,010,489
Import margin at bank	17,874,688	15,157,706	-	-
Cash at bank	390,877,559	597,278,677	5,471,251	87,402,860
Cash in hand	21,448,116	2,229,980	45,163	19,201
Total	1,465,372,953	1,562,658,066	894,039,444	955,293,407
23.2 Unfavourable Balance				
Bank overdrafts	(423,454,152)	(563,992,230)	-	(4,044,129)
Cash and cash equivalents for the purpose of statement of cash flows	1,041,918,801	998,665,836	894,039,444	951,249,278
24. STATED CAPITAL				
No. of shares				
Balance at the beginning of the year	135,140,986	133,826,537	135,140,986	133,826,537
Issued during the year	-	1,314,449	-	1,314,449
Balance as at the end of the year	135,140,986	135,140,986	135,140,986	135,140,986
Value				
Balance at the beginning of the year (Rs.)	730,939,657	690,993,533	730,939,657	690,993,533
Issued during the year	-	39,946,124	-	39,946,124
Balance as at 31st March (Rs.)	730,939,657	730,939,657	730,939,657	730,939,657

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 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
25.	INTEREST BEARING BORROWINGS				
	Amount repayable after one year				
	Loans (note 25.1)	933,207,032	691,866,103	-	-
	Finance lease obligations (note 25.2)	10,107,155	3,868,058	-	-
	SLSPC / JEDB lease creditors (note 25.3)	336,296,000	342,526,000	-	-
	Trust receipt loan (note 25.4)	-	-	-	-
	Total	**1,279,610,187**	1,038,260,161	-	-
	Amount repayable within one year				
	Loans (note 25.1)	444,347,244	358,590,161	-	-
	Finance lease obligations (note 25.2)	5,378,973	5,322,013	-	-
	SLSPC / JEDB lease creditors (note 25.3)	6,460,000	6,210,000	-	-
	Trust receipt loan/money market & other loans (note 25.4)	-	34,447,300	-	-
	Packing credit loan (note 25.5)	-	-	-	-
	Total	**456,186,217**	404,569,474	-	-
	Total interest bearing borrowings	**1,735,796,404**	1,442,829,635	-	-
25.1	Loans				
	Balance at the beginning of the year	1,050,456,264	1,294,786,079	-	-
	Add: Loans obtained during the year	817,092,994	219,249,607	-	-
	Less: Repayment during the year	(489,994,982)	(463,579,422)	-	-
	Balance at the end of the year	**1,377,554,276**	1,050,456,264	-	-
	Amount repayable within one year	**444,347,244**	358,590,161	-	-
	Amount repayable after one year	**933,207,032**	691,866,103	-	-
25.2	Finance lease obligations				
	Balance at the beginning of the year	10,612,133	24,528,739	-	-
	Addition/(disposal) made during the year	15,748,176	5,946,192	-	-
	Repayment during the year	(8,154,105)	(19,862,798)	-	-
	Balance at the end of the year	**18,206,204**	10,612,133	-	-
	Interest in suspense	(2,720,076)	(1,422,062)	-	-
	Net lease obligation	**15,486,128**	9,190,071	-	-
	Amount repayable within one year	**5,378,973**	5,322,013	-	-
	Amount repayable after one year	**10,107,155**	3,868,058	-	-

As at 31st March		GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
25.3	SLSPC / JEDB lease creditors				
	Balance at the beginning of the year	609,600,000	629,920,000	-	-
	Repayment during the year	(20,320,000)	(20,320,000)	-	-
	Balance at the end of the year	**589,280,000**	609,600,000	-	-
	Interest in suspense	(246,524,000)	(260,864,000)	-	-
	Net lease obligation	**342,756,000**	348,736,000	-	-
	Amount repayable within one year	**6,460,000**	6,210,000	-	-
	Amount repayable after one year	**336,296,000**	342,526,000	-	-
25.4	Trust receipt and money market loans				
	Balance at the beginning of the year	34,447,300	100,000,000	-	-
	Loan obtained during the year	100,000,000	426,187,900	-	-
	Repayment during the year	(134,447,300)	(491,740,600)	-	-
	Balance at the end of the year	-	34,447,300	-	-
	Amount repayable within one year	-	34,447,300	-	-
	Amount repayable after one year	-	-	-	-
25.5	Packing credit & other loans				
	Balance at the beginning of the year	-	26,800,000	-	-
	Loan obtained during the year	-	8,579,000	-	-
	Repayment during the year	-	(35,379,000)	-	-
	Balance at the end of the year	-	-	-	-
	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 Compnay, 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/-. In September 2010, as per the cabinet decision the regional plantation companies were requested to revert back to the original method of calculating lease rental by applying the GPD deflator of the preceding year. The gross liability to the lessor represents the total basic lease series payable by the Company for the remaining term of the lease. The net liability to the lessor is the present value of annual basic lease series of payments over the remaining tenure of the lease. The discount rate used is 6% p.a.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	As at 31st March		2016			2015						
	Company/Lender	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2016	Repayable within one year	Repayable after one year	Balance as at 31 March 2015	Repayment terms Equal monthly installments	Commencing from	Purpose	Security
25.6	Term Loans											
1	Watawala Plantations PLC											
	Hatton National Bank PLC	AWPLR + 0.5%	31,250,000	156,251,000	187,501,000	31,250,000	187,500,000	218,750,000	96	April 2014	To finance re-planting of plantation	
			31,250,000	156,251,000	187,501,000	31,250,000	187,500,000	218,750,000				
	ICICI Bank Limited	SLIBOR + 0.5% (1 year)	-	-	-	9,167,000	-	9,167,000	60	March 2011	For purchase of fixed assets in factories	
		SLIBOR + 5% (2 to 5 years)	-	-	-	9,167,000	-	9,167,000	60	March 2011		
			-	-	-	18,334,000	-	18,334,000				
	Seylan Bank PLC	AWPLR + 0.5% (1-2 Years) AWPLR + 0.75% (3-5 Years)	62,000,000	232,490,000	294,490,000	-	-	-	60	December 2015		
			62,000,000	232,490,000	294,490,000	-	-	-				
	Tea Board		18,395,000	-	18,395,000	-	-	-				
			18,395,000	-	18,395,000	-	-	-				
	Total		111,645,000	388,741,000	500,386,000	49,584,000	187,500,000	237,084,000				
2	Sunshine Healthcare Lanka Limited											
	Public Bank Berhad	9.75%	-	-	-	2,185,791	2,574,559	4,760,350	60	April 2012.		Primary mortgage over vehicle bearing No. WP KT-0179
	Public Bank Berhad	9.75%	1,259,885	1,599,175	2,859,060	1,259,885	2,893,955	4,153,840	60	February 2013		Primary mortgage over vehicle bearing No. WP KV-1828
	Public Bank Berhad	7.50%	11,633,534	15,301,140	26,934,674	9,447,743	27,280,808	36,728,551	60	September 2013		Primary mortgage property bearing assessment No 60/52, Sriwickrama Mawatha, Mattakkuliya Lot 20 plan no. 2317
	Total		12,893,419	16,900,315	29,793,734	12,893,419	32,749,322	45,642,741				
3	Healthguard Pharmacy Limited											
	Hatton National Bank PLC		35,000,000	-	35,000,000	-	-	-	8	March 2016		Registered primary mortgage bond over movable assets laying at No 139/A, Dharmapala Mawatha Colombo 7 and No 229, Kirula Road, Colombo 5 and No 415, Galle road, Colombo 3
	Total		35,000,000	-	35,000,000	-	-	-				

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	As at 31st March		2016			2015			Repayment terms			
	Company/Lender	Interest rate % p.a.	Repayable within one year	Repayable after one year	Balance as at 31 March 2016	Repayable within one year	Repayable after one year	Balance as at 31 March 2015	Equal monthly install-ments	Commencing from	Purpose	Security
4	Sunshine Packaging Lanka Limited											
	Hatton National Bank PLC		116,513,705	13,537,654	130,051,359	98,112,742	24,708,261	122,821,003				Registered primary floating mortgage bond for Rs.111.25 million over immovable property at No 75, kandawala road Rathmalana
	Sampath Bank PLC		20,295,120	-	20,295,120	-	-	-				
	Total		**136,808,825**	**13,537,654**	**150,346,479**	98,112,742	24,708,261	122,821,003				
5	Sunshine Power (Pvt) Ltd											
	Hatton National Bank PLC	AWPLR + 1% (3month avg)	51,000,000	166,505,220	217,505,220	51,000,000	217,505,220	268,505,220	08 years inclusive of an initial grace period of 24 months	from the date of first disbursement.		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 therein
	Total		**51,000,000**	**166,505,220**	**217,505,220**	51,000,000	217,505,220	268,505,220				
6	Estate Management Services (Pvt) Ltd											
	ICICI Bank Limited	SLIBOR + 2.5%	50,000,000		50,000,000	100,000,000	50,000,000	150,000,000	10 semi annual install-ments		To acquire 100% shares of Watawala Tea Ceylon (Pvt) Ltd.	
		SLIBOR + 3.25%	47,000,000	70,500,000	117,500,000	47,000,000	117,500,000	164,500,000	10 semi annual install-ments		To Purchase shares of Wa-tawala Plantations PLC	
	Total		**97,000,000**	**70,500,000**	**167,500,000**	147,000,000	167,500,000	314,500,000				
7	Upper Waltrim Hydropower (Private) Limited											
	DFCC Bank PLC		-	277,022,843	277,022,843	-	61,903,300	61,903,300	08 years inclusive of an initial grace period of 24 months	from the date of first disbursement.		Corporate guarantee of Sunshine Holdings PLC
	Total		**-**	**277,022,843**	**277,022,843**	-	61,903,300	61,903,300				
	Grand Total		**444,347,244**	**933,207,032**	**1,377,554,276**	358,590,161	691,866,103	1,050,456,264				

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	As at 31st March	2016 Rs.	2015 Rs.	Security
25.7	Bank overdrafts			
	Sunshine Holdings PLC			
	Muslim Commericial Bank Ltd	-	4,044,129	
	Total	-	4,044,129	
	Estate Management Services (Pvt) Ltd			
	Hatton National Bank PLC	10,259,399	7,000	Usecured
	Total	**10,259,399**	7,000	
	Watawala Plantations PLC			
	Hatton National Bank PLC	27,901,000	46,397,000	Unsecured
	Commercial Bank of Ceylon PLC	2,360,000	15,746,000	Unsecured
	Citi Bank, N.A.	-	13,139,000	Unsecured
	ICICI Bank Ltd	-	2,790,000	Unsecured
	Nations Trust Bank	-	54,734,000	Unsecured
	Seylan Bank Limited	6,845,000	1,245,000	Unsecured
	Total	**37,106,000**	134,051,000	
	Sunshine Healthcare Lanka Limited			
	Muslim Commericial Bank Ltd	162,949,290	126,272,569	A.) Lien over deposits in the name of the Company for Rs.50 million. B.) Clearing and Post dated cheques of Rs. 123 million.
	Sampath Bank PLC	10,819,111	-	Unsecured
	Nations Trust Bank PLC	75,858,749	115,756,712	Bank overdraft agreement
	Commercial Bank of Ceylon	-	31,701,675	Bank overdraft agreement
	Hatton National Bank PLC	49,503,902	98,214,298	Bank overdraft agreement
	Total	**299,131,052**	371,945,254	

As at 31st March	2016 Rs.	2015 Rs.	Security
Healthguard Pharmacy Limited			
Hatton National Bank PLC	20,920,273	20,553,636	Registered primary floting mortgage bond over movable assets laying at No: 139/A, Dharmapala Mawatha, Colombo 7; No 229, Kirula Road, Colombo 5; No 415, Galle road, Colombo 3
Nation Trust Bank	9,798,381	2,785,000	Bank overdraft agreement
Commercial Bank of Ceylon	2,801,411	-	Bank overdraft agreement
Total	**33,520,065**	23,338,636	
Sunshine Packaging Lanka Limited			
Hatton National Bank PLC	36,671,915	30,606,211	Bank overdraft agreement
Bank of Ceylon PLC	5,351,238	-	Bank overdraft agreement
Total	**42,023,153**	30,606,211	
Upper Waltrim Hydropower (Private) Limited			
Hatton National Bank PLC	1,414,483	-	Unsecured
Total	1,414,483	-	
Grand Total	423,454,152	563,992,230	

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
26. EMPLOYEE BENEFITS				
Balance at the beginning of the year	1,143,212,840	1,061,711,0767	9,980,594	8,800,364
Staff transfer	241,000	-	24,509,750	-
Provision made during the year	109,861,972	183,223,334	14,913,422	1,905,230
Payments made during the year	(126,136,810)	(101,721,571)	(6,205,240)	(725,000)
Balance at the end of the year	**1,127,179,002**	1,143,212,840	**43,198,526**	9,980,594
Present value of unfunded obligation	1,127,179,002	1,143,212,840	43,198,526	9,980,594
Present value of funded obligation	-	-	-	-
Total present value of obligations	1,127,179,002	1,143,212,840	43,198,526	9,980,594
Fair value of plan assets	-	-	-	-
Present value of net obligations	1,127,179,002	1,143,212,840	43,198,526	9,980,594
Unrecognised actuarial (gain)/loss	-	-	-	-
Recognised liability for the defined obligation	**1,127,179,002**	1,143,212,840	**43,198,526**	9,980,594
The movement in the defined benefit obligation over the year is as follows;				
At the beginning of the year	1,143,212,840	1,061,711,077	9,980,594	8,800,364
Staff transfer	241,000	-	24,509,750	-
Current service cost	80,828,631	88,268,283	2,432,825	1,539,858
Interest cost	124,684,229	113,671,982	3,332,710	785,674
Actuarial (gain) / loss	(95,650,888)	(18,716,931)	9,147,887	(420,302)
Benefits paid	(126,136,810)	(101,721,571)	(6,205,240)	(725,000)
As the end of the year	**1,127,179,002**	1,143,212,840	**43,198,526**	9,980,594
The amounts recognised in the statement of Profit or Loss are as follows:				
Current service cost	80,828,631	88,268,283	2,432,825	1,539,858
Interest cost	124,684,229	113,671,982	3,332,710	785,674
Staff cost on retirement benefit charged to profit or loss	205,512,860	201,940,265	5,765,535	2,325,532
Actuarial loss/(gain) recognized in other comprehensive income	**(95,650,888)**	(18,716,931)	**9,147,887**	(420,302)
Total provision for the year	**109,861,972**	183,223,334	**14,913,422**	1,905,230

As at 31st March	2016	2015
26.1 Company		
The Company applied Projected Unit Credit (PUC) method and used the following key assmptions in arriving at the retirement benefit liability;		
Rate of interest (net of tax) per annum	11%	11%
Rate of salary increase	6%	10%
Staff turnover factor	36%	13.33%
Retiring age	55 years	55 years
25.2 Subsidiaries		
Watawala Plantations PLC		
The key assumptions used by Messrs Actuarial & Management Consultant (Private) Limited include the following:		
Rate of interest (net of tax) per annum	11%	11%
Rate of salary increase		
- tea estate workers (every 2 years)	19%	19%
- rubber estate workers (every 2 years)	19%	19%
- oil palm 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	60 years	60 years
The subsidiary will continue in business as a going concern.		
Watawala Tea Ceylon Limited		
Rate of interest (net of tax)	13.9%	10.5%
Rate of salary increase	15%	12.5%
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)	11%	10%
Rate of salary increase	2.5%	2.5%
Staff turnover - Staff	17%	40%
- Workers	15%	21%
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	2016	2015
Sunshine Power (Pvt) Ltd.		
Rate of interest (net of tax)	11%	11%
Rate of salary increase	10%	10%
Staff turnover - Staff	0%	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)	12%	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.		
Healthguard Pharmacy Ltd.		
Rate of interest (net of tax)	12%	11%
Rate of salary increase	11%	11%
Staff Turnover - Staff	13%	13%
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 2016 is as shown below;

Discount rate	Salary /wage escalation rate	Present value of defined benefit obligation Rs.
Group		
One percentage point increase	As given above	1,042,939,576
One percentage point decrease	As given above	1,224,317,078
As given above	One percentage point increase	1,182,141,322
As given above	One percentage point decrease	1,075,791,033
Company		
One percentage point increase	As given above	42,667,259
One percentage point decrease	As given above	43,790,108
As given above	One percentage point increase	43,812,203
As given above	One percentage point decrease	42,636,453

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.

			GROUP		COMPANY	
	As at 31st March		2016 Rs.	2015 Rs.	2016 Rs.	2015 Rs.
27.	DEFERRED INCOME AND CAPITAL GRANTS					
	Balance at the beginning of the year		213,610,000	223,803,000	-	-
	Amortised during the year		(10,041,000)	(10,193,000)	-	-
	Balance at the end of the year		203,569,000	213,610,000	-	-

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.

			GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
28.	TRADE AND OTHER PAYABLES					
	Trade payables		1,529,517,815	1,262,155,255	-	-
	Advance from customers		328,571	619,459	-	-
	Sales representatives security deposits		9,512,083	16,910,123	-	-
	Withholding tax payables		3,734,324	5,199,434	-	-
	Advances received for share issue		58,052,459	43,680,000	-	
	Accrued expenses and other payables		683,557,395	664,224,906	11,735,061	10,251,078
	Total		2,284,702,647	1,992,789,177	11,735,061	10,251,078
29.	AMOUNTS DUE TO RELATED PARTIES					
	Secretaries and Financial Services (Private) Limited	Affiliated	16,630	25,755	-	-
	Sunshine Travels & Tours Limited	Associate	1,360,403	919,380	1,360,403	919,380
	Total		1,377,033	945,135	1,360,403	919,380

For the year ended /As at 31st March	Investment		Healthcare		Plantations		FMCG		Energy		Management		Packaging		Inter company		Group	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
30. SEGMENT ANALYSIS																		
Revenue	265,431,378	313,557,464	7,161,309,054	6,075,767,826	6,298,769,000	6,848,491,036	3,439,945,117	2,914,951,528	120,297,977	112,574,295	-	-	361,904,888	269,909,590	(225,407,650)	(208,723,643)	17,422,249,764	16,326,528,096
Result																		
Operating profit	157,704,853	221,878,292	514,412,179	381,649,933	669,051,000	549,623,000	469,107,925	445,388,756	48,886,022	45,190,291	454,066,168	452,823,000	37,007,347	(1,769,732)	(689,636,918)	(681,514,831)	1,660,598,576	1,413,268,709
Net finance cost	63,471,545	72,862,462	(21,240,941)	(14,922,746)	(78,815,000)	(85,874,000)	19,006,042	6,331,106	(16,173,430)	(25,240,087)	(15,471,556)	(37,464,000)	(18,722,775)	(21,062,633)	-	(12,291)	(67,946,115)	(105,382,189)
Share of profit/(loss) from associate															(1,408,453)	1,447,179	(1,408,453)	1,447,179
Income tax	(769,355)	(2,023,953)	(165,760,056)	(134,857,744)	(72,486,000)	(73,002,000)	(65,071,912)	(59,050,022)	(731,329)	(471,256)	(2,101,140)	(856,000)	(1,991,721)	(1,227,488)	(64,733,898)	(64,332,120)	(373,645,411)	(335,820,583)
Profit for the year	220,407,043	292,716,801	327,411,182	231,869,443	517,750,000	390,747,000	423,042,055	392,669,840	31,981,263	19,478,948	436,493,472	414,503,000	16,292,851	(24,059,853)	(755,779,269)	(744,412,063)	1,217,598,597	973,513,116
Other comprehensive income	(6,992,058)	57,076,838	893,929	(4,214,126)	97,892,000	16,832,000	136,370	4,135,776	64,042	(81,508)	-	-	466,813	(39,375)	-	(321,674)	92,461,096	73,387,932
Total comprehensive income	213,414,985	349,793,639	328,305,111	227,655,318	615,642,000	407,579,000	423,178,425	396,805,616	32,045,305	19,397,440	436,493,472	414,503,000	16,759,664	(24,099,228)	(755,779,269)	(744,733,737)	1,310,059,693	1,046,901,048
Statement of financial position																		
Assets																		
Non current assets	1,777,258,116	1,640,266,465	593,363,337	532,912,931	6,417,302,000	5,857,718,000	306,662,747	298,458,756	1,003,825,989	658,144,804	1,855,801,000	1,855,801,000	321,788,812	335,640,068	(2,982,528,087)	(2,896,774,774)	9,293,473,964	8,282,167,250
Current assets	1,138,586,595	1,160,931,663	3,165,431,234	2,906,131,277	1,328,905,000	1,256,358,000	811,322,518	706,968,422	170,231,115	119,240,841	123,027,879	121,912,000	295,839,883	218,788,149	(204,824,527)	(159,857,910)	6,828,519,697	6,330,472,442
Total assets	2,915,844,711	2,801,198,128	3,758,794,571	3,439,044,208	7,746,207,000	7,114,076,000	1,117,985,315	1,005,427,178	1,174,057,104	777,385,645	1,978,828,879	1,977,713,000	617,628,695	554,428,217	(3,187,352,614)	(3,056,632,684)	16,121,993,661	14,612,639,692
Equity & reserves																		
Shareholders' fund	2,858,954,670	2,773,923,622	1,901,245,318	1,712,764,837	4,780,050,000	4,282,741,000	826,968,708	826,240,306	453,700,807	292,149,072	1,773,219,031	1,637,074,000	330,823,009	314,063,345	(7,143,372,023)	(6,535,578,115)	5,781,589,520	5,303,378,067
Non controlling interest	-	-	-	-	-	-	-	-	8,256,922	7,271,533	-	-	-	-	4,160,300,371	3,636,272,551	4,168,557,293	3,643,544,084
Sub total	2,858,954,670	2,773,923,622	1,901,245,318	1,712,764,837	4,780,050,000	4,282,741,000	826,968,708	826,240,306	461,957,729	299,420,605	1,773,219,031	1,637,074,000	330,823,009	314,063,345	(2,983,071,652)	(2,899,305,564)	9,950,146,813	8,946,922,151
Non current liabilities																		
Long term borrowings	-	-	22,697,007	32,749,322	725,037,000	530,026,000	-	-	447,838,526	283,179,143	70,500,000	167,500,000	13,537,654	24,805,696	-	-	1,279,610,187	1,038,260,161
Other liabilities	43,198,526	9,980,594	88,641,693	80,976,004	1,447,213,000	1,425,749,000	17,933,231	20,400,440	768,506	608,138	-	23,668,000	6,347,451	5,346,430	86,000	2,528,814	1,604,209,407	1,569,257,420
Sub total	43,198,526	9,980,594	111,338,700	113,725,326	2,172,250,000	1,955,775,000	17,933,231	20,400,440	448,607,032	283,787,281	70,500,000	191,168,000	19,885,105	30,152,126	86,000	2,528,814	2,883,819,594	2,607,517,581
Current liabilities																		
Short term borrowings	-	4,044,129	383,230,183	446,340,530	155,211,000	190,019,000	-	-	55,010,376	52,069,745	97,000,000	147,007,000	242,181,411	192,333,299	(63,252,000)	(63,251,999)	879,640,369	968,561,704
Other liabilities	13,691,515	13,249,783	1,362,980,370	1,166,213,515	638,696,000	685,541,000	273,062,376	158,786,432	208,481,967	142,108,014	38,109,848	2,464,000	24,739,170	17,879,447	(141,114,962)	(96,603,935)	2,408,386,885	2,089,638,256
Sub total	13,691,515	17,293,912	1,746,210,553	1,612,554,045	793,907,000	875,560,000	273,062,376	158,786,432	263,492,343	194,177,759	135,109,848	149,471,000	266,920,581	210,212,746	(204,366,962)	(159,855,934)	3,288,027,254	3,058,199,960
Total equity & liabilities	2,915,844,711	2,801,198,128	3,758,794,571	3,439,044,208	7,746,207,000	7,114,076,000	1,117,985,315	1,005,427,178	1,174,057,104	777,385,645	1,978,828,879	1,977,713,000	617,628,695	554,428,217	(3,187,352,614)	(3,056,632,684)	16,121,993,661	14,612,639,692
Other information																		
Depreciation & amortisation	2,294,976	991,512	87,442,210	88,242,827	309,547,000	280,893,000	63,052,895	54,586,846	30,821,774	28,328,488	-	-	16,715,988	17,582,733	(471,242)	-	509,403,601	470,625,406
Capital expenditure	7,532,746	1,162,816	153,659,302	93,077,958	289,387,000	590,342,000	79,975,197	84,254,916	372,611,676	124,891,479	-	-	1,693,639	1,359,905	(2,829,000)	119,999	902,030,560	895,209,073
Cash generated from operations	158,032,671	115,659,750	277,310,140	(43,518,296)	818,093,000	1,045,355,000	401,116,139	501,019,432	126,979,416	6,903,494	(57,407,468)	(68,157,000)	(30,545,790)	(5,371,781)	(271,745,409)	(99,569,080)	1,421,842,867	1,452,321,519

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
31. FINANCIAL INSTRUMENTS				
31.1 Financial instruments - statement of financial position				
Financial assets				
Fair value through profit and loss				
Quoted shares	103,041,910	111,335,593	103,041,910	111,335,593
Unit trust	669,469,650	50,372,516	104,872,650	50,372,516
Total	**772,511,560**	161,708,109	**207,914,560**	161,708,109
Held-to-maturity				
SOFP line item :				
Investment in gratuity fund	234,369,000	220,262,000	-	-
Cash and cash equivalent	1,053,047,278	963,149,409	888,523,030	867,871,346
Total	**1,287,416,278**	1,183,411,409	**888,523,030**	867,871,346
Loans and receivables				
SOFP line item :				
Trade and other receivables	1,811,733,936	1,556,191,836	3,984,549	38,214,453
Amounts due from related parties	83,962,322	82,682,619	208,404,919	145,821,407
Income tax refunds	16,487,167	12,128,379	3,158,748	3,158,748
Total	**1,912,183,425**	1,651,002,834	**215,548,216**	187,194,608
Availabale-for-sale				
SOFP line item :				
Investment in subsidiaries	-	-	1,041,371,979	961,371,884
Investment in associates	6,275,928	4,292,875	6,111,426	2,719,920
Other investments	524,353,484	511,434,655	513,590,484	511,434,655
Total	**530,629,412**	515,727,530	**1,561,073,889**	1,475,526,459
Cash and cash equivalents	**412,325,675**	599,508,657	**5,516,414**	87,422,061
	4,915,066,350	4,111,358,539	**2,878,576,109**	2,779,722,583

As at 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 Rs.
Financial liabilities				
Fair value through profit and loss				
The Group and the Company does not hold any financial liabilities which falls to the category of fair value through profit and loss.				
Other financial liabilities				
SOFP line item :				
Interest bearing borrowings- non current	1,279,610,187	1,038,260,161	-	-
Interest bearing borrowings- current	456,186,217	404,569,474	-	-
Trade and other payables	2,216,809,534	1,931,579,595	11,735,061	10,251,078
Amounts due to related parties	1,377,033	945,135	1,360,403	919,380
Income tax payable	122,307,205	95,903,944	596,051	2,079,325
Total	**4,076,290,176**	3,471,258,309	**13,691,515**	13,249,783
Bank overdrafts	423,454,152	563,992,230	-	4,044,129
	4,499,744,328	4,035,250,539	**13,691,515**	17,293,912

As at 31st March	Gains / Income 2016 Rs.	Losses / Expenses 2016 Rs.	Gains / Income 2015 Rs.	Losses / Expenses 2015 Rs.
31.2 Financial instruments - statement of Profit or Loss and Other Comprehensive Income				
Group				
Held-to maturity investments	108,339,187	-	110,203,412	-
Loans and receivables	-	-	-	-
Asset classified as held for sale	-	-	-	-
Other financial liabilities	-	176,960,928	-	215,591,549
Total	**108,339,187**	**176,960,928**	110,203,412	215,591,549
Company				
Held-to maturity investments	57,370,607	-	69,285,256	-
Loans and receivables	7,670,205	-	6,325,100	-
Asset classified as held for sale	-	-	-	-
Other financial liabilities	-	1,569,267	-	2,747,894
Total	**65,040,812**	**1,569,267**	75,610,356	2,747,894

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March	GROUP 2016 Rs.	GROUP 2015 Rs.	COMPANY 2016 Rs.	COMPANY 2015 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	524,353,484	511,434,655	513,590,484	511,434,655
Fair value through profit or loss financial assets- quoted equity instruments	772,511,560	161,708,109	207,914,560	161,708,109
Total	**1,296,865,044**	673,142,764	**721,505,044**	673,142,764

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 18.28%

The fair value of quoted investment was determined by available trading prices in the Colombo Stock Exchange.

Fair Value Hierarchy
Level 01 : Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 02 : Input other than quoted prices included within level 01 that are observable for the assets or liabilities either directly or indirectly.

Level 03 : Inputs for the assets or liabilities that are not based on observable market data.

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

Those unquoted investments are valued using the valuation technique of discounted cash flow method which considered 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 observable 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 (7.1%)	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 18.28%	Generally a change in annual revenue growth rate is accompanied
	- TATA 18.28%	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 its contractual obligation, and arises principally from the group's receivables from customers and investments.

Group's credit exposure is closely monitored. Credit terms are 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 31st March 2016 is;

As at 31st March	Carrying Amount GROUP Rs.	Carrying Amount COMPANY Rs.
Financial assets		
Fair value through profit and loss	772,511,560	207,914,560
Availabale-for-sale financial assets	530,629,412	1,561,073,889
Held to maturity investments	1,287,416,278	888,523,030
Loans and receivables	1,912,183,425	215,548,216
Cash and cash equivalents	412,325,675	5,516,414
Total	**4,915,066,350**	**2,878,576,109**

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

As at 31st March	GROUP Carrying Amount 2016 Rs.	GROUP Impairment 2016 Rs.	COMPANY Carrying Amount 2016 Rs.	COMPANY Impairment 2016 Rs.
31. FINANCIAL INSTRUMENTS (Continued)				
Loans and receivables	1,912,183,425	26,088,880	215,548,216	-
Total	**1,912,183,425**	**26,088,880**	**215,548,216**	-

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

As at 31st March	GROUP 2016 Rs.	COMPANY 2016 Rs.
Balance at the beginning of the year	38,589,317	-
Reversal of impairment	(12,500,437)	-
Balance at the end of the year	**26,088,880**	-

31.4.2 Liquidity risk

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

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

As at 31st March	Note	Carrying Value	Contractual Cash Flow	Less than one year	More than one years
Group					
Financial liability					
Interest bearing borrowings	25	1,735,796,404	1,735,796,404	456,186,217	1,279,610,187
Trade and other payables	28	2,284,702,647	2,284,702,647	2,284,702,647	-
Income tax payable		122,307,205	122,307,205	122,307,205	-
Amounts due to related parties	29	1,377,033	1,377,033	1,377,033	-
Bank overdraft	23.2	423,454,152	423,454,152	423,454,152	-
Total		**4,567,637,411**	**4,567,637,411**	**3,288,027,254**	**1,279,610,187**
Company					
Trade and other payables	28	11,735,061	11,735,061	11,735,061	-
Income tax payable		596,051	596,051	596,051	-
Amounts due to related parties	29	1,360,403	1,360,403	1,360,403	-
Total		**13,691,515**	**13,691,515**	**13,691,515**	-

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.
The principal exchange rates used by the Group for conversion of foreign currency balances and transactions for the year ended 31st March 2016 are as follows;

	Average rate	Closing Rate Buying	Closing Rate Selling
U.S Dollar	143.90	142.59	146.78
Euro	162.95	160.63	167.26
Australian Dollar	110.15	108.25	113.48
Singapore Dollar	106.55	105.32	109.48
Japanese Yen	1.28	1.26	1.32

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.

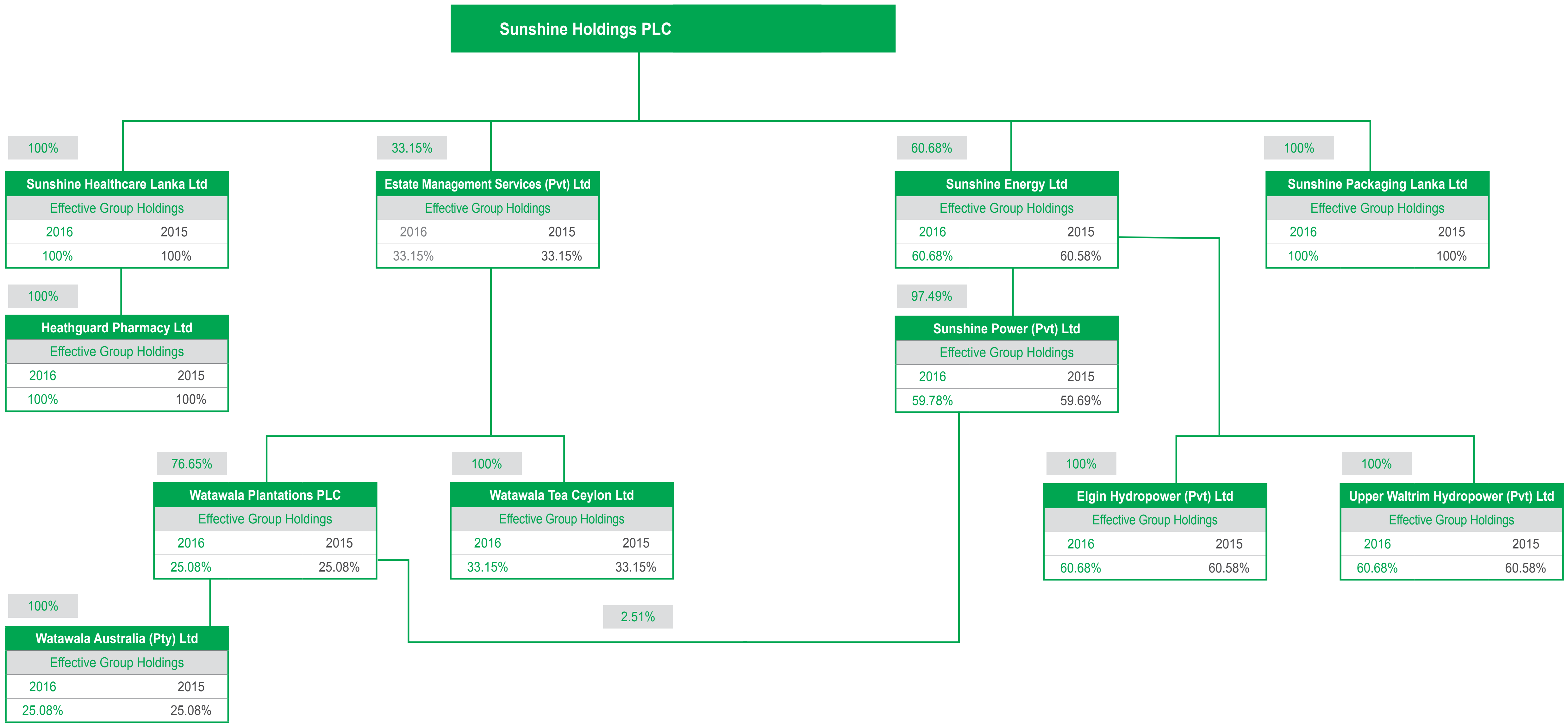
However the company do not have material long term floating rate borrowings or deposits as at the reporting date which results a material interest rate risk.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

32. LIST OF SUBSIDIARIES

As at 31st March 2016



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.

For the year ended /As at 31st March 2016	2016							
	Estate Management Services (Pvt) Ltd	Sunshine Energy Ltd	Watawala Plantations PLC	Watawala Tea Ceylon Limited	Sunshine Power (Pvt) Ltd	Upper Waltrim Hydropower (Pvt) Ltd	Elgin Hydropower (Pvt) Ltd	TOTAL
Principal Place of Business	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	Sri Lanka	
Operating Segment	Management	Energy	Plantation	FMCG	Energy	Energy	Energy	
NCI Percentage	66.85%	39.32%	74.92%	66.85%	40.22%	39.32%	39.32%	
Revenue	-	-	6,298,769,000	3,439,945,117	120,297,977	-	-	9,859,012,094
Profit	436,493,472	(3,742,013)	517,750,000	423,042,055	39,351,528	(3,405,306)	(222,946)	1,409,266,790
Other comprehensive income	-	-	97,892,000	136,370	64,042	-	-	98,112,412
Total comprehensive income	436,493,472	(3,742,013)	615,642,000	423,178,425	39,415,570	(3,405,306)	(222,946)	1,507,359,202
`-Elimination of Inter company dividends	(461,215,771)	-	(8,506,436)	(42,245,002)	-	-	-	(511,967,209)
Total comprehensive income adjusted to inter group transactions	(24,722,299)	(3,742,013)	607,135,564	380,933,423	39,415,570	(3,405,306)	(222,946)	995,391,993
Other adjustment		(255,739)	(2,119,544)					(2,375,283)
Profit attributable to NCI	(16,526,858)	(1,727,270.00)	380,102,688.00	254,562,830	15,826,123	(1,339,123)	(87,673)	630,810,717
Total other comprehensive income attributable to NCI	-	-	73,342,669	91,163	25,756	-	-	73,459,588
Total comprehensive income attributable to NCI	(16,526,858)	(1,727,270)	453,445,357	254,653,993	15,851,879	(1,339,123)	(87,673)	704,270,305
Current assets	123,027,879	156,988,509	1,328,905,000	811,322,518	66,112,794	100,268,931	89,916	2,586,715,547
Non-current assets	1,855,801,000	427,019,844	6,417,302,000	306,662,797	486,758,385	485,782,524	29,414,405	10,008,740,955
Current liability	(135,109,848)	(175,028,090)	(793,907,000)	(273,062,376)	(55,321,377)	(164,802,011)	(21,569,902)	(1,618,800,604)
Non-current liability	(70,500,000)		(2,172,250,000)	(17,954,231)	(167,273,726)	(281,333,306)	-	(2,709,311,263)
Unrealized profits	-	-	(461,667,548)	-	-	-	-	(461,667,548)
Net asset	1,773,219,031	408,980,263	4,318,382,452	826,968,708	330,276,076	139,916,138	7,934,419	7,805,677,087
Net asset attributable to NCI before NCI Investments	1,185,396,922	160,829,855	3,235,419,580	552,828,581	132,828,125	55,021,462	3,120,180	5,325,444,705
NCI investment	-	-	(744,846,963)	(237,317,505)	(114,852,118)	(56,569,841)	(3,300,985)	(1,156,887,412)
Carrying amount of NCI	1,185,396,922	160,829,855	2,490,572,617	315,511,076	17,976,007	(1,548,379)	(180,805)	4,168,557,293
Cash flow from operating activities	(57,407,468)	(74,789,582)	835,039,000	420,122,182	77,758,444	118,502,705	7,447,889	1,326,673,170
Cash flow from investing activities	484,170,723	389,391	(254,165,000)	(56,793,947)	365,722	(364,116,482)	(7,415,602)	(197,565,195)
Cash flow from financing activities	(447,348,441)	30,149,336	138,815,000	(422,450,024)	(61,257,775)	311,577,515	-	(450,514,389)
Net increase in cash and cash equivalents	(20,585,186)	(44,250,855)	719,689,000	(59,121,789)	16,866,391	65,963,738	32,287	678,593,586
Dividend paid to NCI during the year	(200,782,933)	-	(28,815,701)	-	-	-	-	(229,598,634)

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

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.

As at 31st March	2016	2015
Percentage ownership interest	24.73%	24.73%
Non-current assets	16,386,797	1,270,604
Current assets	160,835,838	104,119,650
Non-current liabilities	(806,356)	(1,232,658)
Current liabilities	(151,038,487)	(86,796,113)
Net assets (100%)	25,377,792	17,361,483
Group's share of net assets (24.73%)	6,275,928	4,292,875
Carrying amount of interest in associate	6,275,928	4,292,875
Revenue	17,761,447	23,991,233
Profit from continuing operations (100%)	(5,695,320)	307,330
Other comprehensive income (100%)	-	545,413
Total comprehensive income (100%)	(5,695,320)	852,742
Total comprehensive income (24.73%)	(1,408,453)	210,853
Group's share of profit and total comprehensive income	(1,408,453)	210,853
Equity adjustment	-	1,236,326
	(1,408,453)	1,447,179

33 RELATED PARTY TRANSACTIONS

33.1 Related party transactions analysis

	Name of the Company For the year ended 31st March 2016	Name of the Directors	Position	Nature of the Transaction	Amount Received / (Paid) 2016	Amount Received / (Paid) 2015
(i)	Sunshine Holdings PLC					
	Sunshine Healthcare Lanka Ltd	V. Govindasamy	Chairman	Dividend received	125,842,130	121,426,487
		S. G. Sathasivam	Managing Director	Services rendered	-	(8,195)
		G. Sathasivam	Director	Service income	24,521,001	-
		N. B. Weerasekera	Director	Loan given	(135,000,000)	-
		S. Piyaratne	Director	Loan settled	135,000,000	-
				Interest income	3,228,663	-
	Estate Management Services (Pvt) Ltd	G. Sathasivam	Director	Dividend received	99,565,520	99,439,806
		V. Govindasamy	Director			
	Secretaries & Financial Services (Pvt) Ltd	B. A. Hulangamuwa	Director	Professional fees	(181,451)	(3,790,714)
				Secretarial fee	(413,418)	(420,388)
				Dividend received	-	4,500
				Gratuity payment received	108,675	-
	Sunshine Packaging Lanka Limited	V. Govindasamy	Managing Director	Interest received	4,439,700	5,210,951
		H. D. Abeywickrama	Director	Service income	2,811,582	-
				Purchase	(233,506)	-
	Watawala Plantations PLC	V. Govindasamy	Managing Director	Purchase	(3,500,000)	(1,591,000)
		G. Sathasivam	Director	Services provided	-	2,372,000
		B. A. Hulangamuwa	Director	Service income	59,089,469	-
		N. B. Weerasekera	Director		-	-
	Watawala Tea Ceylon Ltd	V. Govindasamy	Chairman	Purchase	(2,229)	(35,680)
		S. G. Sathasivam	Managing Director	Services provided	-	10,825,215
		H. D. Abeywickrama	Director	Service income	45,354,007	-
	Sunshine Holdings International (Pte) Ltd	V. Govindasamy	Director	Advance given	(425,689)	(3,274,000)
	Sunshine Energy Limited	G. Sathasivam	Director	Advance given	(107,581,751)	(47,232,392)
		B. A. Hulangamuwa	Director	Service income	2,811,582	-
		S. Piyaratne	Director	Investment in shares	(80,000,000)	-
		V. Govindasamy	Director		-	-
		N. B. Weerasekera	Director		-	-
	TATA Communications Lanka Ltd	V. Govindasamy	Chairman	Services rendered	(679,592)	(162,333)
				Dividend received	13,661,424	40,984,272

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	Name of the Company	Name of the Directors	Position	Nature of the Transaction	Amount Received / (Paid) 2016	Amount Received / (Paid) 2015
	For the year ended 31st March 2016					
(ii)	Sunshine Healthcare Lanka Ltd.					
	Sunshine Holdings PLC	V. Govindasamy	Group Managing Director	Dividend paid	(125,842,130)	(121,426,487)
		S. Piyaratne	Director	Other services provided	-	8,195
		S. G. Sathasivam	Director	Service cost	(24,521,001)	-
		N. B. Weerasekera	Director	Loan obtained	135,000,000	-
		G. Sathasivam	Director	Loan settled	(135,000,000)	-
				Interest paid	(3,228,663)	-
	Sunshine Pharmaceuticals Lanka Ltd	V. Govindasamy	Director	Advance given	-	(15,007,711)
		S. G. Sathasivam	Director			
	Sunshine Packaging Lanka Limited	V. Govindasamy	Managing Director	Purchase	(10,237,437)	(7,401,482)
	Healthguard Pharmacy Ltd	S. G. Sathasivam	Managing Director	Sales	106,580,678	82,289,357
		K. Sathasivam	Director			
	Watawala Plantations PLC	V. Govindasamy	Managing Director	Sales	303,000	321,000
		G. Sathasivam	Director	Purchase	(680,574)	(1,060,000)
		N. B. Weerasekera	Director			
	Sunshine Tea (Pvt) Ltd	G. Sathasivam	Director	Stores rent	-	3,741,748
				Services rendered	(1,347,522)	(523,222)
				Services provided		323,965
				Purchase	(120,750)	-
	Watawala Tea Ceylon Limited	V. Govindasamy	Chairman	Purchase	(199,744)	(2,757,106)
		S. G. Sathasivam	Managing Director	Services provided	436,799	-
	TATA Communications Lanka Ltd	V. Govindasamy	Chairman	Services rendered	(2,661,807)	-

	Name of the Company	Name of the Directors	Position	Nature of the Transaction	Amount Received / (Paid) 2016	Amount Received / (Paid) 2015
	For the year ended 31st March 2016					
(iii)	Healthguard Pharmacy Limited					
	Watawala Tea Ceylon Limited	S. G. Sathasivam	Managing Director	Purchase	(549,071)	(1,277,189)
				Sales	185,602	-
	Sunshine Healthcare Lanka Ltd	S. G. Sathasivam	Managing Director	Purchase	(106,580,678)	(82,289,357)
		K. Sathasivam	Director			
	Sunshine Packaging Lanka Limited	W. D. P. L. Vithanage	Director	Purchase	(58,424)	-
(iv)	Watawala Plantations PLC					
	Sunshine Tea (Pvt) Ltd	G. Sathasivam	Director	Sales	3,663,000	756,000
				Purchase	(23,534,000)	(37,987,000)
	Sunshine Healthcare Lanka Ltd	V. Govindasamy	Chairman	Sales	680,574	1,060,000
		S. G. Sathasivam	Managing Director	Purchase	(303,000)	(321,000)
		G. Sathasivam	Director			
		N. B. Weerasekera	Director			
	Secretaries & Financial Services (Pvt) Ltd	B. A. Hulangamuwa	Director	Sales	740,000	864,000
				Services rendered	(1,456,000)	(2,429,000)
	Watawala Tea Ceylon Limited	V. Govindasamy	Chairman	Sales	76,815,000	76,987,000
		S. G. Sathasivam	Managing Director			
		M. S. Mawzoon	Director			
		K. Venkataramanan	Director			
		A. Misra	Director			
		L. Ramanayake	Director			

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

Name of the Company For the year ended 31st March 2016	Name of the Directors	Position	Nature of the Transaction	Amount Received / (Paid) 2016	Amount Received / (Paid) 2015
TATA Global Beverages Limited	A. Misra	Director	Sales	604,527,000	412,751,000
Sunshine Power (Pvt) Ltd	G. Sathasivam	Director	Lease rent received	24,724,000	10,012,902
	V. Govindasamy	Director	Investment in shares	-	(10,881,780)
	B. A. Hulangamuwa	Director			
Sunshine Holdings PLC	V. Govindasamy	Group Managing Director	Sales	3,500,000	1,591,000
	G. Sathasivam	Director	Services rendered	-	(2,372,000)
	B. A. Hulangamuwa	Director	Service cost	(59,089,469)	-
	S. G. Sathasivam	Director			
	N. B. Weerasekera	Director			
Estate Management Services (Pvt) Ltd	V. Govindasamy	Director	Dividend paid	(81,010,749)	(46,981,000)
	G. Sathasivam	Director			
	M. S. Mawzoon	Director			
	K. Venkataramanan	Director			
	A. Misra	Director			
Healthguard Pharmacy Ltd	S. G. Sathasivam	Managing Director	Purchase	(421,000)	(1,678,000)
Pyramid Wilmar (Pvt) Ltd	M. S. Mawzoon	Director	Sales	1,236,901,000	1,320,867,000
Sunshine Packaging Lanka Ltd	V. Govindasamy	Managing Director	Purchase	-	(26,000)
(v) Watawala Tea Ceylon Limited					
Sunshine Tea (Pvt) Ltd	G. Sathasivam	Director	Sales	1,744,238	1,643,913
			Purchase	(58,411,614)	(38,566,580)
Watawala Plantations PLC	V. Govindasamy	Managing Director	Purchase	(76,815,000)	(76,987,000)
	M. S. Mawzoon	Director	Services rendered		
	K. Venkataramanan	Director			
	L. Ramanayake	Director			
	A. Misra	Director			
Sunshine Holdings PLC	V. Govindasamy	Group Managing Director	Sales	2,229	35,680
	H. D. Abeywickrama	Director	Services rendered		(10,828,215)
	S. G. Sathasivam	Director	Service cost	(45,354,007)	
Sunshine Healthcare Lanka Ltd.	V. Govindasamy	Chairman	Sales	199,744	2,757,106
	S. G. Sathasivam	Managing Director	Purchase	(436,799)	-

Name of the Company For the year ended 31st March 2016	Name of the Directors	Position	Nature of the Transaction	Amount Received / (Paid) 2016	Amount Received / (Paid) 2015
Estate Management Services (Pvt) Ltd	V. Govindasamy	Director	Dividend payment	(380,205,021)	(238,986,011)
	M. S. Mawzoon	Director			
	K. Venkataramanan	Director			
	A. Misra	Director			
	P. Karunagaran	Director			
Healthguard Pharmacy Ltd	S. G. Sathasivam	Managing Director	Sales	549,071	1,277,189
			Purchase	(185,602)	
Sunshine Packaging Lanka Ltd	V. Govindasamy	Managing Director	Purchase	(8,607,993)	(3,060,522)
			Sales	2,840	-
(vi) Estate Management Services (Pvt) Ltd					
Watawala Plantations PLC	V. Govindasamy	Managing Director	Dividend received	81,010,749	46,981,000
	G. Sathasivam	Director			
	M. S. Mawzoon	Director			
	K. Venkataramanan	Director			
	A. Misra	Director			
Watawala Tea Ceylon Limited	V. Govindasamy	Chairman	Dividend received	380,205,021	238,986,011
	M. S. Mawzoon	Director			
	K. Venkataramanan	Director			
	A. Misra	Director			
	P. Karunagaran	Director			
Sunshine Holdings PLC	V. Govindasamy	Group Managing Director	Dividend paid	(99,565,520)	(99,439,806)
	G. Sathasivam	Director			
Lamurep Properties Ltd	G. Sathasivam	Director	Rent payment	(2,346,352)	-
(vii) Sunshine Packaging Lanka Ltd					
Sunshine Holdings PLC	V. Govindasamy	Group Managing Director	Interest paid	(4,439,700)	(5,210,951)
	H. D. Abeywickrama	Director	Service cost	(2,811,582)	-
			Sales	233,506	-
Sunshine Healthcare Lanka Ltd	V. Govindasamy	Director	Sales	10,237,437	7,401,482

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

	Name of the Company	Name of the Directors	Position	Nature of the Transaction	Amount Received / (Paid)	Amount Received / (Paid)
	For the year ended 31st March 2016				2016	2015
	Watawala Tea Ceylon Limited	V. Govindasamy	Chairman	Sales	8,607,993	3,060,522
				Purchase	(2,840)	-
	Healthguard Pharmacy Ltd	W. D. P. L. Vithanage	Director	Sales	58,424	-
	Watawala Plantations PLC	V. Govindasamy	Managing Director	Sales	-	26,000
(viii)	Elgin Hydropower (Pvt) Ltd					
	Sunshine Energy Limited	G. Sathasivam	Director	Project development expenses	4,748,197	11,818,400
		B. A. Hulangamuwa	Director	Share issue	-	8,394,180
		S. Piyaratne	Director			
		V. Govindasamy	Director			
		N. B. Weerasekera	Director			
	Upper Waltrim Hydropower (Pvt) Ltd	S. Piyaratne	Director	Project development expenses	-	2,040,659
		B. A. Hulangamuwa	Director	Project development reimbursement expenses	2,906,511	-
		N. B. Weerasekera	Director			
		V. Govindasamy	Director			
(ix)	Upper Waltrim Hydropower (Pvt) Ltd					
	Sunshine Energy Limited	S. Piyaratne	Director	Share issue	100,000,008	44,379,540
		B. A. Hulangamuwa	Director	Advance given	213,601,751	-
		N. B. Weerasekera	Director			
		V. Govindasamy	Director			
	Elgin Hydropower (Pvt) Ltd	S. Piyaratne	Director	Project development expenses	-	(2,040,659)
		B. A. Hulangamuwa	Director	Project development reimbursement expenses	(2,906,511)	-
		N. B. Weerasekera	Director			
		V. Govindasamy	Director			

	Name of the Company	Name of the Directors	Position	Nature of the Transaction	Amount Received / (Paid)	Amount Received / (Paid)
	For the year ended 31st March 2016				2016	2015
(x)	Sunshine Energy Limited					
	Sunshine Holdings PLC	V. Govindasamy	Group Managing Director	Advance received	107,581,751	47,232,392
		B. A. Hulangamuwa	Director	Service cost	(2,811,582)	-
		S. Piyaratne	Director	Share issue	80,000,000	-
		G. Sathasivam	Director			
		N. B. Weerasekera	Director			
	Elgin Hydropower (Pvt) Ltd	G. Sathasivam	Director	Investment in shares	-	(8,394,180)
		B. A. Hulangamuwa	Director	Project development expenses	(4,748,197)	(11,818,400)
		S. Piyaratne	Director			
		V. Govindasamy	Director			
		N. B. Weerasekera	Director			
	Upper Waltrim Hydropower (Pvt) Ltd	B. A. Hulangamuwa	Director	Investment in shares	(100,000,008)	(44,379,540)
		S. Piyaratne	Director	Advance given	(213,601,751)	-
		V. Govindasamy	Director			
		N. B. Weerasekera	Director			
(xi)	Sunshine Power (Pvt) Ltd					
	Watawala Plantations PLC	V. Govindasamy	Group Managing Director	Lease rent paid	(24,724,000)	(10,012,902)
		G. Sathasivam	Director	Share issue	-	10,881,780
		B. A. Hulangamuwa	Director			
	Lamurep Properties Ltd	G. Sathasivam	Director	Rent paid	(543,673)	(547,347)

Note: All transactions were carried out at an arms length

33.2 Inter Company loan

Terms and conditions:

(i) Loan type - Treasury loan

(ii) Security - Unsecured

(iii) Repayment - To be repaid on demand within 12 months

(iv) Interest rate - Based on market rates

NOTES TO THE FINANCIAL STATEMENTS (CONTD.)

33.3 Transactions with key management personnel

For the year ended 31st March 2016

According to Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosure", Key Management Personnel, are those having and responsibilty for planning, directing and controlling the activities of the Company/Group. 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

	2016	2015
	Rs.	Rs.
Salaries and other employee benefits	108,252,019	119,603,543

(iii) 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 (Pvt) Ltd., Healthguard Pharmacy Limited, Watawala Tea Ceylon Limited, Sunshine Energy Ltd, and 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

	2016	2015
	Rs.	Rs.
Salaries and other employee benefits	302,810,307*	281,340,026

*Rs. 93,733,346/- relating to employees who have left the Group during the year.

(iii) Other transactions with key management personnel

There were no other transactions with key management personnel of the Group other than disclosed above.

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 2015/2016 annual report, capital commitments as at 31st March 2016 is Rs 448.82 million (2015 -590.34 million). However the budgeted capital expenditure approved but not committed by the directors for the financial year 2016 /17 amounting to Rs. 484,614,000/-.(2015/16 Rs.448,819,764/-).

There were no material capital commitments outstanding as at 31st March 2016 other than those disclosed above.

35. CONTINGENCIES

Company

The contingent liabilities as at 31st March 2016 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	2016	2015
	Rs.	Rs.
Sunshine Packaging Lanka Limited		
Hatton National Bank PLC	105,000,000	105,000,000
	105,000,000	105,000,000
Upper Waltrim Hydropower (Private) Limited		
DFCC	420,000,000	420,000,000
	420,000,000	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.13,585,000/- 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

36.1 The Directors of the Company have proposed the payment of dividend of Rs. 1.05 per share on ordinary shares amounting to Rs. 141,898,035 /- for the year ended 31st March 2016. (2015 - Rs. 128,383,937/-) at the meeting held on 30th May 2016.

36.2 Assets and liabilities relating to dairy operations of Watawala Plantations PLC are classified as held for sales following a creation of a subsidiary Watawala Dairy Limited with effect from 1st April by disposing assets and liabilities of its dairy farm and Lonach estate at market value.

36.3 A subsidiary of the company, Sunshine Packaging Lanka Ltd has entered in to an agreement with Primeco Holdings Ltd conglomerate incorporated in Hong Kong to issue new shares accounting to 40% stake in the company for a consideration of USD 2 million equivalent to Rs. 292 million.

36.4 As per the publication by the Finance Ministry, the Company will be liable to pay income tax at 17.5% instead of current income tax rate at 28%, respectively on profit and income earned by the company with effect from year of assessment 2016/17.

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 nos of shareholders	1,451	(As at 31st March 2015 is 1,558)
Total nos of shares	135,140,986	(As at 31st March 2015 is 135,140,986)

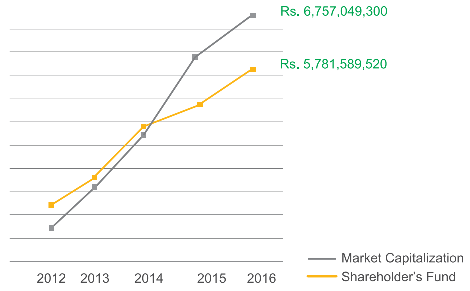
Range of Shareholdings		Resident			Non-resident			Total		
		No of Share holders	No of Shares	%	No of Share holders	No of Shares	%	No of Share holders	No of Shares	%
1	1000	1,075	476,099	0.35%	9	4,229	0.00%	1,084	480,328	0.36%
1001	5000	214	554,038	0.41%	8	23,710	0.02%	222	577,748	0.43%
5001	10000	51	436,999	0.32%	-	-	0.00%	51	436,999	0.32%
10001	50000	61	1,625,091	1.20%	3	130,002	0.10%	64	1,755,093	1.30%
50001	1000000	16	3,894,788	2.88%	5	969,440	0.72%	21	4,864,228	3.60%
1000001 & above		6	77,354,320	57.24%	3	49,672,270	36.76%	9	127,026,590	94.00%
Total		1,423	84,341,335	62.41%	28	50,799,651	37.59%	1,451	135,140,986	100.00%

Analysis of Shareholders	31st March 2016			31st March 2015		
	No of Shareholders	No of Shares	%	No of Shareholders	No of Shares	%
Individuals	1,367	7,050,451	5.22%	1,481	10,177,907	7.53%
Institutions	84	128,090,535	94.78%	77	124,963,079	92.47%
Total	1,451	135,140,986	100.00%	1,558	135,140,986	100.00%

Public Shareholdings	31st March 2016	31st March 2015
The percentage of shares held by the public	6.46%	5.99%
Number of shareholders representing public holdings	1,442	1,545

Shareholder trading information from 1st April 2015 to 31st March 2016	2016	2015	2014	2013	2012	2011	2010
Highest price (Rs.)	62.00	63.50	38.90	34.00	32.00	57.00	900.00
Lowest price (Rs.)	45.20	28.00	26.60	18.10	17.00	42.00	141.00
As at 31st March (Rs.)	50.00	48.00	28.70	26.60	20.00	42.10	325.00
Nos of transactions	1,216	6,626	2,453	1,794	939	2,756	1,346
Nos of shares traded	3,596,659	59,275,212	20,960,576	2,574,012	1,852,621	5,857,600	1,020,700
Value of shares traded (Rs.)	200,914,813	2,348,879,263	710,627,572	67,442,412	43,113,108	299,084,260	295,456,625

Market Capitalisation Vs Shareholder Fund	
Market capitalisation as at 31st March 2016 is	Rs. 6,757,049,300
Shareholders fund as at 31st March 2016 is	Rs. 5,781,589,520



Dividend	2016	2015	2014	2013	2012
Proposed & final dividend (Rs.)	141,898,035	128,383,937	127,135,210	66,666,665	39,999,999
Dividend per Share (Rs.)	1.05	0.95	0.95	0.50	0.30
Normalised dividend payout Ratio (%)	64.4%	43.5%	36.1%	37.6%	35.1%

Twenty (20) Largest shareholders as at	31st March 2016		31st March 2015	
Name	Nos of Shares Held	%	Nos of Shares Held	%
Sampath Bank/ Seylan Bank /Dr. T. Senthilverl	30,946,100	22.90%	31,684,390	23.45%
Lamurep Investments Limited	27,392,830	20.27%	27,392,830	20.27%
Deepcar Limited	25,600,000	18.94%	25,600,000	18.94%
Moneymore Securities Limited	22,810,730	16.88%	22,810,730	16.88%
Tansinghe (Private) Limited	16,015,390	11.85%	16,015,390	11.85%
Ceylon Property Development Limited	3,000,000	2.22%	3,000,000	2.22%
GF Capital Global Limited	1,261,540	0.93%	261,540	0.19%
Est of Late M. Radhakrishnan (Deceased)	750,000	0.55%	750,000	0.55%
Hatton National Bank PLC A/C No 05	669,661	0.50%	669,661	0.50%
Pershing LLC S/A Aerbach Grauson & Co	602,286	0.45%	322,286	0.24%
Nuwara Eliya Property Developers (Pvt) Ltd	575,261	0.43%	575,261	0.43%
Mr.V.Govindasamy	443,330	0.33%	443,330	0.33%
Deutsche Bank AG as Trustee for JB Vantage Value	386,793	0.29%	386,793	0.29%
Deutsche Bank AG as National Equity Fund	321,249	0.24%	-	0.00%
Mr. W.D.P.L. Vithanage	114,703	0.08%	114,703	0.08%
Mr. I.M. Dabah	100,000	0.07%	100,000	0.07%
Gold Investment Limited	100,000	0.07%	-	0.00%
Mr. M.A. Valabji	100,000	0.07%	-	0.00%
Mr. N.S. Perera	87,104	0.06%	-	0.00%
Freudenberg Shipping Agencies Limited	79,585	0.06%	-	0.00%
Sub Total	131,356,562	97.20%	130,126,914	96.29%
Others	3,784,424	2.80%	5,014,072	3.71%
Total	135,140,986	100.00%	135,140,986	100.00%

OTHER INFORMATION

In harmony with the resounding hum of the conch, we reflect its optimism and auspiciousness that at every end there is a new beginning.

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

2001/02

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

1.1 Mn

2002/03

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

1.8 Mn

2004/05

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

4.7 Mn

2007/08

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

7.2 Mn

2009/10

Sunshine Holdings announced a 1:10 stock split

Established Sunshine Energy

9.4 Mn

2011/12

Entered into the Wellness segment by launching Surelife Wellness brands

Launched 1st own Wellness brand: 'Pedia Plus'

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

10.8 Mn

2012/13

Maintained number 2 Branded Tea company in SL

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

13.1 Mn

2013/14

JV with Wilmar International to strengthen Agri business

14.7 Bn

2014/15

Healthcare 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

16.3 Bn

2015/16

Exclusive supplier of Tea to the international chain of hotels Shangri-La

PrimeCo Group invested USD 2 million to acquire a 40% stake in Sunshine Packaging

JV with Duxton Asset Management to invest USD 11 million to develop a 1,000 milking cow commercial Dairy Farm

Watawala Tea became the largest brand in the country in terms of volume during the year

17.4 Bn

DECADE AT A GLANCE

For the year ended 31st March	2016		2015		2014		2013	
	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
Operating Results								
Revenue	17,422,249,764	265,431,378	16,326,528,096	313,557,464	14,696,587,869	232,691,759	13,067,664,329	230,073,381
Gross profit	4,092,816,148	249,066,576	3,610,668,850	268,518,924	3,510,997,629	232,691,759	3,319,045,536	230,073,381
Profit Before interest & Tax	1,660,598,576	157,704,853	1,413,268,709	221,878,292	1,595,297,083	1,018,312,994	1,712,747,391	165,957,234
Profit before tax	1,591,244,008	221,176,398	1,309,333,699	294,740,754	1,450,026,167	1,109,880,839	1,502,387,454	177,206,637
Income Tax	(373,645,411)	(769,355)	(335,820,583)	(2,023,953)	(324,141,236)	(6,218,055)	(299,952,674)	-
Profit for the year	1,217,598,597	220,407,043	973,513,116	292,716,801	1,125,884,931	1,103,662,784	1,202,434,780	177,206,637
Other comprehensive income	92,461,096	(6,992,058)	73,387,932	57,076,838	42,414,470	107,525,886	51,423,000	2,124,123
Total comprehensive income	1,310,059,693	213,414,985	1,046,901,048	349,793,639	1,168,299,401	1,211,188,670	1,253,857,780	179,330,760
Profit Attributable to owners of parent company	605,789,388	213,414,985	542,303,854	349,793,639	687,649,273	1,211,188,670	631,051,369	179,330,760
Equity & Liabilities								
Stated Capital	730,939,657	730,939,657	730,939,657	730,939,657	690,993,533	690,993,533	679,999,949	679,999,949
Capital & other Reserves	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725	1,257,725	1,076,455	1,257,725
Retained Profit	5,049,392,138	2,126,757,288	4,571,180,685	2,041,726,240	4,156,248,570	1,819,067,811	3,071,318,173	674,792,410
Shareholders' fund	5,781,589,520	2,858,954,670	5,303,378,067	2,773,923,622	4,848,499,828	2,511,319,069	3,752,394,577	1,356,050,084
Non-controlling Interest	4,168,557,293	-	3,643,544,084	-	3,422,805,717	-	2,972,805,082	-
Total Equity	9,950,146,813	2,858,954,670	8,946,922,151	2,773,923,622	8,271,305,545	2,511,319,069	6,725,199,659	1,356,050,084
Non Current Liabilities	2,883,819,594	43,198,526	2,607,517,581	9,980,594	2,747,833,165	8,800,364	2,394,963,231	6,285,163
Current Liabilities	3,288,027,254	13,691,515	3,058,199,960	17,293,912	2,480,487,844	11,343,067	2,647,366,645	8,322,763
Total Equity & Liabilities	16,121,993,661	2,915,844,711	14,612,639,692	2,801,198,128	13,499,626,554	2,531,462,500	11,767,529,536	1,370,658,010
Assets								
Property, Plant & Equipments	4,104,956,315	6,077,792	3,830,814,031	3,031,897	3,679,264,826	2,860,593	3,534,983,050	753,193
Biological assets	3,431,155,000	-	3,350,253,000	-	3,139,569,000	-	2,880,079,000	-
Intangible Assets	137,471,955	2,191,875	110,539,090	-	153,569,864	-	143,633,919	-
Investments in subsidiaries	-	1,041,371,979	-	961,371,884	-	961,371,884	-	860,698,768
Other Investments	1,296,865,044	721,505,044	673,142,764	673,142,764	506,094,835	506,094,835	297,905,868	297,905,868
Investment in Gratuity fund	234,369,000	-	220,262,000	-	200,000,000	-	127,267,000	-
Investment in Associate	6,275,928	6,111,426	4,292,875	2,719,920	2,845,696	2,719,920		
Deferred tax	82,380,722	-	92,863,490	-	91,018,038	-	86,088,863	-
Current Assets	6,828,519,697	1,138,586,595	6,330,472,442	1,160,931,663	5,727,264,295	1,058,415,268	4,697,571,835	211,300,181
Total Assets	16,121,993,661	2,915,844,711	14,612,639,692	2,801,198,128	13,499,626,554	2,531,462,500	11,767,529,536	1,370,658,010
Key Indicators								
Earnings Per Share	4.34	1.63	3.62	2.19	4.47	8.25	4.73	1.33
Dividends Per Share	1.05	1.05	0.95	0.95	0.95	0.95	0.50	0.50
Net Assets Per Share	42.78	21.16	39.24	20.53	36.23	18.77	28.14	10.17
Return on Equity (ROE)	12.90%	7.46%	12.16%	12.61%	13.92%	62.64%	18.25%	13.94%
Current Ratio	2.08	83.16	2.06	67.13	2.3	93.3	1.7	25.3
Dividend Payout Ratio	-	64.4%	-	43.5%	-	36.1%		37.6%

For the year ended 31st March	2012		2011		2010		2009		2008		2007	
	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.	Group Rs.	Company Rs.
Operating Results												
Revenue	10,859,486,197	190,134,023	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
Gross profit	2,432,572,189	190,134,023	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
Profit Before interest & Tax	1,078,580,853	112,197,331	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
Profit before tax	962,105,071	114,012,109	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
Income Tax	(300,914,098)	-	(219,814,038)	-	(108,401,185)	-	(128,847,482)	(668,686)	(138,619,712)	(402,328)	(95,528,328)	(2,973,704)
Profit for the year	661,190,973	114,012,109	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
Other comprehensive income	(95,826,331)	16,703,238	56,345,000	-	-	-	-	-	-	-	-	-
Total comprehensive income	565,364,642	130,715,347	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
Profit Attributable to owners of parent company	430,937,400	130,715,347	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
Equity & Liabilities												
Stated Capital	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	679,999,949	170,000,000	170,000,000	170,000,000	170,000,000
Capital & other Reserves	1,291,295	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
Retained Profit	2,480,051,964	535,461,649	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
Shareholders' fund	3,161,343,208	1,216,719,323	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
Non-controlling Interest	2,457,276,937	-	2,531,624,546	-	1,609,021,951	-	1,520,382,041	-	1,407,283,124	-	965,864,263	-
Total Equity	5,618,620,145	1,216,719,323	5,227,829,648	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
Non Current Liabilities	2,752,190,835	3,778,569	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
Current Liabilities	2,725,753,398	4,923,647	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
Total Equity & Liabilities	11,096,564,378	1,225,421,539	9,187,507,989	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
Assets												
Property, Plant & Equipments	3,594,369,237	763,825	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
Biological assets	2,766,583,000	-	2,460,320,000	-	-	-	-	-	-	-	-	-
Intangible Assets	134,829,240	-	120,728,232	-	36,712,570	-	-	-	-	-	15,934,341	-
Investments in subsidiaries	-	817,752,548	-	817,752,548	-	649,402,568	125,001,473	417,402,568	123,809,735	208,745,400	47,603,147	256,348,597
Other Investments	295,781,725	295,781,725	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
Investment in Gratuity fund	42,641,000	-	-	-	-	-	-	-	-	-	-	-
Investment in Associate												
Deferred tax	85,734,448	-	46,412,333	-	-	-	-	-	-	-	-	-
Current Assets	4,176,625,728	111,123,441	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
Total Assets	11,096,564,378	1,225,421,539	9,187,507,989	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
Key Indicators												
Earnings Per Share	3.51	0.86	4.76	0.83	2.97	0.86	14.37	7.03	20.54	3.23	9.81	7.2
Dividends Per Share	0.30	0.30	0.30	0.30	0.3	0.3	2.5	2.5	2.5	2.5	1.5	1.5
Net Assets Per Share	23.71	9.13	18.56	8.45	13.98	6.9	103.88	62.77	72.65	26.8	65.12	25.06
Return on Equity (ROE)	16.66%	11.16%	23.88%	11.64%	24.36%	13.03%	12.39%	10.04%	28.22%	12.07%	15.07%	28.72%
Current Ratio	1.5	22.5	1.5	9.7	1.59	40.44	1.5	24.14	1.47	0.66	1.15	1.27
Dividend Payout Ratio	-	35.1%	-	36.1%	-	34.9%	-	35.6%	-	77.4%	-	20.8%

* Adjusted
The above information is based on the audited financial statement and those financial statements for the year ended 31st March 2016, 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.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	GROUP		COMPANY	
For the year ended 31st March	2016 US$	2015 US$	2016 US$	2015 US$
Revenue	**121,071,923**	122,848,217	**1,844,554**	2,359,349
Cost of sales	(92,629,837)	(95,679,904)	(113,723)	(338,890)
Gross profit	**28,442,086**	27,168,313	**1,730,831**	2,020,459
Other operating income	1,101,885	1,318,045	832,655	133,788
Administration expenses	(11,395,913)	(11,521,176)	(1,467,552)	(484,734)
Selling and distribution expenses	(6,458,544)	(5,868,161)	-	-
Write off of goodwill/ new business	(149,566)	(462,946)	-	-
Results from operating activities	**11,539,948**	10,634,075	**1,095,934**	1,669,513
Interest income	757,573	829,265	451,986	568,927
Finance cost	(1,229,749)	(1,622,209)	(10,905)	(20,676)
Net finance income/ (expense)	**(472,176)**	(792,944)	**441,081**	548,251
Share of profit of equity accounted investees (net of income tax)	(9,788)	10,889	-	-
Profit before income tax expenses	11,057,984	9,852,020	1,537,015	2,217,764
Income tax expense	(2,596,563)	(2,526,867)	(5,346)	(15,229)
Profit for the year	**8,461,421**	7,325,153	**1,531,669**	2,202,535
Other comprehensive income				
Actuarial gain/(loss)	664,704	140,835	(63,571)	3,163
Exchange gain/(loss)	-	21	-	-
Fair value change in available for sale financial assets	89,776	426,310	14,981	426,310
Taxes related to other comprehensive income	(111,943)	(14,961)	-	-
Total other comprehensive income for the year net of tax	**642,537**	552,205	**(48,590)**	429,473
Total comprehensive income for the year	**9,103,958**	7,877,358	**1,483,079**	2,632,008
Profit attributable to:				
Equity holders of the company	4,077,747	3,642,161	1,531,668	2,202,535
Non-controlling interest	4,383,674	3,682,992	-	-
Total other comprehensive income attributable to:				
Equity holders of the company	132,047	438,378	(48,590)	429,473
Non-controlling interest	510,490	113,827	-	-
Total comprehensive income for the year	**9,103,958**	7,877,358	**1,483,078**	2,632,008
Earnings per share	**0.03**	0.03	**0.01**	0.02

STATEMENT OF FINANCIAL POSITION

	GROUP		COMPANY	
As at 31st March	2016 US$	2015 US$	2016 US$	2015 US$
Assets				
Non-current assets				
Property, plant and equipment	27,098,320	27,225,516	42,236	22,813
Leasehold land	1,428,131	1,599,270	-	-
Biological assets	23,844,024	25,208,826	-	-
Intangible assets	955,330	831,746	15,232	-
Investment in subsidiaries	-	-	7,236,775	7,233,799
Investment in associate	43,613	32,302	42,470	20,466
Other investments	9,012,266	5,065,032	5,013,934	5,065,032
Deferred tax asset	572,486	698,747	-	-
Investment in gratuity fund	1,628,694	1,657,351	-	-
Total Non-current assets	**64,582,864**	62,318,790	**12,350,647**	12,342,110
Current assets				
Inventories	20,098,492	19,824,306	-	-
Trade and other receivables	16,473,414	15,337,496	229,211	426,321
Income tax recoverable	114,573	91,259	21,951	23,768
Amounts due from related parties	583,476	622,142	1,448,262	1,097,227
Cash and cash equivalents	10,183,273	11,758,149	6,212,922	7,188,062
Total Current assets	**47,453,228**	47,633,352	**7,912,346**	8,735,378
Total assets	**112,036,092**	109,952,142	**20,262,993**	21,077,488
Equity and liabilities				
Capital and reserves				
Stated capital	5,079,497	5,499,922	5,079,498	5,499,922
Reserves	8,741	9,464	8,741	9,464
Retained profit	35,089,591	34,395,641	14,779,411	15,362,876
Equity attributable to owners of the company	**40,177,829**	39,905,027	**19,867,650**	20,872,262
Non controlling interest	28,968,432	27,415,682	-	-
Total equity	**69,146,261**	67,320,709	**19,867,650**	20,872,262
Non-current liabilities				
Deferred taxation	1,900,357	1,598,454	-	-
Employee benefits	7,833,072	8,602,053	300,198	75,099
Deferred income and capital grants	1,414,656	1,607,299	-	-
Interest bearing borrowings	8,892,357	7,812,341	-	-
Total non current liabilities	**20,040,442**	19,620,147	**300,198**	75,099
Current liabilities				
Interest bearing borrowings	3,170,161	3,044,165	-	-
Trade and other payables	15,877,016	14,994,651	81,550	77,134
Income tax payable	849,946	721,625	4,142	15,646
Amounts due to related parties	9,569	7,111	9,453	6,917
Bank overdrafts	2,942,697	4,243,734	-	30,430
Total current liabilities	**22,849,389**	23,011,286	**95,145**	130,127
Total liabilities	**42,889,831**	42,631,433	**395,343**	205,226
Total equity and liabilities	**112,036,092**	109,952,142	**20,262,993**	21,077,488

STATEMENT OF CASH FLOWS

	GROUP		COMPANY	
For the year ended 31st March	2016 US$	2015 US$	2016 US$	2015 US$
Cash flows from operating activities				
Profit before income tax expense	11,057,985	9,852,022	1,537,015	2,217,764
Adjustments for;				
Interest income	(757,573)	(829,265)	(451,986)	(568,927)
Share of profit of equity accounted investees	9,788	(10,889)	-	-
Profit on disposal of property, plant and equipment	(242,193)	(190,384)	(281)	-
Gain/(loss) on fair value of biological assets	(204,941)	(12,965)	-	-
Interest expense	1,229,749	1,598,854	10,905	20,676
Depreciation & amortisation	3,539,983	3,541,199	15,948	7,461
Profit on disposal of investments	-			-
Provision / (reversal) for bad and doubtful debts	(86,869)	128,315	-	-
Goodwill write off	-	462,946	-	-
Amortisation of deferred income and capital grants	(69,778)	(76,697)	-	-
Amortisation of leasehold right to bare land	48,888	52,935	-	-
Profit of sales of biological assets	(112,432)	278,006	-	-
Movement in livestock	88,402	-	-	-
Provision for gratuity excluding actuarial gain/loss	1,429,839	1,519,490	210,391	17,498
Fair value gain/loss	102,912	(133,759)	102,912	(133,759)
Dividend income	-	-	-	-
Exchange gain /(loss)	-	23,355	-	-
Conversion (gain)/ loss	(574,416)	(145,539)	(547,145)	(119,455)
	15,459,344	16,057,624	**877,759**	1,441,258
Changes in;				
Inventories	(1,789,596)	(1,444,022)	-	-
Trade and other receivables	(2,221,477)	(2,195,603)	164,521	(163,075)
Amounts due from related parties	(8,893)	(57,556)	(434,910)	(500,348)
Trade and other payables	2,028,586	3,152,041	10,313	39,720
Amounts due to related parties	3,001	5,855	3,065	5,768
Cash generated from/ (used in) operations	**13,470,965**	15,518,339	**620,748**	823,323
Interest paid	(1,229,749)	(1,607,859)	(10,905)	(20,676)
Income tax paid	(2,058,374)	(2,362,692)	(15,654)	(46,371)
Gratuity paid	(876,559)	(765,399)	(43,122)	(5,455)
Cash generated from operating activities	**9,306,283**	10,782,389	**551,067**	750,821

	GROUP		COMPANY	
For the year ended 31st March	2016 US$	2015 US$	2016 US$	2015 US$
Cash flows from investing activities				
Interest received	757,573	829,265	451,986	568,927
Investment in other investments	(4,347,551)	(696,876)	(424,013)	(696,876)
Investments in subsidiary/ associates	(23,569)	-	(579,511)	-
Dividend received	-	-	-	-
Investment gratuity fund	(98,033)	(152,460)	-	-
Field development expenditure	(1,452,571)	(2,692,235)	-	-
Acquisition of property, plant & equipment	(4,560,483)	(3,821,202)	(32,038)	(8,750)
Acquisition of intangible assets	(255,400)	(222,523)	(20,309)	-
Proceeds from disposal of investment	-	-	-	-
Proceeds from disposal of biological assets	203,280	-	-	-
Proceeds from disposal of property, plant & equipment	384,408	239,727	281	-
Net cash (used in) / from investing activities	**(9,392,346)**	(6,516,304)	**(603,604)**	(136,699)
Cash flows from financing activities				
Proceed from issue of shares	-	300,573	-	300,573
Proceeds from issue of shares to non controlling share holders	355,438	-	-	-
Stamp duty paid	-	-	-	-
Receipts of interest bearing borrowings	6,373,127	4,921,117	-	-
Repayments of interest bearing borrowings	(4,339,418)	(7,454,470)	-	-
Lease rentals paid	(89,207)	(196,184)	-	-
Dividend paid	(892,175)	(956,623)	(892,175)	(956,623)
Dividend paid to non controlling shareholders	(1,595,541)	(2,137,663)	-	-
Net cash from / (used in) financing activities	**(187,776)**	(5,523,250)	**(892,175)**	(656,050)
Net increase/(decrease) in cash and cash equivalents	**(273,839)**	(1,257,165)	**(944,712)**	(41,927)
Cash and cash equivalents at the beginning of the year	**7,514,415**	8,771,580	**7,157,634**	7,199,561
Cash and cash equivalents at the end of the year	**7,240,576**	7,514,415	**6,212,922**	7,157,634

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

Dividend Per Share (DPS)
Dividend divided by number of ordinary shares in issue

Earnings Per Share (EPS)
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

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 (NCI)
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 Capital Equity (ROCE)
EBIT divided by average capital employee

Return on Equity (ROE)
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 Third (43rd) Annual General Meeting of Sunshine Holdings PLC will be held at the 'Committee Room B' of Bandaranaike Memorial International Conference Hall (BMICH), Bauddhaloka Mawatha, Colombo 07 on Monday the 11th day of July 2016 at 10.00 a.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 2016 with the Report of the Auditors thereon.
2. To declare a Final Dividend of Rs.1.05 (One Rupee and five cents) per share as recommended by the Directors.
3. To propose the following resolution as an Ordinary resolution for the re-appointment of Mr. Munir Shaikh who has reached the age of 72 years.

Ordinary Resolution
IT IS HEREBY RESOLVED that the age limit referred to in Section 210 of the Companies Act No.07 of 2007 shall not apply to Mr. Munir Shaikh who has reached the age of 72 years prior to this Annual General Meeting and that he be reappointed.

4. To re-appoint Mr. A. Talwatte who retires in terms of Article 110 of the Articles of Association of the Company, as a Director.
5. To re-appoint Ms. R. Kobbekaduwa who retires in terms of Article 110 of the Articles of Association of the Company, as a Director.
6. To re-elect Mr. S. Piyaratna who retires by rotation in terms of Article 104 of the Articles of Association of the Company, as a Director.
7. To re-elect Mr. G. Sathasivam who retires by rotation in terms of Article 104 of the Articles of Association of the Company as a Director.
8. To re-elect Mr. S. G. Sathasivam who retires by rotation in terms of Article 104 of the Articles of Association of the Company as a Director.
9. To re-appoint Messrs. KPMG (Chartered Accountants) as Auditors of the Company and authorize the Directors to determine their remuneration.
10. To authorize the Directors to determine contributions to charities.

By Order of the Board

Corporate Services (Pvt) Ltd
Secretaries

30th May 2016
Colombo.

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

Note:
Any shareholder entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and vote/ speak in his/her stead and a form of proxy is sent herewith for this purpose. A proxy need not be a shareholder of the Company.
A completed form of proxy must be deposited at the Registered Office of the Company, at No. 60, Dharmapala Mawatha, Colombo 03, not less than 48 hours before the time appointed for the holding of the meeting.

FINANCIAL CALENDER

1. Interim Quarterly Reports

Listing rule: Submission of unaudited interim financial statements to CSE as per listing rule

Period	Listing rules	Date of release 2015/16	Date of released 2014/15
01st Quarter	Within 45 days of the end of quarter	14th August 2015	06th August 2014
2nd Quarter	Within 45 days of the end of quarter	02nd November 2015	03rd November 2014
3rd Quarter	Within 45 days of the end of quarter	11th February 2016	02nd February 2015
4th Quarter	Within 60 days of the end of quarter	30th May 2016	25th May 2015

2. Audited Financial Statements

Listing rule: Submission of audited financial statements within five months from the year end.

Meetings	Financial year	Date of release	AGM
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
43rd Annual General Meeting	2015/16	17th June 2016	11th July 2016

FORM OF PROXY

I/We……of

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

……… of

……………………………………………………………………………………………………or failing him, Mr. Munir Shaikh (Chairman of the Company) of Colombo, or failing him, one of the Directors of the Company as my/our proxy to vote as indicated hereunder for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Monday the 11th day of July 2016 at 10.00 a.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 2016 with the Report of the Auditors thereon.		
02	To declare a Final Dividend of Rs.1.05 (One Rupee and five cents) per share as recommended by the Directors.		
03	To re-appoint Mr. Munir Shaikh, who retires having attained the age of seventy two years, a Director by passing the Ordinary Resolution set out in the Notice.		
04	To re-appoint Mr. A. Talwatte who retires in terms of Article 110 of the Articles of Association of the Company, as a Director.		
05	To re-appoint Ms. R. Kobbekaduwa who retires in terms of Article 110 of the Articles of Association of the Company, as a Director.		
06	To re-elect Mr. S. Piyaratna who retires by rotation in terms of Article 104 of the Articles of Association of the Company, as a Director.		
07	To re-elect Mr. G. Sathasivam who retires by rotation in terms of Article 104 of the Articles of Association of the Company as a Director.		
08	To re-elect Mr. S. G. Sathasivam who retires by rotation in terms of Article 104 of the Articles of Association of the Company as a Director.		
09	To re-appoint Messrs. KPMG (Chartered Accountants) as Auditors of the Company and authorise the Directors to determine their remuneration.		
10	To authorise the Directors to determine contributions to charities.		

Dated this .... day of 2016

....

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

- The instrument appointing a proxy may be in writing under the hands of the appointor or of its attorney duly authorised in writing or if such appointor is a corporation under its common seal or the hand of its attorney or duly authorised person
- The instrument appointing a proxy and the Power of Attorney or other authority, if any, under which it is signed or a notarially certified copy of that Power of Attorney or other authority will have to be deposited at the Registered Office of the Company, at No. 60, Dharmapala Mawatha, Colombo 03, not less than 48 hours before the time appointed for the holding of the meeting.

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. Munir Shaikh - (Chairman)
Mr. G. Sathasivam
Mr. V. Govindasamy - (Group Managing Director)
Mr. B. A. Hulangamuwa
Mr. S. Piyaratna
Mr. N. B. Weerasekera
Mr. A. Hollingsworth
Mr. S. G. Sathasivam
Mr. H. Abeywickrama
Dr. T. Senthilverl
Ms. R. Kobbekaduwa (appointed w.e.f 30.05.2016)
Mr. A. Talwatte (appointed w.e.f 30.05.2016)

Secretaries
Corporate Services (Private) Limited,
No. 216, De Saram Place,
Colombo 10.
Tel : 011 4 605 100

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

Credit Ratings
The Company has been assigned a national long- term rating of ‘A(lka)’ with stable outlook by Fitch Ratings Lanka Limited

NOTES

Produced and Designed by GH Resources
Printed by Gunaratne Offset Limited